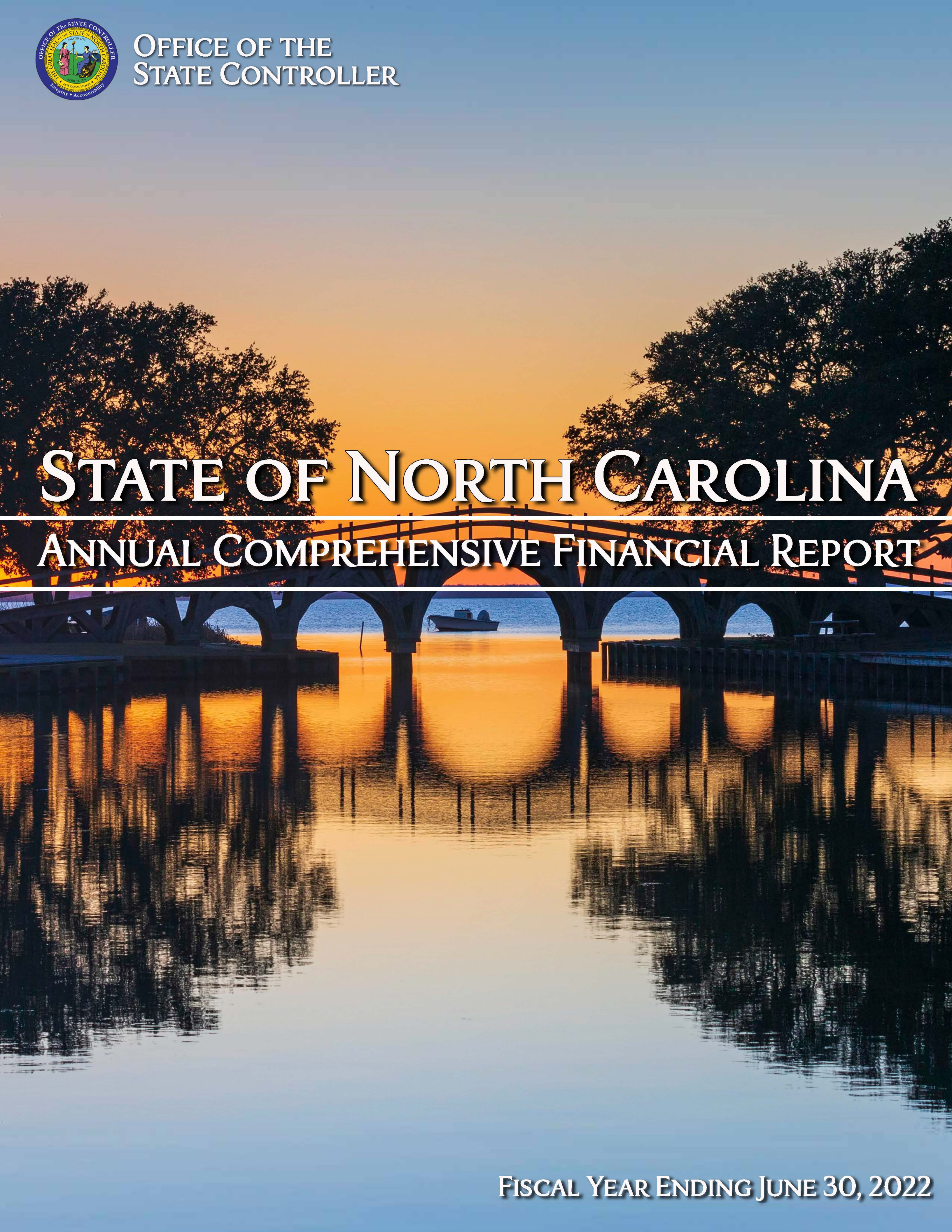

Office of the
State Controller

State of North Carolina

Annual Comprehensive Financial Report

Fiscal Year Ending June 30, 2022

On the cover:

North Carolina is home to more than 200 historic bridges spanning a wide range of materials and types, from timber stringer to metal truss to concrete arch. The bridge pictured on the cover is the historic footbridge on Corolla Island near the Currituck Sound located in the very popular Outer Banks.

Established in 1668, Currituck was one of the first areas settled in the United States. As an original North Carolina county, Currituck County was one of the five original ports. Named for an Algonquin Indian term meaning "The Land of the Wild Goose," the area is abundant with waters, marshes, and woods. The bridge (circa 1925) is on the National Register of Historic Places.

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

ROY COOPER
GOVERNOR

NELS C. ROSELAND
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

https://www.osc.nc.gov

This report was prepared by the
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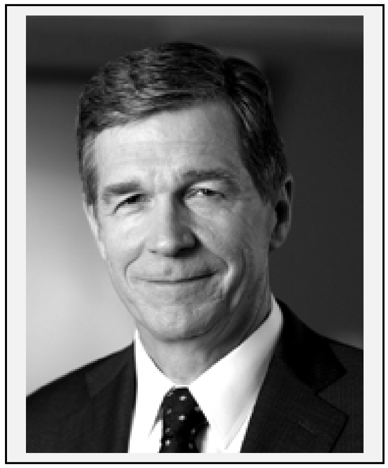
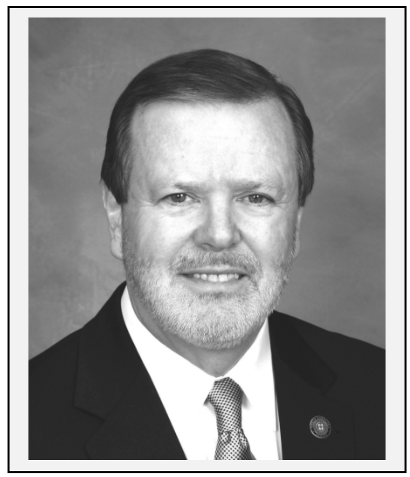
Special appreciation is given to the chief fiscal officers and the dedicated accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.

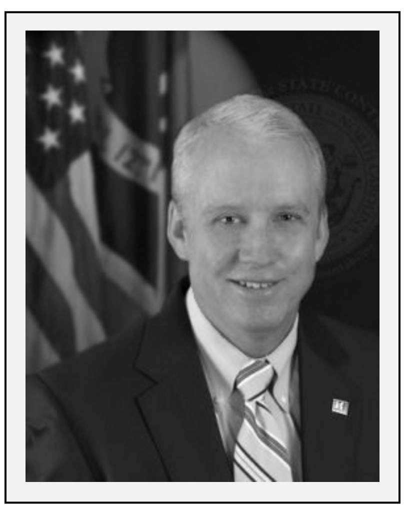


ROY COOPER
Governor of North Carolina

REPRESENTATIVE TIM MOORE
Speaker of the House
North Carolina General Assembly



SENATOR PHILIP BERGER
President Pro Tempore
North Carolina General Assembly



NELS C. ROSELAND
State Controller

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State of North Carolina
Office of the State Controller

NELS C. ROSELAND
STATE CONTROLLER

December 5, 2022

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Citizens of North Carolina

In compliance with G.S. 143B-426.40H, it is our pleasure to provide you with the State of North Carolina's 2022 Annual Comprehensive Financial Report (ACFR). This report has been prepared by the Office of the State Controller. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state government and this office. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. We believe all disclosures necessary to enable you to gain an understanding of the State's financial activities have been included.

Although the State budgets and manages its financial affairs on the cash basis of accounting, G.S. 143B-426.40H requires the Office of the State Controller to prepare a Comprehensive Annual Financial Report, which is now termed Annual Comprehensive Financial Report (ACFR) with the implementation of GASB Statement 98, *The Annual Comprehensive Financial Report*, in accordance with generally accepted accounting principles (GAAP) in the United States of America. Except for schedules clearly labeled otherwise, this ACFR has been prepared in accordance with GAAP.

North Carolina's State government management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with North Carolina's General Statutes, an annual financial audit of the State financial reporting entity is completed each year by the North Carolina Office of the State Auditor. The Auditor's examination was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Auditor's opinion has been included in this report. In addition, the State coordinates the *Single Audit* effort of all federal funds through the State Auditor.

This letter of transmittal is intended to complement the management's discussion and analysis (MD&A) and should be read in conjunction with it. The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, the MD&A focuses on the State's major funds: the General Fund, the Highway Fund, the Highway Trust Fund, the Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. Turnpike Authority, and the N.C. State Lottery Fund. The MD&A can be found immediately following the independent auditor's report.

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Profile of the State of North Carolina

The Old North State, The Tar Heel State

North Carolina became the 12th state of the union in 1789. North Carolina is located on the Atlantic coast and is bordered by Georgia, South Carolina, Tennessee, and Virginia. The State has a land area of approximately 50,000 square miles. The State's estimated population is 10.6 million, making it the 9th most populated state in the nation. Ninety-four percent of the State's population lives in metropolitan areas. The North Carolina coastline is 301 miles, the greatest distance east to west is 543 miles, and the greatest distance north to south is 188 miles. The State's elevation rises from sea level on the eastern coastline to 6,684 feet at Mount Mitchell in the Appalachian mountain range on the western border. There are 80,318 miles of roads, with Interstate 40 crossing North Carolina east to west, and Interstates 77, 85, and 95 crossing the State north to south. North Carolina's capital and central state government administration is located in Raleigh, in the central piedmont. Charlotte, Raleigh, Greensboro, Durham, and Winston-Salem are North Carolina's largest cities and there are 100 counties.

North Carolina is ranked number one by *Site Selection* and *CNBC* magazines for doing business while *Chief Executive* magazine ranked North Carolina fifth for best state for doing business.

Government

North Carolina's state government consists of an executive branch, a legislative branch, and a judicial branch. The executive branch is headed by the Governor. The Governor, Lieutenant Governor, and eight other statewide elected officers form the Council of State. The State Constitution provides that, "A Secretary of State, an Auditor, a Treasurer, a Superintendent of Public Instruction, an Attorney General, a Commissioner of Agriculture, a Commissioner of Labor, and a Commissioner of Insurance shall be elected by the qualified voters of the State…." All administrative departments, agencies, and offices of the State and their respective functions, powers, and duties shall be allocated by law among and within not more than 25 principal administrative departments.

The legislative power of the State is vested in the General Assembly, which consists of a Senate and a House of Representatives. The Senate is composed of 50 Senators, elected on a biennial basis. The House of Representatives is composed of 120 Representatives, elected on a biennial basis.

The Courts of the Judicial Branch are split into three divisions, the Appellate Division, the Superior Court Division, and the District Court Division. Judges are elected on a non-partisan basis.

State Reporting Entity and Its Services

The State of North Carolina entity as reported in the ACFR includes all fund types of the departments, agencies, boards, commissions, and authorities governed and legally controlled by the State's executive, legislative, and judicial branches. In addition, the reporting entity includes legally separate component units for which the State is financially accountable. The component units are discretely presented in the government-wide financial statements. The State's discretely presented major component units are the University of North Carolina System, the State's community colleges, and the State Health Plan. The criteria for inclusion in the reporting entity and its presentation are defined by the Governmental Accounting Standards Board (GASB) in its GASB Codification Section 2100. These criteria are described in Note 1, Summary of Significant Accounting Policies, of the accompanying financial statements.

The State and its component units provide a broad range of services to its citizens, including primary and secondary education; higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The costs of these services are reflected in detail and in summary in this report.

Budgetary Control

In addition to internal controls discussed previously, the State maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the General Assembly. Activities of the General Fund, departmental special revenue funds, and permanent funds are included in the annual appropriated budget. The Highway Fund and the Highway Trust Fund, the State's major special revenue funds, are primarily budgeted on a multi-year basis. Capital projects are funded and planned in accordance with the time it will take to complete the project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at both the departmental and university level, with allotment compliance exercised by the State Controller, and on the program line-item levels requiring certain approvals by the Director of the Budget. Legislative authorization of departmental expenditures appears in the State Appropriations Bill. The budget approved by the General Assembly is the legal expenditure authority; however, the Office of State Budget and Management may approve executive changes to the legal budget as allowed by law. These changes result in the final budget presented in the required supplementary information.

Economic Condition

Overview

At the start of fiscal year 2021-22, broad measures of employment and economic activity demonstrated that North Carolina’s economy had largely recovered from the depths of the recession induced by the COVID-19 pandemic and transitioned into the expansion phase of the business cycle. The State’s economy fared well during the fiscal year, recovering more rapidly than the nation as a whole and showing increasing resilience to the recurring waves of COVID-19 infections. However, as the year went on, persistently high inflation began to displace COVID-19 transmission rates as the predominant economic headline, provoking an aggressive monetary policy response and broadly shaping public perception of the ongoing state of the economy.

Early in the fiscal year, inflationary pressures were limited to a few specific categories of consumer goods and services, particularly those most affected by pandemic restrictions and supply chain disruptions. During fiscal year 2021-22, price increases became widespread as demand outstripped supply across a broad range of goods and services. Worker shortages and lingering pandemic-related disruptions to supply chains limited production capacity, while surplus savings resulting from federal pandemic-related fiscal support, along with reduced spending due to social distancing, continued to fuel demand. Russia’s invasion of Ukraine in February 2022 disrupted energy markets and commodity exports, causing additional price pressures to emerge. By the end of the fiscal year, in June 2022, consumer price inflation had soared to 9.1%, marking the largest year-over-year increase since November 1981.

In response to unacceptably high and persistent inflation, the Federal Reserve began tightening monetary policy during the latter part of the fiscal year. The Federal Reserve is expected to continue to aggressively tighten monetary policy into the second half of fiscal year 2022-23.

Projections of key economic indicators illustrate how the economy is expected to unfold during the next two fiscal years (fiscal years 2022-23 and 2023-24, or the “forecast period”) at the time of this writing. This forecast assumes that tightening monetary policy will successfully restore price stability and achieve a so-called “soft landing”, effectively slowing economic growth without triggering an outright recession. However, the economy is vulnerable, and the risk of a recession during the forecast period is elevated. In the current environment, aggressive tightening of monetary policy increases this risk.

Economic Indicators

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Projected	FY 2023-24 Projected
United States Indicators				
Real Gross Domestic Product Growth	2.3%	4.0%	0.6%	1.5%
Personal Income Growth	7.6%	2.8%	4.9%	5.1%
Corporate Pre-Tax Profit Growth	12.2%	13.7%	3.4%	1.3%
Retail Sales Growth	13.7%	13.2%	5.9%	2.5%
Average Unemployment Rate	6.9%	4.2%	3.7%	4.0%
Average Consumer Price Index Growth	2.3%	7.2%	6.3%	2.6%
Average 30-yr Fixed Mortgage Interest Rate	2.9%	3.8%	6.3%	6.2%
North Carolina Indicators				
Real Gross State Product Growth	3.8%	5.1%	1.5%	1.9%
Personal Income Growth	8.2%	4.7%	5.0%	4.8%
Wages and Salaries Growth	6.4%	11.7%	8.2%	5.8%
Retail Sales Growth	17.4%	11.4%	6.0%	4.4%
Average Unemployment Rate	5.9%	4.0%	3.5%	4.0%
Nonfarm Employment Growth	7.6%	3.4%	2.1%	1.0%

In fiscal year 2021-22, real gross domestic product (GDP), a broad measure of economic activity, grew by 4.0 percent nationally, while North Carolina's real gross state product (GSP) grew by 5.1 percent. After surpassing its pre-recession peak last fiscal year, US GDP continued to grow during the first half of the fiscal year and then contracted mildly for the last two quarters of the fiscal year. Despite two consecutive quarters of negative growth, US GDP in the last quarter of the fiscal year was 1.8 percent higher than in the last quarter of fiscal year 2020-21 and 3.5 percent above its pre-pandemic peak.

North Carolina's GSP had also eclipsed its pre-recession peak by the end of fiscal year 2020-21. The State's economy grew more quickly than the national economy during the first three quarters of fiscal year 2021-22 and, like the national economy, contracted mildly in the last quarter of the fiscal year. GSP ended the fiscal year 3.4 percent above the last quarter of fiscal year 2020-21 and 7.2 percent above its pre-pandemic peak. Over the forecast period, absent a recession, both the national and State economies are expected to grow slowly, with the State's economy continuing to expand at a faster pace than that of the nation.

After mounting an especially robust recovery in fiscal year 2020-21, US corporate profits again produced double-digit growth in fiscal year 2021-22. In the last quarter of the fiscal year, post-tax corporate profits as a share of GDP reached a 70-year high. Profitability growth is expected to slow significantly in tandem with the overall slowing of the economy.

Nonfarm employment in North Carolina, which fell by 558,500 during the pandemic-induced recession, rebounded significantly by July 2021 and continued to improve thereafter. At the start of the fiscal year, North Carolina became one of the first states to return to its pre-pandemic employment level. From June 2021 to June 2022, the State's economy went on to gain 155,200 nonfarm jobs (3.4%), exceeding employment in February 2020, prior to the pandemic, by 136,900 (3.0%). This stands in contrast to the nation, where employment remained below pre-pandemic levels at the end of the fiscal year and did not fully recover until more than a year after the State.

In North Carolina, jobs were added over the fiscal year in all major industries except government, which lost 7,100 jobs. The largest increase was in professional and business services (49,300 jobs). The leisure and hospitality sector, hardest hit during the pandemic, added 34,600 jobs during the fiscal year. Preliminary figures indicate that employment in this sector had nearly reached its pre-pandemic level as of September 2022. Job growth in the State is expected to slow considerably during the forecast period, adding around 100,000 jobs in fiscal year 2022-23 and another 50,000 in fiscal year 2023-24.

For most of the fiscal year, the labor market was very tight, with unemployment rates at both the State and national level approaching historic lows. By June 2022, the State unemployment rate was just below its pre-pandemic rate, while the US rate remained slightly above its pre-pandemic rate. The State unemployment rate declined from 4.9 percent at the start of the fiscal year to 3.4 percent in June 2022, averaging 4.0 percent for the fiscal year. At the end of the fiscal year, there were nearly twice as many job openings as job seekers in North Carolina, and employers struggled to fill vacancies. With so many job openings and a backlog of work, the unemployment rate is expected to remain low despite slowing growth. The State unemployment rate is expected to track the national rate closely, slowly increasing to 4.1 percent in the latter half of fiscal year 2023-24.

In response to the tight labor market, wage and salary income growth was remarkably strong in the State, increasing 11.7 percent – nearly double the growth rate in the previous fiscal year. Wage growth in the US fared similarly, rising by 10.3 percent. These exceptional growth rates represent the highest wage increases since the early 1980s, which also came during a period of high inflation. Notably, wage growth, which makes up more than half of total personal income and closely mirrors its growth under ordinary circumstances, outpaced personal income growth by a wide margin this fiscal year. Diminishing government transfer payments from federal pandemic relief and other programs, which bolstered personal income in fiscal year 2020-21, accounted for the relatively weak personal income growth in the State (4.7%) and nationally (2.8%) in fiscal year 2021-22.

Personal income is expected to grow slightly faster than average over the next two fiscal years. While the cooling labor market is expected to slow wage growth in fiscal year 2022-23 relative to the extraordinary growth in fiscal year 2021-22, projections show NC will maintain solid wage increases during the forecast period and continue to outpace the nation. State personal income growth is expected to remain steady in fiscal year 2022-23, roughly matching US growth, before slowing in fiscal year 2023-24.

After posting impressive gains last fiscal year, retail sales in the State and the US remained robust as consumers spent down the savings accumulated during the pandemic. However, unlike the previous fiscal year, much of this growth was price-driven. Over the next two fiscal years, rising prices are expected to dampen demand as consumers deplete surplus savings and gradually revert to typical pre-pandemic spending patterns. In addition, this forecast predicts continued inflation will erode nominal retail sales gains, flattening real growth during the forecast period.

Mortgage rates skyrocketed to 5.7 percent by the end of the fiscal year after remaining below 3 percent for most of fiscal year 2020-21. House prices in North Carolina surged over the last two fiscal years, increasing 44 percent since the end of fiscal year 2019-20. This dramatic increase was more than twice the growth rate of prices in the US housing market over the same two-year period. Despite rising rates, North Carolina house prices increased by over 25 percent during the fiscal year. Mortgage rates are expected to remain high as the Federal Reserve continues to tighten monetary policy, weakening demand and leading to declines in prices over the next two years.

Emma Turner, PhD, Chief Economist
NC General Assembly Fiscal Research Division

Long-Term Financial Planning and Major Initiatives

North Carolina Pension Funds

The North Carolina Retirement System administers four major retirement systems and several smaller systems and pension funds. The largest of the major retirement systems is the Teachers' and State Employees' Retirement System (TSERS).

Funding the Retirement Systems is a shared responsibility among employees, employers, and the Department of State Treasurer through investment earnings. Effective July 1, 2021, the State established an employer contribution rate of 16.38% of compensation for TSERS. This rate is the rate recommended by the TSERS Board of Trustees using the Employer Contribution Rate Stabilization Policy (ECRSP).

The ECRSP was established in 2016 as a mechanism for the Board of Trustees to use for making recommendations to the General Assembly for employer contribution rates for TSERS. A new version of ECRSP was adopted in April 2021 extending the essential provisions of ECRSP and adding clarifications. This policy establishes a procedure for determining the employer contribution rates for TSERS that the TSERS Board of Trustees will recommend to the General Assembly for fiscal years ending through June 30, 2027.

With the ECRSP, the Board will recommend to the General Assembly an employer contribution rate that is no less than 0.35% of payroll greater than the appropriated contribution (ADC) rate from the prior fiscal year, within the following bounds: 1) contributions may not be less than the ADC rate prior to applying the ECRSP; and 2) the 0.35% increase may not cause contributions greater than the ADC determined using the assumptions adopted but using a discount rate equal to the yield on 30-year United States Treasury securities as of the valuation date.

Retiree Health Benefits

Legislation passed during the 2017 Legislative Session will close the Retiree Health Benefit Trust. Members hired on or after January 1, 2021, are not eligible to receive retiree medical benefits. Under this legislation, retirees must have earned contributory retirement service in a state retirement system prior to January 1, 2021, and must not have withdrawn from service, to be eligible for retiree medical benefits.

Unfunded Liability Solvency Reserve

Session Law 2018-30 created the Unfunded Liability Solvency Reserve (Solvency Reserve) within the State's General Fund. The purpose is to accumulate funds during each fiscal year to be used in the following fiscal year to reduce the unfunded liabilities associated with TSERS and the Retiree Health Benefit Fund (RHBF). The Solvency Reserve will receive funds specifically designated by the General Assembly. To the extent the Savings Reserve has reached its statutory maximum, the Solvency Reserve will receive amounts with respect to the revenue growth transfer and debt refinancing savings that otherwise would have gone to the Savings Reserve. TSERS and RHBF will receive an annual share of the Solvency Reserve's balance, if any, in proportion to each plan's unfunded liability. During the last fiscal year the Solvency Reserve received its first direct appropriations from the General Fund. Forty million dollars was appropriated in fiscal year 2022 and $10 million in fiscal year 2023. Two million dollars was transferred to TSERS and $8.4 million was transferred to RHBF from the Solvency Reserve in fiscal year 2022.

Enterprise Resource Planning (ERP)

The North Carolina General Assembly allocated funds during the 2017-2019 biennium to continue to develop a fully consolidated statewide Enterprise Resource Planning (ERP) solution. To date, the State has implemented Release One, the replacement of the Cash Management Control System (CMCS), on April 5, 2021, and Release Two, implementation of new Oracle SmartView tools for compiling the State's ACFR, on July 28, 2021. Through fiscal year ended June 2021, project spending has amounted to approximately $46 million out of the $90 million appropriated. The project team has completed about 90% of the development phase and is preparing to move into System Integration and User Acceptance testing for Release Three, the replacement of the North Carolina Accounting System (NCAS), scheduled to go-live October 2023.

Relevant Financial Policies

Savings Reserve

Session Law 2017-5 amended General Statute 143C-4-2 creating the Savings Reserve in the General Fund. The Reserve is a component of the unappropriated General Fund balance. Funds in the Savings Reserve shall be available for expenditure in an aggregate amount that does not exceed seven and one-half percent (7.5%) of the prior fiscal year's General Fund operating budget appropriations, excluding departmental receipts, upon appropriation by a majority vote of the membership of the Senate and the House of Representatives present and voting for the following purposes: 1) to cover a decline in General Fund tax revenue from one fiscal year to another, 2) to cover the difference between that fiscal year's General Fund operating budget appropriations, excluding receipts and projected revenue, 3) to pay costs imposed by a court or administrative order, or 4) to provide relief and assistance from the effects of an emergency. The General Assembly recognizes the need to establish and maintain sufficient reserves to address unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies.

Each year the Office of State Budget and Management along with the Fiscal Research Division of the General Assembly shall jointly determine the adequacy of the Savings Reserve, based on the volatility of the State's tax structure and determine a target for the Savings Reserve, so as to be sufficient to cover two years of need for nine out of ten scenarios involving a decline in General Fund revenue from one fiscal year to the next. In 2022, the Office of State Budget and Management along with the Fiscal Research Division of the General Assembly recommended a target of 11.2% of the prior fiscal year's General Fund operating budget appropriations. At June 30, 2022, the Savings Reserve was $3.116 billion, which represents 12.72% of the prior year's General Fund appropriation budget.

At the beginning of fiscal year 2021-22, the balance of the Savings Reserve Account was $1.982 billion. Session Law 2021-180 authorized the transfer of $1.134 billion from the Unreserved Fund Balance to the Savings Reserve leaving a balance in the Savings Reserve at fiscal year-end of $3.116 billion.

State Capital and Infrastructure Fund

The 2017 General Assembly established the State Capital and Infrastructure Fund (SCIF), effective July 1, 2019. This replaces the Repairs and Renovations Reserve Account. The General Assembly recognized the need to establish and maintain a sufficient funding source to address the ongoing capital and infrastructure needs of the State. The Fund shall consist of 1) one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of the fiscal year; 2) four percent of the net State tax revenues that are deposited in the General Fund during the fiscal year; 3) all monies appropriated by the General Assembly for the purposes of capital improvements; 4) all interest and investment earnings received on monies in the Fund; and 5) any other funds as directed by the General Assembly.

Session Law 2021-180 appropriated $3.66 billion to the SCIF fund in fiscal year 2021-22, with an additional planned appropriation of $2.40 billion for fiscal year 2022-23. Session Law 2022-74 increased the appropriation for fiscal year 2022-23 to $3.18 billion. For fiscal year 2021-22, all but $12.5 million was appropriated to support General Fund debt service, state agency and university capital projects, community college projects, grants in aid to local governments, and grants in aid to non-profits. Session Law 2022-74 appropriated all but $500.9 million of funds from the SCIF and appropriated funds largely for the same purposes. Session Law 2022-74 changed the General Fund statutory contribution to the SCIF from four percent of General Fund revenue to a set amount each year from fiscal year 2023-24 to fiscal year 2025-26. The contribution will grow by 3.5% each year after fiscal year 2025-26.

Connect NC Bond Act Amendment

Session Law 2021-180 modified the Connect NC Bond Act (S.L. 2015-280) to limit the aggregate principal to be issued to $1.6 billion (the amount previously issued). The remaining funds needed to complete projects under the Connect NC Bond Act ($400 million) will be provided by an appropriation and available premium funds from earlier issues.

Justification & Expected Long-term benefits of Tax Abatements

The Jobs Development Investment Grant (JDIG Program) is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to twelve years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. In adopting the JDIG Program in the 2001-2002 Session, the General Assembly intended "to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State." The long-term benefits to the state of North Carolina generated by the fiscal year 2021-22 grant payments include 1) the creation of 20,180 jobs, 2) capital investment of $3.15 billion, and 3) $9.16 million contributed to the Utility Fund for infrastructure grants to rural counties.

Due to the Covid-19 pandemic, the Economic Investment Committee offered Compliance Relief for JDIG recipients. Grantees could request all obligations associated with the grant carried forward one year and/or request that Project Employees working from home-office locations within North Carolina be considered employed at the Project Facility with respect to grant years 2020 and 2021. There were 37 grantees that requested the carryforward, 40 requested both carry forward and home office locations and 25 requested office locations.

2020 COVID-19 Recovery Act and State Fiscal Recovery Reserve and State Fiscal Recovery Fund

The 2020 COVID-19 Recovery Act (Act) (Session Law 2020-4) authorized the Office of the State Controller to establish the Coronavirus Relief Reserve in the General Fund to maintain funds received from the federal government through the Coronavirus Relief Fund created under the CARES Act, P.L. 116-136, to mitigate the impact of the COVID-19 outbreak in North Carolina. Additionally, the Act established the Coronavirus Relief Fund to provide necessary and appropriate relief and assistance from the effects of COVID-19. The special fund is administered by the Office of State Budget and Management. Subsequent legislation (Session Law 2020-32, Session Law 2020-53, and Session Law 2020-80) authorized additional spending of the Coronavirus Relief funds received from the CARES Act. The State of North Carolina received $3.59 billion directly from the federal government from the CARES Act in fiscal year 2020. By December 31, 2021 $3.59 billion had been spent on COVID-19 relief.

In addition, in response to the Coronavirus pandemic, Session Law 2021-25 was signed into law on May 24, 2021. This bill created the State Fiscal Recovery Reserve and State Fiscal Recovery Fund (SFRF) to manage federal funds received from the federal government under the American Rescue Plan Act (ARPA) of 2021, P.L.117-2. North Carolina received $5.4 billion in federal funds from ARPA for the SFRF. At June 30, 2022, $1.23 billion had been spent on COVID-19 relief and $4.21 billion was reported as unearned revenue.

Debt Affordability Guidelines

The 2004 General Assembly passed legislation creating the Debt Affordability Advisory Committee. The Committee is charged, on an annual basis, with advising the Governor and the General Assembly of the estimated debt capacity of the State for the upcoming ten fiscal years. The Committee is also required to recommend other debt management policies consistent with sound management of the State's debt. The Committee is responsible for preparing an annual debt affordability study and establishing guidelines for evaluating the State's debt burden. The Committee is required to report its findings and recommendations to the Governor, the General Assembly, and the Fiscal Research Division of the General Assembly by February 1 of each year.

The Committee has adopted the ratio of debt service as a percentage of revenues as the controlling metric that determines the State's debt capacity. The 2022 study indicated over the ten-year planning horizon the State's revenue projections show a positive growth trend not excessively impacted from earlier declines in economic activity caused by the COVID-19 pandemic. The study found that the State's General Fund has debt capacity of $1.416 billion in each of the next ten years after incorporating the Committee's policy that directs resources to the Unfunded Liability Solvency Reserve to begin addressing the unfunded pension and OPEB liabilities. The ratio of debt service to revenues was projected to peak at 2.4% in fiscal year 2022. This rate is below the 4% target.

The following target and ceiling guidelines are the basis for calculating the recommended amount of General Fund-supported debt the State could prudently authorize and issue over the next ten years:

1. Net Tax-Supported Debt service after a continuing appropriation of $100 million to the Solvency Fund as a percentage of General Tax Revenues should be targeted at no more than 4% and not to exceed 4.75%;
2. Net Tax-Supported Debt as a percentage of personal income should be targeted at no more than 2.5% and not exceed 3%; and
3. The amount of debt to be retired over the next ten years should be targeted at no less than 55% and not decline below 50%.

North Carolina's debt is considered manageable at current levels when compared with its peer group composed of twelve other states rated "triple-A."

Awards and Acknowledgements

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Carolina for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the 28^{th} consecutive year (1994 to 2021) the State has received the prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

In conclusion, we believe this report provides useful data to all parties using it in evaluating the financial activity of the State of North Carolina. We in the Office of the State Controller express our gratitude to all the financial officers throughout the State and to the Office of the State Auditor for their dedicated efforts in assisting us in the preparation of this report. Any questions concerning the information contained in this report should be directed to the Office of the State Controller at (919) 707-0500.

Respectfully submitted,

Nels C. Roseland

Nels C. Roseland
State Controller

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CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of North Carolina

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

ORGANIZATION OF NORTH CAROLINA STATE GOVERNMENT INCLUDING PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

Council of State

Governor
Roy Cooper

Lieutenant Governor
Mark K. Robinson*

Secretary of State
Elaine F. Marshall

State Auditor
Beth A. Wood

State Treasurer
Dale R. Folwell, CPA

State Superintendent of Public Instruction
Catherine Truitt

Attorney General
Josh Stein

Commissioner of Agriculture
Steven W. Troxler

Commissioner of Labor
Josh Dobson

Commissioner of Insurance
Mike Causey

Cabinet Secretaries — Appointed by the Governor

Administration
Pamela B. Cashwell

Commerce
Machelle Baker Sanders

Environmental Quality
Elizabeth S. Biser

Health and Human Services
Kody H. Kinsley

Information Technology
James A. Weaver

Military and Veterans Affairs
Walter E. Gaskin, LtGen (ret.)

Natural and Cultural Resources
D. Reid Wilson

Public Safety
Eddie M. Buffaloe

Revenue
Ronald G. Penny

Transportation
J. Eric Boyette

Appointed by Governor, Confirmed by Legislature

State Controller
Nels C. Roseland

Appointed by State Board of Community Colleges

Community College System
Thomas A. Stith III
President

Appointed by University Board of Governors

University of North Carolina System
Peter Hans
President

LEGISLATIVE BRANCH

Senate

President Pro Tempore
Philip Berger

Deputy Pres. Pro Tempore
Ralph Hise

Majority Leader
Kathy Harrington

Minority Leader
Dan Blue

*Note:
Article II of the NC Constitution provides that the Lieutenant Governor shall serve as President of the Senate.

House of Representatives

Speaker
Tim Moore

Speaker Pro Tempore
Sarah Stevens

Majority Leader
John R. Bell, IV

Minority Leader
Robert T. Reives, II

JUDICIAL BRANCH

North Carolina Supreme Court

Chief Justice
Paul Newby

Associate Justices
Robin Hudson
Samuel Ervin IV
Michael Morgan
Anita Earls
Philip Berger Jr.
Tamara Barringer

Administrative Office of the Courts
Andrew Heath
Director

Component Units

University of North Carolina System

Community Colleges

State Health Plan

Other Component Units

State of North Carolina Web Page
https://www.nc.gov

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FINANCIAL SECTION

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 807-7500
Fax: (919) 807-7647
www.auditor.nc.gov

INDEPENDENT AUDITOR'S REPORT

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State of North Carolina's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The North Carolina Education Lottery, a major enterprise fund, which represent 2 percent and 70 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Turnpike Authority, a major enterprise fund, which represent 31 percent and 2 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Housing Finance Agency, which represent 5 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.

- The North Carolina State Education Assistance Authority, which represent 9 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc., which represent 2 percent of the assets of the aggregate discretely presented component units.
- The University of North Carolina System - University of North Carolina Health Care System - Rex Healthcare, Inc., which represent 4 percent and 6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The Supplemental Retirement Income Plan of North Carolina, which represent 10 percent and 24 percent, respectively, of the assets and revenues of the aggregate remaining fund information.
- The North Carolina Public Employee Deferred Compensation Plan, which represent 1 percent and 3 percent, respectively, of the assets and revenues of the aggregate remaining fund information.
- The North Carolina Department of State Treasurer Investment Programs, which represent 28 percent of the assets of the governmental activities; 13 percent of the assets of the business-type activities; 7 percent of the assets of the aggregate discretely presented component units; and 87 percent of the assets of the aggregate remaining fund information.

These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The State of North Carolina's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Carolina's basic financial statements. The combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 5, 2022, on our consideration of the State of North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Carolina's internal control over financial reporting and compliance. The report on internal control over financial reporting and on compliance and other matters will be published at a later date in the State of North Carolina's *Single Audit Report*.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following is a narrative overview and analysis of the State of North Carolina's (the State) financial performance for the fiscal year ended June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

— The State's total net position increased by $11.33 billion or 17.05% as a result of this year's operations. Net position of governmental activities increased by $10.68 billion (17.58%) and net position of business-type activities increased by $652 million (or 11.4%). At year-end, net position of governmental activities and business-type activities totaled $71.4 billion and $6.37 billion, respectively.

— Component units reported net position of $23.55 billion, an increase of $2.21 billion or 10.35% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financial Statements

— The fund balance of the General Fund increased from $11.96 billion at June 30, 2021 (as restated) to $18.43 billion at June 30, 2022, an increase of 54.06%.

— The fund balance of the Highway Fund increased from $692.83 million at June 30, 2021 to $1.25 billion at June 30, 2022, an increase of $555.62 million from the previous year. This increase was mainly due to the issuance of GARVEE bonds and increase in transfers in.

— The Highway Trust Fund reported a fund balance of $1.63 billion, a decrease of 11.48% from the previous year. The fund balance decrease is attributable to the overall increase in capital outlay expenditures outpacing the increase in revenues.

— The Unemployment Compensation Fund reported net position of $3.79 billion at June 30, 2022 compared to $3.18 billion at June 30, 2021, an increase of $616.35 million or 19.39%. The increase in net position is due almost entirely to various fluctuations created by impacts from the Coronavirus pandemic, including the continued decreasing unemployment rates since the last quarter of the 2019-20 fiscal year.

— The N.C. State Lottery Fund reported net ticket sales of $3.89 billion, an increase of 2.15% from the previous year. As required by law, the Lottery transferred $929.8 million to the General Fund to support educational programs.

— The N.C. Turnpike Authority (NCTA) reported net position of $260.63 million, a decrease of 7.75% from the previous year. The NCTA had an operating loss of $1.19 million, which represents a decrease in operating loss of $43.88 million from the prior year due to an increase of $50.09 million in operating revenues. The NCTA also had a $4.39 million decrease in nonoperating expenses due to a $15.04 million increase in investment earnings related to a global adjustment and a $10.68 million increase in interest and fees related to interest paid on NCTA's bond debt during the fiscal year.

— The EPA Revolving Loan Fund reported net position of $2.06 billion, an increase of 2.2% from the previous year. Operating income was $9.86 million, and net nonoperating revenues of $20.45 million consisted primarily of federal capitalization grants.

Capital Assets

— The State's investment in capital assets (net of accumulated depreciation) was $65.83 billion, an increase of 5.29% from the previous fiscal year-end.

— Significant year-end construction in progress amounts were for state highway projects ($2.76 billion), an expressway project ($611.89 million), a new system for managing and administering social service benefits ($749.45 million), and a new skilled nursing facility for state veterans ($45.03 million).

Long-term Debt

— The State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of $8.24 billion, a decrease of 1.99% from the previous fiscal year-end. The Highway Trust Fund issued $300 million in special indebtedness limited obligation bonds for regional and divisional transportation projects.

— In connection with the limited obligation bonds, all three rating agencies affirmed the triple-A credit rating for the State. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 13 states with a triple-A rating from all three rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State’s basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (pension and other postemployment benefits trend information and General Fund budgetary schedule) and other supplementary information (combining financial statements) in addition to the basic financial statements. These components are described below.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better off or worse off as a result of this year’s activities? These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year’s revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Position (pages 54 and 55) presents all of the State’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the sum of these components reported as “net position.” Over time, increases and decreases in net position measure whether the State’s financial position is improving or deteriorating.

The Statement of Activities (pages 56 and 57) presents information showing how the State’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the State’s activities are divided into three categories:

- *Governmental Activities* – Most of the State’s basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State’s Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority are the predominant business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. A description of the component units and an address for obtaining their separately issued financial statements can be found beginning on page 80. Discretely presented component units are combined and displayed in a separate discrete column in the government-wide financial statements to emphasize their legal separateness from the State. In addition, financial statements for major component units are presented in the notes to the financial statements (pages 184 and 185).

Fund Financial Statements

The fund financial statements provide more detailed information about the State’s most significant funds (i.e., major funds) – not the State as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for particular purposes. In addition to the major funds, page 258 begins the individual fund data for the nonmajor funds. The State's funds are divided into three categories (governmental, proprietary, and fiduciary) and they use different accounting approaches.

Governmental funds – Most of the State's basic services are reported in the governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., inflows and outflows of spendable resources) and the balances left at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements using the modified accrual basis of accounting and a current financial resources measurement focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationships (or differences) between them. Information is presented separately in the governmental fund financial statements for the General Fund, the Highway Fund, and the Highway Trust Fund, all of which are considered to be major funds. Data for all other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, which is the same method used by private sector businesses. Enterprise funds are used to report activities for which fees are charged to external users for goods and services. The Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority are the State’s most significant enterprise funds. Internal service funds are used to report activities that provide goods and services to the State's other programs and activities on a cost-reimbursement basis, such as the State Property Fire Insurance Fund, the Motor Fleet Management Fund, Computing Services Fund, and the State Telecommunications Services Fund. Because the State's internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority, all of which are considered to be major funds. Conversely, separately aggregated columns are presented for the nonmajor enterprise funds and the internal service funds. Individual fund data for the nonmajor enterprise funds and internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 78 of this report.

Required Supplementary Information

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the GASB and includes: 1) pension plan and employer trend information related to the net pension liability, employer contributions, and investment returns, 2) information related to the total pension liability for pension plans not administered through a trust, 3) other postemployment benefits (OPEB) trend information related to the net OPEB liability, employer contributions, and investment returns, and 4) General Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end.

Other Supplementary Information

Other supplementary information includes the introductory section; combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units; a statement of cash flows for the State Health Plan, a major component unit, which does not issue separate financial statements; and the statistical section.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating. The State's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $77.77 billion at the close of the most recent fiscal year (see total primary government column). The following table was derived from the government-wide Statement of Net Position:

Net Position as of June 30, 2022 and 2021
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2022	2021 (as restated)	2022	2021 (as restated)	2022	2021 (as restated)	2021-22
Current and other non-current assets	$35,824,347	$26,898,167	$7,621,107	$ 6,827,847	$43,445,454	$33,726,014	28.82%
Capital assets, net	63,154,087	60,079,073	2,676,466	2,442,217	65,830,553	62,521,290	5.29%
Total assets	98,978,434	86,977,240	10,297,573	9,270,064	109,276,007	96,247,304	13.54%
Total deferred outflows of resources	3,276,214	2,544,873	73,654	65,713	3,349,868	2,610,586	28.32%
Long-term liabilities	16,521,036	17,382,305	2,865,871	2,955,033	19,386,907	20,337,338	(4.67%)
Other liabilities	11,057,695	8,875,772	1,059,934	599,031	12,117,629	9,474,803	27.89%
Total liabilities	27,578,731	26,258,077	3,925,805	3,554,064	31,504,536	29,812,141	5.68%
Total deferred inflows of resources	3,280,430	2,544,454	73,968	62,174	3,354,398	2,606,628	28.69%
Net position:							
Net investment in capital assets	59,631,130	56,843,205	493,653	515,390	60,124,783	57,358,595	4.82%
Restricted	2,014,178	1,868,783	204,494	255,800	2,218,672	2,124,583	4.43%
Unrestricted	9,750,179	2,007,594	5,673,307	4,948,349	15,423,486	6,955,943	121.73%
Total net position	$71,395,487	$60,719,582	$6,371,454	$ 5,719,539	$77,766,941	$66,439,121	17.05%

The largest component of the State's net position (77.31% for fiscal year 2022) reflects its investment in capital assets (land, buildings, machinery and equipment, state highway system, toll road system, and other capital assets), less related debt still outstanding that was used to acquire or construct those assets. An additional portion of net position represents restricted net position ($2.22 billion). Net position is restricted when constraints placed on its use is either 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or, 2) legally imposed through constitutional provisions. The remaining portion, unrestricted net position, consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

The government-wide statement of net position for governmental activities reflects unrestricted net position of $9.75 billion at June 30, 2022, an increase of $7.74 billion from the prior year. The strong financial results for fiscal year 2022 (i.e., the excess of revenues over expenses of $9.81 billion) contributed to the increase in unrestricted net position. The State also had an increase of cash in fiscal year 2022 of $7.61 billion (39.92% increase). The increase in cash is attributable to the receipt of $1.66 billion in funds from the State Capital Infrastructure Fund (SCIF) as well as increased tax collections revenue for the fiscal year. The State of North Carolina, like many other state and local governments, issues general obligation debt and special indebtedness and distributes the proceeds to state agencies, local governments, and component units. The proceeds are used to construct new buildings and renovate and modernize existing buildings throughout the State, including the State's community college and university campuses, assist county governments in meeting their public school building capital needs, and to provide grants and loans to local governments for clean water and natural gas projects. Of the $6.31 billion of bonds and special indebtedness outstanding for governmental activities at June 30, 2022, approximately $2.74 billion is attributable to debt issued as state aid to component units and local governments. The statements of net position of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt obligation. However, by issuing such debt, the State is left to reflect significant liabilities on its statement of net position (reflected in the unrestricted net position component) without the benefit of recording the capital assets constructed or acquired with the proceeds from the debt issuances.

Additionally, as of June 30, 2022, the State's governmental activities have significant unfunded liabilities for compensated absences of $586 million, pension liabilities of $1.49 billion, net OPEB liabilities of $6.31 billion, workers' compensation of $638.54 million, and claims and judgments payable of $731.7 million (see Note 8 to the financial statements).

The State's overall net position increased $11.33 billion or 17.05% (total primary government) from the prior fiscal year. The net position of the governmental activities increased $10.68 billion or 17.58% and business-type activities increased $651.92 million or 11.4%. The following financial information was derived from the government-wide Statement of Activities:

Changes in Net Position for the Fiscal Years Ended June 30, 2022 and 2021
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2022	2021 (as restated)	2022	2021 (as restated)	2022	2021 (as restated)	2021-22
Revenues:							
Program revenues							
Charges for services	$3,110,489	$2,949,224	$4,891,624	$4,658,265	$8,002,113	$7,607,489	5.19%
Operating grants and contributions	30,859,243	23,540,962	695,299	6,907,326	31,554,542	30,448,288	3.63%
Capital grants and contributions	1,149,590	1,281,167	248	21,393	1,149,838	1,302,560	(11.72%)
General revenues							
Taxes:							
Individual income tax	17,845,868	15,368,872	—	—	17,845,868	15,368,872	16.12%
Corporate income tax	1,624,384	1,327,813	—	—	1,624,384	1,327,813	22.34%
Sales and use tax	11,029,810	9,826,411	—	—	11,029,810	9,826,411	12.25%
Motor fuels tax	2,227,883	2,067,262	—	—	2,227,883	2,067,262	7.77%
Franchise tax	879,789	882,332	—	—	879,789	882,332	(0.29%)
Highway use tax	1,137,060	1,003,310	—	—	1,137,060	1,003,310	13.33%
Insurance tax	1,000,680	722,958	—	—	1,000,680	722,958	38.41%
Beverage tax	559,195	533,088	—	—	559,195	533,088	4.90%
Tobacco products tax	296,416	303,060	—	—	296,416	303,060	(2.19%)
Other taxes	372,624	334,913	—	—	372,624	334,913	11.26%
Tobacco settlement	171,849	167,417	—	—	171,849	167,417	2.65%
Federal COVID-19	1,525,132	3,117,857	—	—	1,525,132	3,117,857	(51.08%)
Unrestricted investment earnings	60,506	15,662	—	—	60,506	15,662	286.32%
Noncapital contributions	38,147	91,696	517	1,309	38,664	93,005	(58.43%)
Miscellaneous	67,754	102,661	1,318	—	69,072	102,661	(32.72%)
Total revenues	73,956,419	63,636,665	5,589,006	11,588,293	79,545,425	75,224,958	5.74%
Expenses:							
General government	3,033,443	2,500,096	—	—	3,033,443	2,500,096	21.33%
Primary and secondary education	15,459,082	12,936,328	—	—	15,459,082	12,936,328	19.50%
Higher education	5,473,516	5,142,660	—	—	5,473,516	5,142,660	6.43%
Health and human services	30,645,511	25,629,768	—	—	30,645,511	25,629,768	19.57%
Economic development	435,295	664,528	—	—	435,295	664,528	(34.50%)
Environment and natural resources	816,601	821,398	—	—	816,601	821,398	(0.58%)
Public safety, corrections and regulation	4,777,868	4,536,568	—	—	4,777,868	4,536,568	5.32%
Transportation	3,079,409	2,793,445	—	—	3,079,409	2,793,445	10.24%
Agriculture	249,195	286,217	—	—	249,195	286,217	(12.93%)
Interest on long-term debt	173,241	170,435	—	—	173,241	170,435	1.65%
Unemployment compensation	—	—	672,550	7,317,289	672,550	7,317,289	(90.81%)
N.C. State Lottery	—	—	2,960,246	2,875,899	2,960,246	2,875,899	2.93%
EPA Revolving Loan	—	—	37,447	17,458	37,447	17,458	114.50%
N.C. Turnpike Authority	—	—	210,152	193,813	210,152	193,813	8.43%
Regulatory programs	—	—	139,202	130,118	139,202	130,118	6.98%
Insurance programs	—	—	37,099	35,153	37,099	35,153	5.54%
North Carolina State Fair	—	—	12,657	7,086	12,657	7,086	78.62%
Other business-type activities	—	—	14,696	12,780	14,696	12,780	14.99%
Total expenses	64,143,161	55,481,443	4,084,049	10,589,596	68,227,210	66,071,039	3.26%
Increase in net position before contributions and transfers	9,813,258	8,155,222	1,504,957	998,697	11,318,215	9,153,919	23.64%
Contributions to permanent funds	9,605	7,472	—	—	9,605	7,472	28.55%
Transfers	853,042	833,513	(853,042)	(833,513)	—	—	
Increase (decrease) in net position	10,675,905	8,996,207	651,915	165,184	11,327,820	9,161,391	23.65%
Net position - beginning - restated	60,719,582	51,723,375	5,719,539	5,554,355	66,439,121	57,277,730	15.99%
Net position - ending	$71,395,487	$60,719,582	$6,371,454	$5,719,539	$77,766,941	$66,439,121	17.05%

Governmental Activities. For fiscal year 2022, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State's business-type activities, an increase in net position of $10.68 billion (17.58%) resulted for governmental activities. Total revenues increased by 16.22% ($10.32 billion) while total expenses increased by 15.61% ($8.66 billion). The growth in revenues is mainly attributable to the increase in operating grants and contributions, taxes, and other revenues. Operating grants and contributions increased by $7.32 billion or 31.09% due to higher spending in federally supported programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance programs, Rental Emergency and Homeowner assistance programs, and the Elementary and Secondary School Emergency Relief fund (ESSER fund) as well as increases in federal COVID-19 relief funds (see below). Individual, corporate, and sales and use taxes increased $3.98 billion primarily due to continued economic recovery from the COVID-19 pandemic. The increase in other revenues is also attributable to increases in federal COVID-19 relief funds (see below).

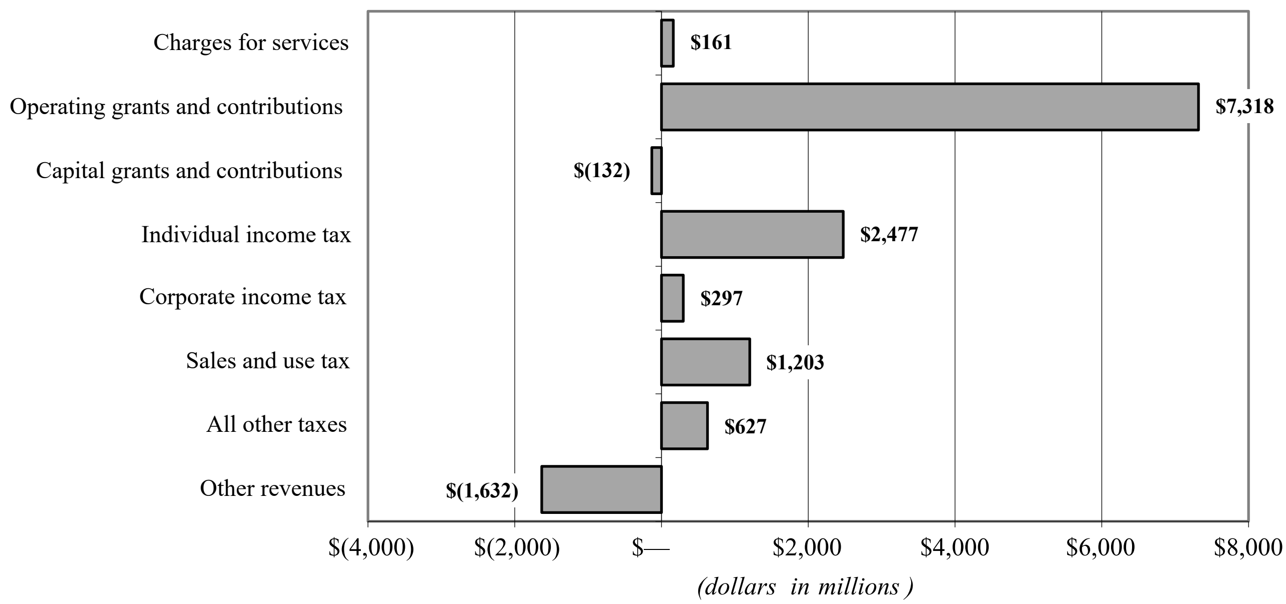
In fiscal year 2020, the U.S. Congress enacted a series of laws, including the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act; these laws were a direct response to the economic and societal crises resulting from the COVID-19 pandemic. One purpose of the FFCRA was to provide a 6.2 percentage point increase to the Federal Medical Assistance Percentage (FMAP) for Medicaid, extending broad fiscal relief to states since Medicaid is a countercyclical program. The CARES Act provided widespread assistance to individuals, corporations, and state and local governments. Funding to the State from the CARES Act was allocated directly through the federal Coronavirus Relief Funds (CRF), new initiative programs and new grants. In response to the CARES Act and requirements set forth for the State's CRF, the N.C. General Assembly passed spending bills that allocated the federal CRF monies to areas impacted by the pandemic. They also established the North Carolina Pandemic Recovery Office (NCPRO) to oversee and coordinate the funds made available under COVID-19 Recovery Legislation. The deadline for expending CRF was December 31, 2021.

In March 2021, the United States Congress enacted the American Rescue Plan Act (ARPA) and established the Coronavirus State and Local Fiscal Recovery Fund. These funds were allocated to each state, local government, and tribal government individually. As of June 30, 2022, North Carolina had received $5.41 billion of Coronavirus State Fiscal Recovery funds. The State Fiscal Recovery Funds reduce the impacts of the COVID-19 pandemic and decrease the spread of the virus; replace lost revenue for governments; support economic stabilization caused by the pandemic; and address public health and economic challenges that contributed to the unequal impact of the pandemic. The Coronavirus State Fiscal Recovery funds must be obligated by December 23, 2024 and expended by July 1, 2026.

For fiscal year 2022, the State's governmental activities recognized $7.9 billion of federal COVID-19 funds; $6.38 billion is included in operating grants and contributions (i.e. program revenues) and $1.53 billion is reported as federal COVID-19, which is included in the other revenues source shown in the table above (i.e. general revenues). This was an increase of $2.3 billion or 41.07%. The primary factor for the increase is from continued higher federal matching for FMAP of 6.2% (enacted in the FFCRA) for the Medicaid and Title IV-E Foster Care and Adoption Assistance programs; federal funds for the Elementary and Secondary School Emergency Relief Fund (ESSER); and federal funds for the Rental Emergency and Homeowners Assistance programs.

The following chart reflects the dollar change in governmental activities revenues by source between fiscal years 2021 and 2022:

Dollar Change in Governmental Activities Revenues by Source
Between Fiscal Years 2021 and 2022



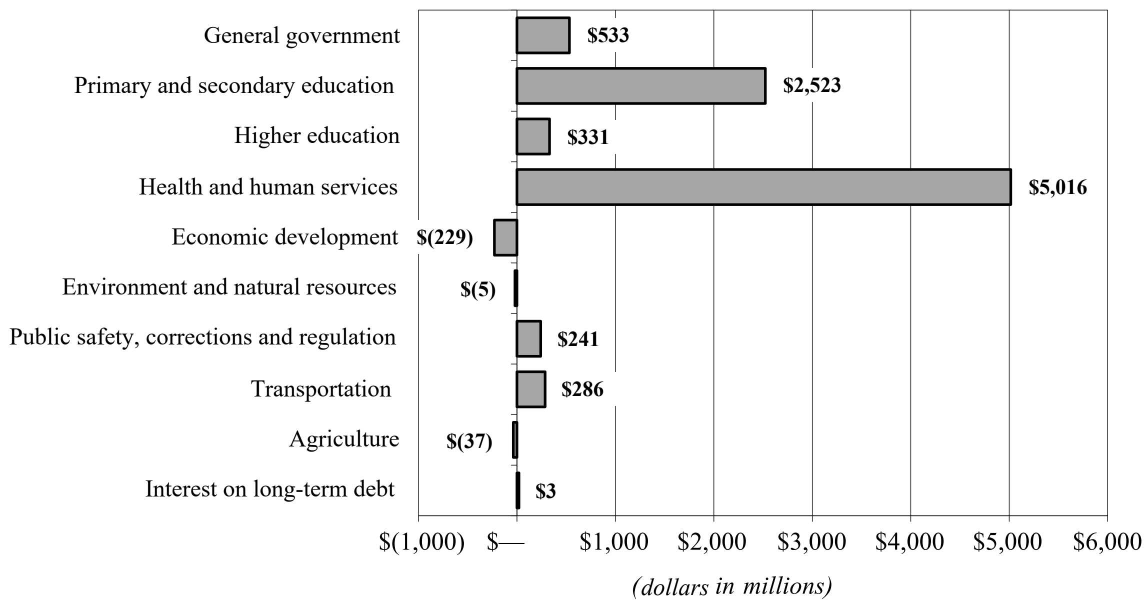
For fiscal year 2022, spending increased in the majority of the State's functional areas, with an exception in Economic Development. Economic Development expenses decreased by $229.23 million or 34.5% primarily due to the reduction in emergency-staffed personnel assisting with unemployment claims, a decrease in contracted services related to COVID-19 relief programs, and an overall decrease in unemployment claims expenditures due to the expiration of the CARES ACT and COVID relief funds.

Total health and human services (HHS) spending increased by 19.57% or $5.02 billion in 2022. For comparison, HHS spending increased by 18.68% and 10.36% in fiscal years 2021 and 2020 respectively. The increase in health and human services is primarily due to the launch of Medicaid managed care on July 1, 2021. Under managed care, the Division of Health Benefits made monthly capitated payments to Prepaid Health Plans while also paying fee-for-service claims to provide for services performed in the prior fiscal year. Another factor is the continued growth in the number of Medicaid enrollees and additional temporary COVID rate increases. Enrollment in Medicaid increased 9.13% during the fiscal year due to an FFCRA requirement that as a condition of receiving enhanced FMAP, coverage for any beneficiary cannot be dropped or reduced to a lesser benefit during a Public Health Emergency (PHE). Medicaid is a federal entitlement program, which means individuals found eligible for Medicaid have legal rights to receive services and cannot be denied coverage by the State. In North Carolina, Medicaid is administered by the State and counties and financed with federal and state funds. Medicaid serves as the State's safety net program for eligible individuals who lose jobs and health insurance coverage. As such, it is sensitive to economic volatility. Because the State receives federal matching funds for this program, there was also a corresponding increase in operating grants and contributions (i.e. program revenues).

Other significant increases in functional expenses for fiscal year 2022 were to general government and primary and secondary education. Total expenses increased 21.33% ($533.35 million) for general government and 19.5% ($2.52 billion) for primary and secondary education. The growth in these functional areas is primarily due to increased spending for COVID-19 aid programs including general aid distributed to local governments, hospitals, nonprofits, universities, colleges, and other component units of the State; and increased state aid provided to local education agencies (LEAs) for continued COVID-19 related programs.

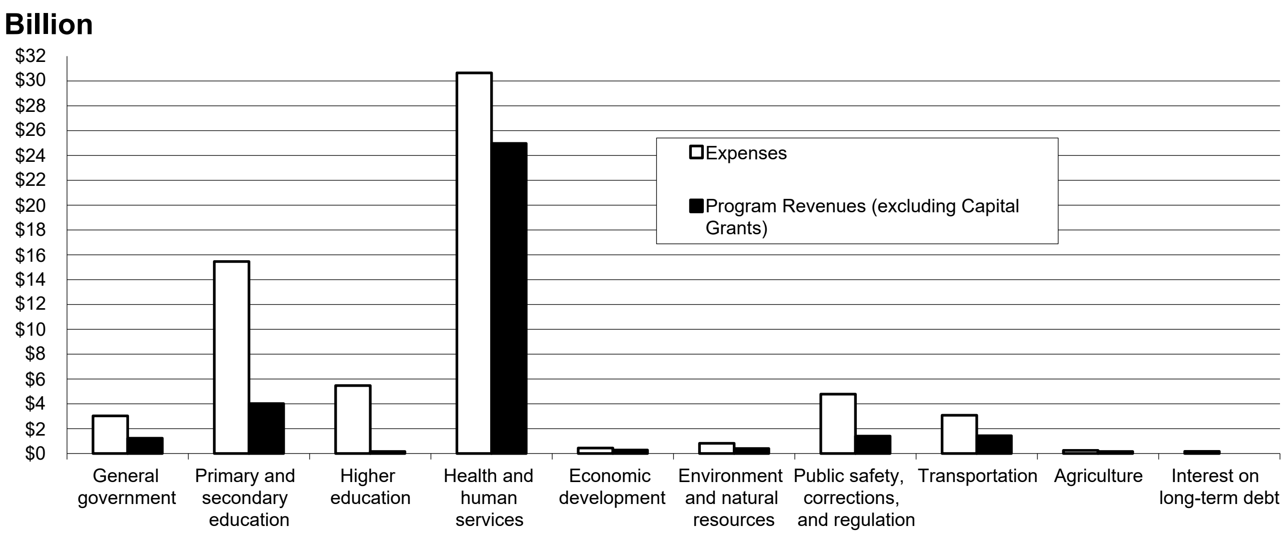
The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2021 and 2022:

Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2021 and 2022



The following chart depicts the total expenses and total program revenues of the State's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State.

Expenses and Program Revenues - Governmental Activities
For the Fiscal Year Ended June 30, 2022



Business-type Activities. Business-type activities reflect an overall increase in net position of $651.92 million or 11.4%, primarily due to the increase in net position in the Unemployment Compensation Fund. The increase in net position of $616.35 million or 19.39% in the Unemployment Compensation Fund (Trust Fund) is due almost entirely to various fluctuations created by the Coronavirus pandemic. The Trust Fund had a $6.64 billion decrease in unemployment benefits paid as the economy recovered and the need for benefits declined. Corresponding to the decrease in unemployment benefits paid, the Trust Fund also had a $6.2 billion or 90.86% decrease in nonoperating revenues related to a $5.9 billion decrease in federal COVID-19 aid received. The N.C. Turnpike Authority's net position decreased by $21.9 million or 7.75% primarily due to reporting nonoperating expenses of $77.83 million offset by $57.02 million in transfers in from the Highway and Highway Trust Funds. Nonoperating expenses included $101.58 million of interest and fees expense related to debt issued, which was offset by $19.54 million in investment earnings and $4.02 million in Federal interest subsidy debt revenue. The net position increase of $44.19 million or 2.2% in the EPA Revolving Loan Fund is due to the Loan Fund continuing to focus on streamlining its processes resulting in more infrastructure projects completed during the year, using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grant for these projects. The N.C. State Lottery Fund's net position did not change and will continue to remain constant as a result of legislative changes in the methodology used to calculate net revenues to be distributed to the State's governmental activities, as required by statute. A more detailed discussion of the State's business-type enterprise activities is provided in the following section (see Enterprise Funds).

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. At June 30, 2022, the State's governmental funds reported combined fund balances of $24.21 billion, an increase of 38.56% from the prior fiscal year-end (as restated). Of this amount, $7.25 billion is classified as unassigned fund balance in the General Fund (available for spending at the State's discretion). The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (e.g., inventories), 2) restricted for particular purposes by external sources, 3) committed for particular purposes by the General Assembly, or 4) assigned for particular purposes by the Office of State Budget and Management. The major governmental funds are discussed individually below.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2022, the fund balance of the General Fund increased 54.06% ($6.47 billion) to $18.43 billion. General Fund revenues increased by $10.45 billion (18.47%) while expenditures increased by $9.22 billion (17.68%). The increase in revenues is primarily due to increased tax revenues, federal and federal COVID-19 relief funds received. For the current fiscal year, the General Fund recognized $7.79 billion in federal COVID-19 relief funds. These funds derived from two tranches of ARPA Act federal funds, with the first tranche originally received at the end of fiscal year 2021, then transferred to OSBM during early fiscal year 2022. The second tranche of $4 billion was received during fiscal year 2022. However, most of these federal funds were not spent at June 30, 2022 and therefore were recognized as unearned revenue. The increase in expenditures is primarily due to the federal and federal COVID-19 relief funds spent by the various state functions. The expenditures supported aid programs, adoption services and foster care programs, increased DHHS SNAP caseloads, and increased contracted and temporary personal services for DHHS Central Admin support related to the COVID-19 pandemic.

One of the major budget drivers for the General Fund, historically, has been the Medicaid program. Medicaid enrollment increased by 9.13% to 2.69 million individuals (25.22% of North Carolina's population). For comparison, Medicaid enrollment increased 13.55% and 4.35%, respectively, in fiscal years 2021 and 2020. The enrollment growth was mostly attributable to the FFCRA requirement that any beneficiary receiving the enhanced FMAP coverage would not be dropped or reduced to a lesser benefit category during the COVID-19 PHE. State appropriation expenditures for Medicaid increased by $61.3 million or 1.56%. The Medicaid program ended the fiscal year with unspent state appropriations of $49 million, which were reverted to the General Fund. This is the ninth consecutive year the Medicaid Program has finished with cash on hand. Prior to fiscal year 2014, the Medicaid program experienced shortfalls of nearly $2 billion over a four-year period.

North Carolina's labor market has rebounded since the COVID-19 shutdown in the spring of 2020. The number of payroll jobs in North Carolina rebounded in the summer of 2020 and has increased steadily since then, according to the Bureau of Labor Statistics. By June 2022, the unemployment rate had fallen to 3.4% and the number of nonfarm jobs exceeded 4.75 million. These jobs have consistently exceeded the level in February 2019 since October 2021. In June 2022, there were 155,200 more jobs than in June 2021 and 480,100 more than in June 2020. However, North Carolina's labor force participation rate has not rebounded. The national labor force participation rate in February 2020 was estimated to be 61.3%, while the rate was 60.5% in June 2022. North Carolina's labor force participation rate is slightly better than the national trend where the labor force participation rate fell from 63.4% to 62.2% during this period.

Total tax revenues in the General Fund increased by $4.35 billion or 14.94% in fiscal year 2022. Individual income tax revenues increased $2.48 billion or 16.12% and sales and use tax revenues increased $1.2 billion or 12.25% in fiscal year 2022. Corporate income tax also increased $325.74 million or 24.97% and Insurance tax increased $278.69 million or 38.55% from the prior year. The Bureau of Economic Analysis reported that North Carolina's personal income has shown substantial growth during the fiscal year (4.7%), leading to the individual income tax revenue growth. Federal programs designed to provide relief from the pandemic impacts to the economy helped elevate North Carolina's personal income amounts.

Wage and salary income and personal consumption expenditures impact major sources of the State's tax revenues, such as personal income taxes and sales and use taxes. In fiscal year 2022, wage and salary income has increased 11.7% over the prior fiscal year, supporting larger income tax withholding. The State's income tax withholding remained strong during the fiscal year due to the rise in wages and salaries and the shift to higher-income workers. The National Bureau of Economic Analysis's data shows continued growth in personal consumption expenditures during the fiscal year, leading to growth in sales and use taxes as well as other state excise taxes.

The corporate income tax revenue increase is consistent with the trend in the United States. Corporate profits in the U.S. have risen in recent quarters, contributing to an increase in corporate tax revenues. Insurance tax revenues increased primarily due to an increase in the amount of taxable premiums written by insurers, which resulted in an increase in gross premium tax liability and also the amount of installment payments made toward 2022 premium tax liabilities.

General Fund Budget Variances

The original General Fund budget, including state appropriations and appropriations supported by departmental receipts, serves as a starting point or plan for the Governor to execute the General Fund budget pursuant to the powers granted by the Constitution and State Budget Act. At the state level in North Carolina, it is not unusual for the budget to change during the fiscal year in relation to budget adjustments made to accommodate departmental receipts. The General Fund budget supported by state appropriation is a subset of the General Fund financial schedule presented in the ACFR as required supplementary information. The current ACFR schedule reflects all spending required to support the State's General Fund activities and the funding to support those activities, including state tax and non-tax revenues, federal revenues, student tuition, and other fees, licenses, and fines. Under current state budget management practice, particularly related to departmental federal receipts, primary emphasis is placed on comparisons of the final authorized budget and actual spending.

At the state level, budgetary cuts related to state appropriations are implemented by decreasing allowable actual expenditures, as opposed to decreasing the state appropriation through a formal legislative process. The Governor and state agencies maintain legal authority to spend the dollars originally appropriated to them; furthermore, in past years the actual spending has been limited by the collection of tax and non-tax revenue. In extremely rare cases, the General Assembly has held special sessions to formally amend the authorized and certified state appropriation budget.

The portion of the original budget comprising departmental receipts is not intended to be the sole controlling point to manage the State's General Fund budget. The final budget includes amendments for departmental receipts collected during the fiscal year as allowed by law. General Fund departmental receipts are typically authorized for expenditure within the activity that generated the receipt. Historically, final estimated receipts have varied significantly from the original estimate at the beginning of the fiscal year. State agencies by law must spend departmental receipts prior to spending tax and nontax supported appropriations. If departmental receipts are higher than expected, appropriated dollars may go unspent and be re-appropriated in a subsequent fiscal year.

Variances – Original and Final Budget

In general, the variances between original and final budget are attributable to the timing and length of the budget preparation process as well as budget adjustments that occurred during fiscal year 2021-22. In January 2021, OSBM finalized the two-year base budget used by the General Assembly for the 2021-23 biennium. This was approximately 11 months prior to the ratification of the biennial budget in November 2021 for the biennium which started July 1, 2021, and a full year prior to the budget certification for fiscal year 2021-22. The amounts budgeted for federal, intra-governmental transfers, fees/licenses/fines, contributions, gifts, grants, and miscellaneous receipts were all estimates. The final budget reflects all budget revisions made throughout the fiscal year based on adjustments to agency grant and receipt revenue and movement from state reserves. Consequently, significant variances are very likely to occur when the original budget is compared to the final budget.

In addition to the normal administrative adjustments that occurred during the year, fiscal year 2020-22 was unusual due to the Coronavirus health emergency that struck in the third and fourth quarter of the fiscal year 2019-20 and continued throughout fiscal year 2021-22. The global pandemic resulted in North Carolina receiving $3.5 billion in federal aid in the fourth quarter of fiscal year 2019-20 that could be spent through December 31, 2021. Additionally, North Carolina received federal funds from the ARPA enacted in March of 2021.

Additional factors leading to variances between the original and final budget in fiscal year 2021-22 include the following:

1) Awarding of new unanticipated federal grants and increases and decreases in amounts for long standing federally supported programs. North Carolina received an additional $1.5 billion for Medicaid due to an increase in the FMAP. Additionally, the State budgeted and expended approximately $1.5 billion in federal Coronavirus Relief Funds during the biennium.
2) Statewide encumbrance carry-forward budgeted amounts from fiscal year 2020-21 totaled $699 million, which increased the budget for fiscal year 2021-22 through administrative action.
3) Allocation of hurricane disaster funds that were appropriated and authorized in prior years but not expended until fiscal year 2021-22. State functions agriculture, environment and natural resources, and public safety, corrections and regulation were the biggest recipients.
4) Allocation of statewide reserves to agencies and universities, totaling $4.6 billion including the SCIF, Medicaid Transformation Funds, Information Technology Reserves, Public School Contingency Reserve, salary pay plan reserve, and disaster relief funding from the State Emergency Response and Disaster Relief fund and the Hurricane Florence Disaster Relief Reserve.
5) Receipts and budgeting of over-realized receipts, prior year earned revenues, and unanticipated donations and grants.

Variances - Final Budget and Actual Results

Actual total own-source General Fund revenue collected (tax, non-tax, and tobacco settlement) was 16.86% higher than budgeted revenue amounts in fiscal year 2022. Tax revenues were 16.98% higher than anticipated primarily due to better-than-expected individual income, corporate income, and sales tax revenues. Non-tax revenues from sources included in certified revenues were 14.1% higher than budget. A shortfall in judicial fees was offset by higher-than-budgeted collections from all other major General Fund nontax revenue sources. Disproportionate Share receipts were higher than anticipated due to adjustments to allotments from prior federal fiscal years. Tobacco Settlement collections were higher than budgeted in part because of an unanticipated settlement unrelated to the Master Settlement Agreement and the exclusion of the statutory transfer to the Golden LEAF Foundation from budgeted revenues.

Collections for individual income taxes, which accounted for 54.5% of total General Fund tax revenue collections, were $3.26 billion (22.77%) higher than the budgeted revenue primarily due to higher-than-expected final and extension payments. Withholding payment from wage earnings were $883 million (7.4%) above the year-end target. Quarterly payments from business owners were also higher than expected and refunds were lower than expected. Higher individual income tax collections were from elevated capital gains realizations, rapid growth in business profits and wages, and lower than expected refunds from taxpayers who benefited from a retroactive tax change allowing deductions for business expenses paid with forgiven Paycheck Protection Program loans. Sales and use tax collections, which comprised 31.64% of total General Fund tax revenues in fiscal year 2022, were $589.4 million (6.13%) above the budgeted revenue. Inflation, particularly for consumer goods affected by global supply chain challenges, remained elevated for longer than anticipated in the June 2021 revised consensus revenue forecast. This higher inflation, rather than rising consumer demand, accounts for most of the additional sales and use tax collections. Corporate income tax collections which accounted for 5.04% of total General Fund tax revenues in fiscal year 2022, were $505.94 million (45.18%) above their respective budgeted revenues. Corporate profits surged by nearly 30% in fiscal year 2021 and continued growing at a more moderate pace in fiscal year 2022.

Departmental federal funds received by agencies were less than the final authorized budgeted federal fund revenues. A variance between the budget and actual federal funds occurs because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred by an agency, the actual receipt of federal funds could be significantly less than the budget.

Highway Fund

The Highway Fund dates back to 1921 when the General Assembly first imposed the gasoline tax. It accounts for most of the activities of the North Carolina Department of Transportation (NCDOT), including the maintenance and construction of the State's primary and secondary road systems, the Division of Motor Vehicles, transit, aviation, rail, and ferry system. The primary revenue sources of the Highway Fund are federal funds, 80% of motor fuels taxes, vehicle registration fees, and driver's license fees.

The fund balance of the Highway Fund increased from $692.83 million at June 30, 2021 to $1.25 billion at June 30, 2022, an increase of 80.20%. The increase in fund balance was primarily due to the issuance of GARVEE bonds ($252.6 million) and an increase in transfers in of $310.94 million. The cash and cash equivalents balance increased by $257.42 million from June 30, 2021 to June 30, 2022.

Total revenues were $4.26 billion, an increase of 0.78% or $32.74 million, and total expenditures increased by 33% from $3.28 billion at June 30, 2021 to $4.36 billion at June 30, 2022. The increase in total revenues was due to increased motor fuels tax collections as overall vehicle travel increased as pandemic restrictions were eased and eliminated. Another contributing factor for increased revenues was an increase in motor fuels tax rate from 36.1 cents to 38.5 cents effective January 1, 2022. Capital outlay and Grants led the increase in expenditures. Contract resurfacing and bridge maintenance project ramp-up post-pandemic were the main contributors to the capital outlay increase. The transfers in increase is primarily due to funds for economic development projects and grants for airport projects. Thus, economic development had a large increase due to $170 million in participation funds from the Department of Commerce Job Development Investment Grant Fund for projects in Randolph and Guilford counties. The increase in directed grants was due to $115.11 million from the SCIF that was distributed to 18 airports across the state.

The State issued $252.6 million in GARVEE bonds in September 2021. This innovative financing tool was used to accelerate the construction on a variety of transportation improvement projects across the State by leveraging future federal transportation revenues. At June 30, 2022, $193.88 million of the GARVEE proceeds were unspent.

Transportation is fundamental in continuing North Carolina's prosperity and quality of life as the state's population continues to grow. To address the growing demand on the transportation system, increased cost of supplies, and slow growing revenues, NCDOT continues to seek innovative solutions to meet the growing stress on the transportation system. Session Law 2020-91 revised the motor fuels tax distribution formula. Effective July 1, 2020, the distribution of motor fuels tax revenue for the Highway Fund increased from 71% to 81%. Effective July 1, 2021, the distribution increased to 80% and effective July 1, 2022, the distribution was reduced to 75%. Session Law 2020-91 also established a motor fuels tax floor. Effective January 1, 2021, and ending December

31, 2021, the motor fuels excise tax rate shall be the greater of 36.1 cents per gallon or the rate calculated pursuant to G.S. 105-449.80(a).

According to the N.C. Division of Highways, from 2020 to 2021, paved lane miles grew by 0.10%. Vehicle miles traveled dropped by 13.5% from 2019 to 2020 due to the decrease in travel because of the COVID pandemic but rebounded in 2021 to an increase of 11.18%. From 2020 to 2021, bridge deck area grew by 0.25%. These increases place a heavier burden on the existing infrastructure and accentuates the need for additional capacity, safety, and maintenance funding to address the deterioration in service created by the increase in traffic. Furthermore, many of the State's highways were built as farm-to-market roads and were not designed to handle the heavy traffic volumes of today. Other aging highways, such as the interstate highway system, will also require increasing investment to maintain acceptable condition.

Highway Trust Fund

Legislation creating the Highway Trust Fund was passed by the General Assembly in 1989. It was established to provide a dedicated funding mechanism to meet specific highway construction needs in North Carolina. Additionally, the Highway Trust Fund provides allocations for the debt service on limited obligation bonds issued for highway purposes. The principal revenue sources of the Highway Trust Fund are highway use taxes, 20% percent of motor fuels taxes, and various title and registration fees. The enabling legislation was amended in 2008 to require annual transfers to the NCTA to pay debt service or financing expenses for specified toll road construction projects (see Note 10B to the financial statements).

The fund balance of the Highway Trust Fund decreased 11.48% to $1.63 billion at June 30, 2022. The fund balance decrease is attributable to the overall increase in capital outlay expenditures outpacing the increase in revenues.

Total revenues were $1.64 billion, an increase of 5.08% from the prior year. Motor fuels taxes increased 15.26% or $59.32 million and highway use taxes increased 3.57% or $35.48 million. The change in the motor fuel distribution percentage (as discussed below) along with post-pandemic recovery and increased travel were the main factors in the overall increase. The increase in highway use tax was due to an average increase in collection amount per transaction in fiscal year 2022 compared to fiscal year 2021. This was fueled by increased vehicle purchases as the supply chain issues eased and the continuation of new residents moving into North Carolina who must title a vehicle with North Carolina before registering their vehicle. Another contributing factor for increased revenues was an increase in the motor fuels tax rate from 36.1 cents to 38.5 cents effective January 1, 2022. The Highway Trust Fund reported $2.1 billion in total transportation expenditures, an increase of 22.45% or $384.12 million from the previous year. STI capital outlay led this increase due to post-pandemic project ramp-up, additional Build NC funds, and increased construction contract issuance in fiscal year 2022.

In November 2020, the State issued $700 million in special indebtedness (limited obligation bonds) and $300 million in May 2022, as authorized by Session Law 2018-16, Session Law 2020-91 and Session Law 2021-189, which allows for up to $3 billion in bonds over a ten-year period. The proceeds from the bonds can be used for certain regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan (STIP). As of June 30, 2022, the unspent proceeds were $373.67 million.

As discussed under the Highway Fund section, Session Law 2020-91 revised the motor fuels tax distribution formula. Effective July 1, 2020, it revised the distribution for motor fuels tax revenue for the Highway Trust Fund from 29% to 19%. Beginning July 1, 2021, the distribution changed to 20% and then to 25% beginning July 1, 2022. Session Law 2020-91 also established a motor fuels tax floor.

New legislation affecting both the Highway Fund and Highway Trust Fund, House Bill 103, amends General Statute 105-164.44M to require the net proceeds of tax collected on aviation and jet fuel be transferred to the Highway Fund and Highway Trust Fund, effective fiscal year 2022-2023. The percentages to be transferred are as follows:

Fiscal Year	Percentage to Highway Fund	Percentage to Highway Trust Fund
2022-2023	2%	0%
2023-2024	1%	3%
2024-2025 and thereafter	1.5%	4.5%

Data developed by Fiscal Research estimates this transfer will reduce General Fund revenues by $193.1 million in fiscal year 2022-2023, and increasing to a $684.8 million reduction in fiscal year 2026-2027.

ENTERPRISE FUNDS

The State's enterprise funds or business-type activities provide the same type of information found in the government-wide financial statements, but in more detail. The major enterprise funds are discussed individually below.

Unemployment Compensation Fund

The Unemployment Compensation Fund (Trust Fund) reported net position of $3.79 billion at June 30, 2022 compared to $3.18 billion at June 30, 2021. The $616.35 million or 19.39% increase in net position is related to various fluctuations created almost entirely by impacts from the Coronavirus pandemic. Unemployment rates in North Carolina have continued to decline since the start of the pandemic in the spring of 2020, when businesses were shut down and unemployment rates hit a high of 12.9%. At the end of the 2021 fiscal year, the unemployment rate was 4.6%, and at the end of June 2022, the unemployment rate was 3.4%.

The Trust Fund's operating margin (operating revenues less operating expenses) was negative $8.02 million for fiscal year 2022, a $6.7 billion increase (99.88%) from the prior year, predominantly as a result of a $6.64 billion decrease in unemployment benefits paid. In the prior fiscal year, the Trust Fund received nonoperating revenues from the CARES Act and American Rescue Plan (ARP) programs to pay federal benefits. As these programs are ending, the same level of federal funding was not needed in the current fiscal year to provide for the remaining unemployment benefits. In addition to the significant decrease in unemployment benefits paid, the Trust Fund also had a $68.27 million (11.53%) increase in employer unemployment contributions received. As the economy continued to recover during fiscal year 2022, employer contributions increased as additional employers were added.

Contributing to the increase in net position, the Trust Fund had nonoperating revenues of $623.8 million, a decrease of $6.2 billion or 90.86%. Nonoperating revenues include: $52.3 million of investment earnings, a $15.06 million or 22.36% decrease from the prior year; $572.6 million of federal COVID-19 funds, a $5.9 billion or 91.16% decrease from fiscal year 2021; and miscellaneous expenses of $1.08 million, a $6.16 million or 85.12% decrease from the prior year. There was also a $287.27 million (100%) decrease in noncapital grants as a result of no Extended Benefit program payments being made during the year. Investment earnings declined due to a reduction in the federal interest rate paid, creating a reduction in interest revenue received. Nonoperating revenues have historically provided significant support for the total yearly benefits. For the 2021 fiscal year, the nonoperating revenues supported 93.36% of the total benefits paid for the year, and in fiscal year 2022, nonoperating revenues provided 92.91% of the support.

In addition, in the 2021 fiscal year, there was a $39 million transfer in that provided for the Increased Benefit Assistance (IBA) program, a North Carolina unemployment benefit initiative that increased the calculated weekly benefit amount by $50 each week for eligible claimants. This benefit was not provided in 2022.

N.C. State Lottery Fund

The enabling legislation for the N.C. Education Lottery (NCEL) contains a requirement that the net revenues of the NCEL are transferred at least four times a year to the State's General Fund. The legislation defines net revenues as amounts remaining after accrual of expenses for prizes and operations, excluding balance sheet or prior-period expense adjustments of a specific nature. The NCEL transferred $929.8 million to the General Fund in 2022 to support educational programs for the State. The amount transferred in 2021 was $936.8 million.

For fiscal year 2021-22, net ticket sales increased 2.15% or $81.68 million from the previous fiscal year to $3.89 billion. With this increase in ticket sales, the NCEL saw a corresponding increase in prize payouts of 3.31% or $81.54 million, and an overall decrease in operating income of 0.24% or $2.2 million. Significant financial highlights include the following: awarded $1 million or more to an NCEL player for the 708th time; and released 52 new instant scratch-off games into the marketplace generating gross instant ticket sales of $2.6 billion.

N.C. Turnpike Authority

Major accomplishments for the N.C. Turnpike Authority (NCTA) include the following:

- The Complete 540 project is a greenfield project in the greater Raleigh area in North Carolina that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1 will extend the existing Triangle Expressway approximately 17.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh to partially complete the "Outer Loop". Unlimited Notice to Proceed was issued for three Design-Build Contracts on September 26, 2019. As of March 31, 2022, design for Phase 1 is complete with the exception of minor design revisions encountered during construction. Right-of-way acquisition, utility relocations and construction are well underway for all three contracts. All 648 right of way parcels have been acquired or have entered the condemnation process, and construction is approximately 55% complete. Phase 1 is currently expected to open to traffic in Spring 2024.

The NCTA reported a $1.19 million operating loss for fiscal year 2022, which represents a decrease in operating loss of $43.88 million or 97.36% from the prior year. Contributing to the increase was a $50.09 million increase in operating revenues. Operating revenues predominantly consist of toll revenues, fees, and sales revenue from the sale of transponders. Toll revenues increased by $29.66 million, due to an increase in traffic levels and a change in accounting estimate initiated in the prior year for bad debt expense. In fiscal year 2021, there was a one-time adjustment allowance of $17.7 million when the NCTA changed from the direct write-off method to the allowance method, creating a significant increase in the bad debt allowance for tolls in the prior year. In addition, there was a $10.84 million increase in fees, licenses, and fines from the prior year, a 128.07% increase, related to a $10.19 million increase in receipts for late payments fees. Also contributing to the operating revenue increase was a $9.34 million increase (163.23%) in miscellaneous revenues due to a differential revenue accrual for the I-77 Express Lanes. Operating expenses increased by $6.21 million or 6.07%, which is insignificant. Supplies and materials decreased by $4.19 million, services increased by $2.26 million, and other operating expenses increased by $8.27 million. In addition to the NCTA's operating loss, there wase also $77.82 million in nonoperating expenses (net), which represents a $4.39 million decrease or 5.34% from the prior year. Contributing to the net nonoperating expense decrease was a $15.04 million (334.54%) increase in investment earnings related to a global adjustment from Wells Fargo in November of 2021 to the NCTA's 20 Capital Interest Accounts and a $10.68 million (11.75%) increase in interest and fees related to interest paid on NCTA's bond debt.

Beginning in fiscal year 2022, revenue collections provided the funding for administrative expenses. Previously, funding for administrative expenses were advanced, as needed, from the Highway Trust Fund to be repaid from NCTA revenue collections. Interest continues to accrue on the unpaid balance of the advance.

The high cost of building, operating, and maintaining a major highway facility is typically more than the revenue a new road can generate through tolls. The gap between what tolling can pay for and the cost of the road requiring additional support from the State is known as gap funding. These annual transfers from the Highway Trust Fund to the NCTA are used to pay debt service and fund required reserves on bonds issued to finance turnpike projects. The transfers in include funds received from NCDOT's Highway Fund and Highway Trust Fund during fiscal year 2022 and the Federal Highway Administration State match. While the amount received from NCDOT's Highway and Highway Trust for gap funding remained unchanged at $49 million, the transfers in for project participation increased by $2.98 million from the Highway Trust Fund and by $4.1 million from the Highway Fund, a total increase of $7.1 million or 14.18%.

Both NCTA's operating loss and nonoperating expenses contributed to a $21.9 million or 7.75% decrease in net position to $260.63 million at the 2022 fiscal year end. In addition to factors identified above, the Complete 540 project has significant impacts on NCTA's balance sheet. Restricted investments decreased by $313.77 million or 39.26% as NCTA continues to use restricted investments, which have been funded with prior year bond proceeds, for the construction of the Complete 540 project. Land and permanent easements increased by $19.1 million due to the continued right of way acquisitions for the project, and construction in progress increased by $248.84 million or 55.33%, as the Complete 540 project construction continues.

EPA Revolving Loan Fund

The Environmental Protection Agency (EPA) Revolving Loan Fund (Loan Fund) is comprised of the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund established by General Statute 159G-22 and receives federal and state funds. This Loan Fund was established to provide loans and grants as allowed under federal laws for wastewater projects and public water systems to meet the water infrastructure needs of the State.

The net position of the Loan Fund increased 2.2% or $44.19 million to $2.06 billion in fiscal year 2022. This increase in net position is due to the Loan Fund continuing to focus on streamlining its processes (requiring municipalities to follow specified timelines that resulted in more infrastructure projects being completed during the year), using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grants for these projects (as opposed to funds from other sources). The amount of new loans issued during the current year was $138.24 million, an increase of $6.93 million or 5.28%, and the amount of principal received on existing loans during the year was $94.35 million, a $163.41 million or 63.4% decrease. As a result, Notes Receivable increased by $43.89 million. The variances in loans issued and principal received during fiscal year 2022 is not unusual for a year-over-year fluctuation. Funds are managed with a long-term focus, typically with more loans issued over time. But in any given year, there may be a slight decrease from the previous year. With interest rates being low during the 2021 fiscal year, more communities chose to pay off their existing loans in 2021, resulting in a decrease in principal payments received during fiscal year 2022.

Operating income (operating revenues less operating expenses) was $ 9.86 million, an increase of $3.04 million or 44.55% from the prior year. The increase in operating income was due predominantly to a $3.46 million or 21.7% increase in operating revenues. Operating revenues went from $15.96 million in the prior year to $19.42 million in fiscal year 2022. Sales and services increased by $4.68 million due to the increase in closing fees associated with the State Revolving funds issued. Closing fees are reported as sales and services when received. Loan closing fees are 2% of the issuance, and grant closing fees are 1.5%. The increase is directly related to an increase in loans and grants issues in the 2022 fiscal year. Interest earnings on loans decreased by $1.22 million. Operating expenses did not change significantly from the prior year and were $9.56 million for fiscal year 2022, which represents a $0.43 million or 4.65% increase.

Net nonoperating revenues were $20.45 million, a decrease of $29.73 million or 59.25%. Nonoperating revenues consist of noncapital grants (federal capitalization grants) and investment earnings, and nonoperating expenses consist primarily of payments for grants, aid and subsidies. Noncapital grants were $71.91 million, a $14.66 million or 25.61% increase from the prior year, related to federal grants received for Drinking Water State Revolving Fund projects. Investment earnings were a negative $23.63 million, a decrease of $24.77 million or 2,167.02%. The decrease in investment earnings is due predominantly to the Loan Fund reporting unrealized losses of $29.5 million in fiscal year 2022, an increase of $22.92 million in unrealized losses from the prior year. Payments for grants, aid and subsidies increased by $19.57 million or 236.14% related to grants and loans to local municipalities for Clean Water and Drinking Water projects. In addition, the EPA Revolving Loan Fund received $14.02 million in transfers for appropriated state match funds for Clean Water and Drinking Water projects, a $1.46 million or 11.63% increase from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2022, the State's investment in capital assets was $65.83 billion, an increase of 5.29% from the previous fiscal year-end (see table below).

Capital Assets as of June 30
(net of depreciation, dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021 (as restated)	2022	2021 (as restated)	2022	2021 (as restated)
Land and permanent easements	$21,524,138	$20,652,733	$ 569,389	$ 549,128	$22,093,527	$ 21,201,861
Buildings	2,950,614	2,877,194	60,642	53,302	3,011,256	2,930,496
Machinery and equipment	783,481	804,462	7,987	8,393	791,468	812,855
Infrastructure:						
State highway system	32,430,490	31,103,285	—	—	32,430,490	31,103,285
NC toll road system	—	—	1,328,953	1,358,637	1,328,953	1,358,637
General infrastructure	230,355	233,871	6,174	6,524	236,529	240,395
Computer software	303,276	315,483	521	644	303,797	316,127
Art, literature, and other artifacts	148,872	147,576	1,293	1,290	150,165	148,866
Construction in progress	3,473,971	2,735,268	698,766	460,856	4,172,737	3,196,124
Computer software in development	903,675	791,903	—	—	903,675	791,903
RTU Land and permanent easements	501	464	—	—	501	464
RTU Buildings	402,075	413,343	2,741	3,443	404,816	416,786
RTU Machinery and equipment	1,483	2,066	—	—	1,483	2,066
RTU General infrastructure	1,156	1,425	—	—	1,156	1,425
Total	$63,154,087	$60,079,073	$2,676,466	$ 2,442,217	$65,830,553	$ 62,521,290
Total percent change between fiscal years 2021 and 2022	**5.12 %**		**9.59 %**		**5.29 %**	

The largest component of capital assets is the state highway system. North Carolina has an 80,318 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- The NCDOT reported year-end construction in progress of $3.16 billion for state highway projects. Additionally, the NCTA (business-type activity) reported year-end construction in progress of $611.9 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway approximately 17.8 miles. NCTA also has $38.04 million construction in progress for the Mid-Currituck Bridge project. This project is a 7-mile roadway toll project, which includes a two-lane bridge, that spans the Currituck Sound and connects the Currituck county mainland to the Outer Banks; it also includes a second two-lane bridge that spans Maple Swamp on the Currituck county mainland.
- The Department of Military and Veterans Affairs is constructing a skilled nursing care facility with 120 private rooms for state veterans in Kernersville, North Carolina. The project is 95% complete. It has a budget of nearly $59 million and is a cooperative effort between the State of North Carolina and the U.S. Department of Veterans Affairs, which provided over $27 million in grant funds. The revised occupancy timeframe for the facility is spring 2023. At year-end, construction in progress for the Kernersville Veterans Home totaled $45.03 million.
- The Department of Health and Human Services (DHHS) is replacing major legacy IT systems. NC FAST, the new system for managing and administering social services benefits, will improve the way DHHS and the 100 county departments of social services conduct business. At year-end, computer software in development for NC FAST totaled $749.45 million.

As further detailed in Note 21E to the financial statements, the State has commitments of $6.095 billion for the construction of highway infrastructure ($6.04 billion for governmental activities and $55.26 million for business-type activities), which are expected to be financed by motor fuels tax collections, motor vehicle fees, toll collections, federal funds, and debt proceeds. Other commitments of $344.23 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

More detailed information about the State's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

At year-end, the State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of $8.24 billion, a decrease of 1.99% from the previous fiscal year-end (see table below).

Outstanding Debt as of June 30
Bonds, Special Indebtedness, and Notes From Direct Borrowings
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021 (as restated)	2022	2021	2022	2021 (as restated)
General obligation bonds	$ 2,309,790	$ 2,648,385	$ —	$ —	$ 2,309,790	$ 2,648,385
Special Indebtedness:						
Limited obligation bonds	2,348,890	2,275,750	—	—	2,348,890	2,275,750
GARVEE bonds	1,023,210	875,865	—	—	1,023,210	875,865
Revenue bonds	—	—	2,323,816	2,365,938	2,323,816	2,365,938
Notes from direct borrowings	43,403	50,619	186,127	185,991	229,530	236,610
Total	$ 5,725,293	$ 5,850,619	$ 2,509,943	$ 2,551,929	$ 8,235,236	$ 8,402,548
Total percent change between fiscal years 2021 and 2022	**(2.14)%**		**(1.65)%**		**(1.99)%**	

During the 2022 fiscal year, the State issued $432 million in limited obligation bonds. The State issued $132 million in limited obligation refunding bonds to refund certain maturities of the 2011B limited obligation bonds and 2011C limited obligation bonds. The State issued the 2021 refunding bonds pursuant to the provisions of the State Capital Facilities Finance Act found in General Statute Chapter 142, Article 9, as amended, a resolution of the North Carolina Council of State, and the approval of the State Treasurer. The refunding bonds achieved a net present value savings to the State of approximately $23.6 million. The Highway Trust Fund issued $300 million Build NC special indebtedness limited obligation bonds as part of the $3 billion transportation package approved by the General Assembly. The bond proceeds will be used to finance regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan (STIP), build a debt service reserve fund, and pay the costs incurred in connection with the issuance of the bonds.

The State issues two types of tax-supported debt: general obligation (GO) bonds and special indebtedness (i.e., debt not subject to a vote of the people). GO bonds are secured by the full faith, credit, and taxing power of the State and require approval by a majority of voters. The payments on special indebtedness are subject to appropriation by the General Assembly and also may be secured by a lien on facilities or equipment. The General Statutes (Chapter 142, Article 9) prohibit the issuance of special indebtedness except for projects specifically authorized by the General Assembly. Special indebtedness is also known as appropriation-supported debt. Limited obligation bonds may be issued by the State directly rather than through a conduit issuer. The use of alternative financing methods provides financing flexibility to the State and permits the State to take advantage of changing financial and economic environments. The GARVEE bonds are a revenue bond-type debt instrument where the debt service is to be paid solely from federal transportation revenues.

The State's total long-term debt (bonds, special indebtedness, and notes from direct borrowings) reported in governmental activities has increased from $3.48 billion in 2002 to $5.73 billion in 2022, in part due to large issuances of non-GO debt (special indebtedness) for higher education capital projects. Prior to 2003, the State only issued general obligation debt. The NCTA had its first debt issuance in 2010. The NCTA's long-term debt has increased from $691.56 million in 2010 to $2.51 billion in 2022.

The following is a summary of recent debt authorizations.

Build NC Bond Act of 2018

The 2017-18 Session of the General Assembly authorized the issuance of up to $300 million annually over ten years, not to exceed $3 billion in total, of special indebtedness. The maturity of the bonds is limited to 15 years and the issuance is contingent upon the N.C. State Treasurer's recommendation. The Build NC Bonds will be repaid from appropriations from the Highway Trust Fund. The proceeds will enable the N.C. Department of Transportation to accelerate Regional and Divisional transportation projects authorized pursuant to the State's Strategic Transportation Investments Act (STI). The Build NC Bond Act of 2018 became effective January 1, 2019.

Connect NC Bond Act of 2015

The 2015-16 Session of the General Assembly authorized, subject to a vote of the qualified voters of the State, the issuance of $2 billion of general obligation bonds of the State to be secured by a pledge of the faith and credit and taxing power of the State. The Connect NC Bonds were approved by a statewide voter referendum held on March 15, 2016. The general obligation bonds will provide financing for various capital improvements throughout the State as follows: University of North Carolina System ($980 million), North Carolina Community Colleges ($350 million), local parks and infrastructure ($312.5 million), National Guard ($70 million), agriculture ($179 million), State parks and attractions ($100 million), and public safety ($8.5 million). The 2021 Session of the General Assembly (S. L. 2021-180) repealed the remaining authorization of the Connect NC general obligation bonds that had not been issued as of June 30, 2021 and replaces it with pay-as-you-go capital for the remaining amount of $400 million total authorization.

Credit Ratings

Credit ratings are the rating agencies' assessment of a governmental entity's ability and willingness to repay debt on a timely basis. As a barometer of financial stress, credit ratings are an important factor in the public credit markets and can influence interest rates a borrower must pay.

The State's general obligation bond credit ratings are as follows:

State of North Carolina
General Obligation Bond Credit Ratings

Rating Agency	Rating	Outlook
Fitch Ratings	AAA	Stable
Moody's Investors Service	Aaa	Stable
Standard & Poor's Rating Services	AAA	Stable

These ratings are the highest attainable from all three rating agencies. In 2022, Standard & Poor's, Moody's Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the triple-A bond rating for the State. A triple-A bond rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 13 states with a triple-A rating from all three rating agencies.

Special indebtedness is not subject to a vote of the people, and its repayment is based on the State's annual debt service appropriation. For these reasons, special indebtedness is rated lower than the State's general obligation bonds and typically carries a higher interest rate.

Limitations on Debt

The Constitution of North Carolina (Article 5, Section 3) imposes limitations upon the increase of certain state debt. It restricts the General Assembly from contracting debt secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State, except for the following purposes:

1. To fund or refund a valid existing debt;
2. To supply an unforeseen deficiency in the revenue;
3. To borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 percent of such taxes;
4. To suppress riots or insurrections; or to repel invasions;
5. To meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
6. For any other lawful purpose, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the preceding biennium.

The 2013-14 Session of the General Assembly enacted legislation (Session Law 2013-78) to limit the amount of special indebtedness that the State may incur. According to this law, special indebtedness authorized by legislation enacted after January 1, 2013 cannot exceed 25% of the total bond indebtedness of the State supported by the General Fund that was authorized pursuant to legislation enacted after January 1, 2013.

More detailed information about the State's long-term liabilities is presented in Note 8 to the financial statements.

FUTURE OUTLOOK

Next Year's Budget and Rates

In the 2021-2022 Regular Session, the General Assembly enacted Session Law 2022-74 (House Bill 103). The General Assembly appropriated $27.9 billion in the General Fund for fiscal year 2022-23, which is $1.8 billion above the fiscal year 2021-22 amount, a 7% increase. The fiscal year 2022-23 revised net General Fund appropriations are $922 million greater than the fiscal year 2022-23 appropriations as provided in Session Law 2021-180 (2021 Appropriations Act). The budget provides compensation increases for educators and state employees, reservation of billions of dollars for significant statewide purposes, and additional investment in state and local capital and infrastructure. Specific priorities of the 2022 Appropriations Act include:

- $369 million to augment the fiscal year 2022-23 salary increases enacted in the 2021 Appropriations Act for state employees and state-funded local employees: most state agency employees will receive a 3.5% pay increase, with teachers receiving a 4.2% increase on average; noncertified public school employees will receive the greater of 4% or an increase to $15 per hour.
- $66 million for labor market salary adjustments to address specific staffing issues by providing targeted salary increases to recruit and retain employees.
- $36 million to increase a budgeted one-time retiree supplement from 3% to 4%.
- $876 million in new reservations for Economic Development Projects.
- $500 million in additional funds transferred into the savings reserve account, which when combined with the $1.13 billion already reserved for fiscal year 2022-23, will bring the total balance to its highest-ever level of $4.75 billion.
- $945 million in total reservations to the State Emergency Response and Disaster Relief Reserve.
- $3.2 billion in mandatory and discretionary funding transferred to the SCIF to support a number of previously authorized capital projects.
- $431 million in Lottery and other state funds provided for the Needs-Based Public School Capital Fund, to increase the number of school construction and renovation grants available to low-wealth counties.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Carolina Office of the State Controller, Accounting and Financial Reporting Section, 1410 Mail Service Center, Raleigh, N.C. 27699-1410. In addition, this financial report is available on the Office of the State Controller's internet home page at https://www.osc.nc.gov/public-information/reports.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2022

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	$ 26,680,846	$ 4,473,259	$ 31,154,105	$ 5,079,636
Investments (Note 3)	367,391	457,990	825,381	5,803,119
Securities lending collateral (Note 3)	1,019,384	37,948	1,057,332	205,710
Receivables, net (Note 4)	5,029,402	1,118,380	6,147,782	2,002,427
Due from component units (Note 18)	56,264	-	56,264	5,627
Due from primary government (Note 18)	-	-	-	35,122
Internal balances	195,117	(195,117)	-	-
Inventories	235,008	1,370	236,378	178,242
Prepaid items	17,517	29,127	46,644	178,301
Hedging derivatives asset	-	-	-	159
Advances to component units	1,691	-	1,691	-
Advances to outside entities	2,131	-	2,131	11,330
Notes receivable, net (Note 4)	62,284	1,166,329	1,228,613	1,325,119
Lease receivable	2,577	5,725	8,302	180,607
Investment in joint venture	-	-	-	229,130
Equity interest in component unit	371,586	-	371,586	-
Securities held in trust	63,493	-	63,493	-
Restricted/designated cash and cash equivalents (Note 3)	627,996	40,580	668,576	3,350,520
Restricted investments (Note 3)	1,056,203	485,467	1,541,670	12,090,099
Restricted due from primary government (Note 18)	-	-	-	13,247
Restricted due from component units (Note 18)	1,106	-	1,106	4,990
Beneficial interest in assets held by others	-	-	-	2,961
Net pension asset (Note 12)	31,046	-	31,046	-
Net OPEB asset (Note 14)	3,305	49	3,354	4,956
Capital assets-nondepreciable (Note 5)	26,050,656	1,269,448	27,320,104	2,447,365
Capital assets-depreciable, net (Note 5)	37,103,431	1,407,018	38,510,449	19,076,171
Total Assets	98,978,434	10,297,573	109,276,007	52,224,838
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	-	-	-	72,331
Deferred loss on refunding	36,662	20,939	57,601	51,867
Forward funded state aid	236,067	-	236,067	-
Deferred outflows for asset retirement obligation	-	-	-	13,833
Deferred outflows for pensions (Note 12)	1,499,162	21,092	1,520,254	1,073,272
Deferred outflows for OPEB (Note 14)	1,504,323	31,623	1,535,946	1,852,753
Other deferred outflows	-	-	-	1,455
Total Deferred Outflows of Resources	3,276,214	73,654	3,349,868	3,065,511
Liabilities				
Accounts payable and accrued liabilities	2,250,070	827,483	3,077,553	1,738,944
Medical claims payable	1,066,454	-	1,066,454	409,058
Unemployment benefits payable	-	3,079	3,079	-
Tax refunds payable	1,174,835	-	1,174,835	-
Obligations under securities lending	1,019,384	37,948	1,057,332	205,710
Interest payable	29,343	134,211	163,554	61,323
Due to component units (Note 18)	48,369	-	48,369	10,617
Due to primary government (Note 18)	-	-	-	57,370
Unearned revenue	5,356,337	45,261	5,401,598	822,953
Advance from primary government	-	-	-	1,691
Deposits payable	7	11,952	11,959	34,430
Funds held for others	112,896	-	112,896	3,399,195
Hedging derivatives liability (Note 7)	-	-	-	72,472
Long-term liabilities (Note 8):				
Due within one year	917,195	48,325	965,520	713,221
Due in more than one year	15,603,841	2,817,546	18,421,387	19,323,642
Total Liabilities	27,578,731	3,925,805	31,504,536	26,850,626

STATEMENT OF NET POSITION

June 30, 2022 *Exhibit A-1*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred Inflows of Resources				
Deferred gain on refunding	6,994	5,779	12,773	-
SCA revenue applicable to future years	-	-	-	314,514
Deferred state aid	-	-	-	236,067
Deferred inflows for lease agreements	2,516	5,648	8,164	187,967
Deferred inflows for pensions (Note 12)	1,486,733	21,738	1,508,471	1,268,075
Deferred inflows for OPEB (Note 14)	1,784,187	40,803	1,824,990	2,855,232
Deferred inflows irrevocable split-interest agreements	-	-	-	20,368
Accumulated increase in fair value of hedging derivatives	-	-	-	159
Other deferred inflows	-	-	-	5,077
Total Deferred Inflows of Resources	3,280,430	73,968	3,354,398	4,887,459
Net Position				
Net investment in capital assets	59,631,130	493,653	60,124,783	14,694,484
Restricted for:				
Nonexpendable:				
Environment and natural resources	123,217	-	123,217	-
Higher education	-	-	-	3,415,432
Expendable:				
Primary and secondary education	6,579	-	6,579	-
Higher education	7,751	-	7,751	6,450,109
Higher education student aid	1,087,089	-	1,087,089	-
Health and human services	96,752	-	96,752	468,594
Economic development	31,351	1,583	32,934	900,794
Environment and natural resources	137,743	-	137,743	-
Public safety, corrections, and regulation	125,154	1	125,155	-
Transportation	3,441	2,878	6,319	-
Highway construction/preservation	90,755	-	90,755	-
Agriculture	81,680	-	81,680	-
Debt service	168,956	197,963	366,919	-
Capital projects/repairs and renovations	12,672	-	12,672	-
Other purposes	41,038	2,069	43,107	-
Unrestricted	9,750,179	5,673,307	15,423,486	(2,377,149)
Total Net Position	$ 71,395,487	$ 6,371,454	$ 77,766,941	$ 23,552,264

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 3,033,443	$ 358,361	$ 873,339	$ 7,128	$ (1,794,615)
Primary and secondary education	15,459,082	237,124	3,786,021	-	(11,435,937)
Higher education	5,473,516	138,243	23,844	-	(5,311,429)
Health and human services	30,645,511	351,072	24,617,252	-	(5,677,187)
Economic development	435,295	3,405	275,080	-	(156,810)
Environment and natural resources	816,601	262,281	138,537	35,755	(380,028)
Public safety, corrections, and regulation	4,777,868	640,364	757,514	92	(3,379,898)
Transportation	3,079,409	1,089,208	344,044	1,105,964	(540,193)
Agriculture	249,195	30,431	43,612	651	(174,501)
Interest on long-term debt	173,241	-	-	-	(173,241)
Total Governmental Activities	64,143,161	3,110,489	30,859,243	1,149,590	(29,023,839)
Business-type Activities					
Unemployment Compensation	672,550	663,385	624,951	-	615,786
N.C. State Lottery	2,960,246	3,892,769	213	-	932,736
EPA Revolving Loan	37,447	19,419	48,286	-	30,258
N.C. Turnpike Authority	210,152	107,271	23,841	98	(78,942)
Regulatory programs	139,202	157,746	5,271	-	23,815
Insurance programs	37,099	22,806	(10,527)	-	(24,820)
North Carolina State Fair	12,657	15,160	1,520	-	4,023
Other business-type activities	14,696	13,068	1,744	150	266
Total Business-type Activities	4,084,049	4,891,624	695,299	248	1,503,122
Total Primary Government	$ 68,227,210	$ 8,002,113	$ 31,554,542	$ 1,149,838	$ (27,520,717)
Component Units					
University of North Carolina System	$ 14,780,690	$ 10,398,293	$ 2,230,651	$ 253,456	$ (1,898,290)
Community Colleges	2,588,065	300,167	1,247,423	450,281	(590,194)
State Health Plan	4,166,836	3,942,153	15,299	-	(209,384)
Other component units	1,199,306	478,547	386,720	14,904	(319,135)
Total Component Units	$ 22,734,897	$ 15,119,160	$ 3,880,093	$ 718,641	$ (3,017,003)

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2022 *Exhibit A-2*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Position				
Net (expense) revenue	$ (29,023,839)	$ 1,503,122	$ (27,520,717)	$ (3,017,003)
General Revenues:				
Taxes:				
Individual income tax	17,845,868	-	17,845,868	-
Corporate income tax	1,624,384	-	1,624,384	-
Sales and use tax	11,029,810	-	11,029,810	-
Motor fuels tax	2,227,883	-	2,227,883	-
Franchise tax	879,789	-	879,789	-
Highway use tax	1,137,060	-	1,137,060	-
Insurance tax	1,000,680	-	1,000,680	-
Beverage tax	559,195	-	559,195	-
Tobacco products tax	296,416	-	296,416	-
Other taxes	372,624	-	372,624	-
Tobacco settlement	171,849	-	171,849	-
Federal COVID-19	1,525,132	-	1,525,132	-
Unrestricted investment earnings	60,506	-	60,506	(152,831)
State aid - coronavirus	-	-	-	320,489
State aid	-	-	-	4,786,612
Noncapital contributions	38,147	517	38,664	57,027
Miscellaneous	67,754	1,318	69,072	23,944
Contributions to permanent funds	9,605	-	9,605	-
Contributions to endowments	-	-	-	191,639
Transfers	853,042	(853,042)	-	-
Total general revenues, contributions, and transfers	39,699,744	(851,207)	38,848,537	5,226,880
Change in net position	10,675,905	651,915	11,327,820	2,209,877
Net position — July 1, as restated (Note 23)	60,719,582	5,719,539	66,439,121	21,342,387
Net position — June 30	$ 71,395,487	$ 6,371,454	$ 77,766,941	$ 23,552,264

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022 *Exhibit B-1*

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	$ 22,221,674	$ 1,527,483	$ 979,167	$ 1,818,654	$ 26,546,978
Investments (Note 3)	7,654	-	-	333,667	341,321
Securities lending collateral (Note 3)	886,813	47,077	34,177	50,602	1,018,669
Receivables, net: (Note 4)					
Taxes receivable	2,815,922	162,119	52,946	7,680	3,038,667
Accounts receivable	413,022	45,643	697	25,567	484,929
Intergovernmental receivable	1,391,760	61,107	978	1,326	1,455,171
Interest receivable	1,605	708	530	788	3,631
Contributions receivable	76	-	-	-	76
Other receivables	-	4,332	-	-	4,332
Due from other funds (Note 10)	156,834	84,430	207,548	16,494	465,306
Due from component units (Note 18)	16,264	40,000	-	-	56,264
Inventories	106,823	101,950	-	26,002	234,775
Advances to other funds (Note 10)	-	-	30,424	-	30,424
Advances to component units	-	1,691	-	-	1,691
Advances to outside entities	2,131	-	-	-	2,131
Notes receivable, net (Note 4)	13,482	139	9	48,654	62,284
Lease receivable	2,351	-	-	226	2,577
Securities held in trust	15	4,837	-	58,641	63,493
Restricted/designated cash and cash equivalents (Note 3)	235,509	-	-	392,487	627,996
Restricted investments (Note 3)	1,968	194,724	484,897	374,614	1,056,203
Restricted due from component units (Note 10)	1,106	-	-	-	1,106
Total Assets	28,275,009	2,276,240	1,791,373	3,155,402	35,498,024
Deferred Outflows of Resources					
Forward funded state aid	198,780	-	-	37,287	236,067
Total Assets and Deferred Outflows	$ 28,473,789	$ 2,276,240	$ 1,791,373	$ 3,192,689	$ 35,734,091
Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	$ 491,079	$ 397,059	$ 97,315	$ 39,624	$ 1,025,077
Accrued payroll	3,422	40,030	-	82	43,534
Intergovernmental payable	733,566	161,892	4,734	15,272	915,464
Claims payable	-	-	-	100,000	100,000
Medical claims payable	1,066,454	-	-	-	1,066,454
Tax refunds payable	1,158,266	12,427	4,142	-	1,174,835
Obligations under securities lending	886,813	47,077	34,177	50,602	1,018,669
Due to fiduciary funds (Note 10)	138,294	-	-	-	138,294
Due to other funds (Note 10)	65,274	221,207	21,216	942	308,639
Due to component units (Note 18)	8,972	-	-	13,287	22,259
Unearned revenue	5,217,600	123,634	2,588	455	5,344,277
Advance from other funds (Note 10)	-	-	-	-	-
Deposits payable	-	-	-	7	7
Funds held for others	30,590	23,536	-	58,770	112,896
Total Liabilities	9,800,330	1,026,862	164,172	279,041	11,270,405
Deferred Inflows of Resources					
Unavailable revenue	243,534	938	-	7,305	251,777
Deferred inflows for lease agreements	2,330	-	-	186	2,516
Total Deferred Inflows of Resources	245,864	938	-	7,491	254,293
Fund Balances (Note 11)					
Nonspendable	106,920	101,950	-	149,419	358,289
Restricted	244,916	198,071	484,897	1,589,491	2,517,375
Committed	6,531,413	948,419	1,142,304	1,163,321	9,785,457
Assigned	4,298,908	-	-	3,926	4,302,834
Unassigned	7,245,438	-	-	-	7,245,438
Total Fund Balances	18,427,595	1,248,440	1,627,201	2,906,157	24,209,393
Total Liabilities, Deferred Inflows and Fund Balances	$ 28,473,789	$ 2,276,240	$ 1,791,373	$ 3,192,689	$ 35,734,091

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2022 *Exhibit B-1a*

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		$ 24,209,393
Amounts reported for governmental activities in the Statement of Net Position are different because:		
– **Capital assets** used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 5). These consist of:		
Cost of capital assets (excluding internal service funds)	$ 63,991,432	
Less: Accumulated depreciation (excluding internal service funds)	(986,410)	
Net capital assets		63,005,022
– **Some assets**, such as receivables, are not available soon enough to pay for current period expenditures and thus, are offset by unavailable revenue in the governmental funds.		251,777
– **Equity interest in component unit** is not a financial resource and, therefore, is not reported in the funds.		371,586
– **Net pension asset** (excluding internal service funds) resulting from contributions in excess of the actuarially determined contribution are not financial resources and, therefore, are not reported in the funds (see Note 12).		31,046
– **Net OPEB asset** (excluding internal service funds) resulting from contributions in excess of the actuarially determined contribution are not financial resources and, therefore, are not reported in the funds (see Note 14).		3,231
– **Deferred losses on refundings** are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds.		36,662
– **Deferred gain on refunding** is reported in the Statement of Net Position (to be amortized as a component of interest expense) but is not reported in the funds.		(6,994)
– **Deferred outflows for pensions** (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 12).		1,460,585
– **Deferred outflows for OPEB** (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 14).		1,417,851
– **Long-term debt instruments**, such as bonds and notes from direct borrowings, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 8). Also, unamortized debt premiums are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:		
General obligation bonds payable	(2,309,790)	
Limited obligation bonds payable	(2,348,890)	
GARVEE bonds payable	(1,023,210)	
Unamortized debt premiums (to be amortized as interest expense)	(628,794)	
Notes from direct borrowings	(43,403)	
Leases payable (excluding internal service funds)	(405,962)	
Net long-term debt		(6,760,049)
– **Other liabilities** not due and payable in the current period and, therefore, not reported in the funds (see Note 8 as applicable) consist of:		
Accrued interest payable	(29,343)	
Compensated absences (excluding internal service funds)	(567,524)	
Obligations for workers' compensation (excluding internal service funds)	(636,809)	
Death benefit payable	(37)	
Pollution remediation payable	(7,328)	
Claims and judgments payable	(731,703)	
Pension liability (excluding internal service funds)	(1,460,805)	
Net OPEB liability (excluding internal service funds)	(6,170,123)	
Total other liabilities		(9,603,672)
– **Deferred inflows for pensions** (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 12).		(1,454,455)
– **Deferred inflows for OPEB** (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 14).		(1,739,552)
– **Internal service funds** are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position (see Exhibit B-3).		173,056
Total net position - governmental activities (see Exhibit A-1)		$ 71,395,487

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit B-2*

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Individual income tax	$ 17,845,868	$ -	$ -	$ -	$ 17,845,868
Corporate income tax	1,630,010	-	-	-	1,630,010
Sales and use tax	11,012,646	-	-	7,767	11,020,413
Motor fuels tax	-	1,757,305	448,031	26,758	2,232,094
Franchise tax	890,406	-	-	-	890,406
Highway use tax	-	108,270	1,028,791	-	1,137,061
Insurance tax	1,001,625	-	-	-	1,001,625
Beverage tax	559,192	-	-	-	559,192
Tobacco products tax	296,701	-	-	-	296,701
Other taxes	241,914	-	-	128,990	370,904
Federal funds	23,855,788	1,275,610	-	109,405	25,240,803
Local funds	118,239	34,072	4,421	8,509	165,241
Investment earnings (losses)	66,533	3,288	2,786	(23,361)	49,246
Interest earnings on loans	68	-	69	1,147	1,284
Sales and services	176,861	3,345	-	160,560	340,766
Rental and lease of property	16,695	3,524	418	1,923	22,560
Fees, licenses, and fines	1,130,023	924,180	152,560	211,750	2,418,513
Tobacco settlement	171,585	-	-	-	171,585
Contributions, gifts, and grants	49,901	86,188	2,387	53,617	192,093
Funds escheated	-	-	-	137,760	137,760
Federal COVID-19 funds	7,793,424	47,209	-	62,754	7,903,387
Miscellaneous	189,747	12,176	756	47,470	250,149
Total revenues	67,047,226	4,255,167	1,640,219	935,049	73,877,661
Expenditures					
Current:					
General government	3,028,140	-	-	69,590	3,097,730
Primary and secondary education	15,491,013	-	-	-	15,491,013
Higher education	5,238,809	-	-	238,094	5,476,903
Health and human services	30,758,970	-	-	80,305	30,839,275
Economic development	439,026	-	-	4,234	443,260
Environment and natural resources	564,575	-	-	241,859	806,434
Public safety, corrections, and regulation	4,716,986	-	-	274,902	4,991,888
Transportation	-	4,188,128	2,000,842	-	6,188,970
Agriculture	263,605	-	-	20,886	284,491
Capital outlay	-	-	-	151,327	151,327
Debt service:					
Principal retirement	683,355	116,791	49,795	2,927	852,868
Interest and fees	183,432	52,885	44,263	839	281,419
Debt issuance costs	439	-	466	-	905
Total expenditures	61,368,350	4,357,804	2,095,366	1,084,963	68,906,483
Excess revenues over (under) expenditures	5,678,876	(102,637)	(455,147)	(149,914)	4,971,178
Other Financing Sources (Uses)					
Special indebtedness issued	-	-	300,000	-	300,000
GARVEE bonds issued	-	252,595	-	-	252,595
Refunding bonds issued	132,025	-	-	-	132,025
Other debt issued	29,977	4,421	-	14	34,412
Premium on debt issued	26,218	53,561	34,013	-	113,792
Sale of capital assets	8,067	17,867	107	28,916	54,957
Insurance recoveries	1,469	12,862	-	12,649	26,980
Transfers in (Note 10)	1,186,212	368,914	-	274,290	1,829,416
Transfers out (Note 10)	(596,640)	(51,968)	(89,978)	(239,311)	(977,897)
Total other financing sources (uses)	787,328	658,252	244,142	76,558	1,766,280
Net change in fund balances	6,466,204	555,615	(211,005)	(73,356)	6,737,458
Fund balances — July 1, as restated (Note 23)	11,961,391	692,825	1,838,206	2,979,513	17,471,935
Fund balances — June 30	$ 18,427,595	$ 1,248,440	$ 1,627,201	$ 2,906,157	$ 24,209,393

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2022 *Exhibit B-2a*

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)		$ 6,737,458
Amounts reported for governmental activities in the Statement of Activities are different because:		
– **Capital outlays** are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays (including construction-in-progress and computer soft. in develop.)	$ 4,334,182	
Less: Depreciation expense (excluding internal service funds)	(1,213,518)	
Net capital outlay adjustment		3,120,664
– **Proceeds from the sale of capital assets** increase financial resources in the funds, whereas in the Statement of Activities only the gain or loss on the sale is reported. This adjustment reduces the proceeds by the book value of the capital assets sold.		(46,689)
– **Donations of capital assets** do not appear in the governmental funds because they are not financial resources, but increase net position in the Statement of Activities.		5,197
– **Pension Contributions** (excluding internal service funds) to defined benefit pension plans in the current fiscal year are not included on the Statement of Activities.		685,532
– **OPEB Contributions** (excluding internal service funds) to defined benefit OPEB plans in the current fiscal year are not included on the Statement of Activities.		284,217
– **Benefit payments** to the special separation allowance defined benefit pension plan in the current fiscal year are not included on the Statement of Activities (see Note 12).		19,567
– **Long-term debt** proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of:		
Debt issued or incurred:		
Bonds and similar debt issued	(684,620)	
Leases (excluding internal service funds)	(34,412)	
Premiums on debt issued	(113,792)	
Principal repayments:		
Bonds, notes, and similar debt	809,946	
Leases (excluding internal service funds)	42,922	
Net debt adjustments		20,044
– **Some revenues** in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		(2,683)
– **Change in equity interest** of component unit resulting from changes in stockholder's equity are not current financial resources, and therefore, are not recognized in the funds.		5,086
– **Some expenses** reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in the funds. Also, some payments related to prior periods are recognized in the funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Accrued interest	4,419	
Compensated absences (excluding internal service funds)	23,793	
Workers' compensation (excluding internal service funds)	54,994	
Pension expense (excluding internal service funds)	(408,675)	
OPEB expense (excluding internal service funds)	64,274	
Pollution remediation	328	
Amortization of deferred amounts	103,758	
Net expense accruals		(157,109)
– **Internal service funds** are used by management to charge the costs of certain activities to individual funds. The net revenues of internal service funds are included with governmental activities in the Statement of Activities (see Exhibit B-4).		4,621
Change in net position - governmental activities (see Exhibit A-2)		$ 10,675,905

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Assets				
Current Assets				
Cash and cash equivalents (Note 3)	$ 3,447,397	$ 698,205	$ 122,263	$ -
Investments (Note 3)	-	220,900	7,621	-
Securities lending collateral (Note 3)	1,895	23,598	4,209	5,191
Receivables: (Note 4)				
Accounts receivable, net	842,380	-	24,753	41,025
Intergovernmental receivable	1,744	280	-	3,676
Interest receivable	13,909	359	14	-
Premiums receivable	-	-	-	-
Contributions receivable, net	183,319	-	-	-
Notes receivable	-	86,206	-	-
Lease receivable	-	-	-	-
Due from other funds (Note 10)	28,475	2,115	-	1,129
Inventories	-	-	-	914
Prepaid items	-	-	-	49
Restricted cash and cash equivalents (Note 3)	-	-	-	-
Total current assets	4,519,119	1,031,663	158,860	51,984
Noncurrent Assets				
Investments (Note 3)	-	-	73,395	-
Notes receivable	-	1,079,874	-	-
Lease receivable	-	-	-	-
Prepaid items	-	-	3,924	4,487
Restricted/designated cash and cash equivalents (Note 3)	-	-	-	38,348
Restricted investments (Note 3)	-	-	-	485,467
Net OPEB asset	-	4	17	2
Capital assets-nondepreciable (Note 5)	-	-	-	1,254,255
Capital assets-depreciable, net (Note 5)	-	-	1,894	1,328,953
Total noncurrent assets	-	1,079,878	79,230	3,111,512
Total Assets	4,519,119	2,111,541	238,090	3,163,496
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	20,939
Deferred outflows for pensions	-	2,254	6,537	808
Deferred outflows for OPEB	-	4,249	8,100	1,816
Total Deferred Outflows of Resources	-	6,503	14,637	23,563
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ 49,049	$ 124	$ 25,092	$ 16,866
Accrued payroll	-	-	2,106	-
Intergovernmental payable	667,245	21,107	-	1,861
Claims payable	-	-	-	-
Unemployment benefits payable	3,079	-	-	-
Obligations under securities lending	1,895	23,598	4,209	5,191
Interest payable	-	-	-	58,312
Due to fiduciary funds (Note 10)	-	-	441	-
Due to other funds (Note 10)	661	-	127,834	69,881
Due to component units (Note 18)	-	-	-	-
Unearned revenue	2,552	-	-	241
Deposits payable	-	-	-	10,670
Annuity and life income payable (Note 8)	-	-	7,621	-
Notes from direct borrowings (Note 8)	-	-	-	-
Lease liability (Note 8)	-	-	-	-
Bonds payable (Note 8)	-	-	-	36,994
Compensated absences (Note 8)	-	89	345	32
Workers' compensation (Note 8)	-	-	12	-
Total current liabilities	724,481	44,918	167,660	200,048

Exhibit B-3

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
$ 205,394	$ 4,473,259	$ 133,868
128,166	356,687	26,070
3,055	37,948	715
1,222	909,380	42,503
3,001	8,701	-
542	14,824	10
2,156	2,156	83
-	183,319	-
-	86,206	-
1,545	1,545	-
1,966	33,685	14,777
456	1,370	233
20,600	20,649	17,517
2,161	2,161	-
370,264	6,131,890	235,776
27,908	101,303	-
249	1,080,123	-
4,180	4,180	-
67	8,478	-
71	38,419	-
-	485,467	-
26	49	74
15,193	1,269,448	3,396
76,171	1,407,018	145,669
123,865	4,394,485	149,139
494,129	10,526,375	384,915
-	20,939	-
11,493	21,092	38,577
17,458	31,623	86,472
28,951	73,654	125,049
$ 11,909	$ 103,040	$ 18,875
147	2,253	5,689
-	690,213	-
29,373	29,373	3,137
-	3,079	-
3,055	37,948	715
-	58,312	-
-	441	-
2	198,378	6,751
-	-	26,110
42,468	45,261	12,060
1,282	11,952	-
-	7,621	-
1,014	1,014	-
697	697	299
-	36,994	-
1,521	1,987	1,504
-	12	222
91,468	1,228,575	75,362

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)

June 30, 2022

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Interest payable	-	-	-	75,899
Advances from other funds (Note 10)	-	-	-	30,424
Annuity and life income payable (Note 8)	-	-	73,395	-
Notes from direct borrowings (Note 8)	-	-	-	166,500
Lease liability (Note 8)	-	-	-	-
Bonds payable, net (Note 8)	-	-	-	2,442,257
Compensated absences (Note 8)	-	909	2,115	295
Workers' compensation (Note 8)	-	-	-	-
Net pension liability (Note 8)	-	1,433	5,607	512
Net OPEB liability (Note 8)	-	8,133	32,535	2,951
Total noncurrent liabilities	-	10,475	113,652	2,718,838
Total Liabilities	724,481	55,393	281,312	2,918,886
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	5,779
Deferred inflow for lease agreements	-	-	-	-
Deferred inflows for pensions	-	2,138	7,084	670
Deferred inflows for OPEB	-	4,576	9,028	1,093
Total Deferred Inflows of Resources	-	6,714	16,112	7,542
Net Position				
Net investment in capital assets	-	-	1,894	422,924
Restricted for:				
Expendable:				
Economic development	-	-	-	-
Public safety, corrections, and regulation	-	-	-	-
Transportation	-	-	-	2,878
Debt service	-	-	-	197,963
Other purposes	-	-	4	-
Unrestricted	3,794,638	2,055,937	(46,595)	(363,134)
Total Net Position	$ 3,794,638	$ 2,055,937	$ (44,697)	$ 260,631

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-3

		Governmental Activities —
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
2,163	2,163	-
-	75,899	-
-	30,424	-
-	73,395	-
18,613	185,113	-
2,188	2,188	1,229
-	2,442,257	-
7,154	10,473	16,970
33	33	1,505
8,869	16,421	25,105
44,047	87,666	139,824
83,067	2,926,032	184,633
174,535	4,154,607	259,995
-	5,779	-
5,648	5,648	-
11,846	21,738	32,278
26,106	40,803	44,635
43,600	73,968	76,913
68,835	493,653	147,571
1,583	1,583	-
1	1	-
-	2,878	-
-	197,963	-
2,065	2,069	-
232,461	5,673,307	25,485
$ 304,945	$ 6,371,454	$ 173,056

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Operating Revenues				
Employer unemployment contributions	$ 660,626	$ -	$ -	$ -
Federal funds	2,759	-	-	-
Sales and services	-	7,940	3,887,004	815
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	11,479	-	-
Rental and lease earnings	-	-	-	-
Fees, licenses, and fines	-	-	5,207	19,306
Toll revenues	-	-	-	72,088
Insurance premiums	-	-	-	-
Miscellaneous	-	-	558	15,062
Total operating revenues	663,385	19,419	3,892,769	107,271
Operating Expenses				
Personal services	-	7,394	25,271	3,024
Supplies and materials	-	161	2,339	36,399
Services	-	1,525	382,435	13,403
Cost of goods sold	-	-	-	934
Depreciation	-	-	461	29,684
Lottery prizes	-	-	2,543,961	-
Claims	-	-	-	-
Unemployment benefits	671,403	-	-	-
Insurance and bonding	-	-	192	-
Other	-	481	5,211	25,021
Total operating expenses	671,403	9,561	2,959,870	108,465
Operating income (loss)	(8,018)	9,858	932,899	(1,194)
Nonoperating Revenues (Expenses)				
Noncapital grants	-	71,912	-	-
Noncapital gifts, net	-	-	-	-
Noncapital contributions	-	49	197	18
Lease interest revenue	-	-	-	-
Investment earnings (losses)	52,302	(23,626)	213	19,537
Insurance recoveries	-	-	-	288
Grants, aid, and subsidies	-	(27,863)	-	-
Gain (loss) on sale of equipment	-	-	(372)	-
Federal interest subsidy on debt	-	-	-	4,016
Federal COVID-19 funds	572,579	-	-	-
Interest and fees	-	-	-	(101,576)
Miscellaneous	(1,077)	(23)	(4)	(111)
Total nonoperating revenues (expenses)	623,804	20,449	34	(77,828)
Income (loss) before contributions and transfers	615,786	30,307	932,933	(79,022)
Capital contributions	-	-	-	98
Transfers in (Note 10)	568	14,019	-	57,023
Transfers out (Note 10)	-	(134)	(932,933)	-
Change in net position	616,354	44,192	-	(21,901)
Net position — July 1, as restated (Note 23)	3,178,284	2,011,745	(44,697)	282,532
Net position — June 30	$ 3,794,638	$ 2,055,937	$ (44,697)	$ 260,631

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-4

		Governmental Activities —
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ 660,626	$ -
-	2,759	-
1,879	3,897,638	454,652
21	21	-
-	11,479	-
8,044	8,044	-
174,599	199,112	4,648
-	72,088	-
22,765	22,765	34,713
1,328	16,948	372
208,636	4,891,480	494,385
92,207	127,896	254,682
3,965	42,864	18,871
54,219	451,582	129,264
535	1,469	269
5,264	35,409	23,230
-	2,543,961	-
14,288	14,288	12,042
-	671,403	-
23,315	23,507	33,231
8,970	39,683	22,263
202,763	3,952,062	493,852
5,873	939,418	533
281	72,193	-
2,763	2,763	-
253	517	846
144	144	-
(5,256)	43,170	(3,705)
20	308	14
-	(27,863)	-
1,318	946	5,464
-	4,016	-
-	572,579	-
(425)	(102,001)	(71)
(266)	(1,481)	17
(1,168)	565,291	2,565
4,705	1,504,709	3,098
150	248	-
11,621	83,231	17,359
(3,206)	(936,273)	(15,836)
13,270	651,915	4,621
291,675	5,719,539	168,435
$ 304,945	$ 6,371,454	$ 173,056

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	**EPA Revolving Loan Fund**	**N.C. State Lottery Fund**	**N.C. Turnpike Authority**
Cash Flows From Operating Activities				
Receipts from customers	$ 632,939	$ 7,382	$ 3,617,776	$ 69,341
Receipts from federal agencies	2,887	-	-	-
Receipts from program loan - interest	-	11,479	-	-
Receipts from program loan - principal	-	94,351	-	-
Receipts from other funds	-	-	-	-
Payments to suppliers	(198)	(2,125)	(120,060)	(60,088)
Payments to employees	-	(8,413)	(29,205)	(3,105)
Payments for prizes, benefits, and claims	(775,005)	-	(2,524,801)	-
Payments for program loans issued	-	(138,240)	-	-
Payments to other funds	-	-	-	-
Other receipts	70	-	218	16,428
Other payments	(1,145)	-	(4)	(13)
Net cash provided by (used for) operating activities	(140,452)	(35,566)	943,924	22,563
Cash Flows From Noncapital Financing Activities				
Grant receipts	-	71,912	-	-
Grants, aid, and subsidies	-	(9,217)	-	-
Federal aid - COVID-19	704,048	-	-	-
Noncapital contributions	-	-	-	-
Advances from other funds	-	-	-	69
Transfers from other funds	568	14,019	-	-
Transfers to other funds	-	(134)	(1,040,172)	-
Gifts	342	-	-	-
Insurance recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	704,958	76,580	(1,040,172)	69
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(257)	(266,054)
Proceeds from the sale of capital assets	-	-	-	-
Proceeds from capital debt	-	-	-	-
Transfers from other funds	-	-	-	57,023
Transfers to other funds	-	-	-	-
Capital contributions	-	-	-	2,133
Principal paid on capital debt	-	-	-	(42,122)
Interest paid on capital debt	-	-	-	(107,132)
Federal subsidy for interest on debt	-	-	-	4,016
Insurance recoveries	-	-	-	288
Proceeds from lease arrangements	-	-	-	-
Bond issuance costs	-	-	-	(99)
Net cash provided by (used for) capital and related financing activities	-	-	(257)	(351,947)
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	926,164
Purchase of non-State Treasurer investments	-	-	-	(619,319)
Purchase into State Treasurer investment pool	-	-	-	-
Redemptions from State Treasurer investment pool	-	-	-	-
Investment earnings	55,078	1,097	200	26,450
Net cash provided by investment activities	55,078	1,097	200	333,295

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-5

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
$ 202,232	$ 4,529,670	$ 25,856
-	2,887	-
-	11,479	-
-	94,351	-
-	-	486,062
(92,514)	(274,985)	(196,713)
(93,795)	(134,518)	(251,030)
(12,090)	(3,311,896)	-
-	(138,240)	-
-	-	(15,236)
2,174	18,890	3,737
(16,890)	(18,052)	-
(10,883)	779,586	52,676
286	72,198	-
-	(9,217)	-
-	704,048	-
181	181	-
-	69	-
11,753	26,340	17,043
(2,413)	(1,042,719)	(15,835)
2,551	2,893	-
20	20	-
12,378	(246,187)	1,208
(3,298)	(269,609)	(23,100)
3,013	3,013	8,464
1,182	1,182	-
-	57,023	317
(793)	(793)	-
99	2,232	-
(1,722)	(43,844)	(299)
(416)	(107,548)	(71)
-	4,016	-
-	288	14
1,824	1,824	-
-	(99)	-
(111)	(352,315)	(14,675)
30,497	956,661	-
(43,135)	(662,454)	-
-	-	(20,000)
35,000	35,000	22,500
965	83,790	40
23,327	412,997	2,540

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Net increase (decrease) in cash and cash equivalents	619,584	42,111	(96,305)	3,980
Cash and cash equivalents at July 1, as restated	2,827,813	656,094	218,568	34,368
Cash and cash equivalents at June 30	$ 3,447,397	$ 698,205	$ 122,263	$ 38,348
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income (loss)	$ (8,018)	$ 9,858	$ 932,899	$ (1,194)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	461	29,684
Lease revenue (amortized deferred inflow for leases)	-	-	-	-
Management fees	-	-	-	(13)
Nonoperating miscellaneous and other income (expense)	(1,076)	-	(4)	(111)
Change in assets and deferred outflows:				
Receivables	(490,191)	-	(8,235)	(21,255)
Intergovernmental receivables	-	-	-	(988)
Due from other funds	(5,326)	(558)	-	(866)
Inventories	-	-	-	(513)
Prepaid items	-	-	1,216	-
Net OPEB asset	-	6	31	3
Notes receivable	-	(43,890)	-	-
Deferred outflows for pensions	-	(492)	(728)	(22)
Deferred outflows for OPEB	-	(1,612)	(3,628)	(128)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	364,356	39	21,222	369
Due to other funds	(197)	-	-	25,681
Due to component units	-	-	-	-
Due to fiduciary funds	-	-	63	(9,876)
Compensated absences	-	(68)	(148)	(57)
Workers' compensation	-	-	(43)	-
Unearned revenue	-	-	-	241
Net pension liability	-	(1,567)	(8,126)	(758)
Net OPEB liability	-	2,308	5,660	447
Deferred inflows for pensions	-	1,600	7,045	670
Deferred inflows for OPEB	-	(1,190)	(3,761)	(228)
Deposits payable	-	-	-	1,477
Net cash provided by (used for) operations	$ (140,452)	$ (35,566)	$ 943,924	$ 22,563
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ -	$ (2,069)	$ -	$ -
Change in construction in progress as a result of accrual of accounts payable	-	-	-	11,974
Capital asset writeoff	-	-	(16)	-
Assets acquired through the assumption of a liability	-	-	-	287
Change in fair value of investments	-	(22,919)	-	(21,220)
Increase in receivables related to nonoperating income	-	243	13	-
Change in securities lending collateral	1,895	23,591	4,206	5,183
Decrease in net OPEB liability related to noncapital contributions	-	(49)	197	(18)

Exhibit B-5

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
24,711	594,081	41,749
182,915	3,919,758	92,119
$ 207,626	$ 4,513,839	$ 133,868
$ 5,873	$ 939,418	$ 533
5,264	35,409	23,230
(1,755)	(1,755)	-
-	(13)	-
184	(1,007)	18
1,830	(517,851)	17,105
-	(988)	-
617	(6,133)	(434)
171	(342)	(93)
(15,015)	(13,799)	(2,662)
49	89	129
-	(43,890)	-
(632)	(1,874)	131
(3,246)	(8,614)	(2,091)
2,895	388,881	7,478
19	25,503	5,614
-	-	(3,488)
-	(9,813)	-
(165)	(438)	(388)
1	(42)	63
(5,574)	(5,333)	1,286
(13,253)	(23,704)	(34,594)
763	9,178	26,282
11,275	20,590	31,386
(1,466)	(6,645)	(16,829)
1,282	2,759	-
$ (10,883)	$ 779,586	$ 52,676
$ 1,844	$ (225)	$ 523
-	11,974	-
329	313	-
11	298	346
(12,012)	(56,151)	(4,279)
83	339	10
3,054	37,929	213
(285)	(155)	(846)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2022 *Exhibit B-6*

(Dollars in Thousands)

	Pension and Other Employee Benefit Trust	Private-Purpose Trust Funds	Custodial Funds: External Investment Pools and Investment Account	Custodial Funds: Other Custodial Funds
Assets				
Cash and cash equivalents (Note 3)	$ 1,509,641	$ 147,725	$ 5,572	$ 1,749,189
Investments (Note 3):				
Corporate bonds	-	-	-	124,483
Corporate stocks	-	-	-	43,342
Certificates of deposit	-	44,502	-	400
Collective investment funds	42,720	-	-	-
State Treasurer investment pool	111,735,263	-	1,690,835	-
Unallocated insurance contracts	248,085	-	-	-
Synthetic guaranteed investment contracts	2,094,529	-	-	-
Non-State Treasurer pooled investments	13,982,421	-	-	-
Securities lending collateral (Note 3)	1,149,787	3	33,800	17,906
Receivables:				
Taxes receivable	-	-	-	296,000
Accounts receivable	32,020	-	-	89,330
Other receivables	-	-	-	51
Intergovernmental receivable	103	-	-	1
Interest receivable	884	-	677	15,923
Contributions receivable	201,416	-	-	-
Due from other funds (Note 10)	100,208	-	-	38,527
Due from component units	34,549	-	-	-
Notes receivable	278,952	-	-	-
Sureties	-	823,957	-	24,390
Capital assets-nondepreciable	-	-	-	68
Total Assets	131,410,578	1,016,187	1,730,884	2,399,610
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	2,123	-	996	706
Intergovernmental payable	-	-	-	1,330,546
Benefits payable	6,448	-	-	-
Obligations under securities lending	1,149,787	3	33,800	17,906
Deposits payable	-	-	-	276
Funds held for others	6,085	-	-	1,256
Total Liabilities	1,164,443	3	34,796	1,350,690
Net Position				
Restricted for:				
Pension benefits	124,719,910	-	-	-
Other postemployment benefits	3,088,485	-	-	-
Other employment benefits	2,437,740	-	-	-
Pool participants	-	-	1,232,438	-
Individuals, organizations, and other governments	-	1,016,184	463,650	1,048,920
Total Net Position	$ 130,246,135	$ 1,016,184	$ 1,696,088	$ 1,048,920

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit B-7*

(Dollars in Thousands)

			Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	**Private-Purpose Trust Funds**	**External Investment Pools and Investment Account**	**Other Custodial Funds**
Additions				
Contributions:				
Employer Contributions	$ 5,170,647	$ -	$ -	$ -
Members Contributions	2,048,002	-	-	-
Trustee deposits	-	201,735	-	-
Other contributions	241,504	-	-	-
Total contributions	7,460,153	201,735	-	-
Investment income:				
Investment earnings (losses)	(6,288,095)	175	(92,695)	306
Less investment expenses	(597,881)	-	(158)	(9)
Net investment income (loss)	(6,885,976)	175	(92,853)	297
Pool share transactions:				
Reinvestment of dividends	-	-	(92,853)	-
Net share purchases/(redemptions)	-	-	330,309	-
Net pool share transactions	-	-	237,456	-
Property tax collections for local governments	-	-	-	1,167,266
Sales and use tax collections for local governments	-	-	-	4,974,071
Participant deposits	-	-	-	812,919
Child support deposits	-	-	-	709,481
Federal COVID-19 funds	-	-	-	352,692
Other additions:				
Sales and services	-	-	-	1,321
Fees, licenses, and fines	3,163	-	-	-
Interest earnings on loans	15,119	-	-	-
Miscellaneous	5,194	-	-	-
Total other additions	23,476	-	-	1,321
Total additions	597,653	201,910	144,603	8,018,047
Deductions				
Claims and benefits	7,941,070	-	-	-
Medical insurance premiums	1,044,104	-	-	-
Refund of contributions	199,597	-	-	-
Distributions paid and payable	-	-	(92,853)	-
Payments in accordance with trust arrangements	-	164,729	-	-
Payments of property tax to local governments	-	-	-	1,167,220
Payments of sales and use tax to local governments	-	-	-	4,974,071
Payments in accordance with custodial arrangements	-	-	-	710,130
Payments in accordance with child support arrangements	-	-	-	709,706
Payments of grants to local governments	-	-	-	343,228
Payments of refunds to grantors	-	-	-	9,464
Administrative expenses	34,338	-	-	212
Other deductions	618	-	-	-
Total deductions	9,219,727	164,729	(92,853)	7,914,031
Change in net position	(8,622,074)	37,181	237,456	104,016
Net position — July 1, as restated (Note 23)	138,868,209	979,003	1,458,632	944,904
Net position — June 30	$ 130,246,135	$ 1,016,184	$ 1,696,088	$ 1,048,920

The accompanying Notes to the Financial Statements are an integral part of this statement.

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DETAIL NOTES ON ALL FUNDS AND ACTIVITIES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The accompanying government-wide financial statements present the State of North Carolina and its component units. The State of North Carolina, as primary government, consists of all organizations that make up its legal entity. All funds, organizations, agencies, boards, commissions, and authorities that are not legally separate are, for financial reporting purposes, part of the primary government. The primary government has a separately elected governing body (the General Assembly), and the primary government must be both legally separate and fiscally independent. Component units are legally separate entities for which the State is financially accountable. The State's financial accountability is normally determined in one of two ways. First, the State has substantive appointment of a majority of the organization's governing board plus the State is able to either impose its will upon the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Financial accountability also exists when an organization is fiscally dependent on the State and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

The State's defined benefit pension plans, deferred compensation plans, and other employee benefit plans are reported as fiduciary component units in the State's fiduciary fund financial statements.

The State's non-fiduciary component units are discretely presented. The "Component Units" column in the accompanying financial statements includes the financial data of the State's discretely presented component units. They are combined and reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the State.

Fiduciary Component Units

Teachers' and State Employees' Retirement System
The Teachers' and State Employees' Retirement System (TSERS) pension plan is a legally separate entity established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies and eligible charter schools not in the reporting entity. The TSERS plan is governed by a 13-member board, with eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex officio members. The State is legally required to make contributions to the plan creating a financial benefit/burden relationship.

Local Governmental Employees' Retirement System
The Local Governmental Employees' Retirement System (LGERS) pension plan is a legally separate entity established by the State to provide benefits for employees of participating local governments. The LGERS plan is governed by a 13-member board, with nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent who serve as ex officio members. The State can impose its will on the LGERS plan.

Firefighters' and Rescue Squad Workers' Pension Fund
The Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) is a legally separate entity established by the State to provide pension benefits for all eligible firefighters and rescue squad workers. The FRSWPF is governed by the LGERS Board of Trustees. The State is legally obligated to contribute to the plan creating a financial benefit/burden relationship.

Register of Deeds' Supplemental Pension Fund
The Register of Deeds' Supplemental Pension Fund (RODSPF) is a legally separate entity established by the State to provide supplemental pension benefits for all eligible, retired county registers of deeds. The RODSPF is governed by the LGERS Board of Trustees. The State can impose its will on the RODSPF.

Consolidated Judicial Retirement System
The Consolidated Judicial Retirement System (CJRS) pension plan is a legally separate entity established by the State to provide pension benefits for eligible employees of the State Judicial System. The CJRS is governed by the TSERS Board of Trustees. The State is legally required to make contributions to the plan creating a financial benefit/burden relationship.

Legislative Retirement System

The Legislative Retirement System (LRS) pension plan is a legally separate entity established by the State to provide retirement and disability benefits for members of the General Assembly. The LRS is governed by the TSERS Board of Trustees. The State is required to make contributions to the plan creating a financial benefit/burden relationship.

North Carolina National Guard Pension Fund

The North Carolina National Guard Pension Fund (NGPF) is a legally separate entity established by the State to provide pension benefits for members of the North Carolina National Guard. The NGPF is governed by the TSERS Board of Trustees. The State is legally obligated to make contributions to the plan creating a financial benefit/burden relationship.

Retiree Health Benefit Fund

The Retiree Health Benefit Fund (RHBF) is a legally separate entity in which the State is currently funding on a pay-as-you-go basis with appropriated contributions matching benefit payments, creating a financial benefit/burden relationship. The RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, community colleges, Local Education Agencies, charter schools and select local governments. Retiree health benefit programs and premiums are determined by the State Health Plan Board of Trustees. The State Health Plan Board of Trustees consists of 10 members – two appointed by the Governor, two appointed by the State Treasurer, two appointed by the state Senate, two appointed by the state House of Representatives, and State Treasurer and the Director of State Budget and Management who serve as ex officio members.

Disability Income Plan of North Carolina

The Disability Income Plan of North Carolina (DIPNC) is a legally separate entity in which the State is legally required to make contributions towards creating a financial benefit/burden relationship. DIPNC is a cost-sharing, multiple-employer defined benefit plan for eligible members of TSERS providing other post-employment (OPEB) benefits. The plan provides extended short-term and long-term disability income benefits to eligible members. DIPNC is governed by the Department of State Treasurer and the TSERS Board of Trustees.

Death Benefit Plan

The Death Benefit Plan consists of the TSERS death benefit plan, the LGERS death benefit plan, separate insurance benefits plan for law enforcement officers, and the retirees' contributory death benefit plan which are legally separate. The Plan provides a group life insurance option to members of the TSERS, LGERS, CJRS, and LRS. The Death Benefit Plan is governed by the TSERS and LGERS Boards of Trustees. The State can impose its will on the Plan. The Plan's assets are administered through a trust committed to providing benefits to recipients and the assets are protected from creditors.

Supplemental Retirement Income Plan

The Supplemental Retirement Income Plan of North Carolina (401(k) Plan) is a State-sponsored, qualified defined contribution pension plan under Internal Revenue Code (Code) Section 401(k) that is available to members of TSERS, LGERS, CJRS, LRS, and certain other governmental defined benefit plans, as well as state and local law enforcement officers and others eligible under the Code and is a legally separate entity. The 401(k) Plan is governed by the Department of State Treasurer and the Supplemental Retirement Board of Trustees (Board), a nine-member board, with six members appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives. The State Treasurer serves as an ex officio member and chair of the Board. The State can impose its will on the 401(k) Plan.

Public Employee Deferred Compensation Plan

The North Carolina Public Employee Deferred Compensation Plan (457 Plan) is a State-sponsored, eligible defined contribution plan under Code Section 457(b) that is available to the employees of the State and participating local governmental entities. The 457 Plan is a legally separate entity and is governed by the Department of State Treasurer and the Supplemental Retirement Board of Trustees. The State can impose its will on the 457 Plan. The 457 Plan's assets are administered through a trust committed to providing benefits to recipients and the assets are protected from creditors.

Discretely Presented Component Units - Major

University of North Carolina System

The Board of Governors of the consolidated University of North Carolina (UNC) System is a legally separate body, composed of 24 members elected by the General Assembly. The Board of Governors establishes system-wide administrative policies while budgetary decisions are exercised at the State level. Within the consolidated System are UNC System Office, which is the administrative arm of the Board of Governors; the 16 constituent universities; a joint research campus; a constituent high school; an arboretum; and the University of North Carolina Health Care System (UNCHCS). Each of the 16 universities, the joint research campus, and the high school, in turn, is governed by its own separate board of trustees that is responsible for the operations of that campus only. The arboretum and the UNCHCS are each governed by its own separate board of directors. Funding for the UNC System is accomplished by State appropriations, tuition and fees, sales and services, federal grants, state grants, and private donations and grants.

Also included in the System are the financial data of the universities' significant fund-raising foundations (and similar organizations). Although the universities do not control the timing or amount of receipts from their foundations, the majority of resources (or income thereon) that the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the universities and are included in the universities' financial statements. Certain foundations are private not-for-profits that report under Financial Accounting Standards Board pronouncements. As such, certain revenue recognition criteria and presentation features are different from that of the Governmental Accounting Standards Board. The financial statement formats of the private foundations were modified to make them compatible with the universities' financial statement formats.

The following constituent institutions comprise the UNC System for financial reporting purposes:

UNC System Office
Appalachian State University
East Carolina University
Elizabeth City State University
Fayetteville State University
North Carolina Agricultural and Technical State University
North Carolina Central University
North Carolina State University
University of North Carolina at Asheville
University of North Carolina at Chapel Hill
University of North Carolina at Charlotte
University of North Carolina at Greensboro
University of North Carolina at Pembroke
University of North Carolina at Wilmington
University of North Carolina School of the Arts
Western Carolina University
Winston-Salem State University
Gateway Research Park, Inc.
North Carolina School of Science and Mathematics
North Carolina Arboretum
University of North Carolina Health Care System

Community Colleges

There are currently 58 community colleges located throughout the State of North Carolina. Each is a separate component unit of the reporting entity and is legally separate. The State does not appoint a voting majority of each community college board of trustees. However, the State is financially accountable for these institutions because the State Board of Community Colleges (the Board) approves the budgeting of state and federal funds, the associated budget revisions, and the selection of the chief administrative officer of each individual community college and because the State provides significant funding to these institutions. The Board is comprised of state officials or their appointees. Each community college is similar in nature and function to all of the others, and the operations of no single community college are considered major in relation to the operations of all community colleges in the system. Therefore, aggregated financial information is presented in this ACFR for all community colleges.

The aggregated financial information for community colleges also includes the financial data of the institutions' significant fund-raising foundations. Although the community colleges do not control the timing or amount of receipts from their foundations, the majority of resources (or income thereon) that the foundations hold and invest are restricted to the activities of the respective community colleges by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the specific community colleges, the foundations are considered component units of the community colleges and are included in the community colleges' financial statements. Certain foundations are private not-for-profits that report under Financial Accounting Standards Board pronouncements. As such, certain revenue recognition criteria and presentation features are different from that of the Governmental Accounting Standards Board. The financial statement formats of the private foundations were modified to make them compatible with the community colleges' financial statement formats.

The following are the State's 58 community colleges:

Alamance Community College
Asheville-Buncombe Technical Community College
Beaufort County Community College
Bladen Community College
Blue Ridge Community College
Brunswick Community College
Caldwell Community College and Technical Institute
Cape Fear Community College
Carteret Community College
Catawba Valley Community College
Central Carolina Community College
Central Piedmont Community College
Cleveland Community College
Coastal Carolina Community College
College of The Albemarle
Craven Community College
Davidson-Davie Community College
Durham Technical Community College
Edgecombe Community College
Fayetteville Technical Community College
Forsyth Technical Community College
Gaston College
Guilford Technical Community College
Halifax Community College
Haywood Community College
Isothermal Community College
James Sprunt Community College
Johnston Community College
Lenoir Community College
Martin Community College
Mayland Community College
McDowell Technical Community College
Mitchell Community College
Montgomery Community College
Nash Community College
Pamlico Community College
Piedmont Community College
Pitt Community College
Randolph Community College
Richmond Community College
Roanoke-Chowan Community College
Robeson Community College
Rockingham Community College
Rowan-Cabarrus Community College
Sampson Community College
Sandhills Community College
South Piedmont Community College
Southeastern Community College
Southwestern Community College
Stanly Community College
Surry Community College
Tri-County Community College
Vance-Granville Community College
Wake Technical Community College
Wayne Community College
Western Piedmont Community College
Wilkes Community College
Wilson Community College

State Health Plan
The State Health Plan (Plan) is a legally separate organization established to provide medical and pharmacy benefits to employees and retirees of the State, most of its component units, and local boards of education that are not part of the reporting entity. The Plan is governed by a ten-member board of trustees including the State Treasurer, an ex officio member who serves as chair and votes only in the event of a tie; the Director of the Office of State Budget and Management, a non-voting, ex officio member; two members appointed by the Governor; two members appointed by the State Treasurer; and four members appointed by the General Assembly. Health benefit programs and premium rates are recommended by the State Treasurer and approved by the board of trustees. The State of North Carolina makes significant contributions to the Plan as an employer.

Discretely Presented Component Units - Other

The Golden LEAF (Long-term Economic Advancement Foundation), Inc.
The Golden LEAF, Inc. (Foundation) is a legally separate not-for-profit corporation ordered to be created by the Consent Decree and Final Judgment in the State of North Carolina vs. Philip Morris, et al. The Foundation was established to receive and distribute 50% of the tobacco settlement funds allocated to North Carolina, such funds to be used to provide economic impact assistance to economically affected or tobacco-dependent regions of North Carolina. The 2013 General Assembly enacted legislation repealing the requirement for 50% of tobacco settlement funds to be allocated to the Foundation. In fiscal years 2014 and 2015, these funds were distributed to the State's General Fund rather than the Foundation. The 2015 General Assembly enacted legislation providing for the appropriation of $10 million of tobacco settlement funds to the Foundation each year. The 2017 General Assembly enacted legislation increasing the annual appropriation to $17.5 million. The Foundation is governed by a 15-member board, all of whom are appointed by either the Governor, President Pro Tempore of the Senate, or the Speaker of the House. The Foundation provides grants to State agencies and component units, creating a financial benefit/burden relationship.

North Carolina Housing Finance Agency
The North Carolina Housing Finance Agency (Agency) is a legally separate organization established to administer programs to finance housing opportunities for low- and moderate-income individuals. The Agency has a 13-member board of directors, with 12 appointed by either the Governor or the General Assembly. The 13th member is elected by the other 12. The Agency's mission is defined in its authorizing statute, which is modified or expanded from time to time by the General Assembly. The General Assembly also appropriates funds that assist the Agency in its mission to finance housing for very low-income individuals and those with special needs; therefore, a financial benefit/burden relationship exists between the State and the Agency.

State Education Assistance Authority
The State Education Assistance Authority (Authority) is a legally separate authority created to provide a system of financial assistance, consisting of grants, loans, work-study or other employment, and other aids, to qualified students to obtain an education by attending public or private educational institutions. The Authority is governed by a nine-member board of directors, four of whom are appointed by the Governor, three of whom are appointed by the UNC Board of Governors, and two of whom serve ex officio by virtue of their positions with the North Carolina Community College System and the University of North Carolina System. The State provides program subsidies to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority.

North Carolina Global TransPark Authority
The North Carolina Global TransPark Authority (Authority) is a legally separate authority created to administer the development of the North Carolina Global TransPark. Of the 20-member governing board, 19 are voting members. Six of the voting members are appointed by the Governor and six are appointed by the General Assembly. The State has obligated itself to provide significant funding to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority. Effective July 2011, the General Assembly enacted legislation that made the Authority subject to the direction and supervision of the North Carolina Secretary of Transportation. Also included in the Authority is the financial data of its discretely presented component unit, the North Carolina Global TransPark Foundation.

North Carolina State Ports Authority
The North Carolina State Ports Authority (Authority) is a legally separate authority established to operate the State's port facilities in Wilmington and Morehead City and an inland terminal in Charlotte. It is governed by an 11-member board, all of whom are appointed by either the Governor or the General Assembly. The State has obligated itself to provide significant funding to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority. Effective July 2011, the General Assembly enacted legislation that made the Authority subject to and under the direct supervision of the North Carolina Secretary of Transportation.

North Carolina Railroad Company
The North Carolina Railroad Company (Railroad) is a legally separate, for-profit corporation owned by the State for the purpose of promoting trade, industry, and transportation within North Carolina and advancing the economic interests of the State. The Railroad is governed by a 13-member board, all of whom are elected by shares held by the State. A financial benefit/burden relationship exists between the State and the Railroad. Also, the State is financially accountable since the State's intent in owning the Railroad's stock is to directly enhance the State's ability to provide governmental services.

The North Carolina Partnership for Children, Inc.
The North Carolina Partnership for Children, Inc. (Partnership) is a legally separate organization established to develop and oversee a comprehensive long-range strategic plan for high-quality early childhood education and development. A 26-member board governs the Partnership. Certain elected state officials appoint 22 of the members, while three members serve ex officio by virtue of their state positions, and one serves as the Director of the North Carolina Pre-Kindergarten Program. The State provides significant operating subsidies to the Partnership, creating a financial benefit/burden relationship.

North Carolina Biotechnology Center
The North Carolina Biotechnology Center (NCBiotech) is a legally separate nonprofit corporation established for the purpose of furthering economic development and job creation in North Carolina through life science technology, company, and sector development statewide. NCBiotech is governed by a 40-member board. Twelve of the board members are appointed by the Governor or General Assembly; four serve as a result of their positions with the UNC System, a component unit of the State; two serve ex officio by virtue of their state positions; and two serve ex officio by virtue of their positions with private universities. The President of NCBiotech serves as an ex officio member. The other members are elected by the board of directors. The State has provided significant funding to NCBiotech since its inception; therefore, a financial benefit/burden relationship exists between the State and NCBiotech.

Centennial Authority
The Centennial Authority (Authority) is a legally separate authority created to study, design, plan, construct, own, promote, finance, and operate a regional facility in Wake County, North Carolina. The regional facility consists of an arena where sports, fitness, health, recreational, entertainment or cultural activities can be conducted. The Authority is governed by a 21-member board comprised of ten members appointed by the General Assembly, four members appointed by the Wake County Board of Commissioners, four members appointed by the Raleigh City Council, one member appointed by the Chancellor of North Carolina State University or the Chancellor's

designee, and two members appointed jointly by the mayors of all the cities in Wake County. The facility is located on land owned by the State and leased to the Authority at an annual rent of $1 per year. Therefore, a financial benefit/burden relationship exists between the State and the Authority.

Economic Development Partnership of North Carolina
Economic Development Partnership of North Carolina (EDPNC) is a legally separate nonprofit corporation created to consolidate and enhance the State's economic development marketing and sales functions previously conducted by the North Carolina Department of Commerce. These functions include export promotion, tourism marketing, existing industry support, small business assistance, and business recruitment. EDPNC is governed by an 18-member board comprised of nine members appointed by the Governor and eight members appointed by the General Assembly, and the Secretary of the North Carolina Department of Commerce as an ex officio member. The State has the ability to remove board members at will. The State's contract with EDPNC provides recurring financial support to EDPNC, creating a financial benefit/burden relationship.

Availability of Financial Statements

Complete financial statements for the Supplemental Retirement Plan of North Carolina (the 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan) can be obtained from the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Unless otherwise noted, complete financial statements for the following component units can be obtained from the Office of the State Auditor, 2 South Salisbury Street, 20601 Mail Service Center, Raleigh, NC 27699-0600 or can be accessed from the Office of the State Auditor internet home page at https://www.auditor.nc.gov.

Constituent institutions in the UNC System (excluding Gateway Research Park, Inc., North Carolina Arboretum, and University of North Carolina Health Care System)
North Carolina Global TransPark Authority
North Carolina State Ports Authority
The North Carolina Partnership for Children, Inc.

Complete financial statements for the following component units can be obtained from the respective administrative offices of those units listed below:

The Golden LEAF, Inc.
301 North Winstead Avenue
Rocky Mount, NC 27804

North Carolina Housing Finance Agency
P.O. Box 28066
Raleigh, NC 27611-8066

State Education Assistance Authority
P.O. Box 14103
Research Triangle Park, NC 27709-4103

North Carolina Railroad Company
2809 Highwoods Boulevard
Raleigh, NC 27604-1000

North Carolina Biotechnology Center
P.O. Box 13547
Research Triangle Park, NC 27709-3547

Centennial Authority
1400 Edwards Mill Road
Raleigh, NC 27607

Gateway Research Park, Inc.
2901 East Gate City Boulevard Ste 2500
Greensboro, NC 27401-4904

Economic Development Partnership of North Carolina
150 Fayetteville St. Suite 1200
Raleigh, NC 27601

Complete financial statements of the individual community colleges can be obtained from their respective administrative offices. The addresses of the individual community colleges are available on the internet home page for the North Carolina Community College System as follows: https://www.nccommunitycolleges.edu (click "Find a College"). The State's defined pension plans, other employee benefit plans, State Health Plan, North Carolina Arboretum, and the University of North Carolina Health Care System do not issue separate financial statements.

B. Basis of Presentation

The accompanying financial statements of the State of North Carolina financial reporting entity have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local governmental entities. The financial statements of the North Carolina Railroad Company, a for-profit corporation, and the North Carolina Biotechnology Center (discretely presented component units) have been prepared in accordance with Financial Accounting Standards Board (FASB) pronouncements.

The financial statements are presented as of and for the fiscal year ended June 30, 2022, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 2021, and the North Carolina Deferred Compensation Plan (the 457 Plan), the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan), and the North Carolina Railroad Company whose statements are as of and for the fiscal year ended December 31, 2021. Occupational licensing boards have financial statements with various fiscal year ending dates.

The basic financial statements include both government-wide (based on the State as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The statement of net position and the statement of activities display information on all the non-fiduciary activities of the primary government (the State) and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the State's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used between functions. Elimination of these charges would misstate both the expenses of the purchasing function and the program revenues of the selling function. These statements distinguish between the governmental and business-type activities of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Certain charges to other funds or programs for "centralized" expenses also include an overhead markup that is included in direct expenses. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity (including fees, fines and forfeitures and certain grants and contracts that are essentially contracts for services) and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity (including restricted investment earnings or losses). Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Unrestricted resources internally dedicated by the State's governing body (General Assembly) are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The State reports the following major governmental funds:

General Fund
This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Highway Fund
This fund accounts for most of the activities of the Department of Transportation, including the maintenance and some construction of the State's primary and secondary road systems. In addition, it supports areas such as the North Carolina Ferry System, the Division of Motor Vehicles, public transportation, and railroad operations. The principal revenues of the Highway Fund are motor fuels taxes, motor vehicle registration fees, driver's license fees, and federal aid. A portion of the motor fuels taxes is distributed to municipalities for local transportation projects.

Highway Trust Fund
This fund was established by legislation (Chapter 692 of the 1989 Session Laws) to provide a dedicated funding mechanism to meet highway construction needs for North Carolina. Taxes were increased for the specific purpose of improving identified primary transportation corridors within the State and for the completion of urban loops around seven major metropolitan areas. The fund makes transfers to the General Fund, the Highway Fund, and the North Carolina Turnpike Authority. The fund also provides revenue to the North Carolina State Ports Authority to support modernization initiatives. Session Law 2013-183 amends the Highway Trust Fund allocation of resources. It eliminates individually legislated projects and implements a new way for the Department of Transportation to fund and prioritize necessary infrastructure improvements while utilizing existing revenue sources more efficiently. In June 2015, the Board of Transportation approved the 10-year State Transportation Improvement Program, fully implementing the new legislation. The principal revenues of the Highway Trust Fund are highway use taxes, motor fuels taxes, and various title and registration fees.

The State reports the following major enterprise funds:

Unemployment Compensation Fund
This fund accounts for the State's unemployment insurance program, which is part of a national system established to provide temporary benefit payments to eligible unemployed workers. The administrative costs of this program are reported in the General Fund and financed through the distribution of employer paid federal unemployment insurance taxes. The state unemployment taxes collected from employers are transferred to the United States Treasury and deposited into North Carolina's Unemployment Insurance Trust Fund. State unemployment benefits are financed by the employer paid state unemployment insurance taxes. Certain unemployment benefits for civilian and military employees are paid through the trust fund but reimbursed from federal funds. In addition, when triggered, some extended benefits and emergency related benefits are also reimbursed from federal funds.

North Carolina State Lottery Fund
This fund accounts for the activities of the North Carolina Education Lottery Commission. The North Carolina Education Lottery Commission was created as an independent, self-supporting, and revenue raising entity. The purpose of the lottery is to generate funds to provide educational opportunities as directed by the General Assembly. The net profits of the fund are transferred periodically to the General Fund as required by general statutes.

EPA Revolving Loan Fund
This fund accounts for the activities of the State's clean water and drinking water revolving loan programs, which provide low cost loans to units of local government for the construction of wastewater facilities and drinking water infrastructure. These programs are financed primarily by federal capitalization grants from the United States Environmental Protection Agency (EPA), interest earnings on loans, loan repayments, and state funds (i.e., bond proceeds and State appropriations).

North Carolina Turnpike Authority
This fund accounts for the activities of the North Carolina Turnpike Authority (Authority), which was created to study, design, plan, construct, finance, and operate a system of toll roads, bridges, and/or tunnels supplementing the traditional non-toll transportation serving the citizens of the State. Effective July 2009, the General Assembly enacted legislation that transferred the functions and funds of the Authority to the Department of Transportation.

Additionally, the State reports the following fund types:

Internal Service Funds
These funds account for state property fire insurance coverages, motor fleet management services, mail services, temporary staffing services, computing and telecommunication services, and surplus property services provided to other departments or agencies of the State and its component units, or to other governments, on a cost-reimbursement basis.

Pension and Other Employee Benefit Trust Funds
These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution pension plans, Internal Revenue Code Section 457 plan, death benefit plan, disability income plan, and retiree health benefit fund.

Private-purpose Trust Funds
These funds account for resources held in trust for insurance carriers, and designated beneficiaries by the Administrative Office of the Courts.

Custodial Funds
These funds account for resources held by the State in a purely custodial capacity for individuals, private organizations, or other governments. This includes sales tax and vehicle tax collections held on behalf of local governments, resources held by the Administrative Office of the Courts for distribution to designated beneficiaries, and insurance company receivership assets, held by the Commissioner of Insurance exclusively in his capacity as Receiver. Custodial funds include the external portions of investment pools sponsored by the Department of State Treasurer and individual investment accounts held by the Department of State Treasurer. Resources are also held by the State for Local Fiscal Recovery under the federal American Rescue Plan Act, the Swain County Settlement with the federal government, and other Departmental funds.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Lottery games are sold to the public by contracted retailers. For the North Carolina Education Lottery Commission's Fast Play and draw games, POWERBALL, Mega Millions, Carolina Cash 5, Carolina Pick 4, Carolina Pick 3, EZ Match, Lucky for Life, and Keno, revenue is recognized at the time of sale on a daily basis. For instant games, revenue is recognized at the time a pack of tickets is settled. For POWERBALL, Mega Millions, Carolina Cash 5, Carolina Pick 4, Carolina Pick 3, and Lucky for Life, prize expense is recorded at 50% of sales on a daily basis. EZ Match is recorded at 63.36% of sales on a daily basis. Keno is recorded at 65.73% of sales on a daily basis. Fast Play prize expense is recorded daily based on each game's particular prize structure percentage. For instant games, prize expense is accrued based on the final production prize structure percentage provided by the gaming vendor for each game and recorded daily on the value of packs settled. For the instant games with prize tickets, the final prize structure percentage used is adjusted to eliminate the value of the prize tickets. Prize expense for merchandise prizes is recognized as prizes are fulfilled.

Nonexchange transactions, in which the State receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants (and similar assistance), entitlements, and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Income taxes, sales taxes, and other similar taxes on earnings or consumption are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when the underlying exchange transaction has occurred. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants (and similar assistance), entitlements, and donations are recognized by providers as expenses and by recipients as revenues (net of estimated uncollectible amounts), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met (excluding time requirements) are reported as assets by the provider and as liabilities by the recipient. Resources received or recognized as a receivable before time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources.

Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. Generally, the State considers revenues reported in the governmental funds to be available if they are collected within 31 days after year-end. Exceptions are individual income tax revenues and federal and county funds accrued for the matching share of medicaid claims payable, which the State considers to be available if they are collected within 12 months after year-end. Furthermore, in the circumstance where underpayments exceed overpayments, individual income tax revenues are recognized to the extent of estimated overpayments (i.e., refunds payable and applied refunds). Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds, and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the State.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, obligations for workers' compensation, pollution remediation, and arbitrage rebate liabilities, which are recognized as expenditures when payment is due. Pension and other postemployment benefit contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period.

D. Cash and Cash Equivalents

This classification includes undeposited receipts; petty cash; deposits held by the State Treasurer in the Short-term Investment Fund, a portfolio within the North Carolina Department of State Treasurer External Investment Pool (External Investment Pool); demand and time deposits with private financial institutions, excluding certificates of deposit; and deposits with the United States Treasury. The Short-term Investment Fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

E. Investments

This classification includes deposits held by the State Treasurer in certain investment portfolios (see Note 3A) as well as investments held separately by the State and its component units. Investments are generally reported at fair value, with significant exceptions as follows. Repurchase agreements and certain money market mutual funds are reported at cost. Fully benefit responsive synthetic guaranteed investment contracts and unallocated insurance contracts that are nonparticipating interest-earning investment contracts are reported at contract value.

The net increase (decrease) in the fair value of investments is recognized as a component of investment income. Additional information regarding investments is provided in Note 3.

F. Securities Lending

Cash received as collateral on securities lending transactions is used to purchase investments. These investments are reported as assets in the accompanying financial statements and are generally measured at fair value with the exception of repurchase agreements, which are reported at cost. A corresponding liability is also reported for the amount owed to the broker at the termination of the lending agreement.

G. Receivables and Payables

Receivables in all funds represent amounts that have arisen in the ordinary course of business and are shown net of allowances for uncollectible amounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans except "advances to outside entities"). Coronavirus relief funds were advanced to entities outside the State's financial reporting entity. These current advances are classified as "advances to outside entities." All other outstanding balances between funds related to services provided and used, reimbursements, and transfers are classified as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Inventories and Prepaid Items

The inventories of the State and component units are valued at cost using either the first-in, first-out (FIFO); last invoice cost; or average cost method. These inventories consist of general supplies and materials. Institutions of the UNC System and community colleges also use these valuations along with the retail inventory method for some bookstore operations. The State Highway Fund accounts for its maintenance and construction inventories using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Prepaid items of governmental funds are recorded as expenditures when purchased, and balances of prepaid items are not reported as assets.

I. Securities Held in Trust

Securities held in trust include various assets, including securities from insurance companies and bail bondsmen doing business within North Carolina. These securities have been placed in safekeeping with a financial institution or the State Treasurer, as required by applicable general statutes.

J. Restricted/Designated Assets

In the government-wide and enterprise fund financial statements, certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. The following resources are not available for current operations and are reported as restricted assets: 1) resources restricted for the acquisition/construction of the government's own capital assets, 2) resources legally segregated for the payment of principal and interest as required by debt covenants, 3) temporarily invested debt proceeds, and 4) nonexpendable resources of permanent funds. This financial statement caption also includes resources designated by management for the acquisition/construction of the government's own capital assets and thus not available for current operations.

K. Capital Assets

Capital assets, which include property, plant, equipment; easements; and infrastructure assets (e.g., State highway network, utility systems, and similar items), are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. The State highway network constructed prior to July 1, 2001 is recorded at estimated historical cost. Since July 1, 2001, the State highway network is recorded at cost. The initial estimated historical cost of the network is based on construction expenditures reported by the Department of Transportation less amounts estimated for the cost of right-of-ways and land improvements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation except that capital assets donated prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Right-to-use lease assets are measured as the sum of the initial lease liability plus prepayments made at or before the commencement of the lease term less lease incentives received plus initial direct costs that are ancillary charges necessary to place the lease asset in service.

Generally, capital assets are defined by the State and component units as assets with an initial value or cost greater than or equal to $5,000 and an estimated useful life of two or more years, except for internally generated computer software and other intangible assets, which are capitalized when the value or cost is greater than or equal to $1 million and $100 thousand, respectively. Intangible right-to-use lease assets associated with leases of the primary government are defined by the State as leased assets whose future lease payments through the lease term are $10,000 or greater. Component units of the State have established their own thresholds for defining leased assets whose future lease payments through the lease term range from $5,000 or greater, to $1,100,000 and greater, or by specific asset class.

The value of assets constructed by the State and its component units for their own use includes all material direct and indirect construction costs that are incurred as a result of the construction. In proprietary funds and component units, interest costs incurred (if material) are capitalized during the period of construction.

The depreciation methods and estimated useful lives generally used by the State and its component units are as follows:

Asset Class	Method	Estimated Useful Life
Buildings	Straight-line	10-100 years
Machinery and equipment	Straight-line Units of output for motor vehicles	2-30 years 90,000 miles
Art, literature, and other artifacts	Straight-line	2-25 years
General infrastructure	Straight-line	10-75 years
State highway network	Composite	50 years
Computer software	Straight-line	2-30 years
Other intangible assets	Straight-line	2-100 years
Right-to-use lease asset – land	Straight-line	Lease term
Right-to-use lease asset – building	Straight-line	Shorter of lease term or useful life*
Right-to-use lease asset – machinery & equipment	Straight-line	Shorter of lease term or useful life*
Right-to-use lease asset – general infrastructure	Straight-line	Shorter of lease term or useful life*

**Useful life for right-to-use lease assets are the same amount of time as the tangible asset categories*

For the State highway network (including toll roads), depreciation is based on a weighted average of the estimated useful lives of dissimilar assets in the network (e.g., subsurface foundations, roadway surfaces, bridges, traffic control devices, guardrails, markings, signage, etc.).

L. Tax Refund Liabilities

Tax refund liabilities consist primarily of accrued income and sales and use tax refunds due to taxpayers. During the calendar year, the State collects employee withholdings and taxpayers' payments for income taxes. At June 30, the State estimates the amount it owes taxpayers for income tax overpayments during the preceding six months. Sales and use tax refund liabilities are also estimated at June 30. These liabilities are recorded as "Tax refunds payable."

M. Compensated Absences

Employees of the State and component units are permitted to accumulate earned, but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Also, when determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. The State's policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at calendar year end is converted to sick leave.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not part of the 30-day maximum applicable to regular vacation leave and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the State has no obligation to pay sick leave upon employee termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

N. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities, and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. If material, debt premiums and discounts of the State are deferred and amortized over the life of the debt using the effective interest method. If material, debt premiums and discounts of the University of North Carolina System (component unit) are generally deferred and amortized using the straight-line method. Long-term debt is reported net of the applicable debt premium, and/or discount.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The State and its component units have items that qualify for reporting in this category. Some of these items include 1) the accumulated decrease in fair value of hedging derivative instruments, 2) deferred loss on refunding, 3) State aid transmitted to a component unit that cannot be spent until a future period (but all other eligibility requirements, if any, have been met), 4) deferred outflows for asset retirement obligations (AROs), 5) deferred outflows for pensions (i.e., difference between actual and expected experience, change in proportion, differences between employer's contributions and proportionate share of contributions, and contributions subsequent to the measurement date), 6) deferred outflows for OPEB (i.e., difference between actual and expected experience, net difference between projected and actual earnings on OPEB plan investments, change in proportion, differences between employer's contributions and proportionate share of contributions, and contributions subsequent to the measurement date), and 7) a deferred loss on a sale-leaseback transaction reported by a community college (other deferred outflows). A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The primary government amortizes the deferred loss on refunding using the effective interest method, and the University of North Carolina System (component unit) generally amortizes this amount using the straight-line method.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The State and its component units have the following items that qualify for reporting in this category. Some of these items include 1) service concession arrangement revenue applicable to future years, 2) State aid received by a component unit that cannot be spent until a future period (but all other eligibility requirements, if any, have been met), 3) deferred inflows for pensions (i.e., difference between actual and expected experience, changes of assumptions, net difference between projected and actual earnings on pension plan investments, change in proportion, and differences between employer's contributions and proportionate share of contributions), 4) deferred inflows for OPEB (i.e., difference between actual and expected experience, changes in assumptions, net difference between projected and actual earnings on OPEB plan investments, change in proportion, and differences between employer's contributions and proportionate share of contributions), 5) deferred inflows for irrevocable split interest agreements that universities are beneficiaries of, and 6) unavailable revenues in governmental funds. The governmental funds report unavailable revenues primarily from the following sources: sales and use taxes; other taxes; tobacco settlement; and fees, licenses, and fines. These amounts are deferred and recognized as revenues in the period that the amounts become available.

Deferred outflows of resources resulting from the difference between projected and actual earnings on pension plan investments are included in pension expense over a closed five-year period, beginning in the current measurement period. Deferred outflows of resources, with the exception of employer contributions after the measurement date, and deferred inflows of resources are included in pension expense, beginning in the current measurement period, over a closed period (see Note 12). The closed period is equal to the average of the expected remaining service lives of all employees (both active and inactive) that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

Deferred outflows and inflows of resources resulting from the difference between projected and actual earnings on OPEB plan investments are included in OPEB expense over a closed five-year period, beginning in the current measurement period. Deferred outflows of resources, with the exception of employer contributions after the measurement date, and all other deferred outflows and inflows of resources are included in OPEB expense, beginning in the current measurement period, over a closed period (see Note 14). The closed period is equal to the average of the expected remaining service lives of all employees (both active and inactive) that are provided with OPEB benefits through the OPEB plans determined as of the beginning of the measurement period.

P. Net Position/Fund Balance

Net Position

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions. Constraints placed on net position use by enabling legislation are not reported as net position restrictions since such constraints are not legally enforceable. Legal enforceability means that the State can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation. Situations where the State's internal governing body (General Assembly) places restrictions on existing resources or earmarks existing revenue sources are considered to be constraints that are internally imposed. Such internally dedicated net position is presented as unrestricted.

For governmental activities, the State considers restricted amounts to have been spent first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. For business-type activities and component units, when both restricted and unrestricted resources are available for use, generally it is the State's policy to use receipts first (which include restricted and unrestricted resources), then State appropriations as necessary. Receipts are defined as all funds collected by an agency or institution other than State appropriations. The decision to use restricted or unrestricted receipts to fund a payment is transactional-based within the departmental management system in place at the agency or institution. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

Fund Balance

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent.

- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.
- Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- Assigned fund balances are constrained by an intent to be used for specific purposes, but are neither restricted nor committed. The Office of State Budget and Management (OSBM) is authorized to assign unexpended funds at year-end as a carryforward of budget authority to the subsequent fiscal year. The North Carolina Constitution (Article III, Sec. 5(3)) provides that the "budget as enacted by the General Assembly shall be administered by the Governor." The Governor has delegated the authority to perform certain powers and duties of the Governor's role as the Director of the Budget to OSBM.
- Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

For classification of governmental fund balances, the State considers an expenditure to be made from the most restrictive resource (i.e., restricted, committed, assigned, and unassigned in that order) when more than one fund balance classification is available for use.

In accordance with General Statute 143C–4–2, the Savings Reserve is established as a reserve in the General Fund and is a component of the unappropriated General Fund balance. Funds reserved to the Savings Reserve are available for expenditure in an aggregate amount that does not exceed 7.5% of the prior fiscal year's General Fund operating budget appropriations, excluding departmental receipts, upon appropriation by a majority vote of the membership of the Senate and House of Representatives present and voting for any of the following purposes:

- To cover a decline in General Fund revenue from one fiscal year to another.
- To cover the difference between that fiscal year's General Fund operating budget appropriations, excluding departmental receipts, and projected revenue.
- To pay costs imposed by a court or administrative order.
- To provide relief and assistance from the effects of an emergency.

Each year the OSBM and Fiscal Research Division of the General Assembly shall jointly develop and produce an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure. After completing the evaluation, these entities may revise the methodology as needed to estimate the target for the Savings Reserve balance, which shall be calculated so as to be sufficient to cover two years of need for nine out of ten scenarios involving a decline in General Fund revenue from one fiscal year to the next fiscal year.

In 2022, the OSBM along with the Fiscal Research Division of the General Assembly recommended a Savings Reserve target balance of 11.2% of prior fiscal year's General Fund operating budget appropriations. At June 30, 2022, the balance of the Savings Reserve was $3.12 billion, which represents 12.72% of the prior year's General Fund appropriation budget. The Savings Reserve is included with unassigned fund balance.

Q. Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as noncapital grants and investment earnings, result from nonexchange transactions or ancillary activities. Capital contributions are reported separately, after nonoperating revenues and expenses.

R. Food and Nutrition Services

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the State recognizes distributions of food and nutrition services benefits as revenue and expenditures in the General Fund. Revenues and expenditures are recognized based on the fair value at the time the benefits are distributed to the individual recipients. In North Carolina, benefits are distributed in electronic form, thus distribution takes place when the individual recipients use the benefits.

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the State implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 87, *Leases,*
- Statement No. 93, *Replacement of Interbank Offered Rates (IBOR) (*paragraphs 11b, 13 & 14 only),
- Statement No. 97*, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (all paragraphs except for portions of paragraph 4 and all of paragraph 5)*,*
- Statement No. 99, *Omnibus* (paragraphs 26 through 32 only),
- Implementation Guide No. 2019-3, *Leases,*
- Implementation Guide No. 2020-1 (Questions 4.1-4.5, 4.18 and 5.3), and
- Implementation Guide No. 2021-1 (Question 4.22).

Statement No. 87 requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizes an inflow or outflow of resources based on the payment provisions of the contract. The standard establishes one model for lease accounting based on the principle that a lease is a financing of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources.

Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an IBOR, most notably the London Interbank Offered Rate (LIBOR). Lease contracts that are amended solely to replace IBOR are an exception to the lease modifications guidance in Statement No. 87. Additionally, LIBOR will no longer be an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate of taxable debt when LIBOR ceases to exist.

Statement No. 97 provides clarification for determining whether the primary government is financially accountable for purposes of evaluating potential component units and establishes accounting and financial reporting requirements for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan. The Statement also modifies the investment valuation requirements for all Internal Revenue Code Section 457 deferred compensation plans.

Statement No. 99 paragraphs 26 through 32 provide clarification on certain topics which includes the replacement of LIBOR, Supplemental Nutrition Assistance Program (SNAP), disclosure of nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, focus on government-wide financial statements, and terminology updates.

Implementation Guide No. 2019-3, *Leases* provides additional guidance on the requirements of Statement No. 87.

Implementation Guide No. 2020-1 provides guidance and clarification for questions related to the financial reporting entity, accounting and financial reporting for certain investments and for external investment pools, fiduciary activities, and certain asset retirement obligations.

Implementation Guide No. 2021-1 question 4.22 provides guidance on the effective date and transition of GASB 87.

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits and Investments with State Treasurer

Unless specifically exempt, every agency of the State and certain component units are required by General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. Certain local governmental units that are not part of the reporting entity are also allowed to invest money with the State Treasurer. Expenditures for the primary government and certain component units are made by wire transfers, ACH transactions, and warrants issued by the agencies and drawn on the State Treasurer. The State Treasurer processes these transactions each day. General Statute 147-69.1 authorizes the State Treasurer to invest all deposits in obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

General Statute 147-69.2 authorizes the State Treasurer to invest the deposits of certain special funds, including the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund (collectively referred to as the pension and OPEB trust funds in this note), the Register of Deeds' Supplemental Pension Fund, the Disability Income Plan of N.C., the Escheat Fund, the State Public Education Property Insurance Fund, the Local Government Other Post-Employment Benefits (OPEB) Trust, public hospitals, local government Law Enforcement Officer Special Separation Allowance (LEOSSA) trusts, and deposits of certain component units including trust funds of the University of North Carolina System, and funds of the State Health Plan and State Education Assistance Authority in the investments authorized in General Statute 147-69.1; general obligations of other states; general obligations of North Carolina local governments; asset-backed securities bearing specific ratings; and obligations of any company incorporated within or outside the United States bearing specific ratings. The deposits of the pension and OPEB trust funds may be invested in all of the above plus certain insurance contracts; group trusts; individual, common or collective trusts of banks and trust companies; real estate investment trusts; limited partnership interest in limited liability partnerships or limited liability companies; and certain stocks and mutual funds.

North Carolina Department of State Treasurer External Investment Pool (External Investment Pool)

To ensure that these and other legal and regulatory limitations are met, all cash deposited with the State Treasurer, except for other investment programs, is maintained in the External Investment Pool. Other investment programs may include the public hospitals, certain investments of the Escheat Fund, certain investments of other funds and component units of the reporting entity, the Local Government OPEB Trust, local government LEOSSA trusts, and bond proceeds investment accounts. This pool, a government sponsored external investment pool, consists of the following individual investment portfolios:

Short-term Investment – This portfolio may hold any of the investments authorized by General Statute 147-69.1. The Short-term Investment portfolio is the primary cash management account for the State and is managed in such a manner as to be readily convertible into cash. The primary participants of this portfolio are the General Fund, Highway Fund, Highway Trust Fund, and the remaining portfolios listed below. Other participants include universities and various boards, commissions, community colleges, the Local Government OPEB Trust, and school administrative units that make voluntary deposits with the State Treasurer.

Long-term Investment – This portfolio may hold the fixed-income investments authorized by General Statutes 147-69.1 and 147-69.2. Since the deposits in this fund are typically not needed for day-to-day operations, the investment vehicles used generally have a longer term and higher yield than those held in the Short-term Investment portfolio. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Fixed Income Investment – This portfolio holds a portion of the Short-term Investment portfolio pursuant to General Statute 147-69.2. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Equity Investment – This portfolio is managed pursuant to General Statute 147-69.2(b)(8) and primarily holds an equity-based trust. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Real Estate Investment – This portfolio holds investments in real estate-based trust funds, limited partnerships and other limited liability investment vehicles, and group annuity contracts, which is managed pursuant to General Statute 147-69.2(b)(7). The State's pension and OPEB trust funds are the sole participants in this portfolio.

Alternative Investment – This portfolio holds investments in various limited partnerships and limited liability companies, hedge funds, U.S. Treasuries, and equities, which is managed pursuant to General Statute 147-69.2(b)(9). The State's pension and OPEB trust funds are the sole participants in this portfolio.

Opportunistic Fixed Income Investment – This portfolio may hold investments in debt-related strategies made primarily through limited partnerships or other limited liability vehicles as defined by General Statute 147-69.2(b)(6c). The State's pension and OPEB trust funds are the sole participants in this portfolio.

Inflation Sensitive Investment – This portfolio may hold investments in assets that are acquired for the primary purpose of providing protection against risks associated with inflation made primarily through limited partnerships, other limited liability vehicles, or fixed income securities managed pursuant to General Statute 147-69.2(b)(9a). The State's pension and OPEB trust funds are the sole participants in this portfolio.

All of the preceding investment portfolios operate like individual investment pools, except that an investment portfolio may hold shares in other investment portfolios at the discretion of the State Treasurer and subject to the legal limitations discussed previously. To this extent, the deposits are commingled; and therefore, the State Treasurer considers all investment portfolios to be part of a single pool, the External Investment Pool. The External Investment Pool contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). This pool is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body.

The external portion of the External Investment Pool is presented in the State's financial statements as a custodial fund. Each fund and component unit's share of the internal equity in the External Investment Pool is reported in the State's financial statements as an asset of those funds or component units. Equity in the Short-term Investment portfolio is reported as cash and cash equivalents while equity in the Long-term Investment, Equity Investment, Real Estate Investment, Fixed Income Investment, Opportunistic Fixed Income Investment, Inflation Sensitive Investment, and Alternative Investment portfolios is reported as investments. The internal equity of the pool differs from the amount of assets reported by the funds and component units due to the typical banker/customer outstanding and in-transit items. Additionally, each fund reports its share of the assets and liabilities arising from securities lending transactions.

Net investment income earned by the External Investment Pool is generally distributed on a pro rata basis. However, in accordance with legal requirements, the General Fund receives all investment income earned by funds created for purposes of meeting appropriations. For the fiscal year ended June 30, 2022, $45.14 million of investment income associated with other funds was credited to the General Fund.

The External Investment Pool is included in the North Carolina Department of State Treasurer Investment Programs ("State Treasurer Investments") separate report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

Bond Index External Investment Pool (BIF)

The North Carolina Department of State Treasurer operates a government sponsored bond index external investment pool (BIF) in which the State Treasurer is authorized to invest funds for governmental entities that are outside the State's pension and OPEB trust funds as defined in this note. The BIF invests in high quality debt securities eligible under General Statute 147-69.2(b) (1 through 6).

Participants in the BIF may include public hospitals, the Local Government OPEB Trust, local government LEOSSA trusts, the Death Benefit Plan of N.C., the Disability Income Plan of N.C., the Register of Deeds' Supplemental Pension Fund, and other funds and component units of the reporting entity with investment authority under General Statute 147-69.2. Participation in the BIF is voluntary.

The deposits are commingled; and therefore, the State Treasurer considers all funds to be part of a single pool. The BIF contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). The BIF is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body.

The external portion of the BIF is presented in the State's financial statements as a custodial fund. Each fund and component unit's share of the internal equity in the BIF is reported in the State's financial statements as an investment asset of those funds or component units. Net investment income earned by the BIF is distributed on a pro rata basis.

The BIF is included in the State Treasurer Investments separate report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

Bond Proceeds Investment Accounts

The State Treasurer has established separate investment accounts for each State bond issue to comply with Internal Revenue Service regulations on bond arbitrage. A private investment company under contract with the State Treasurer manages these separate accounts. In the State's financial statements, each fund's equity in these accounts is reported as investments.

At year-end, the bond proceeds investment accounts had the following investments and maturities (dollars in thousands):

Investment Type	Carrying Amount	Weighted Average Maturity (Days)
Debt investments:		
U.S. Treasuries	$182,319	31

Interest Rate Risk and Credit Risk. As established in the contract with the private investment company, all bond proceeds are managed in compliance with General Statute 147-69.1 and are invested in short-term maturities and/or securities that bear the highest rating of at least one nationally recognized rating service and do not bear a rating below the highest by any nationally recognized rating service.

Custodial Credit Risk. Investments purchased with bond proceeds were exposed to custodial credit risk since the securities were held by the counterparty and were not registered in the name of the State Treasurer. There is no custodial credit risk policy related to these investments.

U.S. Treasuries are valued at fair value at June 30, 2022 ($182.32 million) and are classified as Level 2 in the fair value hierarchy. The valuation technique for these securities is the market approach where the pricing vendor gathers real-time market data and uses direct observations to compute an independent price.

Equity Index Investment Account (EIF)

The State Treasurer has contracted with an external party (Trustee) to create the equity index investment account (EIF). The primary participants of this equity index investment account are public hospitals and the Local Government OPEB Trust (OPEB) funds. Other participants include local government LEOSSA trusts and certain funds of the reporting entity. These funds are part of a commingled equity index investment trust (Trust). The Trustee manages the assets in the Trust, primarily in equity and equity-based securities in accordance with the General Statutes. The Trustee maintains custody of the underlying securities in the name of the Trust, services the securities, and maintains all related accounting records.

Pursuant to General Statute 159-30.1, the State Treasurer manages the OPEB trusts' assets. These trusts are established for local governments, public authorities, any entity eligible to participate in the State's Local Governmental Employees' Retirement System, and local school administrative units. Eligible participants make voluntary contributions to the trusts for the purpose of depositing and investing all or part of the contribution from their other post-employment benefit plans. As of June 30, 2022, there were twenty-six OPEB trust participants in the EIF. Each participant is responsible for making its own investment decision.

The State Treasurer also manages the public hospitals' assets. As of June 30, 2022, there were three participants consisting of the Margaret R. Pardee Hospital, Columbus Regional Healthcare, and Watauga Medical Center. Two public hospitals also participate in the BIF. Each participant is responsible for making its own decision.

The Equity Index Investment Account is included in the State Treasurer Investments separate report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer – Investment Management Division internet page at https://www.nctreasurer.com/investment-management-division/imd-reports in the Audited Financial Statements section.

Escheat Investment Account

Pursuant to General Statute 147-69.2(b)(12), the State Treasurer has established a separate investment account on behalf of the Escheat Fund. At year-end, the Escheat investment account maintained by the State Treasurer had the following investments and recurring fair value measurements (dollars in thousands):

Investments Measured at the NAV	Fair Value 6/30/2022	Unfunded Commitments
Private credit limited partnership	$ 10,817	$ 309
Private equity investment partnerships	49,496	9,651
Total investments measured at the NAV	$ 60,313	

Private Credit Limited Partnership. This type includes two private credit funds. These investments are valued using net assets valued as of the previous quarter-end, plus current quarter cash flows. These investments include a mix of non-investment grade or unrated obligations, debt securities and asset-backed securities, including but not limited to bank loans, high yield, mortgage-backed securities, convertibles, whole loans, mezzanine debt, credit default swaps, collateralized debt obligations and sovereign debt. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

Private Equity Investment Partnership. This type includes four private equity funds. These investments are valued using net assets valued as of the previous quarter-end, plus current quarter cash flows. These investments include a mix of buyout, venture capital, growth equity, and private special situations vehicles. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5-10 years.

B. Deposits Outside the State Treasurer

In addition to the pooled deposits maintained by the State Treasurer, other deposits are maintained outside the State Treasurer by the primary government and certain component units. As a general rule, these deposits are not covered by the rules in Chapter 20 NCAC 7 requiring collateralization of uninsured deposits.

Primary Government

The majority of the uninsured and uncollateralized deposits held outside the State Treasurer were maintained by the USS N.C. Battleship Commission. The USS N.C. Battleship Commission does not have a deposit policy for custodial credit risk. At year-end, the bank balances maintained outside the State Treasurer by the primary government were exposed to custodial credit risk as follows (dollars in thousands):

Uninsured and Uncollateralized	$ 5,197

Component Units

The University of North Carolina (UNC) System does not have a deposit policy for custodial credit risk. At year-end, the bank balances maintained outside the State Treasurer by the UNC System were exposed to custodial credit risk as follows (dollars in thousands):

Uninsured and Uncollateralized	$ 350,511
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	1,995
Total	$ 352,506

C. Investments Outside the State Treasurer

Primary Government

At year-end, 92% of investments held outside the State Treasurer were maintained by the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan

The Iran Divestment Act (North Carolina General Statutes Sections 147-86.55 through 147-86.63) places investment restrictions on the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan). Specifically, pursuant to the North Carolina Department of State Treasurer's "Iran Divestment Policy", adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain investment activities in Iran.

The Divestment from Companies Boycotting Israel Act (North Carolina General Statutes Sections 147-86.80 through 147-86.84) places investment restrictions on the 401(k) Plan and the 457 Plan. Specifically, pursuant to the North Carolina Department of State Treasurer's "Boycott Israel Divestment Policy," adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain boycotting activities against Israel.

In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control.

The form of governance over the investments is the prudent-person or prudent-expert rule. These rules are broad statements of intent, generally requiring investment selection and management to be made with prudent and intelligent judgment and care.

At December 31, 2021, the 401(k) and 457 Plans of North Carolina had the following investments and maturities that were maintained outside the State Treasurer (dollars in thousands). Investments in the Pooled Account totaled $13.9 billion. The 401(k) and 457 Plans' investments are held in a group trust established as of January 4, 2016. Their Board authorized the establishment of the North Carolina Supplemental Retirement Plans Group Trust (the "Group Trust") for the purpose of commingling the corpus of the separate trusts of the Plans; and the Board adopted the Declaration of Trust establishing the Group Trust. The Pooled Account offers six equity funds, an inflation responsive fund, an inflation protected securities fund and two fixed income funds. The actively managed separate account funds have multiple investment managers, and the passively managed separate accounts each have a single investment manager. The remainder of the investments is the Stable Value Fund, which consists of four synthetic guaranteed investment contracts, a separate account guaranteed investment contract, and a short-term investment fund.

		Investment Maturities (in Years)			
Investment Type	Carrying Amount	Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	$ 1,636,816	$ 202,008	$ 1,066,062	$ 277,321	$ 91,425
U.S. agencies	74,876	804	46,672	17,350	10,050
Mortgage pass-throughs	670,238	229,082	21,361	24,594	395,201
Collateralized mortgage obligations	58,408	27,958	497	-	29,953
State and local government	96,777	12,835	36,235	32,745	14,962
Asset-backed securities	369,236	54,530	156,336	36,987	121,383
Fixed income collective investment funds	99,209	-	-	99,209	-
Debt mutual funds	37,127	-	37,127	-	-
Pooled debt funds	1,136,399	-	-	1,136,399	-
Domestic corporate bonds	706,899	45,332	337,613	214,186	109,768
Foreign corporate bonds	179,541	12,892	109,703	39,091	17,855
Foreign government bonds	25,960	12,924	4,348	8,207	481
	5,091,486	$ 598,365	$ 1,815,954	$ 1,886,089	$ 791,078
Other investments:					
Equity collective investment trusts	5,059,653				
Unallocated insurance contracts	248,085				
Domestic stocks	3,101,507				
Foreign stocks	2,188,549				
Short-term investment collective trust	147,760				
Hedge/commodity/debt collective investment trust	569,808				
Total investments	$ 16,406,848				

In the above table, the underlying investments of fully benefit-responsive synthetic guaranteed investment contracts (SGICs) are disclosed at fair value. On the Statement of Net Position, SGICs are reported at contract value. At year-end, the fair value of the underlying investments of fully benefit-responsive SGICs exceeded the contract value by $39.09 million.

Interest Rate Risk. The 401(k) and 457 Plans do not have a formal investment policy that limits duration as a means of managing their exposure to fair value losses arising from increasing interest rates. The managers within the NC Fixed Income Fund and the NC TIPS Fund have duration targets relative to a specified benchmark. Asset-backed securities are securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders. Collective investment funds include units in the various funds. The interest rate risk in each of the funds is dependent upon the weighted average maturity of each of the collective investment funds which holds securities with maturities ranging from short to intermediate in duration. As a result, the collective investment funds are sensitive to changes in interest rates. Collateralized mortgage obligations generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value sensitive to changes in interest rates. Investments consist of units in various commingled funds, each with an investment objective relative to maturity and liquidity with interest rate risk dependent upon the weighted average maturity of each of the funds.

Credit Risk. The 401(k) and 457 Plans do not have a formal investment policy on credit risk. The investment guidelines applicable to the NC Fixed Income Fund places restrictions on the total risk exposure of the fund and specifically the concentration of the debt securities in which the fund invests. The investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities (TIPS) and TIPS futures. At December 31, 2021, the 401(k) and 457 Plan investments maintained outside the State Treasurer had the following credit quality distribution for securities with credit exposure (dollars in thousands):

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
Investment Type	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	$ -	$ 74,876	$ -	$ -	$ -	$ -
Mortgage pass-throughs	-	602,850	-	-	-	-
Collateralized mortgage obligations	13,960	13,104	71	1,787	24,901	4,585
State and local government	21,318	69,332	5,614	513	-	-
Asset-backed securities	315,927	20,434	2,769	-	30,106	-
Fixed income collective investment funds	-	-	-	-	-	99,209
Debt mutual funds	-	-	-	-	-	37,127
Pooled debt funds	-	-	-	-	-	1,136,399
Domestic corporate bonds	27,556	25,630	183,438	436,416	31,978	1,881
Foreign corporate bonds	4,590	11,984	75,628	77,062	10,229	48
Foreign government bonds	-	4,935	16,397	2,470	2,158	-
	$ 383,351	$ 823,145	$ 283,917	$ 518,248	$ 99,372	$ 1,279,249

Custodial Credit Risk. The 401(k) and 457 Plans do not have formal investment policies that address custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The 401(k) and 457 Plans do not have formal investment policies that address foreign currency risk. Investment manager guidelines describe how and if foreign currency hedging can be utilized in the portfolio. At December 31, 2021, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Amount Foreign stocks
Euro	$ 519,605
Japanese Yen	389,421
Pound Sterling	321,663
Hong Kong Dollar	218,326
Swiss Franc	120,776
New Taiwan Dollar	115,240
Swedish Krona	83,974
Indian Rupee	71,194
South Korean Won	64,489
Canadian Dollar	59,298
Danish Krone	58,324
Australian Dollar	42,089
Singapore Dollar	29,586
Chinese Yuan Renminbi	20,279
Brazilian Real	18,875
South African Rand	18,447
Norwegian Krone	13,401
Indonesian Rupiah	9,274
Polish Zloty	4,044
Mexican Peso	3,793
Israeli Shekel	2,543
Malaysian Ringgit	1,431
Thai Baht	1,406
UAE Dirham	526
Turkish Lira	443
Egyptian Pound	102
Total	$ 2,188,549

The fair value measurements of the 401(k) and 457 Plans' investments are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2021, the investments of these Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

		Fair Value Measurements Using	
	6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 1,636,816	$ -	$ 1,636,816
U.S. agencies	74,876	-	74,876
Mortgage pass-throughs	670,238	-	670,238
Collateralized mortgage obligations	58,408	-	58,408
State and local government	96,777	-	96,777
Asset-backed securities	369,236	-	369,236
Domestic corporate bonds	706,899	-	706,899
Foreign corporate bonds	179,541	-	179,541
Foreign government bonds	25,960	-	25,960
Domestic stocks	3,101,507	3,101,507	-
Foreign stocks	2,188,549	2,188,549	-
Total investments by fair value level	9,108,807	$ 5,290,056	$ 3,818,751
Investments measured at the net asset value (NAV)			
Short-term investment collective trust	147,760		
Hedge/commodity/debt collective investment trust	569,808		
Fixed income collective investment funds	99,209		
Debt mutual funds	37,127		
Pooled mutual funds	1,136,399		
Equity collective investment trusts	5,059,653		
Total investments measured at the NAV	7,049,956		
Total investments measured at fair value	$ 16,158,763		

U.S. Treasuries, U.S. agencies, mortgage pass-throughs, collateralized mortgage obligations, and state and local government securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities, domestic corporate bonds, foreign corporate bonds, and foreign government bonds classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques.

Investments measured at the net asset value (NAV) per share are presented on the following table (dollars in thousand):

Investments Measured at the NAV	Fair Value 6/30/2022	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Short-term investment collective trust	$ 147,760	Daily	1 day
Hedge/commodity/debt collective investment trust	569,808	Daily	1 day
Fixed income collective investment funds	99,209	Daily	1 day
Debt mutual funds	37,127	Daily	1 day
Pooled debt funds	1,136,399	Daily	1 day
Equity collective investment trusts	5,059,653	Daily	1 day
Total investments measured at the NAV	$ 7,049,956		

Short-term Investment Collective Trust - This type includes 2 funds, the BNY Mellon EB Temporary Investment Fund and the Wells Fargo/BlackRock Short-term Investment Fund. The BNY Mellon EB Temporary Investment Fund primarily invests in instruments issued by the U.S. Government and federal agencies, short-term corporate obligations, commercial paper, and certificates of deposit. The Wells Fargo/BlackRock Short-term Investment Fund is invested in a diversified portfolio of money market instruments. The average weighted maturities of the funds do not exceed 60 days. The funds are valued with a NAV at $1/unit.

Hedge/Commodity/Debt Collective Investment Trust – This type includes one fund, the NC Inflation Response Fund. The Fund invests wholly in shares of a collective investment trust, the BlackRock Strategic Completion Non-Lendable Fund, managed by BlackRock. This Fund seeks returns that provide a hedge to inflation over the medium to long-term. The Strategic Completion Fund currently allocates to three underlying asset classes: U.S. Treasury Inflation Protected Securities (TIPS), commodities and global real estate investment trusts (REITs). The Fund's net asset value is based on the fair value of the Fund's assets on the valuation date minus the Fund's liabilities on the valuation date. The Fund's unit value is calculated by dividing the Fund's net asset value on the valuation date by the number of units of the Fund that are outstanding on the valuation date.

Fixed Income Collective Investment Funds – This type includes one fund, the Commingled BlackRock Fixed Income Index Fund. The Commingled BlackRock Fixed Income Index Fund seeks to replicate the composition and performance of the Bloomberg U.S. Aggregate Index. The Commingled BlackRock Fixed Income Index Fund is valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Debt Mutual Funds – This type includes two funds in Fixed Income. The MetWest High Yield Bond Fund invests primarily in high yield bonds with the investment objective of maximizing long-term total return. The MetWest Floating Rate Income Fund invests primarily in floating rate securities and seeks to maximize current income. The net asset value is determined by dividing the total value of the fund's portfolio investments and other assets attributable to the fund, less liabilities, by the total number of shares outstanding. The value is determined at the end of each day the New York Stock Exchange is open.

Pooled Debt Funds – This type includes one fund, the Prudential Core Plus Bond Fund in Fixed Income. The fund is an actively managed bond fund that seeks an excess return over the Bloomberg U.S. Aggregate Bond Index. The fund invests in a diversified portfolio of fixed income securities including corporate obligations, structured products, and U.S. Treasuries. The fund actively allocates to both benchmark and non-benchmark sectors, with heavy emphasis on the credit-oriented sectors. The fund is valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Equity Collective Investment Trusts – This type includes five equity index funds. The BlackRock Large Cap Index Fund seeks to replicate the composition and performance of the S&P 500 Index. The BlackRock Small Mid Cap Index Fund seeks to replicate the composition and performance of the Russell 2500 Index. The BlackRock International Index Fund seeks to replicate the composition and performance of the MSCI ACWI Ex-USA Index. Included in the NC Large Cap Core Fund and the NC Small Mid Cap Fund are investments in the Russell 1000 Index Fund and the Russell 2500 Index Fund, respectively. Each are valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

Other Primary Government Investments

The other primary government investments held outside the State Treasurer consisted almost entirely of separate investment accounts held by trustees for special obligation and revenue debt issues to comply with IRS regulations on bond arbitrage, and escheated securities held for owners.

At year-end, the other primary government investments maintained outside the State Treasurer had the following investments and maturities (dollars in thousands):

Investment Type	Carrying Amount	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	$ 771,615	$ 679,604	$ 92,011	$ -	$ -
State and local government	514	-	514	-	-
Repurchase agreements	189,635	189,635	-	-	-
Commercial paper	1,993	-	1,993	-	-
Annuity contracts	81,016	7,621	30,484	30,484	12,427
Money market mutual funds	128,702	128,702	-	-	-
Pooled debt funds	114,598	114,598	-	-	-
	1,288,073	$ 1,120,160	$ 125,002	$ 30,484	$ 12,427
Other investments:					
Domestic stocks	134,676				
Total investment securities	$ 1,422,749				

Interest Rate Risk and Credit Risk. The special obligation debt proceeds are invested in repurchase agreements and U.S. Treasuries. As established in the debt covenants for certain issues, repurchase agreements with respect to government obligations can only be entered into with 1) a dealer recognized as a primary dealer by a Federal Reserve Bank; or 2) any commercial bank, trust company, or national banking association reporting to the Federal Reserve. There are no formally adopted investment policies or debt covenants that address interest rate or credit risk.

At year-end, the other primary government investments maintained outside the State Treasurer had the following credit quality distribution for securities with credit exposure (dollars in thousands):

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch			
Investment Type	Aaa/AAA	Aa/AA	A	Unrated
State and local government	$ 514	$ -	$ -	$ -
Commercial paper	-	-	1,993	-
Annuity contracts	-	81,016	-	-
Money market mutual funds	128,702	-	-	-
Pooled debt funds	-	-	-	114,598
Total	$ 129,216	$ 81,016	$ 1,993	$ 114,598

Custodial Credit Risk. There were no formally adopted policies that address custodial credit risk of other primary government investments outside the State Treasurer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, there were no formally adopted policies that address foreign currency risk of other primary government investments outside the State Treasurer.

The fair value measurements of the other primary government investments are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At year-end, the other primary government investments maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

		Fair Value Measurements Using	
	6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 771,615	$ 751,673	$ 19,942
State and local government	514	514	-
Commercial paper	1,993	-	1,993
Annuity contracts	81,016	81,016	-
Domestic stocks	134,676	134,676	-
Total investments by fair value level	989,814	$ 967,879	$ 21,935
Investments as a position in an External Investment Pool			
Pooled debt funds	114,598		
Total investments measured at fair value	$ 1,104,412		

Note: The total in this table does not agree to the total disclosed in the previous investment maturities table because this table does not include investments reported at cost. See Note 1E for additional information.

U.S. Treasuries classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques. Commercial paper valuation is provided by an independent third-party pricing vendor. Pooled debt funds are valued based on the ownership interest of the

External Investment Pool Short Term Investment Fund (STIF), which is determined on a fair value basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Component Units

University of North Carolina System

The General Statutes place no specific investment restrictions on the University of North Carolina System (the UNC System). However, in the absence of specific legislation, the form of governance over these investments would be the prudent-person or prudent-expert rule. These rules are broad statements of intent, generally requiring investment selection and management to be made with prudent, discreet, and intelligent judgment and care. The University of North Carolina at Chapel Hill (the University) operates the UNC Investment Fund, LLC (Investment Fund), which is a governmental external investment pool. The University operates the Investment Fund for charitable, nonprofit foundations, associations, trusts, endowments and funds that are organized and operated primarily to support the University and other institutions within the UNC System. Separate financial statements for the Investment Fund may be obtained from the UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

At year-end, the UNC System had the following investments and maturities that were maintained outside the State Treasurer (dollars in thousands):

		Investment Maturities (in Years)			
Investment Type	Carrying Amount	Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	$ 175,099	$ 45,156	$ 107,870	$ 6,170	$ 15,903
U.S. agencies	95,021	4,602	12,735	6,644	71,040
Mortgage pass-throughs	5,240	-	-	-	5,240
Collateralized mortgage obligations	67,532	1,877	2,899	1,585	61,171
Asset-backed securities	182,595	1,222	13,629	47,134	120,610
Collective investment funds	146,889	120,818	5,971	20,100	-
Annuity contracts	162	162	-	-	-
Debt mutual funds	626,735	929	443,944	172,081	9,781
Money market mutual funds	317,938	317,938	-	-	-
Domestic corporate bonds	9,698	-	1,290	4,917	3,491
Foreign corporate bonds	10,856	-	859	6,000	3,997
Foreign government bonds	26	-	26	-	-
Other	33	20	-	-	13
	1,637,824	$ 492,724	$ 589,223	$ 264,631	$ 291,246
Other investments:					
Balanced mutual funds	2,706				
International mutual funds	32,102				
Equity mutual funds	106,929				
Investments in real estate	98,392				
Real estate investment trust	114,318				
Hedge funds	4,309,775				
Private equity limited partnerships	4,509,663				
Real assets limited partnerships	639,373				
Other limited partnerships	371,033				
Domestic stocks	553,147				
Foreign stocks	24,237				
Other	3,472				
Total investments	$ 12,402,971				

Interest Rate Risk and Credit Risk. The constituent institutions of the UNC System generally do not have formal investment policies that address interest rate risk or credit risk. At year-end, the UNC System's investments maintained outside the State Treasurer had the following credit quality distribution for securities with credit exposure (dollars in thousands):

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
Investment Type	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	$ 113	$ 84,774	$ -	$ -	$ -	$ 10,134
Mortgage pass-throughs	-	618	3,405	1,217	-	-
Collateralized mortgage obligations	154	3,801	1,053	5,255	30,619	26,650
Asset-backed securities	1,326	1,553	2,708	32,484	114,990	29,534
Collective investment funds	5,971	19,356	-	-	744	120,818
Annuity contracts	-	-	-	-	-	162
Debt mutual funds	20,209	2,683	389,001	166,476	14,780	33,586
Money market mutual funds	316,155	-	-	-	-	1,783
Domestic corporate bonds	383	342	677	1,006	5,547	1,743
Foreign corporate bonds	205	200	493	4,271	5,542	145
Foreign government bonds	-	-	-	-	26	-
Other	20	-	-	-	-	13
Total	$ 344,536	$ 113,327	$ 397,337	$ 210,709	$ 172,248	$ 224,568

Custodial Credit Risk. The constituent institutions of the UNC System generally do not have formal investment policies that address custodial credit risk. At year-end, the UNC System's investments maintained outside the State Treasurer were exposed to custodial credit risk as follows (dollars in thousands):

	Carrying Amount	
Investment Type	Held by Counterparty	Held by Counterparty's Trust Dept. or Agent but not in the entity's name
Domestic stocks	$ 25,574	$ 270
Foreign stocks	29	-
Total	$ 25,603	$ 270

Foreign Currency Risk. The constituent institutions of the UNC System do not have formal investment policies that address foreign currency risk. At year-end, the UNC System's investments maintained outside the State Treasurer were exposed to foreign currency risk as follows (dollars in thousands):

	Carrying Amount		
Currency	Hedge funds	Private equity limited partnerships	Real assets limited partnerships
Euro	$ 22,896	$ 165,142	$ 740
British Pound Sterling	-	60,629	24
Swedish Krona	-	2,564	-
Canadian Dollar	-	4,912	-
Australian Dollar	-	8	-
Total	$ 22,896	$ 233,255	$ 764

The fair value measurements of the UNC System's investments maintained outside the State Treasurer are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At year-end, the UNC System's investments maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

		Fair Value Measurements Using		
	6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasuries	$ 175,099	$ 174,899	$ 200	$ -
U.S. agencies	95,021	74	94,947	-
Mortgage pass-throughs	5,240	-	5,240	-
Collateralized mortgage obligations	67,532	-	67,532	-
Asset-backed securities	182,595	-	182,595	-
Collective investment funds	146,889	146,889	-	-
Annuity contracts	162	-	162	-
Debt mutual funds	626,735	626,735	-	-
Money market mutual funds	310,242	310,242	-	-
Balanced mutual funds	2,706	2,706	-	-
International mutual funds	32,102	32,102	-	-
Equity mutual funds	106,929	106,929	-	-
Domestic corporate bonds	9,698	334	9,364	-
Foreign corporate bonds	10,856	-	10,856	-
Foreign government bonds	26	-	26	-
Domestic stocks	553,147	525,758	1,122	26,267
Foreign stocks	24,237	24,061	176	-
Investments in real estate	98,392	796	89,320	8,276
Real estate investment trust	114,231	114,231	-	-
Other	3,151	171	-	2,980
Total investments by fair value level	2,564,990	$ 2,065,927	$ 461,540	$ 37,523
Investments measured at the net asset value (NAV)				
Real estate investment trust	87			
Hedge funds	4,309,775			
Private equity limited partnerships	4,509,663			
Real assets limited partnerships	639,373			
Other limited partnerships	371,033			
Other	354			
Total investments measured at the NAV	9,830,285			
Total investments measured at fair value	$ 12,395,275			

The majority of debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing relies on the securities' relationship to other benchmark quoted securities. In general, domestic stocks classified in Level 3 of the fair value hierarchy are valued based on recent company stock valuation. Investments in real estate classified in Level 2 of the fair value hierarchy are valued using a market multiples technique. The market multiples technique uses multiples or ratios derived from identical or similar assets, liabilities, or groups of assets and liabilities to determine the fair value of an asset or liability. The majority of investments in real estate classified in Level 3 of the fair value hierarchy are valued using a combination of recent sales or historical appraisals.

The University of North Carolina at Chapel Hill holds the majority of the investments measured at net asset value in the previous table. Below are additional disclosures for these investments.

Investments Measured at the NAV	Fair Value 6/30/2022	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	$ 4,305,146	$ 30,795	Ranges from 30 days to 3+ years with certain notices	30-180 days
Private equity limited partnerships	4,358,233	1,481,095	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Real assets limited partnerships	639,108	648,104	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Total investments measured at the NAV	$ 9,302,487			

Hedge Funds. UNC at Chapel Hill reports a combination of the following asset strategies for its hedge funds: long biased equity, long/short equity, diversifying, fixed income, and hedge funds in liquidation. The long biased equity strategy is characterized by primarily holding long positions in publicly listed securities to gain equity market exposure globally. The long/short equity strategy is characterized by buying and/or selling short individual securities that fund managers believe the market has mispriced. The long and short positions are generally independent of one another and typically result in an overall net long exposure to equities. Both long biased equity and long/short equity hedge fund managers occasionally invest in equity index futures, options on equity index futures, and specific risk options. The diversifying strategy is characterized by its lack of correlation with major equity indices. These managers may use derivatives such as fixed income and equity futures both as hedging tools and to gain exposure to specific markets. They may also enter into various swap agreements to manage exposure to specific securities and markets. The fixed income strategy includes credit-based commingled hedge funds and is characterized by a focus on income generation and portfolio diversification. These managers may use futures and options on global fixed income and currency markets and enter into swap agreements to hedge or gain exposure to certain markets. The hedge funds in liquidation strategy is characterized by investment in hedge funds that are either in the process of being terminated or have received notice of termination.

Private Equity Limited Partnerships. Private equity managers typically invest in equity investments and transactions in private companies. These investments are typically illiquid and are expected to control volatility and provide higher returns over the long term than public equity investments. The energy subsection of the private equity strategy, including direct energy investments, energy security investments, and limited partnerships, is primarily used to hedge against unanticipated inflation. The principal attraction of these investments is the lack of correlation with the balance of the portfolio.

Real Assets Limited Partnerships. Real estate managers invest in private portfolio investments focusing on specific niche markets within the real estate sector. Such sectors may include investments in public real estate investment trusts that provide a more liquid means of gaining exposure to this asset class. These investments primarily serve as a hedge against unanticipated general price inflation but are also a source of current income.

NOTE 4: RECEIVABLES

Receivables at June 30, 2022, are reported net of allowances for doubtful accounts as follows (dollars in thousands):

Governmental Activities:

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Internal Service Fund	Total
Receivables, gross (excluding notes)	$ 6,833,585	$ 284,792	$ 55,151	$ 260,409	$ 42,596	$ 7,476,533
Allowance for doubtful accounts	(2,211,200)	(10,883)	-	(225,048)	-	(2,447,131)
Receivables, net	$ 4,622,385	$ 273,909	$ 55,151	$ 35,361	$ 42,596	$ 5,029,402
Notes receivable, gross	$ 13,482	$ 139	$ 9	$ 48,689	$ -	$ 62,319
Allowance for doubtful accounts	-	-	-	(35)	-	(35)
Notes receivable, net	$ 13,482	$ 139	$ 9	$ 48,654	$ -	$ 62,284

Within governmental activities, the significant receivables not expected to be collected within one year total $119.19 million. Amounts not expected to be collected within one year in the General Fund are $82.24 million and $36.95 million in Capital Projects Funds.

Business-Type Activities:

	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC State Lottery Fund	N.C. Turnpike Authority	Other Enterprise Funds	Total
Receivables, gross (excluding notes)	$ 1,125,431	$ 639	$ 24,767	$ 67,001	$ 6,949	$ 1,224,787
Allowance for doubtful accounts	(84,079)	-	-	(22,300)	(28)	(106,407)
Receivables, net	$ 1,041,352	$ 639	$ 24,767	$ 44,701	$ 6,921	$ 1,118,380

NOTE 5: CAPITAL ASSETS

Primary Government A summary of changes in capital assets for the year ended June 30, 2022 is presented below (dollars in thousands).

Governmental Activities	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, nondepreciable				
Land and permanent easements	$ 20,652,733	$ 895,287	$ (23,882)	$ 21,524,138
Art, literature, and other artifacts	147,576	2,427	(1,131)	148,872
Construction in progress	2,735,268	3,156,731	(2,418,028)	3,473,971
Computer software in development	791,903	116,298	(4,526)	903,675
Total Capital Assets-nondepreciable	24,327,480	4,170,743	(2,447,567)	26,050,656
Capital Assets, depreciable				
Buildings	4,432,797	195,003	(22,373)	4,605,427
Machinery and equipment	2,064,148	102,749	(61,841)	2,105,056
General infrastructure	376,249	5,027	(429)	380,847
State highway system	44,864,399	2,269,894	(181,717)	46,952,576
Computer software	428,711	5,003	(244)	433,470
Right to use lease assets, depreciable				
Land and permanent easements	464	78	-	542
Buildings	413,343	40,058	(4,002)	449,399
Machinery and equipment	2,066	163	-	2,229
General infrastructure	1,425	-	-	1,425
Total Capital Assets-depreciable	52,583,602	2,617,975	(270,606)	54,930,971
Less accumulated depreciation for				
Capital assets, depreciable				
Buildings	(1,555,603)	(117,705)	18,495	(1,654,813)
Machinery and equipment	(1,259,686)	(106,141)	44,252	(1,321,575)
General infrastructure	(142,378)	(8,327)	213	(150,492)
State highway system	(13,761,114)	(939,055)	178,083	(14,522,086)
Computer software	(113,228)	(17,030)	64	(130,194)
Right to use lease assets, depreciable				
Land and permanent easements	-	(41)	-	(41)
Buildings	-	(47,508)	110	(47,398)
Machinery and equipment	-	(691)	-	(691)
General infrastructure	-	(250)	-	(250)
Total accumulated depreciation	(16,832,009)	(1,236,748)	241,217	(17,827,540)
Total Capital Assets-depreciable, net	35,751,593	1,381,227	(29,389)	37,103,431
Governmental activities				
Capital Assets, net	$ 60,079,073	$ 5,551,970	$ (2,476,956)	$ 63,154,087

Business-type Activities

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, nondepreciable				
Land and permanent easements	$ 549,128	$ 20,438	$ (177)	$ 569,389
Art, literature, and other artifacts	1,290	3	-	1,293
Construction in progress	460,856	248,985	(11,075)	698,766
Total Capital Assets-nondepreciable	1,011,274	269,426	(11,252)	1,269,448
Capital Assets, depreciable				
Buildings	105,913	11,018	(2,402)	114,529
Machinery and equipment	26,421	2,140	(2,271)	26,290
General infrastructure	20,240	-	-	20,240
NC toll road system	1,534,469	-	-	1,534,469
Computer software	1,758	82	(5)	1,835
Right to use lease assets, depreciable				
Buildings	3,443	-	-	3,443
Total Capital Assets-depreciable	1,692,244	13,240	(4,678)	1,700,806
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(52,611)	(2,728)	1,452	(53,887)
Machinery and equipment	(18,028)	(1,739)	1,464	(18,303)
General infrastructure	(13,716)	(350)	-	(14,066)
NC toll road system	(175,832)	(29,684)	-	(205,516)
Computer software	(1,114)	(206)	6	(1,314)
Right to use lease assets, depreciable				
Buildings	-	(702)	-	(702)
Total accumulated depreciation	(261,301)	(35,409)	2,922	(293,788)
Total Capital Assets-depreciable, net	1,430,943	(22,169)	(1,756)	1,407,018
Business-type activities				
Capital Assets, net	$ 2,442,217	$ 247,257	$ (13,008)	$ 2,676,466

Depreciation expense was charged to functions/programs of the primary government as follows (dollars in thousands):

Governmental activities	
General government	$ 37,112
Primary and secondary education	2,661
Higher education	171
Health and human services	54,049
Economic development	5,050
Environment and natural resources	24,247
Public safety, corrections, and regulation	110,612
Transportation	994,148
Agriculture	8,698
Total depreciation expense	$ 1,236,748
Business-type activities	
N.C. State Lottery	$ 461
N.C. Turnpike Authority	29,684
Regulatory programs	3,343
North Carolina State Fair	1,020
Other business-type activities	901
Total depreciation expense	$ 35,409

NOTES TO THE FINANCIAL STATEMENTS

Component Units (University of North Carolina System and community colleges). Capital asset activity for the University of North Carolina System and community colleges for the fiscal year ended June 30, 2022, was as follows (dollars in thousands):

University of North Carolina System

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, nondepreciable				
Land and permanent easements	$ 515,182	$ 7,258	$ (425)	$ 522,015
Art, literature, and other artifacts	241,935	7,453	(12)	249,376
Construction in progress	1,448,646	762,986	(1,225,129)	986,503
Computer software in development	712	3,571	(3,438)	845
Other intangible assets	9,917	-	-	9,917
Total Capital Assets-nondepreciable	2,216,392	781,268	(1,229,004)	1,768,656
Capital Assets, depreciable				
Buildings	15,980,601	1,222,419	(19,443)	17,183,577
Machinery and equipment	2,939,440	269,015	(78,238)	3,130,217
Art, literature, and artifacts	202	-	-	202
General infrastructure	2,285,664	77,694	(3,417)	2,359,941
Computer software	418,771	14,832	-	433,603
Other intangible assets	21,577	1,348	-	22,925
Right to use lease assets, depreciable				
Land and permanent easements	838	-	-	838
Buildings	670,254	25,855	(455)	695,654
Machinery and equipment	33,596	1,034	(197)	34,433
General infrastructure	6,060	-	-	6,060
Total Capital Assets-depreciable	22,357,003	1,612,197	(101,750)	23,867,450
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(5,459,608)	(392,164)	11,658	(5,840,114)
Machinery and equipment	(1,902,964)	(168,804)	65,757	(2,006,011)
Art, literature, and other artifacts	(195)	(1)	-	(196)
General infrastructure	(995,646)	(61,356)	2,090	(1,054,912)
Computer software	(294,509)	(40,802)	-	(335,311)
Other intangible assets	(2,196)	(129)	-	(2,325)
Right to use lease assets, depreciable				
Land and permanent easements	-	(116)	-	(116)
Buildings	(1,498)	(103,816)	2,195	(103,119)
Machinery and equipment	(377)	(6,245)	266	(6,356)
General infrastructure	-	(704)	-	(704)
Total accumulated depreciation	(8,656,993)	(774,137)	81,966	(9,349,164)
Total Capital Assets-depreciable, net	13,700,010	838,060	(19,784)	14,518,286
University of North Carolina System Capital Assets, net	$ 15,916,402	$ 1,619,328	$ (1,248,788)	$ 16,286,942

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2022, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of $55.313 million and net depreciable capital assets of $112.096 million.

Service Concession Arrangement for Noble Hall at Western Carolina University

In August 2016, construction was completed on Noble Hall pursuant to an agreement between Western Carolina University (University) and a third party developer, Collegiate Housing Foundation (Foundation), under which the Foundation designed and built a mixed use facility that includes residential units, commercial, and dining establishments. The building is on land owned by the Board of Trustees of the University's Endowment Fund, a body established under the State of North Carolina, and leased to the Foundation for 40 years. The student housing facility is managed by the University under the terms of the management agreement. The University is operating the facility with budgetary oversight from the Foundation. At the end of the arrangement, the Foundation will transfer its interest in the facility at no cost to the University or, if directed by the University, to the Board of Trustees of the University's Endowment Fund.

In order to promote economic, cultural, and community development opportunities, including the creation of employment, and the stimulation of economic activity, the University entered into this agreement with the Foundation to construct the facility. Under this arrangement, the University is responsible for providing electricity to the facility over the course of the 40-year lease agreement. The University reports a liability for $1.80 million, the present value of this obligation. The University also reports the facility as a capital asset with a carrying amount of $24.15 million at year-end and a related deferred inflow of resources of $20.07 million that is amortized using the straight-line method over the terms of the lease agreement.

Service Concession Arrangements for Student Housing

The University of North Carolina at Wilmington, Appalachian State University, and North Carolina Central University (collectively "the universities") completed construction on student housing facilities pursuant to separate agreements with third-party developers, under which such developers will construct and operate the facilities for 50 years, in certain cases with the budgetary oversight of the developer. Each student housing facility is located on property either owned or leased by each individual university. Residence life programming will be managed by each individual university under the terms of the management agreements and operating agreements established with each third-party developer. At the end of each arrangement, the third-party developers will transfer interest in the facilities at no cost to the universities. North Carolina Central University retains the right to buy out its ground lease prior to the expiration of its lease.

The universities entered into these agreements to address shortages in student housing caused by enrollment growth as well as increased demand for updated on-campus housing, while avoiding the issuance of debt. Under its specific arrangement, Appalachian State University is required to provide certain services related to the facility under the agreement, including facility management, maintenance, and security. Appalachian State University reports a liability of $26.95 million, the present value of this obligation. Collectively, the universities report the facilities as capital assets with an aggregate carrying amount of $327.89 million at year-end and a related deferred inflow of resources of $294.45 million.

Community Colleges

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, nondepreciable				
Land and permanent easements	$ 222,343	$ 2,978	$ (1,279)	$ 224,042
Art, literature, and other artifacts	878	105	-	983
Construction in progress	317,976	203,556	(298,856)	222,676
Other intangible assets	-	1,134	-	1,134
Total Capital Assets-nondepreciable	541,197	207,773	(300,135)	448,835
Capital Assets, depreciable				
Buildings	3,889,808	292,173	(3,127)	4,178,854
Machinery and equipment	601,310	55,326	(16,243)	640,393
Art, literature, and artifacts	771	-	-	771
General infrastructure	269,567	10,178	(180)	279,565
Right to use lease assets, depreciable				
Land and permanent easements	-	592	-	592
Buildings	79,767	1,028	-	80,795
Machinery and equipment	5,662	4,337	(81)	9,918
General infrastructure	9,494	-	-	9,494
Total Capital Assets-depreciable	4,856,379	363,634	(19,631)	5,200,382
Less accumulated depreciation for Capital Assets, depreciable				
Buildings	(1,128,261)	(75,245)	3,091	(1,200,415)
Machinery and equipment	(273,699)	(33,496)	12,179	(295,016)
Art, literature, and other artifacts	(257)	(20)	-	(277)
General infrastructure	(76,652)	(8,238)	99	(84,791)
Right to use lease assets, depreciable				
Land and permanent easements	-	(43)	-	(43)
Buildings	(10,509)	(4,061)	-	(14,570)
Machinery and equipment	(558)	(2,465)	(292)	(3,315)
General infrastructure	(1,280)	(252)	-	(1,532)
Total accumulated depreciation	(1,491,216)	(123,820)	15,077	(1,599,959)
Total Capital Assets-depreciable, net	3,365,163	239,814	(4,554)	3,600,423
Community Colleges Capital Assets, net	$ 3,906,360	$ 447,587	$ (304,689)	$ 4,049,258

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2022, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of $12.844 million and net depreciable capital assets of $7.582 million.

NOTE 6: SHORT-TERM DEBT

Primary Government

Business-type Activities (Enterprise Funds)

The North Carolina Real Estate Commission (an occupational licensing board) renewed a revolving line of credit agreement for an amount up to $500 thousand. As of June 30, 2022, the total amount outstanding on the revolving line of credit was zero resulting in an unused line of credit of $500 thousand. In an event of default, the agreement will immediately terminate, and all indebtedness will become due and payable at the lender's option. Accelerations shall be automatic and not optional if the event of default is due to insolvency.

Component Units

University of North Carolina System

The University of North Carolina at Chapel Hill issued commercial paper to provide interim financing for the construction of capital projects. In June of 2012, the Board of Governors for the University of North Carolina issued a resolution to limit the cumulative amount of commercial paper for the University of North Carolina at Chapel Hill under this program to $250 million. As of June 30, 2022, the amount of outstanding commercial paper was zero. The outstanding commercial paper contains a provision that in an event of default, the commercial paper may become immediately due and payable if the University fails to pay any outstanding obligations.

North Carolina State University has available commercial paper program financing for short-term credit up to $100 million to finance capital construction projects. The University's available funds are pledged to the commercial paper program financing with the anticipation of converting to general revenue bond financing in the future. The University had no net draws during the year to bring the total amount of outstanding commercial paper as of June 30, 2022 to zero. The outstanding commercial paper contains provisions that in an event of default, the commercial paper may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The North Carolina State University Partnership Corporation has a revolving line of credit for an amount up to $300 thousand to be used for operations at the Lonnie Poole Golf Course. As of June 30, 2022, the total amount outstanding on the revolving line of credit was zero resulting in an unused line of credit of $300 thousand. The outstanding line of credit contains an event of default provision that if the North Carolina State University Partnership Corporation is unable to make any payment when due, all commitments and obligations of the lender immediately will terminate and, at lender's option, all indebtedness immediately will become due and payable. Also, upon default, the interest rate on the line of credit will be increased by an additional 3% margin, subject to the maximum interest rate limitations under applicable law.

Rex Healthcare has unused revolving lines of credit totaling $101.4 million.

NOTE 7: DERIVATIVE INSTRUMENTS

A. Summary Information

<u>Component Unit</u> – University of North Carolina System

The following table summarizes the University of North Carolina (UNC) System's significant derivative instruments. It includes the fair value balances and notional amounts of derivative instruments outstanding at June 30, 2022, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended (dollars in thousands).

			Fair Value Measurements Using		
Type	(a) Changes in Fair Value	(b) Fair Value at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Notional
UNC at Chapel Hill:					
Cash flow hedges:					
Pay-fixed interest rate swaps	$ 50,447	$ (68,533)	$ -	$ (68,533)	$ 250,000
Investment derivatives:					
Pay-fixed interest rate swaps	$ 729	$ (467)	$ -	$ (467)	$ 7,740
U.S. dollar equity futures	$ (23,633)	$ (1,191)	$ (1,191)	$ -	$ 142,106
Total	$ (22,904)	$ (1,658)	$ (1,191)	$ (467)	

(a) For the fiscal year ended June 30, 2022, the changes in fair value of cash flow hedges are classified as both *deferred outflows of resources* and *deferred inflows of resources*, and the changes in fair value of investment derivatives are classified as *operating grants and contributions*.

(b) At June 30, 2022, the fair value balances of cash flow hedges outstanding are classified as both *hedging derivative asset* and *hedging derivative liability*. The fair value balances of investment derivatives outstanding are classified as *investments*, except that investment derivatives with a negative fair value are classified as *accounts payable and accrued liabilities*. For the UNC System, the total fair value of cash flow hedges at June 30, 2022 was negative $71.42 million.

The fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The U.S. dollar futures classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The pay-fixed interest rate swaps (cash flow hedges and investment derivatives) classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques.

B. Hedging Derivative Instruments

<u>Component Unit</u> – University of North Carolina System

The following table displays the objectives and terms of the UNC System's significant hedging derivative instruments outstanding at June 30, 2022 (dollars in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
UNC at Chapel Hill:					
Pay-fixed interest rate swap	Hedge changes in cash flows on variable rate debt	$ 100,000	12/1/07	12/1/36	Pay 3.314%; receive 67% of SOFR + 7.4 basis point
Pay-fixed interest rate swap	Hedge changes in cash flows on variable rate debt	$ 150,000	12/1/11	12/1/41	Pay 4.375%; receive 67% of SOFR + 7.4 basis point

NOTES TO THE FINANCIAL STATEMENTS

The UNC System's significant hedging derivative instruments are exposed to the following risks that could give rise to financial loss:

UNC at Chapel Hill

Interest rate risk. UNC at Chapel Hill (University) is exposed to interest rate risk on its interest rate swaps which is largely offset (or expected to be offset) by rates paid on variable-rate debt. In addition, the fair values of these instruments are highly sensitive to changes in interest rates. Because rates have declined significantly since the effective dates of the swaps, the swaps have a negative fair value as of June 30, 2022. The fair values are calculated as of June 30, 2022 and based on the implied forward rate for 67% of SOFR plus 7.4 basis points. As rates rise, the value of the swaps will increase, and as rates fall, the fair value of the swaps will decrease.

Basis risk. The University is exposed to basis risk on the swaps to the extent there is a mismatch between variable bond rates paid and swap index rates received.

Termination risk. The swap agreements use the International Swaps and Derivatives Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the University being required to make an unanticipated termination payment. The swaps may mandatorily terminate if the University fails to perform under terms of the contract.

Information on debt service requirements on long-term debt of the primary government and component units and net cash flows on associated hedging derivative instruments is presented in Note 8E.

C. Investment Derivative Instruments

Primary Government

The North Carolina Department of State Treasurer External Investment Pool (External Investment Pool) has investments in equity and commodity futures, foreign currency forward and spot currency contracts. More detailed information about the External Investment Pool is available in a separate report (see Note 3A).

Component Unit – University of North Carolina System

The University of North Carolina System's investment derivative instruments are exposed to the following risks that could give rise to financial loss:

UNC at Chapel Hill

Interest rate risk. The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because rates have changed since the effective dates of the swap, the swap has a negative fair value as of June 30, 2022. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. As forward rates rise, the value of the swap will increase and as rates fall, the value of the swap will decrease. The University pays 5.24% and receives Securities Industry and Financial Markets Association (SIFMA) Swap Index rate. On June 30, 2022, SIFMA Swap Index rate was .91%. The interest rate swap has a notional amount of $7.74 million and matures November 1, 2025.

D. Synthetic Guaranteed Investment Contracts

Primary Government

In the Supplemental Retirement Income Plan of North Carolina, 401(k) Plan, there are synthetic guaranteed investment contracts (SGICs) within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with The Prudential Insurance Company of America (Prudential), one SGIC with Nationwide Life Insurance Company (Nationwide Life), one SGIC with American General Life Insurance Company (American General), and one SGIC with Transamerica Life Insurance Company (Transamerica Life) which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.26%, 1.76%, 1.84%, and 1.91%, respectively. The fair value of the securities covered by the contracts as of December 31, 2021, is $1.79 billion and the contract value is $1.76 billion. The contracts are unrated and have a maturity of less than one year.

In the North Carolina Public Employee Deferred Compensation Plan, 457 Plan, there are SGICs within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with Prudential, one SGIC with Nationwide Life, one SGIC with American General and one SGIC with Transamerica Life which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.26%, 1.76%, 1.84%, and 1.91%, respectively. The fair value of the securities covered by the contracts as of December 31, 2021, is $345.59 million and the contract value is $339.25 million. The contracts are unrated and have a maturity of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

Both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan have entered into wrap contracts with Prudential, Nationwide Life, American General, and Transamerica Life to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, American General, and Transamerica Life were determined to have no value.

NOTE 8: LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Primary Government. Long-term liability activity for the year ended June 30, 2022, was as follows (dollars in thousands):

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Governmental activities					
Bonds and similar debt payable:					
General obligation bonds	$ 2,648,385	$ -	$ (338,595)	$ 2,309,790	$ 333,850
Special indebtedness:					
Limited obligation bonds	2,275,750	432,025	(358,885)	2,348,890	227,400
GARVEE bonds	875,865	252,595	(105,250)	1,023,210	104,270
Issuance premium	638,351	113,792	(123,349)	628,794	-
Total bonds and similar debt payable	6,438,351	798,412	(926,079)	6,310,684	665,520
Notes from direct borrowings	50,619	-	(7,216)	43,403	6,210
Leases payable	417,322	34,412	(44,244)	407,490	41,940
Compensated absences	610,179	327,240	(351,421)	585,998	52,685
Pension liability (Note 12)	3,082,046	60,271	(1,656,407)	1,485,910	19,567
Net OPEB liability (Note 14)	5,350,926	959,021	-	6,309,947	-
Workers' compensation	693,466	64,835	(119,765)	638,536	130,894
Death benefit payable	37	-	-	37	-
Pollution remediation payable	7,656	-	(328)	7,328	379
Claims and judgments payable	731,703	-	-	731,703	-
Governmental activity long-term liabilities	$ 17,382,305	$ 2,244,191	$ (3,105,460)	$ 16,521,036	$ 917,195
Business-type activities					
Bonds payable:					
Revenue bonds	$ 2,365,938	$ -	$ (42,122)	$ 2,323,816	$ 36,994
Issuance premium	179,289	-	(23,854)	155,435	-
Total bonds payable	2,545,227	-	(65,976)	2,479,251	36,994
Notes from direct borrowings	185,991	1,182	(1,046)	186,127	1,014
Leases payable	3,509	52	(676)	2,885	697
Annuity and life income payable	88,159	5,402	(12,545)	81,016	7,621
Compensated absences	12,893	8,517	(8,950)	12,460	1,987
Net pension liability (Note 12)	40,128	-	(23,707)	16,421	-
Net OPEB liability (Note 14)	79,039	8,627	-	87,666	-
Workers' compensation	87	46	(88)	45	12
Business-type activity long-term liabilities	$ 2,955,033	$ 23,826	$ (112,988)	$ 2,865,871	$ 48,325

For governmental activities, the compensated absences, pension liability, net OPEB liability, and workers' compensation liabilities are generally liquidated by the General Fund. Pollution remediation payable is generally liquidated by the Highway Fund. A portion of compensated absences, the pension liability, the net OPEB liability, and workers' compensation liabilities is also liquidated by the Highway Fund. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, the following long-term liabilities of internal service funds were included in the above amounts: compensated absences of $18.474 million, net pension liability of $25.105 million, net OPEB liability of $139.824 million, workers' compensation liability of $1.727 million, and lease liability of $1,528. The claims and judgments liability of $731.7 million is paid from State appropriations as approved by the N.C. General Assembly. Funds were not appropriated in the current fiscal year nor the next fiscal year.

Governmental Activities

The Master Trust Indenture of the State's outstanding limited obligation bonds of $2.349 billion contain a provision that in an event of default, all outstanding limited obligation bond amounts may become immediately due if the State fails to pay any outstanding limited obligation bond amount by its due date, or if the State fails to budget and appropriate moneys sufficient to make payment on such bonds coming due in any fiscal year.

The outstanding notes from direct borrowings of $36.808 million contain provisions that in the event of default, (1) outstanding amounts become immediately due and payable, (2) the project can be sold and the proceeds applied to outstanding amounts due, (3) the custodian could be directed to apply all acquisition fund amounts to the outstanding amounts due, or (4) proceed by appropriate court action to enforce performance of the applicable covenants in the agreement.

Business-type Activities

The North Carolina Turnpike Authority has an unused line of credit in the amount of $499.46 million. This unused line of credit is a Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan through the United States Department of Transportation.

The outstanding notes from direct borrowings of $166.5 million contain provisions that in the event of default, the lender may terminate its obligations to disburse any remaining undisbursed loan proceeds immediately.

The occupational licensing boards have pledged buildings and land as collateral for its outstanding notes from direct borrowings of $10.049 million.

Component Unit (University of North Carolina System). Long-term liability activity for the year ended June 30, 2022, was as follows (dollars in thousands):

	Balance July 1, 2021 (as restated)	Increases	Decreases	Balance June 30, 2022	Due Within One Year
University of North Carolina System					
Bonds payable:					
Revenue bonds	$ 4,587,627	$ 172,150	$ (309,904)	$ 4,449,873	$ 164,539
Direct placements	200,382	16,897	(16,600)	200,679	81,418
Certificates of participation	3,518	-	(346)	3,172	357
Limited obligation bonds	195,290	-	(8,355)	186,935	8,885
Issuance premium	311,378	6,026	(25,261)	292,143	-
Issuance discount	(3,612)	(42)	182	(3,472)	-
Total bonds payable	5,294,583	195,031	(360,284)	5,129,330	255,199
Notes from direct borrowings	408,862	4,225	(59,583)	353,504	33,400
Leases payable	657,829	48,009	(103,788)	602,050	109,939
Annuity and life income payable	58,674	1,778	(8,527)	51,925	827
Compensated absences	555,202	467,286	(467,702)	554,786	102,160
Net pension liability (Note 12)	1,943,918	-	(1,111,760)	832,158	-
Net OPEB liability (Note 14)	7,025,953	879,310	-	7,905,263	-
Workers' compensation	58,289	9,176	(14,164)	53,301	12,201
Pollution remediation payable	4,671	-	(470)	4,201	106
Asset retirement obligation	14,338	764	-	15,102	-
Liability insurance trust fund payable	22,631	7,513	(3,379)	26,765	7,611
Total long-term liabilities	$ 16,044,950	$ 1,613,092	$ (2,129,657)	$ 15,528,385	$ 521,443

Long-term liabilities of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At year-end, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had total long-term liabilities of $241.488 million, of which $12.228 million was due within one year and $229.260 million was due in more than one year.

The University of North Carolina at Chapel Hill and Rex Healthcare have unused lines of credit in the amount of $10 million and $150 thousand, respectively.

Revenue Bonds

Various universities within the University of North Carolina System (UNC System) have outstanding revenue bonds totaling $1.82 billion that contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

Various universities within the UNC System have outstanding revenue bonds totaling $1.81 billion that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to pay any outstanding bond debt service.

The University of North Carolina Hospitals has pledged future revenues as collateral for the revenue bonds payable of $412.785 million, and certain funds held have been reserved as restricted equal to 7.5% of gross patient revenues as stipulated by the bond covenants. As of June 30, 2022, the amount pledged as collateral is $448.113 million. In the event of default, the bonds will become immediately due and payable. At such time, the Board of Governors may require a sum sufficient to pay all matured installments of principal and interest due, be deposited with the Hospitals' Trustee. Additionally, the bonds can be replaced with a replacement indenture. The owners of the outstanding bonds may be required to accept the replacement bonds in lieu of the bonds held by them. Any such replacement may result in a reduction or material alteration in the covenants and other provisions provided to secure payment of the outstanding bonds.

Rex Healthcare has outstanding revenue bonds of $150 million secured by a lien on substantially all of Rex's real and personal property and by a security interest in Rex's unrestricted revenues.

Direct Placement Bonds

Various universities within the UNC System have outstanding direct placement bonds totaling $101.796 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to pay any outstanding bond debt service.

Various universities within the UNC System have outstanding direct placement bonds totaling $98.884 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice ($91.044 million) or a period of 60 days after written notice ($7.84 million).

Special Indebtedness

The University of North Carolina at Wilmington has outstanding limited obligation bonds (LOBs) of $101.955 million secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Western Carolina University has outstanding limited obligation bonds of $44.615 million. These bonds are secured by revenues which include rentals payable by the University under leases and use agreements on the funded project. The LOBs are further secured by a deed of trust on the property. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable.

The University of North Carolina at Pembroke has outstanding limited obligation bonds of $25.915 million. These bonds are secured by revenues which include rentals payable by the University under leases and use agreements on the funded project. The LOBs are further secured by a deed of trust on the property. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

Fayetteville State University has outstanding limited obligation bonds totaling $14.45 million and the University of North Carolina School of the Arts has outstanding certificates of participation totaling $3.172 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. The University of North Carolina School of the Arts has pledged an apartment complex as collateral for its outstanding certificates of participation of $3.172 million.

Notes from Direct Borrowings

Various universities within the UNC System have outstanding notes from direct borrowings totaling $102.065 million that contain a provision that in an event of default, the notes may become immediately due and payable if the University fails to pay any outstanding debt service.

The UNC System has pledged the energy savings improvements installed in its buildings and other structures as collateral for Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowings of $93.439 million. These agreements contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

Appalachian State University has outstanding notes from direct borrowings of $72.8 million to finance construction of a residence hall and to make site improvements. The University assigned to the financial institution the right, title, and interest in lease and use agreements and upon default, the base rentals, which includes all rental revenue from the facility, and payments received or receivable under these agreements, and a continuing security interest in the base rentals as well as the lease and use agreements after commencement of any proceeding under the bankruptcy code. The financial institution has the right, power, and authority to: (1) settle, compromise, release, extend the time of payment of, and make allowances, adjustments, and discounts of any base rentals or other obligations; (2) enforce payment of base rentals; and (3) enter on, take possession of and operate the residence hall if a default occurs.

Elizabeth City State University has outstanding notes from direct borrowings of $19.372 million that contain: (1) a provision that in an event of default, the direct borrowings may become immediately due if pledged revenues during the year are less than 100 percent of debt service coverage due in the following year and (2) a provision that if the University is unable to make payment, outstanding amounts are due immediately. These notes contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. These notes are secured by student housing facilities.

Various universities within the UNC System have outstanding notes from direct borrowings totaling $17.84 million that contain a provision that in an event of default, the notes may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 15 days after written notice ($15.475 million) or a period of 30 days after written notice ($2.365 million). Appalachian State University has pledged land for its outstanding notes from direct borrowings of $15.475 million.

Gateway Research Park has outstanding notes from direct borrowings of $17.765 million secured with collateral of real estate and a vehicle.

Rex Healthcare has outstanding notes from direct borrowings of $15.059 million collateralized by certain property of Rex Wakefield Enterprises.

B. Bonds, Special Indebtedness, Direct Placements, and Notes from Direct Borrowings

Bonds, special indebtedness, direct placements and notes from direct borrowings at June 30, 2022 were as follows (dollars in thousands):

	Interest Rates	Maturing Through Fiscal Year	Original Borrowing	Outstanding Balance
Primary Government				
Governmental activities				
General obligation bonds	1.50% - 5.00%	2040	$3,527,258	$2,309,790
Special indebtedness:				
Limited obligation bonds	2.00% - 5.00%	2037	2,799,030	2,348,890
GARVEE bonds	2.00% - 5.00%	2036	1,342,165	1,023,210
Notes from direct borrowings	2.10% - 3.75%	2033	84,451	43,403
Business-type activities				
Revenue bonds**	2.82% - 7.10%	2055	$2,732,773	$2,323,816
Notes from direct borrowings	2.95% - 4.50%	2054	190,558	186,127
Component Units				
University of North Carolina System				
Revenue bonds**	0.20% - 6.52%*	2051	$5,456,724	$4,449,873
Direct Placements	1.29% - 5.00%*	2051	254,347	200,679
Certificates of participation	2.00% - 2.00%	2030	5,400	3,172
Limited obligation bonds	2.00% - 6.23%	2043	217,965	186,935
Notes from direct borrowings**	0.00% - 7.25%*	2057	576,313	353,504

* For variable rate debt, interest rates in effect at June 30, 2022 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.

** The issuer has elected to treat a portion of these obligations as federally taxable "Build America Bonds" for purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury for a specified percentage of the interest payable on these obligations. The outstanding balance of "Build America Bonds" was $225.55 million for the primary government and $32.63 million for component units. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

General obligation bonds are secured by the full faith, credit, and taxing power of the State. The payments on special indebtedness, which include certificates of participation (COPs) and limited obligation bonds, are subject to appropriation by the N.C. General Assembly. Special indebtedness may also be secured by a lien on equipment or facilities, or by lease payments made by the State. Other long-term debts of the State and its component units are payable solely from certain resources of the funds to which they relate.

C. Debt Authorized but Unissued

At June 30, 2022, the State had no authorized but unissued general obligation bonds. At June 30, 2022, the State had no authorized but unissued special indebtedness supported by the General Fund. At June 30, 2022, the State had $1.7 billion in authorized but unissued special indebtedness supported by the Highway Trust Fund.

In 2005, the N.C. General Assembly enacted General Statute 136-18(12b) providing for the issuance of Grant Anticipation Revenue Vehicle Bonds (GARVEEs), which are payable from revenues consisting primarily of federal transportation funds, with the proceeds to finance federal-aid highway projects. The GARVEEs are limited obligations of the State payable solely from these funding sources. The total amount of GARVEEs that may be issued is subject to limitations contained in the authorizing legislation tied to the historic and future level of federal transportation funds the State has or is expected to receive.

General Statute 143-64.17 as amended allows state agencies and universities to utilize Guaranteed Energy Savings Contracts to implement and finance major facility upgrades which save energy and reduce utility expenditures. The State and universities currently are authorized to finance up to $500 million for such projects that provide energy cost savings that are sufficient to pay the debt service on the projects' financing. At June 30, 2022, a total of $271.3 million of such contracts have been entered into by the State and universities.

D. Demand Bonds

Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the issuer’s remarketing or paying agents.

Component Unit

University of North Carolina System

The University of North Carolina at Chapel Hill

With regard to the following direct placement demand bonds, the issuer has not entered into take out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

General Revenue Bonds, Series 2012D

On December 14, 2012, the University issued a direct placement bond to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Kenan Stadium Improvements Phase II), Series 2012D" (the "2012D Bond") to The Educational Foundation, Inc. (the "Owner") in exchange for certain improvements to Kenan Stadium on the University's campus known as "Kenan Stadium Improvements, Phase 2 - Carolina Student Athlete Center for Excellence".

Interest will be payable on the 2012D Bond on the maturity date or, if sooner, the prepayment date of the 2012D Bond as permitted under the tender option or the prepayment options as referenced below. The unpaid principal balance of the 2012D Bond, together with all accrued and unpaid interest thereon will be due and payable in full on the maturity date in the event that the tender option or prepayment option is not exercised in advance of the maturity date.

The University shall be responsible for calculating the interest due on the 2012D Bond and reporting such amount to the Owner and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”). Payments of principal and interest on the 2012D Bond shall be made directly by the University to the Owner under the terms of the bond documents and the Trustee shall have no responsibility for making such payments. The University shall promptly notify the Trustee in writing of any such payments. Any payments of principal and interest on the 2012D Bond made directly by the University to the Owner of the 2012D Bond will be credited against The Board of Governors of the University of North Carolina’s (the “Board”) obligation to cause payments to be made with respect to the 2012D Bond to the Debt Service Fund under the General Indenture.

The 2012D Bond may be tendered by the Owner of the 2012D Bond for payment by the University, on behalf of the Board, in whole or in part without premium or penalty on any business day on or after 90 days prior written notice to the University and the Trustee. The 2012D Bond may be prepaid by the University, on behalf of the Board, in whole or in part without premium or penalty on any business day on or after 90 days prior written notice to the Owner and the Trustee. When payment is due at maturity or upon exercise of the tender or prepayment options, the University may use proceeds from a long-term bond issue or proceeds from the issuance of Commercial Paper at the time of the payment to fund the obligation under the bond.

The unpaid principal balance of the 2012D Bond outstanding from time to time will bear interest at the Adjusted SOFR Rate. “Adjusted SOFR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2022, no accrued interest payable remained for the 2012D direct placement bond.

With respect to other terms and conditions, this bond is not supported by any other letters of credit or standby liquidity agreements and does not contain any take out agreements. On June 1, 2015, the terms of the 2012D Bond were modified, changing the principal amount to $30 million and extending the maturity to June 1, 2042. All other terms remained the same.

General Revenue Bonds, Series 2021A

On March 24, 2021, the University issued a direct placement bond to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Indoor Practice Facility and Fetzer Field), Series 2021A" (the "2021A Bond") to The Educational Foundation, Inc. (the "Owner") in exchange for certain improvements to the Indoor Practice Facility and Fetzer Field on the University's campus.

Interest will be payable on the 2021A Bond on each July 1st, commencing July 1, 2021, and on the prepayment date of the 2021A Bond as permitted under the tender option or the prepayment options as referenced below. The unpaid principal balance of the 2021A Bond, together with all accrued and unpaid interest thereon will be due and payable in full on the maturity date in the event that the tender option or prepayment option is not exercised in advance of the maturity date.

The University shall be responsible for calculating the interest due on the 2021A Bond and reporting such amount to the Owner and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”). Payments of principal and interest on the 2021A Bond shall be made directly by the University to the Owner under the terms of the bond documents and the Trustee shall have no responsibility for making such payments. The University shall promptly notify the Trustee in writing of any such payments. Any payments of principal of and interest on the 2021A Bond made directly by the University to the Owner of the 2021A Bond will be credited against The Board of Governors of the University of North Carolina’s (the “Board”) obligation to cause payments to be made with respect to the 2021A Bond to the Debt Service Fund under the General Indenture.

The 2021A Bond may be tendered by the Owner of the 2021A Bond for payment by the University, on behalf of the Board, in whole or in part without premium or penalty on any business day on or after 90 days prior written notice to the University and the Trustee. The 2021A Bond may be prepaid by the University, on behalf of the Board, in whole or in part without premium or penalty on any business day on or after 90 days prior written notice to the Owner and the Trustee. When payment is due at maturity or upon exercise of the tender or prepayment options, the University may use proceeds from a long-term bond issue or proceeds from the issuance of Commercial Paper at the time of the payment to fund the obligation under the bond.

The unpaid principal balance of the 2021A Bond outstanding from time to time will bear interest at the Adjusted SOFR Rate. “Adjusted SOFR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2022, no accrued interest payable remained for the 2021A direct placement bond.

With respect to other terms and conditions, this bond is not supported by any other letters of credit or standby liquidity agreements and does not contain any take out agreements.

The University of North Carolina Hospitals

With regards to the following demand bonds, the Hospitals have entered into take-out agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

Revenue Bonds, Series 2001A and Series 2001B

On January 31, 2001, the Hospitals issued two series of tax-exempt variable rate demand bonds in the amount of $55 million (2001A) and $55 million (2001B) that have a final maturity date of February 15, 2031. The bonds are subject to mandatory sinking fund redemption that began on February 15, 2002. A portion of the proceeds was used to reimburse the Hospitals for $75 million spent allowing the UNC Health Care System to acquire controlling interest in Rex Healthcare, Inc. The remaining proceeds were used for the renovation of space vacated after the opening of the North Carolina Women’s Hospital, North Carolina Children’s Hospital, and associated support services. While initially bearing interest in a daily mode, the mode on these bonds may change to a weekly rate, a unit pricing rate, a term rate or a fixed rate.

On September 11, 2020, the Hospitals exercised its prerogative under Section 9.4 of the Series Indenture to remove Wells Fargo Bank, N.A., as the remarketing agent for both series. On that date, TD Securities (USA) LLC agreed to act as the exclusive agent in connection with the remarketing and sale of both series. While in daily mode, the bonds are subject to purchase on any business day upon demand by telephonic notice of tender to the Remarketing Agent on the purchase date and delivery to the bond Tender Agent, U.S. Bank, N.A. The Hospitals’ Remarketing Agent, TD Securities (USA) LLC has agreed to exercise its best efforts to remarket the bonds for which a notice of purchase has been received. The quarterly remarketing fee is payable in arrears, on the first business day of each February, May, August, and November, commencing November 1, 2020, and is equal to 0.05% of the outstanding principal amount of the bonds assigned to each agent.

Under separate Standby Bond Purchase Agreements for the Series 2001A and Series 2001B (Agreements) between the Hospitals and TD Bank, N.A., a Liquidity Facility has been established for the Tender Agent to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. These Agreements require an adjustable facility fee based on the long-term rating of the bonds, which is calculated as a percentage of the available commitment. Payments are made quarterly in arrears, on the first business day of each February, May, August, and November, thereafter until the expiration date or the termination date of the Agreements. On September 11, 2020, UNC Hospitals entered into a new multiple year agreement with TD Bank, N.A. to provide liquidity service at a fee of 0.32%, effective September 11, 2020. The applicable percentage will be determined based upon the long-term ratings of the Bonds (without regard to any credit enhancement) as follows:

S&P	Moody's	Commitment Rate
A+	A1	0.32%
A	A2	0.57%
A-	A3	0.89%

In the event that there is a disparity between Moody's and S&P's ratings on the bonds, the lower rating will prevail for the purpose of calculating the Commitment Fee. In addition, should any Event of Default occur or the long-term unenhanced ratings on the bonds or any Parity Debt be withdrawn or suspended by one or more of the rating agencies for credit-related reasons, the Fee Rate shall automatically increase to 1.50% per annum. All such increases in the Commitment Rate contemplated above will be adjusted at the beginning of the quarter following the rate change.

Under the Agreements, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate, the Federal Funds Rate plus 0.5% or 3%) until 180 days after the initial purchase date and thereafter bear interest at the Base Rate plus 1% per annum and thereafter. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2022, there were no Bank Bonds held by the 2001 Liquidity Facility.

Included in the Agreements is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, the Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Agreements allow the Hospitals to redeem Bank Bonds in monthly installments of principal beginning on the first business day of the month until the fourth anniversary of the purchase date, until fully paid. If the take-out agreement were to be exercised because the entire outstanding $78 million of demand bonds was "put" and not resold, the Hospitals would be required to pay $23.05 million, $22.31 million, $21.2 million, and $20.1 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 4.75% (Prime Rate) for the first 180 days and a rate of 5.75% thereafter. The expiration date of the Agreements is September 10, 2027.

Revenue Refunding Bonds, Series 2003A and Series 2003B

On February 13, 2003, the Hospitals issued two series of tax-exempt variable rate demand bonds in the amount of $63.77 million (2003A) and $34.25 million (2003B) that have a final maturity date of February 1, 2029. The bonds are subject to mandatory sinking fund redemption that began on February 1, 2004. The proceeds were used to advance refund $88.33 million of the Series 1996 Bonds. While initially bearing interest in a weekly mode, the mode on these bonds may change to a daily rate, a unit pricing rate, a term rate, or a fixed rate.

On July 24, 2020, the Hospitals entered into a Standby Bond Purchase Agreement with TD Bank, N.A. replacing Wells Fargo Bank, N.A. Also, on July 24, 2020, the Hospitals exercised its prerogative under Section 9.4 of the Series Indenture and signed a new remarketing agent agreement with TD Securities (USA) LLC (Series 2003B) removing Wells Fargo Bank, N.A. as remarketing agent. While in the weekly mode, the bonds are subject to purchase on demand with seven days' notice to the Remarketing Agent and delivery to the bond Tender Agent, U.S. Bank, National Association. The Hospitals' Remarketing Agents, Bank of America Securities, LLC (Series 2003A) and TD Securities (USA) LLC (Series 2003B), have agreed to exercise their best efforts to remarket bonds for which a notice of purchase has been received. The quarterly remarketing fee is payable in arrears and is equal to 0.08% of the outstanding principal amount of the bonds assigned to the Remarketing Agent for Series 2003A and is equal to 0.05% of the outstanding principal amount of the bonds assigned to the Remarketing Agent for Series 2003B. Bank of America Securities, LLC agreed to reduce their remarketing fee to 0.05% effective June 16, 2021 for the Series 2003A.

Under separate Standby Bond Purchase Agreements for the Series 2003A and Series 2003B (Agreements) between the Hospitals, Bank of America, N.A. (Series 2003A) and TD Securities (USA) LLC (Series 2003B), Liquidity Facilities have been established for the Tender Agent to draw amounts sufficient to pay the purchase price on bonds delivered for purchase when remarketing proceeds or other funds are not available.

The 2003A Agreement with Bank of America, N.A. required a Commitment Fee of 0.31% for fiscal year 2022. Payments are made quarterly in arrears, on the first business day of each November, February, May, and August thereafter until the expiration date or termination date of the Agreement. The Commitment Rate remains in effect over the life of the Agreement so long as the rating assigned to Parity Debt by Moody's and S&P is A1/A+ or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A1 or A+, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

S&P	Moody's	Commitment Rate
A	A2	0.51%
A- or lower	A3 or lower	0.71%

Provided, however, that the Commitment Rate shall be increased (A) by 150 basis points (1.5%) upon the occurrence and during the continuance of an Event of Default, and (B) by 150 basis points (1.5%) if either Moody's or S&P withdraws or suspends its rating for any reason (other than for the payment in full or defeasance of the Bonds). Any such increase in the Commitment Rate shall take effect as of the date of any such event described in the preceding sentence. All such increases in the Commitment Rate contemplated above shall be cumulative.

Under the 2003A Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Interest Rate (equal to the greater of the Prime Rate plus 1.5% or the Federal Funds Rate plus 3%), the Base Rate, for the first 90 days and then the Base Rate plus 0.5% from the 91st day to the 367th day following the date of purchase and the Base Rate plus 1% from the 368th day following such date of purchase and thereafter subject to a maximum rate as permitted by law. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2022, there were no Bank Bonds held by the 2003A Liquidity Facility.

Included in the 2003A Agreement is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 367 days of the "put" date. In this situation, the Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003A Agreement allows the Hospitals to redeem Bank Bonds in six consecutive, equal semi-annual installments of principal beginning on the first business day of the month that occurs at least five and not more than six months following the termination date, until fully paid. In any event, all principal and accrued and unpaid interest shall be due and payable on the date the sixth installment is due. If the take-out agreement were to be exercised because the entire outstanding $33.65 million of demand bonds was "put" and not resold, the Hospitals would be required to pay $13.25 million, $12.64 million, and $11.82 million in years one, two and three respectively, following the termination date under the installment loan agreement assuming a Base Rate of 6.25% (Prime plus 1.5%). The expiration date of the Agreement is July 2, 2024.

The 2003B Agreement with TD Bank, N.A. required a Commitment Fee of 0.32% for fiscal year 2021. Payments are to be made quarterly in arrears, on the first business day of each February, May, August, and November, commencing August 3, 2020. The Commitment Rate remains in effect over the life of the Agreement, so long as the rating assigned to Parity Debt by Moody's and S&P is A+/A1 or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A+ or A1, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

S&P	Moody's	Commitment Rate
A1 or higher	A+	0.32%
A2	A	0.57%
A3	A-	0.89%

In the event that there is a disparity between Moody's and S&P's ratings on the Bonds, the lower rating will prevail for the purpose of calculating the Commitment Fee. In addition, should any Event of Default occur on the long-term unenhanced ratings on the Bonds or any Parity Debt be withdrawn or suspended by one or more of the rating agencies for credit-related reasons, the Fee Rate shall automatically increase to 1.5% per annum. All such increases in the Commitment Rate contemplated above will be adjusted at the beginning of the quarter following the rate change.

Under the 2003B Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate or the Federal Funds Rate plus 0.5% or 3%), until 180 days after the initial date of purchase, and thereafter at the Base Rate plus 1% per annum. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2022, there were no Bank Bonds held by the 2003B Liquidity Facility.

Included in the 2003B Agreement is a take out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, the Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003B Agreement allows the Hospitals to redeem Bank Bonds in monthly installments of principal beginning on the first business day of the month until the fourth anniversary of the purchase date, until fully paid. If the take out agreement were to be exercised because the entire outstanding $18.1 million of demand bonds was "put" and not resold, the Hospitals would be required to pay $5.35 million, $5.18 million, $4.92 million, and $4.66 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 4.75% (Prime Rate) for the first 180 days and a rate of 5.75% (Base Rate plus 1%) thereafter. The expiration date of the agreement is July 8, 2027.

E. Debt Service Requirements

The following schedules show the debt service requirements for the primary government (governmental activities and business-type activities) and component unit (University of North Carolina System). The debt service requirements of variable rate debt and net swap payments are based on rates as of June 30, 2022 and assume that current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Annual debt service requirements to maturity for general obligation bonds, special indebtedness, GARVEE bonds, revenue bonds, direct placements and notes from direct borrowings are as follows (dollars in thousands).

Primary Government

	Governmental Activities			
	General Obligation Bonds		Limited Obligation Bonds	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 333,850	$ 96,390	$ 227,400	$ 108,296
2024	310,880	80,742	233,700	97,789
2025	232,420	65,198	208,845	86,251
2026	173,320	53,577	205,145	76,010
2027	156,620	44,911	205,710	66,136
2028-2032	538,005	132,164	890,405	188,246
2033-2037	424,695	50,726	377,685	33,085
2038-2042	140,000	5,625	-	-
Total	$ 2,309,790	$ 529,333	$ 2,348,890	$ 655,813

	Governmental Activities			
	GARVEE Bonds		Notes from Direct Borrowings	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 104,270	$ 50,073	$ 6,210	$ 996
2024	73,225	44,860	5,906	874
2025	76,885	41,198	6,111	717
2026	80,730	37,354	6,262	553
2027	84,775	33,318	4,577	384
2033-2037	413,330	100,522	12,880	830
2032-2036	189,995	15,001	1,457	13
Total	$ 1,023,210	$ 322,326	$ 43,403	$ 4,367

	Business-type Activities			
	Revenue Bonds		Notes from Direct Borrowings	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2023	$ 36,994	$ 100,749	$ 1,014	$ 3,527
2024	541,462	101,281	1,408	5,359
2025	44,361	72,456	1,938	6,176
2026	47,579	70,556	2,347	6,131
2027	51,723	68,729	2,234	6,079
2028-2032	308,984	315,273	14,488	29,416
2033-2037	335,652	390,322	25,166	26,530
2038-2042	414,749	220,832	28,201	23,308
2043-2047	247,053	161,832	38,433	18,941
2048-2052	200,209	71,513	51,979	12,685
2053-2057	95,050	7,592	18,919	2,289
Total	$ 2,323,816	$ 1,581,135	$ 186,127	$ 140,441

Component Unit

University of North Carolina System

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Interest Rate Swaps, Net	Direct Placements Principal	Direct Placements Interest	Certificates of Participation Principal	Certificates of Participation Interest
2023	$ 150,808	$ 151,351	$ 9,530	$ 21,418	$ 4,406	$ 357	$ 63
2024	154,413	146,625	9,163	20,542	3,893	368	56
2025	159,452	141,549	8,855	17,529	3,498	378	49
2026	167,065	136,332	8,582	17,207	3,139	390	41
2027	171,086	131,036	8,360	13,442	2,797	401	34
2028-2032	927,363	567,466	39,601	38,512	10,578	1,278	52
2033-2037	1,147,351	377,643	33,697	10,824	7,521	-	-
2038-2042	871,125	214,379	23,558	31,205	6,649	-	-
2043-2047	510,860	91,026	-	-	3,334	-	-
2048-2052	190,350	12,306	-	30,000	2,445	-	-
Total	$ 4,449,873	$ 1,969,713	$ 141,346	$ 200,679	$ 48,260	$ 3,172	$ 295

Fiscal Year Ending June 30	Limited Obligation Bonds Principal	Limited Obligation Bonds Interest	Notes from Direct Borrowings Principal	Notes from Direct Borrowings Interest
2023	$ 8,885	$ 7,633	$ 33,400	$ 22,720
2024	9,180	7,325	40,309	8,694
2025	9,605	6,891	25,104	7,849
2026	10,030	6,473	24,051	7,074
2027	10,455	6,052	31,817	6,115
2028-2032	59,290	23,182	132,967	18,305
2033-2037	60,650	10,683	49,792	8,117
2038-2042	17,770	1,734	6,289	1,293
2043-2047	1,070	54	3,145	962
2048-2052	-	-	3,515	592
2053-2057	-	-	3,115	178
Total	$ 186,935	$ 70,027	$ 353,504	$ 81,899

For revenue bonds and direct placements of the University of North Carolina System, the fiscal year 2022 principal requirements exclude demand bonds classified as current liabilities (see Note 8D).

F. Bond Defeasances

The State and its component units have defeased certain bonds through current and/or advance refundings. New debt proceeds from current refundings may be used to repay the old debt immediately while new debt proceeds from advance refundings are placed into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Since these bonds are considered to be defeased, the liabilities for these bonds have been removed from the government-wide statement of net position.

Primary Government

Governmental Activities

On August 5, 2021, the State issued $132.03 million in Limited Obligation Refunding Bonds, Series 2021A, with an average interest rate of 5%. The bonds were issued for a current refunding of $154.96 million of outstanding Limited Obligations Bonds, Series 2011B and Series 2011C, with an average interest rate of 4.19%. The refunding was undertaken to reduce total debt service payments by $24.32 million over the next 10 years and resulted in an economic gain of $23.53 million.

Component Unit

University of North Carolina System

Significant bond defeasances of the University of North Carolina System are as follows:

The University of North Carolina at Charlotte

On December 9, 2021, the University of North Carolina at Charlotte issued $141.21 million in The University of North Carolina at Charlotte Taxable General Revenue Refunding Bonds, Series 2021B, with an average interest rate of 2.53%. The bonds were issued to advance refund $127.45 million of outstanding bonds (Tax Exempt General Revenue Bonds, Series 2013A, $32.88 million; and Tax Exempt General Revenue Bonds, Series 2015, $94.57 million) with an average interest rate of 4.23%. The net proceeds of the refunding bonds were used to purchase U.S. government securities. The substitution of these securities with monetary assets that are not essentially risk-free is not prohibited. The U.S. government securities were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments by $13.87 million over the next 24 years and resulted in an economic gain of $10.59 million. At June 30, 2022, the outstanding balance of the defeased bonds was $127.45 million.

The University of North Carolina at Winston-Salem

On January 13, 2022, the University of North Carolina at Winston-Salem issued $22.52 million in General Revenue Refunding Bonds, Series 2022, with an average interest rate of 2.19%. The bonds were issued for a current refunding of $26.02 million of outstanding General Revenue Bonds, Series 2013, with an average interest rate of 5.06%. The refunding was undertaken to reduce total debt service payments by $8.25 million over the next 22 years and resulted in an economic gain of $6.93 million.

Prior Year Defeasances

During prior years, the State and certain component units defeased certain general obligation and other bonds. For those defeasances involving advance refundings, the proceeds and any securities purchased with 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. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government-wide statement of net position. At June 30, 2022, the outstanding balance of prior year defeased bonds was $14.24 million for the primary government and $297.36 million for the University of North Carolina System (component unit). The substitution of essentially risk-free securities with securities that are not essentially risk-free is not prohibited for $84.48 million of the prior year defeased bonds for the University of North Carolina System (component unit).

G. Pollution Remediation Payable

Primary Government

Governmental Activities

The N.C. Department of Transportation (DOT) has several equipment yards across the state with old underground fuel storage tanks. State law requires leaks from tanks to be assessed for remediation. The Department of Environmental Quality (DEQ) assigns a health risk based score to each incident. Incidents with a site score over a set criteria are identified as high priority sites and are required to be remediated. At year-end, DOT had 21 high priority sites. For sites under the set criteria, cleanup is optional. Currently, DOT is not working on low priority sites.

At year-end, the State recognized a pollution remediation liability of $7.325 million for leaking underground fuel tanks at DOT. The liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Component Unit

University of North Carolina System

N.C. State University recognized a pollution remediation liability of $4.171 million for remediation of a lot the University used as a burial site for hazardous chemical and low level radioactive waste generated in its laboratories. The amount of the liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Fayetteville State University recognized a pollution remediation liability of $30 thousand for underground storage tank removal at campus buildings. The amount of the liability was calculated from the estimated costs of the removal.

H. Asset Retirement Obligation

Component Unit

University of North Carolina System

N.C. State University has asset retirement obligations arising from federal regulations to perform certain decommissioning activities at the time of disposal of its PULSTAR reactor facility. These activities include removal of all activated reactor components, demolition of the reactor biological shield, and disposal costs for radioactive materials. The liability was estimated by analyzing the actual decommissioning costs of a representative university reactor facility and adjusting the costs to be consistent with the N.C. State PULSTAR facility. Costs were also adjusted for the effects of inflation. At year-end, the estimated remaining useful life of the PULSTAR reactor facility was 41 years. In accordance with 10 CFR 50.75(e)(1)(iv), the University has provided the following Statement of Intent regarding decommissioning funding. The decommissioning funding obligations are fully backed by the State of North Carolina. Decommissioning funds will be appropriated when necessary following the provisions of General Statute 116-11(9)(a).

NOTE 9: LEASE OBLIGATIONS

A. Summary Information

Primary Government – Lease activity for the year ended June 30, 2022, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Right-to-Use Land	$ (609)	$ -	2 - 5	3.30%
Right-to-Use Buildings	(384,822)	(40,803)	1 - 27	1.25% - 3.94%
Right-to-Use Machinery and Equipment	(21,230)	(1,096)	1 - 22	2.06% -3.94%
Right-to-Use General Infrastructure	(829)	(41)	3 - 10	3.30%
Total	$ (407,490)	$ (41,940)		
Lessor:				
Land	$ 1,930	$ -	2 - 25	3.00%
Buildings	647	-	2 - 11	3.00%
Total	$ 2,577	$ -		
Business-type activities				
Lessee:				
Right-to-Use Buildings	$ (2,808)	$ (662)	2 - 40	3.25%
Right-to-Use Machinery and Equipment	(77)	(35)	1 - 5	5.59%
Total	$ (2,885)	$ (697)		
Lessor:				
Buildings	$ 5,725	$ 600	1 - 25	3.00%-3.25%
Total	$ 5,725	$ 600		

Measurements of the lease receivable and liability for primary government excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the receivable and liability that depend on an index or rate (such as the Consumer Price Index). For lease liability, measurement of the liability excluded any variable payments that are based on future performance or usage of the underlying assets.

Component Units - Lease activity for the year ended June 30, 2022, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Right-to-Use Land	$ (692)	$ (90)	4 - 29	1.335% - 5.25%
Right-to-Use Buildings	(510,358)	(103,890)	1 - 50	0.316% -5.25%
Right-to-Use Machinery and Equipment	(26,422)	(5,336)	1 - 31	0.05% - 25.00%
Right-to-Use General Infrastructure	(5,941)	(623)	3/4 - 29	1.00%
Total	$ (543,413)	$ (109,939)		
Lessor:				
Land	$ 41,554	$ 926	3 - 93	1.50% - 8.50%
Buildings	46,368	19,740	1 - 20	0.30% - 8.50%
Machinery and Equipment	976	154	5 - 10	3.00%
General Infrastructure	520	183	4 - 5	0.90% - 1.10%
Total	$ 89,418	$ 21,003		

Classification:		Lease Receivable (Liability) June 30, 2022		Current Portion	Lease Terms in Years	Interest Rate
Community Colleges						
Lessee:						
Right-to-Use Land	$	(544)	$	-	3 - 40	4.00% - 5.75%
Right-to-Use Buildings		(60,378)		(3,446)	1 - 40	1.67%- 4.15%
Right-to-Use Machinery and Equipment		(6,992)		(2,876)	1 - 9	0.00% - 8.00%
Right-to-Use General Infrastructure		(4,520)		(863)	3	3.25%
Total	$	(72,434)	$	(7,185)		
Lessor:						
Buildings		896		329	3	3.25%
General Infrastructure		1,201		176	16	3.25%
Total	$	2,097	$	505		

Measurements of the lease receivable and liability for component units excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the receivable and liability that depend on an index or rate (such as the Consumer Price Index). For lease liability, measurement of the liability excluded any variable payments that are based on future performance or usage of the underlying assets.

Leasing arrangements between discretely presented component units of the University of North Carolina System are excluded from the above amounts as follows:

The University of North Carolina at Chapel Hill is in multiple leasing arrangements with UNC Healthcare to lease building space. UNC Chapel Hill recognized a lease receivable as the lessor and UNC Healthcare recognized a lease liability as the lessee, both of $30.28 million, respectively. North Carolina State University (NCSU) is in a leasing arrangement with the Centennial Authority to lease building space. NCSU recognized a lease liability as the lessee and the Centennial Authority recognized a lease receivable as the lessor, both of $28.36 million, respectively. Leasing arrangements of nongovernmental component units of the Community College System are excluded from the above amounts. At year-end, nongovernmental component unit foundations and similarly affiliated organizations had total leasing arrangements of $90 thousand.

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2022, were as follows (dollars in thousands):

	Primary Government				Component Units			
Fiscal Year		Governmental Activities		Business-type Activities		University of North Carolina System		Community Colleges
2023	$	54,413	$	778	$	119,394	$	10,649
2024		47,877		783		110,481		10,042
2025		43,316		765		97,935		8,758
2026		38,340		208		84,116		7,991
2027		35,437		107		71,588		7,504
2028 - 2032		131,745		497		150,880		23,492
2033 - 2037		81,990		-		12,458		10,475
2038 - 2042		49,076		-		5,098		11,747
2043 - 2047		21,102		-		5,112		11,446
2048 - 2052		2,800		-		4,642		120
2053 - 2057		-		-		4,348		-
2058 - 2062		-		-		4,344		-
2063 - 2067		-		-		4,306		-
2068 - 2072		-		-		4,306		-
2073 - Beyond		-		-		20,591		-
Interest		(98,606)		(253)		(97,549)		(29,790)
	$	407,490	$	2,885	$	602,050	$	72,434

NOTE 10: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Due To/From Fiduciary Funds

The General Fund balance of $138.29 million due to fiduciary funds is composed of $38.52 million related to local sales taxes collected in the General Fund and due to the custodial fund, as well as $99.77 million related to retirement contributions payable to retirement systems at year end.

Amounts payable to or receivable from fiduciary funds are considered interfund balances in the fund financial statements, but are not reported as internal balances in the government-wide statement of net position.

Due To/From Other Funds

Balances due to/from other funds at June 30, 2022 consisted of the following (dollars in thousands):

	Due From Other Funds									
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. Turnpike Authority	Other Enterprise Funds	Internal Service Funds	Total
Due To Other Funds										
General Fund	$ —	$ 11,306	$ —	$ 9,336	$ 28,475	$ 2,115	$ —	$ 1,965	$ 12,077	$ 65,274
Highway Fund	10,755	—	205,300	1,515	—	—	1,122	—	2,515	221,207
Highway Trust Fund	—	21,209	—	—	—	—	7	—	—	21,216
Other Governmental Funds	866	—	—	—	—	—	—	—	76	942
Unemployment Compensation Fund	661	—	—	—	—	—	—	—	—	661
N.C. State Lottery Fund	127,834	—	—	—	—	—	—	—	—	127,834
N.C. Turnpike Authority	16,718	50,915	2,248	—	—	—	—	—	—	69,881
Other Enterprise Funds	—	—	—	1	—	—	—	1	—	2
Internal Service Funds	—	1,000	—	5,642	—	—	—	—	109	6,751
Total	$ 156,834	$ 84,430	$ 207,548	$ 16,494	$ 28,475	$ 2,115	$ 1,129	$ 1,966	$ 14,777	$ 513,768

These balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the funds as interfund receivables and payables were eliminated in the governmental and business-type activities columns of the government-wide statement of net position, except for the net residual amounts due between governmental and business-type activities, which were presented as internal balances.

Advances To/From Other Funds

The advance of $30.42 million to the N.C. Turnpike Authority from the Highway Trust Fund is related to operating costs.

B. Interfund Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2022 consisted of the following (dollars in thousands):

	Transfers In								
Transfers Out	General Fund	Highway Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. Turnpike Authority	Other Enterprise Funds	Internal Service Funds	Total
General Fund	$ —	$ 334,709	$ 233,957	$ 568	$ 14,019	$ 23	$ 11,621	$ 1,743	$ 596,640
Highway Fund	29,785	—	18,086	—	—	4,097	—	—	51,968
Highway Trust Fund	2,870	34,205	—	—	—	52,903	—	—	89,978
Other Governmental Funds	220,532	—	18,779	—	—	—	—	—	239,311
EPA Revolving Loan Fund	134	—	—	—	—	—	—	—	134
N.C. State Lottery Fund	931,933	—	1,000	—	—	—	—	—	932,933
Other Enterprise Funds	888	—	2,318	—	—	—	—	—	3,206
Internal Service Funds	70	—	150	—	—	—	—	15,616	15,836
Total	$ 1,186,212	$ 368,914	$ 274,290	$ 568	$ 14,019	$ 57,023	$ 11,621	$ 17,359	$ 1,930,006

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements.

In compliance with the North Carolina State Lottery Act, House Bill 1023 [Session Law 2005-344] as amended by Senate Bill 99 [Session Law 2018-5], all "Net Revenues" of the N.C. State Lottery Fund are required to be transferred to the Education Lottery Fund (General Fund) for educational purposes. Transfers of $929.8 million were made to the Education Lottery Fund for this fiscal year, as set forth in General Statute 18C-164. The remaining $2.1 million transfer to the General Fund was made to the Alcohol Law Enforcement Branch for gambling enforcement activities as directed by House Bill 97 [Session Law 2015-241].

House Bill 817 [Session Law 2013-183], amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the N.C. Turnpike Authority (NCTA) to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Connector/Bypass. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and $52.9 million was transferred to the NCTA during fiscal year 2022.

Senate Bill 105 [Session Law 2021-180], as amended by House Bill 344 [Session Law 2021-189], directed a $190 million transfer during fiscal year 2022 from the Department of Commerce to the Department of Transportation for economic development projects. These projects include the Randolph County development project for the Toyota battery plant, improvements at the Piedmont Triad International Airport, an interchange project in Buncombe County, and the development of an urban advanced air mobility system by AeroX. In addition, Session Law 2021-180 directed $119 million to be transferred from the State Capital and Infrastructure Fund to the Department of Transportation for capital improvements to several airports across the State.

NOTE 11: FUND BALANCE

Fund Balance. The details of the fund balance classifications for governmental funds at June 30, 2022 are as follows (dollars in thousands):

	Governmental Funds				
Fund Balance	*General Fund*	*Highway Fund*	*Highway Trust Fund*	*Other Governmental Funds*	*Total Governmental Funds*
Nonspendable:					
Inventories	$ 106,823	$ 101,950	$ -	$ 26,002	$ 234,775
Permanent corpus	-	-	-	123,417	123,417
Long-term portion of notes receivable	97	-	-	-	97
Restricted for:					
General government	4,721	-	-	6,368	11,089
Primary and secondary education	6,548	-	-	-	6,548
Higher education	7,204	-	-	540	7,744
Higher education student aid	-	-	-	1,087,089	1,087,089
Health and human services	94,838	-	-	1,498	96,336
Economic development	31,317	-	-	-	31,317
Environment and natural resources	24,901	-	-	112,794	137,695
Public safety, corrections, and regulation	75,387	-	-	48,159	123,546
Transportation	-	3,335	-	-	3,335
Highway construction/preservation	-	194,736	342,633	-	537,369
Agriculture	-	-	-	81,631	81,631
Debt service	-	-	142,264	42,901	185,165
Capital projects/repairs and renovations	-	-	-	208,511	208,511
Committed to:					
General government	2,180,841	-	-	49,082	2,229,923
Primary and secondary education	653,068	-	-	-	653,068
Public school capital projects/repairs and renovations	764,027	-	-	-	764,027
Higher education	336,123	-	-	-	336,123
Health and human services	895,100	-	-	89,255	984,355
Economic development	834,947	-	-	4,212	839,159
Environment and natural resources	244,322	-	-	389,847	634,169
Public safety, corrections, and regulation	253,456	-	-	223,207	476,663
Transportation	-	194,256	-	191	194,447
Highway construction/preservation	-	754,163	1,142,304	-	1,896,467
Agriculture	136,493	-	-	49,771	186,264
Disaster relief	93,645	-	-	-	93,645
Capital projects/repairs and renovations	139,391	-	-	357,756	497,147
Assigned to:					
Subsequent year's budget	3,646,885	-	-	-	3,646,885
General government	18,473	-	-	240	18,713
Primary and secondary education	233	-	-	-	233
Higher education	2,702	-	-	-	2,702
Health and human services	474,771	-	-	1,152	475,923
Economic development	3,845	-	-	-	3,845
Environment and natural resources	22,893	-	-	2,299	25,192
Public safety, corrections, and regulation	123,378	-	-	90	123,468
Agriculture	5,728	-	-	-	5,728
Capital projects/repairs and renovations	-	-	-	145	145
Unassigned	7,245,438	-	-	-	7,245,438
Total fund balance	$ 18,427,595	$ 1,248,440	$ 1,627,201	$ 2,906,157	$ 24,209,393

NOTE 12: RETIREMENT PLANS

The State reports nine retirement plans as pension trust funds, seven defined benefit public employee retirement plans administered by the State as well as two defined contribution plans, one of which is administered by the State and the other is overseen and administered by a third party under the auspices of the State. Although the assets of the plans directly administered by the State are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of that plan and for the administrative costs in accordance with the terms of each plan. Eight of the pension plans held in trust in this note do not issue separate financial statements, and none of the plans are reported as part of other entities. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information (RSI)* section of this ACFR. The Supplemental Retirement Income Plan of North Carolina (401(k) Plan) issues separately audited financial statements. Information on how to obtain the 401(k) Plan financial statements is found in Section B.10. The State also provides a defined benefit special separation allowance for eligible sworn law enforcement officers and a defined contribution optional retirement plan for university employees.

A. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of these plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund participate in the Long-term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The Registers of Deeds' Supplemental Pension Fund is invested in the Bond Index External Investment Pool.

The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the systems' participation in the External Investment Pool. The investments of the State Treasurer are discussed in Note 3.

B. Plan Descriptions

Cost-Sharing, Multiple-Employer, Defined Benefit Plans

1. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly. At June 30, 2022, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	254

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

Benefits provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with partial retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service (not including sick leave) regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the General Assembly. The State's and other participating employers' contractually required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. This was equal to the actuarially determined contribution, consisting of 15.74% toward benefits promised as of the beginning of the year, and 0.64% to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.23.(a) of Session Law 2021-180 and paid in December 2021. This amount, combined with plan member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who have terminated service as contributing members, may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by TSERS.

2. LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Local Governmental Employees' Retirement System (LGERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide benefits for employees of local governments. Membership is comprised of general employees, local law enforcement officers of participating local governmental entities, firefighters and rescue squad workers. Benefit provisions are established by General Statute 128-27 and may be amended only by the North Carolina General Assembly. At June 30, 2022, the number of participating local governments was as follows:

Cities	427
Counties	100
Special Districts	368
	895

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex officio members.

Benefits provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad workers who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with partial retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which accrued liability rates and normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2022, all employers made contributions of 12.10% of covered payroll for law enforcement officers and 11.35% for general employees and firefighters. These were different than the actuarially determined contributions. The employer contribution rate for law enforcement officers was less than the actuarially determined contribution of 12.94%. The employer contribution rate for general employees and firefighters was greater than the actuarially determined contribution of 11.27%. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only.

Refunds of contributions. Members who have terminated service as contributing members, may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LGERS.

3. FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND

Plan administration. The Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) is a cost sharing, defined benefit pension plan with a special funding situation in that the State of North Carolina is not the employer but is legally obligated to contribute to the plan. The State established the plan to provide pension benefits for all eligible firefighters and rescue squad workers. Membership is comprised of both volunteer and locally employed firefighters and emergency medical personnel who elect membership. Benefit provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. At June 30, 2022, there were 1,660 participating fire and rescue units.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex officio members.

Benefits provided. FRSWPF provides retirement, disability and survivor benefits. The present retirement benefit is $170 per month. Plan members are eligible to receive the monthly retirement benefit at age 55 with 20 years of fully credited service as a firefighter or rescue squad worker regardless of whether the member has terminated paid employment. Disabled members may be able to receive benefits after attaining age 55 under certain plan provisions. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected. A survivorship benefit for members provides that beneficiaries may receive the same benefit the deceased member would have received beginning when the deceased would have reached age 55, or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. Plan member benefits earned during the year, a payment to reduce the net pension liability and administrative expenses are funded by a $10 monthly contribution by the member, investment income and an actuarially based state appropriation developed under a funding policy adopted by the LGERS Board of Trustees, which may recommend an appropriation that is higher than the actuarially determined contribution. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who are no longer eligible or choose not to participate in the fund may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by FRSWPF.

4. REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND

Plan administration. The State of North Carolina administers the Registers of Deeds' Supplemental Pension Fund (RODSPF) which is a cost-sharing, multiple-employer, defined benefit pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county registers of deeds. Membership is comprised of registers of deeds who are retired from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan and have met the statutory eligibility requirements. At June 30, 2022, there were 100 individuals receiving benefits in the plan with 100 counties participating. Benefit provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. The State's only cost in the plan is administration.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex officio members.

Benefits provided. An individual's eligibility to receive benefits under the RODSPF is based on at least 10 years of service as a register of deeds. An individual's benefit amount in a given year is limited to the lesser of the following:

1. the member's years of service multiplied by the value of one share of accumulated contributions available for benefits for that year, as specified in G.S. 161-50.3; and
2. the benefit amount is limited to the lesser of the following:
   a. seventy-five percent (75%) of a member's annual compensation, computed on the latest monthly rate (including any and all supplements); for registers of deeds who began serving after September 10, 2009, this 75% limit is applied to the benefit after combining the benefit with the maximum retirement allowance upon retirement under the Local Governmental Employees' Retirement System or equivalent locally sponsored retirement plan; or
   b. one thousand five hundred dollars ($1,500).

Because of the statutory limits noted above, not all contributions available for benefits are distributed. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution for the fiscal year ending 2022 is zero. Registers of Deeds do not contribute.

Single-Employer Defined Benefit Plans

5. CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Consolidated Judicial Retirement System (CJRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys, public defenders and clerks of court. Benefit provisions are established by General Statute 135-58 and may be amended only by the North Carolina General Assembly.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

Benefits provided. The plan provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's final compensation times the member's years of creditable service. The percentage used is determined by the position held by the member. A member's final compensation is the annual equivalent of the rate of compensation most recently applicable to the retiree as a member of the Retirement System. Plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, or at age 50 with 24 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with five years of membership service. The reduced benefit is calculated using the same formula as a service retirement benefit, multiplied by a reduction percentage based on the member's age and/or service at early retirement. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to spouses of members who die while in active service after reaching age 50 with five years of service. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statutes 135-68 and 135-69 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate developed by the consulting actuary. The Board of Trustees must recommend a contribution rate that is no less than the actuarially determined rate. The Board of Trustees may adopt a contribution rate policy that results in a recommendation greater than the actuarially determined rate. The State's contractually required contribution for the year ended June 30, 2022 was 40.02% of covered payroll. This was equal to the actuarially determined contribution, consisting of 38.70% toward benefits promised as of the beginning of the year, and 1.32% to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.23.(b) of Session Law 2021-180 and paid in December 2021. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

Refund of contributions. Members who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by CJRS.

6. LEGISLATIVE RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Legislative Retirement System (LRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide retirement and disability benefits for members of the General Assembly. The benefit will not be payable while the retiree is employed in a position making him eligible to participate in either the Teachers' and State Employees' Retirement System or Consolidated Judicial Retirement System. Benefit provisions are established by General Statute 120-4.21 and may be amended only by the North Carolina General Assembly.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

Benefits provided. LRS provides retirement, disability and survivor benefits. Retirement benefits are determined as 4.02% of the highest annual compensation as a member of the General Assembly times years of creditable service. A member's highest annual compensation is the 12 consecutive months of salary authorized during the member's final legislative term for the highest position ever held as a member of the General Assembly. Plan members are eligible to retire with full retirement benefits at age 65 after five years of service. Plan members are eligible to retire with partial retirement benefits at age 60 after five years of service or at age 50 with 20 years of service. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of contributing members of the General Assembly who die while in active service. The beneficiary will receive a return of the member's contributions with interest. If the member dies while in active service after 12 years of creditable service or after reaching age 60 with five years of service, the surviving beneficiary may choose to receive a lifetime monthly benefit instead of a return of contributions with interest. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statutes 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 7% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate recommended by the consulting actuary. The annual contributions by the State in a given year when combined with the LRS assets in the pension accumulation fund at the beginning of the year may not be less than the projected retirement allowances and other expected benefits to be paid during that year. For the fiscal year ended June 30, 2022, the State's contractually required contribution was 28.43% of covered payroll. This was equal to the actuarially determined contribution, consisting of 27.15% toward benefits promised as of the beginning of the year, and 1.28% to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.23.(c) of Session Law 2021-180 and paid in December 2021. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LRS.

7. NORTH CAROLINA NATIONAL GUARD PENSION FUND

Plan administration. The North Carolina National Guard Pension Fund (NGPF) is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for members of the North Carolina National Guard (NCNG). Membership is comprised of members and former members of the NCNG who have served and qualified for at least 20 years of creditable military service, have at least 15 years of aforementioned service as a member of the NCNG, and have received an honorable discharge from the NCNG. This is a special funding situation because the State is not the employer but is legally obligated to contribute to the plan. Benefit provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly.

Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

Benefits provided. NGPF provides a pension of $105 per month for 20 years of creditable military service with an additional $10.50 per month for each additional year of such service; provided, however that the total pension shall not exceed $210 per month. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Plan member benefits earned during the year, a payment to reduce the net pension liability and administrative expenses are funded by investment income and an actuarially determined state appropriation based on the actuarially determined contribution amount developed by the consulting actuary. The Board of Trustees must recommend a contribution amount that is no less than the actuarially determined amount. The Board of Trustees may adopt a contribution policy that results in a recommendation greater than the actuarially determined amount. NGPF members do not contribute. Actual contributions are reported in Section F of this note.

8. SPECIAL SEPARATION ALLOWANCE

Plan administration. The State provides a special separation allowance (SSA), a single-employer, defined benefit pension plan, for sworn law enforcement officers as defined by General Statutes 135-1(11c) or General Statutes 143-166.30(a)(4) that were employed by State agencies and retired on a basic service retirement under the provisions of General Statutes 135-5(a). To qualify for the allowance, each retired officer must: (1) have completed 30 or more years of creditable service or have attained 55 years of age and completed five or more years of creditable service; and (2) not have attained 62 years of age; and (3) have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

Benefits provided. Each eligible officer is paid an annual separation allowance equal to 0.85% of the officer's most recent base rate of compensation for each year of creditable service. These benefits are funded on a pay-as-you-go basis with each state agency responsible for the benefits to their former employees. The benefits are established in General Statute 143-166.41 and may be amended only by the General Assembly.

There is no statewide administration of the SSA. The SSA is not administered through a trust and therefore no assets are accumulated. Funds for this allowance are appropriated annually in the budget of each affected state agency.

Defined Contribution Plans

9. SHERIFFS' SUPPLEMENTAL PENSION FUND

Plan administration. This plan is a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. At June 30, 2022, there were 98 sheriffs and five beneficiaries enrolled in the plan with 75 of the State's 100 counties participating.

Benefits provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on minimum years of service as a sheriff with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The North Carolina Department of Justice administers the plan. If the plan purchases any investments, they are held as part of the State Treasurer's External Investment Pool. The State's only cost in the plan is administration.

Contributions. Receipts collected by each county's Clerk of Superior Court under General Statutes 7A-304(a)(3a), along with investment income, support the plan's benefits and administrative expenses. At the beginning of each calendar year, the Department of Justice invoices and collects from county governments, on a pro rata basis by population, an amount of funds needed in addition to the receipts collected, to pay the pension benefits for that year. Sheriffs do not contribute to the plan. For the fiscal year ended June 30, 2022, the Clerks remitted $687 thousand and $1.54 million was invoiced to the county governments, with $1.43 million collected. All benefit and contribution provisions are established by Chapter 143, Article 12H of the General Statutes and may be amended only by the North Carolina General Assembly.

10. IRC SECTION 401 (K) PLAN

Effective January 1, 1985, Chapter 135, Article 5 of the General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina (the 401(k) Plan) in accordance with Internal Revenue Code (IRC) Section 401(k). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the 401(k) Plan according to the plan document, the North Carolina General Statutes, and the IRC, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department have entered into an agreement with Prudential Retirement Insurance and Annuity Company (Prudential) to perform recordkeeping, administration and education services. On April 1, 2022, Empower acquired the full service retirement business of Prudential. The full migration to the Empower platform is expected to be completed by the end of the 2023 calendar year.

All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program and retirement and pension plans sponsored by political subdivisions of the State that qualify under Section 401(a) of the IRC, law enforcement officers as defined under North Carolina General Statues 143-166.30 and 143-166.50 and individuals who are required under the IRC to be eligible for participation in the 401(k) Plan, are eligible to enroll in the 401(k) Plan and may contribute up to 80% (limited to an Internal Revenue maximum dollar amount) of their compensation during the plan fiscal year. The assets of the 401(k) Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. All contributions and costs of administering the 401(k) Plan are the responsibility of the participants. All contributions and earnings are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166 30(g1) and 143-165 50(e2). At December 31, 2021, there were approximately 274,400 employees enrolled with 1,046 participating employers.

The 401(k) Plan is a defined contribution pension plan and benefits of the Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. Members of the 401(k) Plan may receive their benefits upon retirement, termination, hardship, death, or the attainment of age 59 ½.

Participants may choose from several withdrawal options, including systematic withdrawals, full or partial lump-sum withdrawals, or transfer of their balance to an eligible employer-sponsored retirement plan or IRA.

Financial statements are based on the Plan's fiscal year. The audited statements for the year ended December 31, 2021, are presented in this financial report as a pension and other employee benefit trust fund. The 401(k) Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The 401(k) Plan's financial statements are available online at myNCRetirement.com or by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

In addition to the voluntary contribution criteria above, General Statutes 143-166.30 and 143-166.50 require employer contributions to the 401(k) Plan to provide benefits for all law enforcement officers (LEOs) employed by State and local governments. Participation begins at the date of employment. Employers are required to contribute monthly to the individual accounts of participants an amount equal to 5% of each officer's monthly salary. In addition, State law enforcement officers receive a contribution into the 401(k) equal to a pro rata share of \$.50 for each court cost assessed and collected under General Statute 7A-304, while \$1.25 of this assessment goes to local law enforcement officers, except Sheriffs. All contributions are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166.30(g1) and 143-166.50(e2). At December 31, 2021, 51 state agencies and component units along with 442 local governmental units outside the reporting entity contributed the required 5%. In addition, five state agencies and 501 local government employers contributed to the 401(k) Plan on a voluntary basis. There were approximately 14,324 LEOs actively contributing to the 401(k) Plan and approximately 26,085 LEOs receiving employer contributions as of December 31, 2021.

The 401(k) Plan reported total member contributions of \$443.477 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2021, amounted to \$293.03 million for the State, \$30 million for universities, and \$8.97 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for \$14.65 million, by universities for \$1.5 million, and by the remaining component units, public schools and community colleges for \$448 thousand. In addition, the State contributed \$256 thousand for required court cost assessments. The amount of pension expense recognized in the current fiscal year is equal to the employer contributions.

The 401(k) Plan discloses a related party transaction in Note 20 of this ACFR. The 401(k) Plan's investment risks are described in Note 3.

11. OPTIONAL RETIREMENT PROGRAM

The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University of North Carolina (UNC) System may join the ORP instead of the Teachers' and State Employees' Retirement System. The ORP is administered by the UNC System. At June 30, 2022, the plan had 23,014 participants with 19 constituent institutions of the UNC System participating.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association (TIAA) and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statutes 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the university's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the university contributes 6.84%. The universities contributed \$151.32 million for the fiscal year ended June 30, 2022. Annual covered payroll was \$2.21 billion and employer contributions expressed as a percentage of annual payroll were 6.84% for the period. Employee contributions expressed as a percentage of annual covered payroll were the required 6% with actual employee contributions of \$132.74 million for the fiscal year ended June 30, 2022. The amount of pension expense recognized in the current fiscal year related to ORP was \$123.85 million. Forfeitures reduced the universities' pension expense by \$27.47 million for the fiscal year ended June 30, 2022. Any liabilities reported by the universities are immaterial to this ACFR.

C. Plan Membership

The following table summarizes membership information by plan at the actuarial valuation date:

	Cost-Sharing, Multiple-Employer				Single-Employer			
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
Inactive plan members or beneficiaries currently receiving benefits	238,652	79,318	14,741	103	792	290	4,766	999
Inactive plan members entitled to but not yet receiving benefits	198,642	93,473	108	-	57	113	3,222	-
Active plan members	305,271	132,235	42,374	101	569	170	5,620	5,108
	742,565	305,026	57,223	204	1,418	573	13,608	6,107
Valuation date	12-31-21	12-31-21	12-31-21	12-31-21	12-31-21	12-31-21	12-31-21	12-31-20

D. Investments

Investment policy. The pension plans' policy regarding the allocation of invested assets is established and may be amended by the State Treasurer. Plan assets are managed by the Investment Management Division of the North Carolina Department of the State Treasurer (IMD) under the direction of the State Treasurer. It is the policy of the State Treasurer to invest plan assets with a focus on protection through diversification, achievement of stable and consistent returns that meet or exceed benchmarks and actuarial assumptions over a long-term projection, with a primary objective of ensuring that all liability payments and obligations are met. The target asset allocation is developed based upon analysis of optimized portfolios, utilizing risk and return characteristics of eligible asset classes, and selecting the most efficient portfolio for a given level of risk.

For all plans participating in the External Investment Pool, the following table displays the adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Fixed Income	29%
Global Equity	42%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	100%

The Registers of Deeds' Supplemental Pension fund is 100% invested in the Bond Index External Investment Pool.

Rate of return. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was:

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Money-weighted Rate of Return	(7.18%)	(7.20%)	(7.15%)	(10.13%)	(7.17%)	(7.00%)	(6.90%)

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2022, were as follows (dollars in thousands):

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Total pension liability	$ 93,572,242	$ 35,578,561	$ 500,618	$ 33,918	$ 839,335	$ 30,150	$ 150,054
Plan fiduciary net position	78,730,004	29,937,133	480,956	47,158	664,764	28,620	165,381
Net pension liability (asset)	$ 14,842,238	$ 5,641,428	$ 19,662	$ (13,240)	$ 174,571	$ 1,530	$ (15,327)
Plan fiduciary net position as a percentage of the total pension liability	84.14%	84.14%	96.07%	139.04%	79.20%	94.93%	110.21%

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement. The total pension liability was then rolled forward to June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2021 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019. The actuarial assumptions used in the December 31, 2020 valuation for the Special Separation Allowance were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
	(1)	(1)		(1)	(1)	(1)	
Valuation date	12/31/21	12/31/21	12/31/21	12/31/21	12/31/21	12/31/21	12/31/21
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary Increases	3.25-8.05%	3.25-8.25%	N/A	3.25-8.25%	3.25-4.75%	3.25%	N/A
Investment Rate of Return (2)	6.5%	6.5%	6.5%	3%	6.5%	6.5%	6.5%

(1) - Salary increases include 3.25% inflation and productivity factor
(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.
N/A - Not Applicable

In December 2021, for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS, and LRS as of September 1, 2021 received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS, CJRS, and LRS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2023. LGERS benefit recipients will receive a one-time benefit supplement payment equal to 2% of the member's annual benefit amount for the fiscal year ending June 30, 2023, paid by October 2022. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

The retirement plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy in Section D) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30 year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 is 0.78%.

Discount rate. The discount rate used to measure the total pension liability was 6.5% except for Registers of Deeds' Supplemental Pension Fund which was 3% for the December 31, 2021 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plans' net pension liability to changes in the discount rate. The following presents the net pension liability of the plans at June 30, 2022 calculated using the discount rate of 6.5% (3% for RODSPF), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%; RODSPF 2%) or 1-percentage-point higher (7.5%; RODSPF 4%) than the current rate (dollars in thousands):

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Cost-Sharing, Multiple-Employer			
TSERS' net pension liability	$ 26,241,833	$ 14,842,238	$ 5,432,784
LGERS' net pension liability	10,182,051	5,641,428	1,899,691
FRSWPF's net pension liability (asset)	83,428	19,662	(32,480)
Single-Employer			
CJRS' net pension liability	$ 262,462	$ 174,571	$ 99,648
LRS' net pension liability (asset)	4,335	1,530	(870)
NCNG's net pension liability (asset)	2,485	(15,327)	(29,932)

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
Cost-Sharing, Multiple-Employer			
ROD's net pension asset	$ (9,353)	$ (13,240)	$ (16,513)

F. GASB Statements 68 and 73 Employer Reporting

1. EMPLOYER CONTRIBUTIONS

The following table presents the primary government's and component units' contributions recognized by the pension plans at June 30, 2022 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government	$ 644,821	$ 19,352	$ 33,428	$ 1,029	$ 11,032	$ 709,662
Component Units						
University of North Carolina System	$ 410,554	$ —	$ —	$ —	$ —	$ 410,554
Community Colleges	157,746	—	—	—	—	157,746
Other Component Units	5,526	—	—	—	—	5,526
Total Contributions	$1,218,647	$ 19,352	$ 33,428	$ 1,029	$ 11,032	$1,283,488

2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2022, the primary government and component units reported pension liabilities for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System (1)	Community Colleges	Other Component Units(2)
Proportionate Share of the Net Pension Liability				
Teachers' and State Employees' Retirement System	$ 1,100,342	$ 714,488	$ 261,349	$ 8,524
Consolidated Judicial	71,573	—	—	—
Pension Liability				
Special Separation Allowance	330,416	—	—	—
Total Pension Liability	$ 1,502,331	$ 714,488	$ 261,349	$ 8,524

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. The net pension liability of Rex's retirement plan is excluded from the above amounts. At June 30, 2022, Rex Healthcare had a net pension liability of $117.67 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. The net pension liability of Centennial Authority's retirement plan is excluded from the above amounts. At June 30, 2022, Centennial Authority had a net pension liability of $51 thousand.

As of June 30, 2022, the primary government reported net pension assets for the defined benefit pension plans administered by the State as follows (dollars in thousands):

	Primary Government
Net Pension Asset	
Firefighters' and Rescue Squad	$ (27,931)
Legislative Retirement	(1,921)
North Carolina National Guard	(1,194)
Total Pension Asset	$ (31,046)

Each net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate each net pension liability was determined by an actuarial valuation as of December 31, 2020. Update procedures were used to roll forward the total pension liability to June 30, 2021. For TSERS, the primary government's and each component unit's proportion of the collective net pension liability was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net pension liability was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year pension contributions.

The primary government's pension liability was measured as of June 30, 2021. The total pension liability was determined by an actuarial valuation as of December 31, 2020. Update procedures were used to roll forward the total pension liability to June 30, 2021. The discount rate used to measure the total pension liability was 2.16% at June 30, 2021. The economic assumptions used for the discount rate are based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

The primary government's and component units' proportions of the collective net pension liability for the Teachers' and State Employees' Retirement System as of June 30, 2021 and 2020 were as follows:

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Teachers' and State Employees' Retirement System				
Proportion – June 30, 2021	23.50%	15.26%	5.58%	0.18%
Proportion – June 30, 2020	22.26%	15.12%	5.56%	0.18%
Change – Increase (Decrease)	1.24	0.14	0.02	0.00

For the year ended June 30, 2022, the primary government and component units recognized pension expense for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Pension Expense				
Teachers' and State Employees' Retirement System	$ 374,090	$ 207,099	$ 67,839	$ 2,977
Consolidated Judicial	24,075	–	–	–
Legislative	(605)	–	–	–
Special Separation Allowance	38,581	–	–	–
Total Pension Expense	$ 436,141	$ 207,099	$ 67,839	$ 2,977

NOTES TO THE FINANCIAL STATEMENTS

As a result of its requirement to contribute, the primary government recognized expense of $3.1 million for FRSWPF and $5.9 million for NGPF for the year ended June 30, 2022. The primary government's proportion of the collective net pension liability for Firefighters' and Rescue Squad Workers' and for North Carolina National Guard was 100% and 100%, respectively, as of June 30, 2021 and 2020.

At June 30, 2022, the primary government and component units reported deferred outflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources						
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	Total
Primary Government:							
Difference between actual and expected experience	$ 61,851	$ 666	$ 6,457	$ —	$ 2,299	$ 37,068	$ 108,341
Changes of assumptions	412,660	4,893	37,534	—	2,300	50,099	507,486
Change in proportion and differences between agency's contributions and proportionate share of contributions	175,198	—	—	—	—	—	175,198
Contributions subsequent to the measurement date	644,821	19,352	33,428	1,029	11,032	—	709,662
Transactions subsequent to the measurement date	—	—	—	—	—	19,567	19,567
Total	$ 1,294,530	$ 24,911	$ 77,419	$ 1,029	$ 15,631	$ 106,734	$ 1,520,254
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	$ 40,162						
Changes of assumptions	268,012						
Change in proportion and differences between agency's contributions and proportionate share of contributions	32,656						
Contributions subsequent to the measurement date	410,554						
Total (1)	$ 751,384						
Community Colleges							
Difference between actual and expected experience	$ 14,691						
Changes of assumptions	98,035						
Change in proportion and differences between agency's contributions and proportionate share of contributions	11,783						
Contributions subsequent to the measurement date	157,746						
Total	$ 282,255						
Other Component Units							
Difference between actual and expected experience	$ 479						
Changes of assumptions	3,197						
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,165						
Contributions subsequent to the measurement date	5,526						
Total (2)	$ 10,367						

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. Deferred outflows of resources of Rex's retirement plan are excluded from the above amounts. At June 30, 2022, Rex Healthcare had deferred outflows of resources of $29.189 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. Deferred outflows of resources of Centennial Authority's retirement plan are excluded from the above amounts. At June 30, 2022, Centennial Authority had deferred outflows of resources of $77 thousand.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2022, the primary government and component units reported deferred inflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources						
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	Total
Primary Government:							
Difference between actual and expected experience	$ 24,984	$ 6,290	$ —	$ 407	$ 4,122	$ —	$ 35,803
Changes of assumptions	—	4,104	—	176	—	420	4,700
Net difference between projected and actual earnings on pension plan investments	1,363,010	35,791	49,119	2,069	11,054	—	1,461,043
Change in proportion and differences between agency's contributions and proportionate share of contributions	6,925	—	—	—	—	—	6,925
Total	$ 1,394,919	$ 46,185	$ 49,119	$ 2,652	$ 15,176	$ 420	$ 1,508,471
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	$ 16,227						
Net difference between projected and actual earnings on pension plan investments	885,259						
Change in proportion and differences between agency's contributions and proportionate share of contributions	12,218						
Total(1)	$ 913,704						
Community Colleges							
Difference between actual and expected experience	$ 5,936						
Net difference between projected and actual earnings on pension plan investments	323,815						
Change in proportion and differences between agency's contributions and proportionate share of contributions	11,523						
Total	$ 341,274						
Other Component Units							
Difference between actual and expected experience	$ 194						
Net difference between projected and actual earnings on pension plan investments	10,561						
Change in proportion and differences between agency's contributions and proportionate share of contributions	163						
Total(2)	$ 10,918						

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. Deferred inflows of resources of Rex's retirement plan are excluded from the above amounts. At June 30, 2022, Rex Healthcare had deferred inflows of resources of $2.103 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. Deferred inflows of resources of Centennial Authority's retirement plan are excluded from the above amounts. At June 30, 2022, Centennial Authority had deferred inflows of resources of $76 thousand.

Amounts reported as deferred outflows of resources related to contributions or transactions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Teachers' and State Employees'

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2023	$ (66,326)	$ (77,962)	$ (33,472)	$ (542)
2024	(104,767)	(99,894)	(38,868)	(928)
2025	(156,067)	(123,512)	(45,113)	(1,368)
2026	(418,050)	(271,506)	(99,312)	(3,239)

Other Plans

	Primary Government				
Year Ending June 30	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
2023	$ (11,006)	$ 6,221	$ (1,047)	$ (2,035)	$ 21,046
2024	(9,657)	2,246	(460)	(2,505)	20,195
2025	(9,031)	1,474	(497)	(2,629)	18,107
2026	(10,932)	(15,069)	(648)	(3,408)	12,704
2027	–	–	–	–	9,480
Thereafter					5,215

Unrestricted net position has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State. As of June 30, 2022, the effect of these transactions on unrestricted net position is presented as follows (dollars in thousands):

	Governmental Activities	Business- type Activities	Total Primary Government	Component Units
Unrestricted net position	$ 9,750,179	$ 5,673,307	$ 15,423,486	$ (3,380,799)
Effect on unrestricted net position				
TSERS	$ (1,183,664)	$ (17,067)	$ (1,200,731)	$ (1,206,250)
CJRS	(43,273)	—	(43,273)	—
SSA	(224,102)	—	(224,102)	—
Total effect on unrestricted net position	$ (1,451,039)	$ (17,067)	$ (1,468,106)	$ (1,206,250)
Restricted net position	$ 2,014,178	$ 204,494	$ 2,218,672	$ 11,059,675
Effect on restricted net position				
FRSWPF	$ (18,254)	$ —	$ (18,254)	$ —
LRS	$ (731)	$ —	$ (731)	$ —
NCNG	$ (13,982)	$ —	$ (13,982)	$ —
Total effect on restricted net position	$ (32,967)	$ —	$ (32,967)	$ —

Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
	(1)		(1)	(1)		(3)
Valuation date	12/31/20	12/31/20	12/31/20	12/31/20	12/31/20	12/31/20
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary Increases	3.25-8.05%	N/A	3.25-4.75%	3.3%	N/A	3.25% - 8.05%
Investment Rate of Return (2)	6.5%	6.5%	6.5%	6.5%	6.5%	N/A

(1) - Salary increases include 3.5% inflation and productivity factor.
(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.
(3) - Salary increases include 2.5% inflation and 1% real wage growth.
N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

Sensitivity of the net pension liability to changes in the discount rate. The following presents the primary government's and component units' net pension liability calculated using the discount rate of 6.5%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate (dollars in thousands):

	Net Pension Liability (Asset)		
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Teachers' and State Employees' Proportionate Share			
Primary Government	$ 3,690,962	$ 1,100,342	$ (1,053,113)
University of North Carolina System	2,396,661	714,488	(683,820)
Community Colleges	876,663	261,349	(250,131)
Other Component Units	28,592	8,524	(8,158)
Firefighters' and Rescue Squad	$ 35,655	$ (27,931)	$ (79,941)
Consolidated Judicial	$ 156,118	$ 71,573	$ (543)
Legislative	$ 905	$ (1,921)	$ (4,336)
North Carolina National Guard	$ 19,977	$ (1,194)	$ (18,590)

Sensitivity of the total pension liability to changes in the discount rate. The following presents the total pension liability calculated using the discount rate of 2.16%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate (dollars in thousands):

	Total Pension Liability		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Special Separation Allowance	$ 355,363	$ 330,416	$ 307,410

3. CHANGES IN PENSION LIABILITY FOR SINGLE-EMPLOYER, DEFINED-BENEFIT PLANS

The following schedule presents the changes in the pension liability for the single-employer, defined-benefit plans as of June 30, 2022 (dollars in thousands):

	Consolidated Judicial	Legislative	Special Separation Allowance
Total pension liability			
Service Cost	$ 19,545	$ 1,034	$ 11,074
Interest	49,700	2,053	5,763
Differences between expected and actual experience	2,451	(815)	14,160
Changes of assumptions	46,622	(353)	47,936
Benefit payments, including refunds of member contributions	(50,001)	(2,516)	(18,662)
Net change in total pension liability	68,317	(597)	60,271
Total pension liability - beginning (a)	734,576	30,571	270,145
Total pension liability - ending (c)	$ 802,893	$ 29,974	$ 330,416
Plan fiduciary net position			
Contributions-employer	$ 29,259	$ 987	$ —
Contributions-member	5,585	253	—
Net investment income	118,772	5,162	—
Benefit payments, including refunds of member contributions	(50,001)	(2,516)	—
Administrative expense	(34)	(13)	—
Other	-	-	
Net change in plan fiduciary net position	103,581	3,873	
Plan fiduciary net position - beginning (b)	627,739	28,022	—
Plan fiduciary net position - ending (d)	$ 731,320	$ 31,895	$ —
Net pension liability - beginning (a) - (b)	106,837	2,549	—
Net pension liability (asset)- ending (c) - (d)	$ 71,573	$ (1,921)	$ —

NOTE 13: DEFERRED COMPENSATION PLANS

1. IRC SECTION 457 PLAN

General Statute 143B-426.24 authorized the creation of the North Carolina Public Employee Deferred Compensation Plan (the 457 Plan) to offer a uniform deferred compensation plan to the employees of the State, any county or municipality, the North Carolina Community College System, any political subdivision of the State and any other entity whose employees are eligible to participate in the plan pursuant to the North Carolina General Statutes and Internal Revenue Code (IRC). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the 457 Plan according to the plan document, the North Carolina General Statutes, and Internal Revenue Code (IRC) Section 457, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Prudential Retirement Insurance and Annuity Company (Prudential) to perform recordkeeping, administration, and education services. On April 1, 2022, Empower acquired the full-service retirement business of Prudential. The full migration to the Empower platform is expected to be completed by the end of the 2023 calendar year. At December 31, 2021, there were approximately 56,730 plan members with 585 employers adopting the 457 Plan.

The 457 Plan is a defined contribution plan. Benefits of the 457 Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. The assets of the 457 Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. The deferred compensation is available to employees upon separation from service, death, retirement, financial hardships or attainment of age 59 ½. All costs of administering and funding the 457 Plan are the responsibility of the plan participants.

The audited statements for the year ended December 31, 2021 are presented in this financial report as a pension and other employee benefit trust fund. The 457 Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The 457 Plan's financial statements are available online at myNCRetirement.com or by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

The 457 Plan discloses a related party transaction in Note 20 of this ACFR. The 457 Plan's investment risks are described in Note 3.

2. IRC SECTION 403(B) PLANS

Effective January 1, 2009, the University of North Carolina System established the UNC System 403(b) Plan for all constituent institutions. Employees can participate in tax-sheltered annuity contracts and custodial accounts created under Internal Revenue Code (IRC) Section 403(b). All employees who receive compensation reportable on a W-2 and pay FICA are eligible to participate in the 403(b) Plan, so long as the employee elects to contribute at least $200 each calendar year. The University System administers the UNC 403(b) Plan and Teachers Insurance and Annuity Association (TIAA) and Fidelity serve as the record keepers of the plan. The plan is designed to provide a low-cost retirement savings option to university employees. At December 31, 2021, there were 16,157 employees participating in the plan. No direct costs are incurred by the State.

The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) administer the North Carolina Public School Teachers' and Professional Educators' Investment Plan (the NC 403(b) Program) pursuant to General Statutes 115C-341.2 and 115D-25.4. The NC 403(b) Program offers investment, recordkeeping, administrative, and communications services to participating employers, which serve as the sponsors of their 403(b)plans. The NC 403(b) Program is available to all local school Boards of Education and community colleges across the State. Each individual employer has the discretion to adopt the NC 403(b) Program. The NC 403(b) Program is designed to provide a low-cost supplemental retirement savings option to public school and community college employees. The Board and the Department currently have an agreement with Prudential to perform recordkeeping, administration and education services. At the Board's December 2, 2021 meeting, the Board approved a plan to discontinue the NC 403(b) Program. Under this plan, the NC 403(b) Program discontinued the collection of administrative fees from participants effective June 30, 2022. Full discontinuation of the NC 403(b) Program is expected to be effective December 31, 2022. At June 30, 2022, there were 92 school districts enrolled in the NC 403(b) Program with 1,419 employees participating.

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS

The State administers two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina as pension and other employee benefit trust funds. Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to members of that plan and for related administrative costs. The plans in this note do not issue separate financial statements. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information* section of this Annual Comprehensive Financial Report (ACFR).

A. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of these plans are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool.

Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the funds' participation in the External Investment Pool. The investments of the State Treasurer are discussed in Note 3.

B. Plan Descriptions

Cost-Sharing, Multiple-Employer, Defined Benefit Plans

1. HEALTH BENEFITS

Plan administration. The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the financial reporting entity also participate. The Plan is reported as a major component unit. Management of the Plan is vested in the State Health Plan Board of Trustees, which consists of 10 members – two appointed by the Governor, two appointed by the State Treasurer, two appointed by the state Senate, two appointed by the state House of Representatives, and the State Treasurer and the Director of State Budget and Management who serve as ex officio members. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments that are not part of the financial reporting entity also participate. At June 30, 2022, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
Local governments	11
	265

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are other postemployment benefits (OPEB). The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. For the fiscal year ended June 30, 2022, the State and the other employers contributed the legislatively mandated 6.29% of covered payroll. This amount, combined with investment income, funds the benefits received during the year. RHBF is reported as an employee benefit trust fund. Actual contributions are reported in Section F of this note.

2. DISABILITY INCOME

Plan administration. As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of the Teachers' and State Employees' Retirement System which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and Local Education Agencies (LEAs) which are not part of the reporting entity, and the University Employees' Optional Retirement Program. At June 30, 2022, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	254

By statute, the DIPNC is administered by the Department of State Treasurer and the Board of Trustees of the Teachers' and State Employees' Retirement System, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources who serve as ex officio members.

Benefits provided. Long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System (TSERS) or the University Employees' Optional Retirement Program, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from the TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age. A member who is a law enforcement officer is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 55 and completing five years of creditable service as an officer, or (2) at any age with 30 years of creditable service.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from the TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS or the University Employees' Optional Retirement Program.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions. Although the DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2022, the State and the other employers made a statutory contribution of 0.09% of covered payroll. This was equal to the actuarially determined contribution. Actual contributions are reported in Section F of this note.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

C. Plan Membership

The following tables summarize membership information by plan at the actuarial valuation date:

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Retired members and beneficiaries currently receiving benefits	242,186	N/A
Retired members and survivors of deceased members currently receiving benefits	N/A	4,757
Terminated members entitled to but not yet receiving benefits	48,413	-
Active members	318,849	321,312
Total	609,448	326,069
Date of valuation	*12/31/21*	*12/31/21*

N/A - Not Applicable

D. Investments

Investment policy. The OPEB plans' policy in regard to the allocation of invested assets is established and may be amended by the State Treasurer. Plan assets are managed by the Investment Management Division of the North Carolina Department of the State Treasurer (IMD) under the direction of the State Treasurer. It is the policy of the State Treasurer to invest plan assets with a focus on protection through diversification, achievement of stable and consistent returns that meet or exceed benchmarks and actuarial assumptions over a long-term projection, with a primary objective of ensuring that all liability payments and obligations are met. The target asset allocation is developed based upon analysis of optimized portfolios, utilizing risk and return characteristics of eligible asset classes, and selecting the most efficient portfolio for a given level of risk.

The adopted asset allocation policies for the Disability Income Plan of North Carolina are primarily in the Bond Index Investment Pool as of June 30, 2022 as described in Note 3. The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2022:

Asset Class	Target Allocation
Fixed Income	29%
Global Equity	42%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	100%

Rate of return. For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was:

	Cost-Sharing, Multiple-Employer	
	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Money-weighted Rate of Return	(4.13%)	(9.99%)

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net OPEB Liability of Participating Employers

The components of the net OPEB liability of the participating employers at June 30, 2022, were as follows (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Total OPEB liability	$ 26,557,121	$ 307,964
Plan fiduciary net position	2,810,269	278,216
Net OPEB liability	$ 23,746,852	$ 29,748
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	90.34%

Actuarial Assumptions. The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund (1)	Disability Income Plan of N.C. (1)
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases	3.25-8.05	3.25-8.05
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative (3)	3%	N/A

(1) - Salary increases include 3.25% inflation and productivity factor
(2) - Investment rate of return is net of OPEB plan investment expense, including inflation.
(3) - Disability Income Plan of NC eliminated employer reimbursements from the plan (which included State Health Plan premiums) effective July 1, 2019.
N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2022 (see the discussion of the OPEB plans' investment policy in Section D) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of the TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount rate. The discount rate used to measure the total OPEB liability for RHBF was 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3% for June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the net OPEB liability or asset to changes in the discount rate. The following presents the net OPEB liability or asset of the plans at June 30, 2022, as well as what the plans' net OPEB liability or asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollars in thousands):

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF net OPEB liability	$ 27,971,055	$ 23,746,852	$ 20,296,824

	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC net OPEB asset	$ 36,631	$ 29,748	$ 22,848

Sensitivity of the net OPEB liability or asset to changes in the healthcare cost trend rates. The following presents the net OPEB liability or asset of the plans, as well as what the plans' net OPEB liability or asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (dollars in thousands):

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF net OPEB liability	$ 19,547,458	$ 23,746,852	$ 29,175,169

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

F. GASB Statement 75 Employer Reporting

1. EMPLOYER AND NONEMPLOYER CONTRIBUTIONS

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at June 30, 2022 (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government	$ 253,027	$ 3,544	$ 256,571
Component Units			
University of North Carolina System	$ 294,872	$ 4,211	$ 299,083
Community Colleges	59,297	840	60,137
Other Component Units	2,166	31	2,197
Total Contributions	$ 609,362	$ 8,626	$ 617,988

In fiscal year 2021, the State Health Plan (the Plan) transferred $187 million to the Retiree Health Benefit Fund as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2022, the primary government and component units recognized noncapital contributions for the RHBF as follows (dollars in thousands):

	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Noncapital Contributions	$ 38,101	$ 47,817	$ 8,927	$ 300

2. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

As of June 30, 2022, the primary government and component units reported net OPEB liabilities and net OPEB assets for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Liability				
Retiree Health Benefit Fund	$ 6,397,613	$ 7,905,263	$ 1,475,791	$ 49,541

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Asset				
Disability Income Plan of N.C.	$ 3,354	$ 4,133	$ 797	$ 26

Each net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate each net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2020. Update procedures were used to roll forward the total OPEB liability to June 30, 2021. For RHBF and DIPNC, the primary government's and each component unit's proportion of the collective net OPEB liability (asset) was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net OPEB liability (asset) was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year OPEB contributions.

The primary government's and component units' proportions of the collective net OPEB liability for the Retiree Health Benefit Fund and the collective net OPEB asset for the Disability Income Plan of N.C. as of June 30, 2021 and 2020 were as follows:

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Retiree Health Benefit Fund				
Proportion – June 30, 2021	20.69%	25.57%	4.77%	0.16%
Proportion – June 30, 2020	19.57%	25.33%	4.70%	0.16%
Change – Increase (Decrease)	1.12	0.24	0.07	0.00
Disability Income Plan of N.C.				
Proportion – June 30, 2021	20.54%	25.30%	4.88%	0.16%
Proportion – June 30, 2020	19.23%	25.85%	4.79%	0.16%
Change – Increase (Decrease)	1.31	(0.55)	0.09	0.00

For the fiscal year ended June 30, 2022, the primary government and component units recognized OPEB expense for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
OPEB Expense				
Retiree Health Benefit Fund	$ (59,894)	$ (272,606)	$ (75,634)	$ 1,033
Disability Income Plan of N.C.	7,510	9,054	1,832	57
Total OPEB Expense	$ (52,384)	$ (263,552)	$ (73,802)	$ 1,090

At June 30, 2022, the primary government and component units reported deferred outflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	$ 37,769	$ 8,551	$ 46,320
Changes of assumptions	523,257	589	523,846
Net difference between projected and actual earnings on OPEB plan investments	—	327	327
Change in proportion and differences between agency's contributions and proportionate share of contributions	707,600	1,282	708,882
Contributions subsequent to the measurement date	253,027	3,544	256,571
Total	$ 1,521,653	$ 14,293	$ 1,535,946
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	$ 46,672	$ 10,538	$ 57,210
Changes of assumptions	646,582	726	647,308
Net difference between projected and actual earnings on OPEB plan investments	—	403	403
Change in proportion and differences between agency's contributions and proportionate share of contributions	573,118	605	573,723
Contributions subsequent to the measurement date	294,872	4,211	299,083
Total	$ 1,561,244	$ 16,483	$ 1,577,727
Community Colleges			
Difference between actual and expected experience	$ 8,713	$ 2,032	$ 10,745
Changes of assumptions	120,707	140	120,847
Net difference between projected and actual earnings on OPEB plan investments	—	78	78
Change in proportion and differences between agency's contributions and proportionate share of contributions	67,624	445	68,069
Contributions subsequent to the measurement date	59,297	840	60,137
Total	$ 256,341	$ 3,535	$ 259,876
Other Component Units			
Difference between actual and expected experience	$ 292	$ 66	$ 358
Changes of assumptions	4,052	5	4,057
Net difference between projected and actual earnings on OPEB plan investments	—	3	3
Change in proportion and differences between agency's contributions and proportionate share of contributions	8,520	15	8,535
Contributions subsequent to the measurement date	2,166	31	2,197
Total	$ 15,030	$ 120	$ 15,150

At June 30, 2022, the primary government and component units reported deferred inflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	$ 119,096	$ —	$ 119,096
Changes of assumptions	1,554,813	1,218	1,556,031
Net difference between projected and actual earnings on OPEB plan investments	3,271	—	3,271
Change in proportion and differences between agency's contributions and proportionate share of contributions	145,325	1,267	146,592
Total	$ 1,822,505	$ 2,485	$ 1,824,990
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	$ 147,154	$ —	$ 147,154
Changes of assumptions	1,921,151	1,500	1,922,651
Net difference between projected and actual earnings on OPEB plan investments	4,044	—	4,044
Change in proportion and differences between agency's contributions and proportionate share of contributions	262,629	1,055	263,684
Total	$ 2,334,978	$ 2,555	$ 2,337,533
Community Colleges			
Difference between actual and expected experience	$ 27,471	$ —	$ 27,471
Changes of assumptions	358,650	289	358,939
Net difference between projected and actual earnings on OPEB plan investments	755	—	755
Change in proportion and differences between agency's contributions and proportionate share of contributions	116,466	119	116,585
Total	$ 503,342	$ 408	$ 503,750
Other Component Units			
Difference between actual and expected experience	$ 922	$ —	$ 922
Changes of assumptions	12,040	9	12,049
Net difference between projected and actual earnings on OPEB plan investments	25	—	25
Change in proportion and differences between agency's contributions and proportionate share of contributions	939	14	953
Total	$ 13,926	$ 23	$ 13,949

NOTES TO THE FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2023. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (dollars in thousands):

Retiree Health Benefit Fund

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2023	$ (580,006)	$ (915,273)	$ (195,610)	$ (2,994)
2024	(161,984)	(156,753)	(71,777)	(69)
2025	62,436	14,663	(29,153)	939
2026	(23,864)	(116,787)	(31,915)	251
2027	149,539	105,544	22,157	811

Disability Income Plan of N.C.

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2023	$ 2,330	$ 2,670	$ 601	$ 17
2024	1,631	1,810	435	12
2025	2,076	2,358	541	15
2026	955	1,148	271	9
2027	364	420	130	3
Thereafter	908	1,311	309	10

Restricted and unrestricted net position have been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources related to the defined benefit OPEB plans administered by the State. The effect of these transactions on restricted and unrestricted net position is presented as follows (dollars in thousands):

	Governmental Activities	Business- type Activities	Total Primary Government	Component Units
Unrestricted net position	$ 9,750,179	$ 5,673,307	$ 15,423,486	$ (3,380,799)
Effect on unrestricted net position				
RHBF	$ (6,601,370)	$ (97,098)	$ (6,698,468)	$ (10,450,225)
Restricted net position	$ 2,014,178	$ 204,494	$ 2,218,672	$ 11,059,675
Effect on restricted net position				
DIPNC	$ 887	$ (18)	$ 869	$ 1,969

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
	(1)	(1)
Valuation Date	12/31/2020	12/31/2020
Inflation	2.5%	2.5%
Salary Increases	3.25% - 8.05%	3.25% -8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

(1) - Salary increases include 3.5% inflation and productivity factor
(2) - Investment rate of return is net of OPEB plan investment expense, including inflation.
N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Opportunistic Fixed Income	7%	6.0%
Inflation Sensitive	6%	4.0%
Total	100%	

Sensitivity of the net OPEB liability or asset to changes in the discount rate. The following presents the primary government's and component units' net OPEB liability or asset calculated using the discount rate, as well as what the proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	Net OPEB Liability		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	$ 7,609,869	$ 6,397,613	$ 5,415,824
University of North Carolina System	9,403,185	7,905,263	6,692,106
Community Colleges	1,755,432	1,475,791	1,249,314
Other Component Units	58,930	49,541	41,939

	Net OPEB Asset		
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	$ (2,118)	$ (3,354)	$ (4,498)
University of North Carolina System	(2,610)	(4,133)	(5,542)
Community Colleges	(503)	(797)	(1,069)
Other Component Units	(16)	(26)	(35)

Sensitivity of the net OPEB liability or asset to changes in the healthcare cost trend rates. The following presents the primary government's and component units' net OPEB liability or asset calculated using the healthcare cost trend rates, as well as what the proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates (dollars in thousands):

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4% Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% -6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5% Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6% Administrative - 4%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	$ 5,180,989	$ 6,397,613	$ 8,011,580
University of North Carolina System	6,401,929	7,905,263	9,899,572
Community Colleges	1,195,143	1,475,791	1,848,100
Other Component Units	40,121	49,541	62,041

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5% Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5% Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5% Administrative - 4%)
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	$ (3,531)	$ (3,354)	$ (3,135)
University of North Carolina System	(4,350)	(4,133)	(3,863)
Community Colleges	(839)	(797)	(745)
Other Component Units	(27)	(26)	(24)

NOTE 15: RISK MANAGEMENT AND INSURANCE

A. Public Entity Risk Pool

State Public Education Property Insurance Fund

The State Public Education Property Insurance Fund (the Fund) is a public entity risk pool reported within the enterprise funds. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the Local Education Agencies (LEAs), in order to safeguard the property investments made in the public schools of North Carolina. The community colleges, which are component units, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each LEA and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the LEAs and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 75 out of 123 LEAs and 31 out of 58 community colleges.

Claim liabilities are based on estimates of the ultimate cost of losses that have been reported but not settled. There are no salvage claims since any salvage is adjusted in the claim settlement. There are no subrogation claims pending. Since claims are reviewed by adjusters and the actual loss projection is computed in a short time after the claim is reported, the claim adjustment expense associated with the unpaid claim liability will be reflected in the current period. The Fund does not hold any annuity contracts. The Fund does not agree to structured settlements to pay specific amounts on fixed or determinable dates.

The only acquisition costs are related to proposal costs and inspection costs for insured members. Since the Fund can only insure the LEAs and the community colleges, new contracts are immaterial. Since existing contracts are renewed once a year, the Fund's costs are for policy maintenance. Therefore, acquisition costs do not need to be amortized.

The following schedule shows the changes in the reported liability for the past two years (dollars in thousands):

	Fiscal Year	
	2022	**2021**
Unpaid claims at beginning of year (as restated)	$ 4,174	$ 8,667
Incurred claims:		
Provision for insured events of the current year	7,280	4,976
Increases (decreases) in provision for insured events of prior years	2,261	1,492
Total incurred claims	9,541	6,468
Payments:		
Claims attributable to insured events of the current year	1,956	2,914
Claims attributable to insured events of the prior years	3,640	8,047
Total payments	5,596	10,961
Total unpaid claims at end of the year	$ 8,119	$ 4,174

With the collection of premiums from the insured educational units, payment of valid claims becomes the responsibility of the Fund. All claims greater than $10 million per occurrence are covered by reinsurance contracts. Maximum recoverable from reinsurance for any one catastrophic event is $250 million per occurrence. Losses in excess of the reinsurance limit would be paid by the Fund from long-term investments, subject to the maximum amount of available funds. Annual aggregate limits of $15 million apply separately with respect to flood and earthquake. Coverage applies to "all risk" perils. Boiler and machinery coverage is provided under separate contract underwritten by Hartford Steam & Boiler with a combined limit of $50 million per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund’s reinsurance policies. As of June 30, 2022, there were no claims for reinsurance. There were no premium deficiencies in fiscal year 2022. Investment income was not considered in the determination of premium deficiencies.

B. Employee Benefit Plans

1. State Health Plan

In accordance with Chapter 135, Article 3B, Part 1, of the General Statutes, the State established the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan). The Plan provides comprehensive healthcare benefits for employees and retirees of the State and its participating component units, as well as their qualified dependents on a contributory basis. These benefits are extended to employees and retirees of the Local Education Agencies (LEAs), and other employing units allowed by statute, which are not part of the State's reporting entity.

The Plan is reported as a major component unit. Coverage for active employees, non-Medicare retirees, and some Medicare retirees is self funded. Medicare retirees also had the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options in Calendar Year 2021 and in Calendar Year 2022. Contributions for employee and retiree coverage are made by the State, its participating component units, LEAs, and other qualified employing units. Some of the plans also require an employee or retiree contribution, depending on the plan selected or the employee's or retiree's willingness to participate in wellness activities that reduce employee contributions. Contributions for dependent coverage are made by employees and retirees. As described in Note 14, coverage is also extended to certain individuals as an other postemployment benefit. The Plan has contracted with third parties to process claims.

The Plan pays most expenses that are medically necessary and eligible for coverage based on allowed amounts for Preferred Provider Organization (PPO) plan members. Claims are subject to specified annual deductible and co-payment requirements. The Plan provides an unlimited lifetime benefit for the PPO plans. The authority for the PPO plans is provided in General Statute 135-48.2.

Claim liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported). Claim liabilities do not include nonincremental claims adjustment expenses. Changes in the Plan's aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 233,262	$ 3,637,393	$ (3,570,871)	$ 299,784
2021-22	299,784	3,842,672	(3,733,398)	409,058

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) is provided through the Death Benefit Plan, a pension and other employee benefit trust fund, to all members of the Teachers' and State Employees' Retirement System who have completed at least 12 consecutive months of membership in the System. Membership includes employees of the State, the University of North Carolina System, community colleges, and certain participating proprietary component units. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service. The benefit payment is equal to the greater of (1) the compensation on which contributions were made by the member during the calendar year preceding the year in which his/her death occurs or (2) the member's highest 12 month's salary in a row during the 24 months prior to his/her death. The benefit is subject to a minimum of $25,000 and to a maximum of $50,000.

For the period July 1, 2021 to June 30, 2022, death benefits were funded by actuarially based employer contributions that are established in the biennial appropriation bill by the General Assembly. The State, the University of North Carolina System, community colleges, participating proprietary component units, LEAs and other miscellaneous educational units contributed 0.13% of covered payroll (as defined in Note 14) to fund the Death Benefit Plan for the period July 2021 to June 2022.

These benefits are established by General Statute 135-5(1) and may be amended only by the North Carolina General Assembly. Claims liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported).

Changes in the aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 4,982	$ 63,333	$ (64,047)	$ 4,268
2021-22	4,268	55,192	(55,861)	3,599

3. Disability Income Plan of North Carolina

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a pension and other employee benefit trust fund, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina System, community colleges, certain participating proprietary component units and the University Employees' Optional Retirement Program. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Short-term benefits are payable after a waiting period of 60 continuous calendar days from the onset of disability. The 60 day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day following at least 365 calendar days of employment as a State teacher or State employee, whichever is later. Short-term benefits are provided to currently active employees and the related liability is not measurable. Short-term benefits during the initial short-term disability period are payable by the employer outside of DIPNC, for a period of up to 365 days following the waiting period. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for benefits that were effective on or after July 1, 2019. The Board of Trustees may extend the short-term disability benefits of a beneficiary beyond the benefit period of 365 days for an additional period of not more than 365 days; provided the Medical Board determines that the beneficiary's disability is temporary and likely to end within the extended period of short-term disability benefits. During the extended period of short-term disability benefits, payment of benefits shall be made by DIPNC directly to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

C. Other Risk Management and Insurance Activities

1. Automobile, Fire and Other Property Losses

The State is required by Chapter 58, Article 31, Part 50, of the General Statutes to provide liability insurance on every state-owned motor vehicle, which includes vehicles held by the State's participating component units. The State is self-insured for the first $1 million of any loss through a retrospective rated plan. The plan purchases excess insurance through a private insurer to cover losses greater than $1 million up to $10 million per occurrence. Covered losses include those that occur with vehicles that are not on a stationary track or rail, and federal vehicles when the Governor calls out the National Guard.

Agencies of the State and participating component units using state cars are charged premiums to cover the cost of the excess insurance and to pay for those losses falling under the self-insured retention. Premiums charged are also based on the projected losses to be incurred. The private insurer processes all claims and sets up a reserve for amounts expected to be paid for claims. Claims are paid by the private insurer after they are approved by the Attorney General's Office. Settled claims have not exceeded coverage in any of the past three fiscal years.

The State Property Fire Insurance Fund (the Fund), an internal service fund of the State, was created by Chapter 58, Article 31, of the General Statutes. The Fund insures State owned buildings and contents for fire, extended coverage, and other property losses. The Fund does not charge premiums for fire insurance for operations that are supported by the State's General Fund. Those operations that are not supported by the State's General Fund are charged for fire coverage. Agencies of the State can purchase extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft, and "all risk" for buildings and contents through the Fund. For those that elect to receive any of this other coverage, the Fund charges premiums. The Fund insures losses up to $10 million per occurrence. All losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. If aggregate uninsured losses sustained by the Fund, in excess of $50,000 per loss, other than flood and earthquake losses and wind losses by named storms, reach $10 million in any one annual period, the Fund's retention for the remainder of the annual period is $100,000 per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Claims of $10,000 or higher are paid when the Council of State approves the request for payment. Claims less than $10,000 are paid without Council of State approval. Claims costs are recognized when they are approved by the Council of State and are outstanding for payment; when known estimates of losses are waiting to be submitted to the Council of State for approval; or when a loss occurs and can be reasonably estimated. Changes in the balances of claims liabilities for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 44,758	$ 7,414	$ (18,068)	$ 34,104
2021-22	34,104	12,042	(10,257)	35,889

2. Medical Malpractice Protection

a. Professional Liability Insurance for State Medical Personnel

Agencies of the State and participating component units are insured under the State Tort Claims Act, Chapter 143, Article 31, of the General Statutes. This act allows partial waiver of sovereign immunity up to $1 million that the State may pay cumulatively to all claimants on account of injury and damage to any one person arising out of a single occurrence. The State has purchased commercial liability insurance for state employees which is in excess over recovery from the Tort Claims Act and Defense of State Employees Act; however, claims involving medical malpractice are generally excluded from this coverage.

The University of North Carolina at Chapel Hill Medical School and UNC Hospitals participate in the Liability Insurance Trust Fund, which is described in detail below. East Carolina University (ECU) provides medical malpractice insurance for the Brody School of Medicine faculty physicians and independently licensed allied health providers. There is a shared blanket policy for all other employees of the ECU Physicians. The medical malpractice insurance is with a private insurance company with coverage of $3 million per occurrence, $5 million annual aggregate, and a $200,000 deductible; as well as an excess policy in the amount of $10 million. All other universities purchase medical professional liability insurance.

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of medical residents from the University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. The extent of coverage is a maximum of $1 million for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety purchase commercial professional liability insurance for their medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

Insurance coverage varies depending upon the amount of coverage and the type of policy. Typically the amount of primary coverage for medical liability is $1 million per individual, claim, or incidence, and $3 million total or aggregate. Some departments and institutions have purchased higher limits to provide additional coverage above that provided by the primary policy for medical liability. The policies are written on a claims made or occurrence basis, with the majority of the policies being claims made. The claims liabilities are not measurable.

b. Self-Insurance through the Liability Insurance Trust Fund

The Liability Insurance Trust Fund (Trust Fund) is an unincorporated entity created by Chapter 116, Article 26, of the General Statutes and the University of North Carolina Board of Governors Resolution of June 9, 1978. The Trust Fund is a self-insurance program established to provide professional medical malpractice liability covering the University of North Carolina Hospitals at Chapel Hill (the Hospitals) and the University of North Carolina at Chapel Hill Faculty Physicians (UNCFP). The Trust Fund provides coverage for program participants and individual health care practitioners working as employees, agents, or officers of program participants. The Trust Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance. Coverage is self-funded by contributions from participants and investment income. Contributions are based on the actuarially determined funding level for a given plan year.

For the periods ending June 30, 2021 and June 30, 2022, the Trust Fund provided coverage on an occurrence basis of $3 million per individual and $7 million in the aggregate per claim. Excess reinsurance coverage was not purchased for the policy years ending June 30, 2021 and June 30, 2022, as the Trust Fund chose to retain 100% of the liability. In lieu of reinsurance, the participants contributed $10 million in the aggregate into the Reimbursement Fund during previous fiscal years for future losses.

For the fiscal year ending June 30, 2022, the Trust Fund purchased a direct insurance policy to cover the first $1 million per occurrence and $3 million in the aggregate for dental residents. In the event the Trust Fund has insufficient funds to pay existing and future claims, it has the authority to borrow necessary amounts up to $30 million. Any such borrowing would be repaid from the assets and revenues of program participants. No borrowings have been made under this authority to date. The Trust Fund council believes adequate funds are on deposit in the Trust Fund to meet estimated losses based upon the results of the independent actuary's report.

The Trust Fund establishes claim liabilities based on estimates of the ultimate cost of all losses and loss adjustment expenses, including losses and loss adjustment expenses incurred but not yet reported, which are unpaid at the balance sheet date. The claims liabilities of $22.631 million and $26.765 million are the present values of the aggregate actuarially determined claims liabilities of $22.842 million and $27.278 million, discounted at 2.5% at June 30, 2021 and 2.5% at June 30, 2022.

These estimates are reviewed annually, and as adjustments become necessary, such adjustments are reflected in current operations. Claims against participants are paid from the corpus of the Trust Fund. Changes in the Trust Fund's aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 23,413	$ 6,280	$ (7,062)	$ 22,631
2021-22	22,631	6,884	(2,750)	26,765

3. Public Officers' and Employees' Liability Insurance

In accordance with Chapter 58, Article 32, Part 15, of the General Statutes, public officers' and employees' liability insurance is provided by private insurers for all employees of the State and participating component units except for doctors and dentists. The policy provides $10 million excess insurance over the $1 million statutory limit payable for any one claim under the State Tort Claims Act. The first $150,000 of an award against a state agency is the responsibility of the state agency's General Fund budget code or up to $1 million if a Non-General Fund budget code. For General Fund budget codes, any award greater than $150,000 but less than $1 million is funded by proportionate shares of estimated lapse salaries from all agencies' General Fund budget codes. Since state agencies and component units are responsible for funding any tort claims of $1 million or less from their budget and/or lapse salaries, total claims liabilities are not measurable. Employers are charged a premium for the excess insurance based on a composite rate. The employers pay the premiums directly to the private insurer. Settled claims have not exceeded coverage in any of the past three fiscal years.

4. Employee Dishonesty and Computer Fraud

Blanket public employee dishonesty and computer fraud insurance is provided for agencies of the State and its component units with a limit of $5 million per occurrence, subject to a 10% participation in each loss and a $100,000 deductible. This coverage is placed with a private insurance company and is handled by the North Carolina Department of Insurance. Agencies of the State and its component units are charged premiums by the private insurance company. A small number of state agencies and component units of the State require faithful performance coverage in addition to employee dishonesty coverage. In these instances, separate policies have been purchased. The amounts of coverage and the deductibles vary among these separate policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

5. Statewide Workers' Compensation Program

The State has two separate workers' compensation programs that cover employees statewide. The workers' compensation program authorized by Chapter 143, Article 63 administered by the Office of State Human Resources (OSHR) covers workplace injuries of State employees, universities, and community college employees paid with State funds. The workers' compensation program authorized by Chapter 115C, Article 23, and Chapter 115, Article 2 administered by the Department of Public Instruction (DPI) covers workplace injuries of employees of Local Education Agencies (LEAs).

The State and its component units are self-insured for workers' compensation liabilities. The OSHR and DPI programs separately contract with third party administrators and other vendors to handle their program's respective claims. Workers' compensation budgets for most state agencies and participating component units are based on the prior year's loss experience. Workers' compensation liabilities are recognized when probable and reasonably estimated. This liability is presented as a component of the Governmental Activities and University of North Carolina System Long-Term Liabilities.

The third party administrators receive claim administration fees and draw down funds daily to make medical and indemnity payments on behalf of the State in accordance with the North Carolina Workers' Compensation Act, Chapter 97 of the General Statutes. Each state agency and participating component unit is billed for claims costs and administrative fees by their respective third party administrator. State agencies and participating component units contribute to a fund administered by the Office of the State Controller (OSC) to cover their workers' compensation claims. This fund is reported in the general fund.

An injury is covered if it is caused by an injury by accident or specific traumatic incident (back injuries only) that arose out of and in the course and scope of employment as defined by Chapter 97, the North Carolina Workers' Compensation Act. Also, certain occupational diseases specifically designated in state law are compensable. The employee has the responsibility to claim compensation. If the injured employee or his representative does not notify the employer within thirty (30) days from the date of injury, the employer may have a defense to the claim. A claim must be filed with the North Carolina Industrial Commission (NCIC), the governing body that administers the Workers' Compensation Act, within two years from the date of knowledge thereof; otherwise, the claim may be barred by law. When an employee sustains a compensable injury, the employer's primary responsibilities are to direct medical treatment and pay all benefits due. The employer tries to provide the best possible medical care for injured employees to help them reach maximum medical improvement and return to work as soon as possible.

Losses payable by these programs include indemnity compensation, medical expenses, permanent bodily injury ratings, and death benefits as well as administrative costs. Indemnity compensation and permanent bodily injury ratings are payable based on 66 2/3% of an employee's average weekly wages subject to a statutory minimum and annually adjusted maximum compensation rate established per statute by the NCIC. The NCIC is also statutorily required to establish a medical fee schedule that sets maximum reimbursement rates for included medical treatment. Death benefits are payable for 500 weeks at 66 2/3% of an employee's average weekly wages. In certain circumstances, death benefits may be extended beyond 500 weeks.

The following schedule shows the changes in the reported liability for the past two fiscal years for the OSHR and DPI programs (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 778,945	$ 95,308	$ (122,411)	$ 751,842
2021-22	751,842	74,057	(134,017)	691,882

6. Workers' Compensation Fund

The Workers' Compensation Fund (the Fund) is an insurance enterprise reported within the enterprise funds. The Fund is created in the Department of Insurance (the Department) and is administered by the State Fire and Rescue Commission (the Commission) through a service contract with a third-party administrator. In accordance with Chapter 58, Article 87, of the General Statutes, the purpose of the Workers' Compensation Fund is to provide workers' compensation benefits to members of "eligible units," which consist of volunteer fire departments or volunteer rescue/EMS units that are not part of a unit of local government and are exempt from state income tax under General Statute 105-130.11. These eligible units are not part of the reporting entity. Benefits are payable for compensable injuries or deaths which occurred on or after July 1, 1996. The Fund is financed by transfers from General Fund and by per capita fixed dollar amounts for each member of a participating eligible unit's roster. The per capita fixed dollar amount is set annually by the Commission and is paid by the eligible units to the Commission on or before July 1 of each year for credit to the Fund. If payment is not received by July 1, the eligible unit shall not receive workers' compensation coverage for that fiscal year. As of June 30, 2022, the Fund consisted of 1,114 eligible units representing approximately 42,024 members.

The liability for unpaid claims is based on an actuarial determination and represents a reasonable estimate of the ultimate cost of open claims and claim settlement expenses that are unpaid as of the fiscal year end, including incurred but not reported losses. The liability for unpaid claims is continually reviewed, and as adjustments become necessary such adjustments are included in current operations. Claim liabilities do not include nonincremental claims adjustment expenses. The Fund considers anticipated investment income in determining if a premium deficiency exists. The Fund recognizes subrogation from third parties as a reduction to claim and claim settlement expenses incurred. As of June 30, 2022, there was no reduction for subrogation.

Acquisition costs consist of commission payments to independent insurance agents for marketing, promotional and administrative assistance with policy maintenance to eligible units. As coverage is renewed annually, acquisition costs are not amortized.

The Fund maintains both specific excess of loss and aggregate reinsurance coverage. The specific excess of loss coverage provides for statutory limits above the Fund's retention of $500,000 per occurrence and a $1.5 million limit for employer's liability above the Fund's retention of $500,000 per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund's excess of loss and aggregate reinsurance policies. As of June 30, 2022, the amount of claims recoverable from reinsurers was $8,203. This amount fluctuates from year to year.

The following schedule shows the changes in the reported liability for the past two fiscal years (dollars in thousands):

	Beginning of Fiscal Year Liability (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2020-21	$ 22,408	$ 8,552	$ (6,983)	$ 23,977
2021-22	23,868	3,877	(6,491)	21,254

NOTE 16: INDIVIDUAL PLAN FINANCIAL STATEMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Financial statements for Pension and Other Employee Benefit Trust Funds as of and for the fiscal year ended June 30, 2022 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

(Dollars in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System
Assets						
Cash and cash equivalents	$ 131,524	$ 271	$ 596	$ 672	$ 8,238	$ 49,664
Investments:						
Collective investment funds	-	-	-	-	-	-
Unallocated insurance contracts	-	-	-	-	-	-
Synthetic guaranteed investment contracts	-	-	-	-	-	-
State Treasurer investment pool	78,400,517	661,310	27,993	480,284	157,139	29,813,729
Non-State Treasurer pooled investments	-	-	-	-	-	-
Securities lending collateral	780,470	6,564	298	4,783	1,839	297,050
Receivables:						
Accounts receivable	5,812	-	32	1	-	2,435
Intergovernmental receivable	-	-	-	-	-	-
Interest receivable	185	1	-	1	5	56
Contributions receivable	98,244	-	-	-	-	72,234
Due from other funds	76,813	3,363	-	-	-	-
Due from component units	24,289	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	79,517,854	671,509	28,919	485,741	167,221	30,235,168
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	-	-	-	-	-	-
Benefits payable	1,474	135	-	2	1	960
Obligations under securities lending	780,470	6,564	298	4,783	1,839	297,050
Unearned revenue	-	-	-	-	-	-
Funds held for others	5,906	46	1	-	-	25
Total Liabilities	787,850	6,745	299	4,785	1,840	298,035
Net Position						
Restricted for:						
Pension benefits	78,730,004	664,764	28,620	480,956	165,381	29,937,133
Other postemployment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Total Net Position	$ 78,730,004	$ 664,764	$ 28,620	$ 480,956	$ 165,381	$ 29,937,133

NOTES TO THE FINANCIAL STATEMENTS

401(k) Supplemental Retirement Income Plan	457 Deferred Compensation Plan	Death Benefit Plan of N.C.	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Sheriffs' Pension Fund	Register of Deeds' Supplemental Pension Fund	Totals
$ -	$ -	$ 7,676	$ 1,307,381	$ 1,767	$ 1,777	$ 75	$ 1,509,641
35,799	6,921	-	-	-	-	-	42,720
207,895	40,190	-	-	-	-	-	248,085
1,755,275	339,254	-	-	-	-	-	2,094,529
-	-	444,533	1,449,688	253,063	-	47,007	111,735,263
12,401,909	1,580,512	-	-	-	-	-	13,982,421
-	-	255	58,411	53	61	3	1,149,787
24	1	-	734	22,981	-	-	32,020
-	-	-	-	-	103	-	103
-	-	4	629	2	1	-	884
6,623	660	698	22,531	339	-	87	201,416
-	-	417	19,326	289	-	-	100,208
-	-	132	9,980	148	-	-	34,549
258,241	20,711	-	-	-	-	-	278,952
14,665,766	1,988,249	453,715	2,868,680	278,642	1,942	47,172	131,410,578
1,753	294	76	-	-	-	-	2,123
-	-	3,599	-	266	-	11	6,448
-	-	255	58,411	53	61	3	1,149,787
-	-	-	-	-	-	-	-
-	-	-	-	107	-	-	6,085
1,753	294	3,930	58,411	426	61	14	1,164,443
14,664,013	-	-	-	-	1,881	47,158	124,719,910
-	-	-	2,810,269	278,216	-	-	3,088,485
-	1,987,955	449,785	-	-	-	-	2,437,740
$ 14,664,013	$ 1,987,955	$ 449,785	$ 2,810,269	$ 278,216	$ 1,881	$ 47,158	$ 130,246,135

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System
Additions						
Contributions:						
Employer Contributions	$ 2,761,946	$ 33,428	$ 1,029	$ -	$ -	$ 880,449
Members Contributions	1,030,635	5,470	253	2,318	-	477,001
Other contributions	1,952	-	-	19,352	11,032	-
Total contributions	3,794,533	38,898	1,282	21,670	11,032	1,357,450
Investment income:						
Investment earnings (loss)	(5,710,869)	(48,171)	(2,037)	(35,017)	(11,459)	(2,176,837)
Less investment expenses	(407,241)	(3,438)	(147)	(2,498)	(813)	(154,752)
Net investment income (loss)	(6,118,110)	(51,609)	(2,184)	(37,515)	(12,272)	(2,331,589)
Other additions:						
Fees, licenses, and fines	-	-	-	-	-	2,476
Interest earnings on loans	-	-	-	-	-	-
Miscellaneous	1,009	3	-	17	1	242
Total other additions	1,009	3	-	17	1	2,718
Total additions	(2,322,568)	(12,708)	(902)	(15,828)	(1,239)	(971,421)
Deductions						
Claims and benefits	5,202,342	53,811	2,322	30,184	9,049	1,655,106
Medical insurance premiums	-	-	-	-	-	-
Refund of contributions	121,911	8	36	184	-	77,458
Administrative expenses	13,945	29	13	975	92	5,415
Other deductions	261	-	2	-	4	334
Total deductions	5,338,459	53,848	2,373	31,343	9,145	1,738,313
Change in net position	(7,661,027)	(66,556)	(3,275)	(47,171)	(10,384)	(2,709,734)
Net position — July 1	86,391,031	731,320	31,895	528,127	175,765	32,646,867
Net position — June 30	$ 78,730,004	$ 664,764	$ 28,620	$ 480,956	$ 165,381	$ 29,937,133

401(k) Supplemental Retirement Income Plan	457 Deferred Compensation Plan	Death Benefit Plan of N.C.	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Sheriffs' Pension Fund	Register of Deeds' Supplemental Pension Fund	Total
$ 245,978	$ 4,521	$ 26,318	$ 1,197,278	$ 17,019	$ 1,535	$ 1,146	$ 5,170,647
443,477	88,848	-	-	-	-	-	2,048,002
-	-	28,662	180,506	-	-	-	241,504
689,455	93,369	54,980	1,377,784	17,019	1,535	1,146	7,460,153
1,657,864	223,911	(50,157)	(100,923)	(29,080)	3	(5,323)	(6,288,095)
(19,188)	(2,694)	(110)	(6,923)	(65)	-	(12)	(597,881)
1,638,676	221,217	(50,267)	(107,846)	(29,145)	3	(5,335)	(6,885,976)
-	-	-	-	-	687	-	3,163
14,010	1,109	-	-	-	-	-	15,119
3,413	509	-	-	-	-	-	5,194
17,423	1,618	-	-	-	687	-	23,476
2,345,554	316,204	4,713	1,269,938	(12,126)	2,225	(4,189)	597,653
766,987	122,310	55,192	-	40,381	1,542	1,844	7,941,070
-	-	-	1,044,104	-	-	-	1,044,104
-	-	-	-	-	-	-	199,597
10,132	1,966	367	174	999	219	12	34,338
-	-	-	17	-	-	-	618
777,119	124,276	55,559	1,044,295	41,380	1,761	1,856	9,219,727
1,568,435	191,928	(50,846)	225,643	(53,506)	464	(6,045)	(8,622,074)
13,095,578	1,796,027	500,631	2,584,626	331,722	1,417	53,203	138,868,209
$ 14,664,013	$ 1,987,955	$ 449,785	$ 2,810,269	$ 278,216	$ 1,881	$ 47,158	$ 130,246,135

NOTE 17: PLEDGED REVENUES

Primary Government

Governmental Activities

The State has pledged future federal transportation revenues to repay $1.023 billion of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2022. These bonds were issued in May 2015, August 2017, June 2019 and September 2021. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is $1.346 billion, payable through fiscal year 2036. For the current fiscal year, principal and interest paid and total federal transportation revenues were $154.333 million and $1.233 billion, respectively.

Business-type Activities

North Carolina Turnpike Authority

The State has pledged, as security for revenue bonds issued by the North Carolina Turnpike Authority (NCTA), net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. As of June 30, 2022, the Triangle Expressway had $1.887 billion of Appropriation and Revenue bonds payable and the Monroe Expressway had $436.582 million of Appropriation and Revenue bonds payable and a $166.5 million TIFIA line of credit. For the Senior Lien and Toll Revenue bonds and TIFIA, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The State has elected to treat the State Annual Appropriation Revenue Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018. The total principal and interest remaining to be paid on the bonds is $3.905 billion, payable through fiscal year 2055 (final maturity date). For the current fiscal year, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy and investment revenues) were $143.451 million and $119.557 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

Component Units

University of North Carolina System

The University of North Carolina System has pledged future revenues, net of specific operating expenses, to repay revenue bonds, direct placements, special indebtedness, and notes from direct borrowings as shown in the table below (dollars in thousands):

		Future Revenues Pledged		Current Year			
Purpose	Revenue Source	(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments	Final Maturity Date	Payable as of 6/30/2022
Revenue Bonds							
Millennial Campus (2)	University Charges to Athletics and Auxiliary Services	$ 71,972	100%	$ 1,870	$ 1,716	2049	$ 39,090
Health Care Facilities	Patient Service Revenues	629,095	21.1%	100,925	21,258	2050	411,475
Total		$ 701,067		$ 102,795	$ 22,974		$ 450,565
Direct Placements							
Utilities	Utilities Revenues	$ 8,999	26%	$ (351)	$ 781	2040	$ 7,835
Student Housing System	Housing Revenues	21,975	52.5%	1,623	1,366	2035	17,262
Total		$ 30,974		$ 1,272	$ 2,147		$ 25,097
Special Indebtedness							
Student Housing System	Housing Revenues	$ 82,703	11% - 71%	$ 7,539	$ 6,697	2041	$ 73,702
Notes from Direct Borrowings							
Student Housing System	Housing Revenues	$ 7,873	8%	$ 6,887	$ 821	2057	$ 19,373

(1) The Future Revenues Pledged amount is equivalent to the total principal and interest remaining to be paid on the associated bonds.

(2) The facility funded by the Millennial Campus Revenue bonds was completed and placed into service in November 2021.

NOTE 18: COMPONENT UNITS – FINANCIAL INFORMATION

Financial statements as of and for the fiscal year ended June 30, 2022 are presented below (dollars in thousands).

Statement of Net Position

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Assets					
Cash and cash equivalents	$ 3,523,128	$ 529,024	$ 850,101	$ 177,383	$ 5,079,636
Investments	4,395,080	142,855	-	1,265,184	5,803,119
Securities lending collateral	142,638	11,828	28,465	22,779	205,710
Receivables, net	1,657,439	111,759	144,369	88,860	2,002,427
Due from component units	1,104	1,001	-	3,522	5,627
Due from primary government	33,845	-	-	1,277	35,122
Inventories	162,378	15,109	-	755	178,242
Prepaid items	155,616	13,900	-	8,785	178,301
Hedging derivatives asset	159	-	-	-	159
Notes receivable, net	81,047	1,231	-	1,242,841	1,325,119
Lease receivable	119,699	2,187	-	58,721	180,607
Investment in joint venture	229,130	-	-	-	229,130
Restricted/designated cash and cash equivalents	1,736,545	301,798	-	1,312,177	3,350,520
Restricted investments	7,066,864	360,519	-	4,662,716	12,090,099
Restricted due from primary government	-	13,247	-	-	13,247
Restricted due from component units	-	2,104	-	2,886	4,990
Advances to outside entities	-	-	-	11,330	11,330
Beneficial interest in assets held by others	2,961	-	-	-	2,961
Net OPEB asset	4,133	797	3	23	4,956
Capital assets-nondepreciable	1,823,969	461,679	-	161,717	2,447,365
Capital assets-depreciable, net	14,630,382	3,608,006	-	837,783	19,076,171
Total Assets	35,766,117	5,577,044	1,022,938	9,858,739	52,224,838
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	71,575	-	-	756	72,331
Deferred loss on refunding	51,729	-	-	138	51,867
Deferred outflows for asset retirement obligation	13,833	-	-	-	13,833
Deferred outflows for pensions	780,573	282,255	1,180	9,264	1,073,272
Deferred outflows for OPEB	1,577,727	259,876	2,551	12,599	1,852,753
Other deferred outflows	-	1,455	-	-	1,455
Total Deferred Outflows of Resources	2,495,437	543,586	3,731	22,757	3,065,511
Liabilities					
Accounts payable and accrued liabilities	1,385,255	88,350	24,786	240,553	1,738,944
Medical claims payable	-	-	409,058	-	409,058
Interest payable	40,441	4	-	20,878	61,323
Obligations under securities lending	142,638	11,828	28,465	22,779	205,710
Due to component units	-	-	-	10,617	10,617
Due to primary government	10	-	-	57,360	57,370
Unearned revenue	685,442	51,350	48,199	37,962	822,953
Advance from primary government	-	-	-	1,691	1,691
Deposits payable	30,762	-	-	3,668	34,430
Funds held for others	35,700	9,169	-	3,354,326	3,399,195
Hedging derivatives liability	71,575	-	-	897	72,472
Long-term liabilities:					
Due within one year	533,671	27,146	63	152,341	713,221
Due in more than one year	15,236,202	1,896,423	7,291	2,183,726	19,323,642
Total Liabilities	18,161,696	2,084,270	517,862	6,086,798	26,850,626

Statement of Net Position

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Deferred Inflows of Resources					
SCA revenue applicable to future years	314,514	-	-	-	314,514
Deferred state aid	103,840	-	-	132,227	236,067
Deferred inflows for lease agreements	127,642	2,028	-	58,297	187,967
Deferred inflows for pensions	915,807	341,274	1,411	9,583	1,268,075
Deferred inflows for OPEB	2,337,533	503,750	2,216	11,733	2,855,232
Deferred inflows for irrevocable split-interest agreements	20,368	-	-	-	20,368
Accumulated increase in fair value of hedging derivatives	159	-	-	-	159
Other deferred inflows	5,077	-	-	-	5,077
Total Deferred Inflows of Resources	3,824,940	847,052	3,627	211,840	4,887,459
Net Position					
Net investment in capital assets	9,855,445	3,945,440	-	893,599	14,694,484
Restricted for:					
Nonexpendable:					
Higher education	3,150,967	264,465	-	-	3,415,432
Expendable:					
Higher education	5,437,796	490,069	-	522,244	6,450,109
Health and human services	468,548	-	-	46	468,594
Economic development	-	-	-	900,794	900,794
Unrestricted	(2,637,838)	(1,510,666)	505,180	1,266,175	(2,377,149)
Total Net Position	$ 16,274,918	$ 3,189,308	$ 505,180	$ 3,582,858	$ 23,552,264

Statement of Activities

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Total expenses	$ 14,780,690	$ 2,588,065	$ 4,166,836	$ 1,199,306	$ 22,734,897
Program revenues:					
Charges for services [1]	10,398,293	300,167	3,942,153	478,547	15,119,160
Operating grants and contributions:					
Federal aid - COVID-19	731,894	398,816	-	-	1,130,710
State aid - program	1,141	-	-	218,486	219,627
Other operating grants and contributions	1,497,616	848,607	15,299	168,234	2,529,756
Capital grants and contributions:					
State capital aid	120,986	71,684	-	11,038	203,708
Other capital grants and contributions	132,470	378,597	-	3,866	514,933
Net program (expense) revenue	(1,898,290)	(590,194)	(209,384)	(319,135)	(3,017,003)
Non-tax general revenues:					
Unrestricted investment earnings	-	-	-	(152,831)	(152,831)
State aid - coronavirus	86,005	16,378	215,056	3,050	320,489
State aid - general	3,462,980	1,168,621	-	155,011	4,786,612
Noncapital contributions	47,786	8,927	35	279	57,027
Miscellaneous	19,192	115	-	4,637	23,944
Total non-tax general revenues	3,615,963	1,194,041	215,091	10,146	5,035,241
Contributions to endowments	176,727	14,912	-	-	191,639
Change in net position	1,894,400	618,759	5,707	(308,989)	2,209,877
Net position — July 1, as restated	14,380,518	2,570,549	499,473	3,891,847	21,342,387
Net position — June 30	$ 16,274,918	$ 3,189,308	$ 505,180	$ 3,582,858	$ 23,552,264

[1] The State Health Plan's charges for services include $1.5 billion from the primary government.

Significant Transactions Between Component Units

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
State Health Plan - premium revenue (expense)	$ (383,045)	$ (107,072)	$ 493,104	$ (2,987)	$ -

Intra-Entity Balances — Between Primary Government and Component Units

	Due From/Restricted Due From Component Units			Due From/Restricted Due From Primary Government			
	General Fund	Highway Fund	Total	University of North Carolina System	Community Colleges	Other Component Units	Total
Due To Component Units:							
General Fund	$ —	$ —	$ —	$ 7,695	$ —	$ 1,277	$ 8,972
Other Governmental Funds				40	13,247	—	13,287
Other Funds	—	—	—	26,110	—	—	26,110
Due To Primary Government:							
University of North Carolina System	10	—	10	—	—	—	—
Other Component Units	17,360	40,000	57,360	—	—	—	—
Total	$ 17,370	$ 40,000	$ 57,370	$ 33,845	$ 13,247	$ 1,277	$ 48,369

NOTE 19: RELATED ORGANIZATIONS

MCNC

MCNC (formerly the Microelectronics Center of North Carolina) is a legally separate private nonprofit corporation fostering the advancement of education, innovation and economic development throughout North Carolina by providing high quality network infrastructure and network-based services. It is managed by a board of directors comprised of two members appointed by the Governor; up to four members appointed by the president of the University of North Carolina System, a component unit of the State; up to six members elected by the majority vote of persons then constituting the MCNC Board; and one member elected by the majority vote of persons then constituting the MCNC Management Advisory Committee. Any director may be removed from office by the MCNC Board with cause.

North Carolina Agricultural Finance Authority

The North Carolina Agricultural Finance Authority (Authority) is a legally separate authority created to administer the financing of loans to farmers and agribusiness at reasonable terms and interest rates. The Authority is governed by a 10-member board comprised of three members appointed by the Governor; six members appointed by the General Assembly; and serving ex officio, the Commissioner of Agriculture or the Commissioner's designee.

NOTE 20: RELATED PARTY TRANSACTIONS

Primary Government

Supplemental Retirement Income Plan of North Carolina and North Carolina Public Employee Deferred Compensation Plan

General Statute 135-96 established the Supplemental Retirement Board of Trustees (Board) to administer both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan. The Plan document for each Plan designates that the general administration and responsibility for carrying out the provisions of the Plan, as directed by the Board, shall be placed with the Retirement Systems Division of the Department of State Treasurer (Department) as Primary Administrator. The Board and Primary Administrator currently have an agreement with Prudential Financial, Inc. to perform recordkeeping, administration, and investment management services for both Plans.

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the North Carolina Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and custodial and trustee services for the North Carolina Stable Value Fund. Galliard has discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard's contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks or other eligible providers who have entered into such contracts. Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms. The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees.

The Contractor, Prudential Retirement, which was acquired by Empower on April 1, 2022, a specialized unit of the Prudential Financial Investment Division, provides recordkeeping, communications, and participant services for the Plans. The fee to Prudential is deducted from the participants' account balances.

One of the funds within the North Carolina Fixed Income Fund is a commingled vehicle offered by Prudential Trust Company and managed by Prudential Investment Management, Inc. Jennison Associates, a registered investment advisory division within Prudential Global Investment Management, manages a portion of the North Carolina Stable Value Fund. Affiliates of Prudential Retirement also are a wrap provider ("Prudential Insurance Company of America") and an investment manager ("PGIM, Inc.") for the North Carolina Stable Value Fund.

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. On April 1, 2021, the Bank of New York Mellon became the custodian of the separately managed accounts of the North Carolina Stable Value Fund. Fees for custodial services are charged based on a percentage of net asset value and are paid from the assets of the respective funds. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

Component Units

University of North Carolina System and Community College Foundations

The University of North Carolina (UNC) System and community colleges have separately incorporated not-for-profit foundations that are associated with constituent institutions of the UNC System or individual colleges. These organizations serve as a fundraising arm of the respective institutions through which individuals, corporations, and other organizations support institution programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the institution's overall academic environment. These affiliated organizations are not included as component units since the economic resources received or held by an individual organization are not significant to the primary government. Therefore, the financial statements of the UNC System and community colleges do not include the assets, liabilities, net position, or operational transactions of these foundations, except for support from each organization to constituent institutions or colleges. For the fiscal year ended June 30, 2022, this support totaled $85.83 million for the UNC System and $3.14 million for community colleges.

The receivables from related parties as of June 30, 2022 were $5.91 million for the University of North Carolina System and $312 thousand for community colleges. The payables to related parties as of June 30, 2022 were $736 thousand for the University of North Carolina System. The community colleges did not have any payables to related parties as of June 30, 2022.

NOTE 21: COMMITMENTS AND CONTINGENCIES

A. No Commitment Debt

The State, by action of the General Assembly, created the North Carolina Medical Care Commission which is authorized to issue tax-exempt bonds and notes to finance construction and equipment projects for nonprofit and public hospitals, nursing homes, continuing care facilities for the elderly and related facilities. The bonds are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. Therefore, each issue is separately secured and is separate and independent from all other issues as to source of payment and security. The indebtedness of each entity is serviced and administered by a trustee independent of the State. Maturing serially and term to calendar year 2052, the outstanding principal of such bonds and notes as of June 30, 2022, was $5.06 billion with interest rates varying from .75% to 6%.

The North Carolina Capital Facilities Finance Agency (Agency) is authorized by the State to issue tax-exempt bonds and notes to finance industrial and manufacturing facilities, pollution control facilities for industrial (in connection with manufacturing) or pollution control facilities and to finance facilities and structures at private nonprofit colleges and universities, and institutions providing kindergarten, elementary and secondary education, and various other nonprofit entities. The Agency's authority to issue bonds and notes also includes financing private sector capital improvements for activities that constitute a public purpose. The bonds issued by the Agency are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. Therefore, each issue is separately secured and is separate and independent from all other issues as to source of payment and security. The outstanding principal of such bonds and notes as of June 30, 2022, was $1.3 billion carrying both fixed interest rates and variable interest rates which can be reset periodically.

The North Carolina Department of Transportation (NCDOT) is authorized by General Statute 136-18(39) and General Statute 136-18(39a) to enter into private partnership agreements to finance by tolls and other financing methods the cost of constructing transportation infrastructures. Such an agreement was entered into on June 26, 2014 with I-77 Mobility Partners LLC to design, build, finance and operate the I-77 High Occupancy Toll (HOT) Lanes Project. The NCDOT, as a conduit issuer, issued $100 million of senior private activity bonds (PABs) on behalf of I-77 Mobility Partners LLC and provided additional direct funds of $116.2 million. The PABs are not an obligation of the NCDOT or the State. The NCDOT has a contingent obligation up to a maximum of $75 million in the event of certain revenue shortfalls.

B. Litigation

***Hoke County Board of Education et al. v. State of North Carolina et al.* — Right to a Sound Basic Education (formerly *Leandro*) —** In 1994, students and boards of education in five counties in the State filed suit in Superior Court requesting a declaration that the public education system of North Carolina, including its system of funding, violates the State constitution by failing to provide adequate or substantially equal educational opportunities, by denying due process of law, and by violating various statutes relating to public education. Five other school boards and students therein intervened, alleging claims for relief on the basis of the high proportion of at-risk and high-cost students in their counties' systems.

The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court upheld the present funding system against the claim that it unlawfully discriminated against low wealth counties but remanded the case for trial on the claim for relief based on the Court's conclusion that the constitution guarantees every child the opportunity to obtain a sound basic education. Trial on the claim of one plaintiff-county was held in the fall of 1999. On October 26, 2000 the trial court, in Section Two of a projected three-part ruling, concluded that at-risk children in North Carolina are constitutionally entitled to such pre-kindergarten educational programs as may be necessary to prepare them for higher levels of education and the "sound basic education" mandated by the Supreme Court. On March 26, 2001, the Court issued Section Three of the three-part ruling, in which the judge ordered all parties to investigate certain school systems to determine why they are succeeding without additional funding. The State filed a Notice of Appeal to the Court of Appeals, which resulted in the Court's decision to re-open the trial and call additional witnesses. That proceeding took place in the fall of 2001. On April 4, 2002, the Court entered Section Four of the ruling, ordering the State to take such actions as may be necessary to remedy the constitutional deficiency for those children who are not being provided with access to a sound basic education and to report to the Court at 90-day intervals remedial actions being implemented. On July 30, 2004, the North Carolina Supreme Court affirmed the majority of the trial court's orders, thereby directing the executive and legislative branches to take corrective action necessary to ensure that every child has the opportunity to obtain a sound, basic education. Thereafter, the State took steps to respond to the trial court's orders.

NOTES TO THE FINANCIAL STATEMENTS

On June 15, 2011, the General Assembly enacted legislation which placed certain restrictions on the North Carolina pre-kindergarten program which had been established by the General Assembly in 2001. Following a hearing requested by the plaintiffs, the trial court entered an order prohibiting the enforcement of legislation having the effect of restricting participation in the program. On appeal, the North Carolina Court of Appeals affirmed the trial court's order prohibiting the State from denying any eligible "at risk" children admission to the program. The State appealed this decision, and in November 2013, the North Carolina Supreme Court held that amendments to the 2011 legislation had rendered the appeal moot. The case was remanded to the Superior Court.

On March 13, 2018, the Superior Court issued an Order appointing WestEd to serve as the Court's independent, non-party consultant to make recommendations for specific actions necessary to achieve sustained compliance with the constitutional mandates of Leandro. On October 4, 2019, WestEd submitted its final report and recommendations to the Court. The WestEd report estimated that over the eight-year period beginning in the 2019-20 fiscal year, it could take as much as $6.86 billion in additional funding beyond 2018-2019 appropriations for the State to meet its Leandro obligations. On January 21, 2020, the Court entered a Consent Order Regarding the Need for Immediate, Systemic Action for the Achievement of Leandro Compliance. In that Order, the Court found that many children across North Carolina are still not receiving the constitutionally-required opportunity for a sound basic education and the State had to make systemic changes and investments to fulfill its obligations. Consistent with that decision, the Court ordered the State Defendants, in consultation with the plaintiff parties, to develop a comprehensive remedial plan to provide all children with the opportunity for a sound basic education. The Court did not order the State to appropriate any funds but ordered the State to remedy the deficiencies identified in its Order of January 21, 2020.

In June 2020, the parties submitted a Joint Report to the Court on Sound Basic Education for All: Fiscal Year 2021 Action Plan For North Carolina. The Joint Report detailed the actions the State and NC SBE were committed to taking in the first year (Fiscal Year 2021) of an eight-year Plan. The parties agreed that the actions outlined in the Joint Report were the necessary and appropriate actions needed in Fiscal Year 2021 to begin to adequately address the constitutional violations in providing the opportunity for a sound basic education to all children in North Carolina. The State Defendants estimated that the costs of the action steps detailed in the Joint Report would require an additional State investment of $426.99 million in Fiscal Year 2021. The Court thereafter ordered the parties to formalize the commitments in the Joint Report in a Consent Order which the Court entered on September 11, 2020.

On March 15, 2021, the State Defendants submitted the Comprehensive Remedial Plan required under the January and September Consent Orders. The State Defendants, including the NC State Board of Education, agreed that the actions outlined in that Plan were the necessary and appropriate actions needed over the next eight years to address the constitutional violations and provide the opportunity for a sound basic education to all children in North Carolina. Attached to the Plan was an Appendix which detailed the implementation timeline for each action step, as well as the estimated additional State investment necessary for each of the actions described in the Plan. The State Defendants estimated that the actions steps in the Plan would cost an additional $5.5 billion in recurring funds at the end of the eight-year implementation period.

On June 7, 2021, the Court entered an Order directing the State Defendants to implement the Comprehensive Remedial Plan in full and in accordance with the timelines contained therein. The Court further ordered the State Defendants to seek and secure "such funding and resources as are needed and required to implement in a sustainable manner the programs and policies set forth in the Comprehensive Remedial Plan." The Court held open the possibility of entering judgment in the future "granting declaratory relief and such other relief as needed to correct the wrong" if the State fails to implement the actions described in the Plan. Finally, the Court ordered State Defendants to submit a report no later than August 6, 2021, regarding progress toward fulfilling the terms and conditions of the Order and stated that it would hold a hearing in September 2021 to address issues raised in that report.

On August 6, 2021, the State Board of Education and the State of North Carolina filed separate Reports on Progress on the Comprehensive Remedial Plan. On August 27, 2021, the Plaintiffs and the Plaintiff Intervenors filed Reponses to those Reports. The Court scheduled a hearing on September 8, 2021, to "address issues raised in the reports and responses."

On October 16, 2021, the trial court held a hearing during which it indicated that it would enter an order directing certain executive branch officials to transfer funds sufficient to fund Years two and three of the Comprehensive Remedial Plan. On November 10, 2021, the trial court entered such an order.

On November 18, 2021, the State Budget Act was enacted. On that day, the State filed a notice of appeal of the trial court order transferring funds, followed shortly by an appeal of the Legislative Leaders who noticed intervention into the case by virtue of N.C. General Statute §1-72.2. The State filed a petition to bypass the Court of Appeals and have the claim directly heard by the North Carolina Supreme Court. That petition was granted by the Court, who first remanded the case for clarification on how the enactment of the State Budget Act impacted the trial court order of November 10, 2021.

During that time, the Honorable Michael Robinson was selected to preside over the matter. Judge Robinson amended the trial court order of November 2021 by incorporating the financial changes associated with the State Budget Act. Judge Robinson also incorporated his understanding that because the Court of Appeals had recently entered a writ of prohibition in a collateral appeal barring the transfer of funds, the trial court was no longer permitted to include the transfer within the bounds of the amended order.

NOTES TO THE FINANCIAL STATEMENTS

The case was heard by the North Carolina Supreme Court on August 31, 2022. On November 4, 2022, the Supreme Court filed an opinion. With that opinion, the Supreme Court reversed, in part, concluding that the trial court erred when it concluded that it lacked the authority to order the transfer of funds. Mandate on the opinion issued directly to the trial court on November 29, 2022, commanding that the trial court conform the subject order to the Supreme Court opinion.

Lake v. State Health Plan — The main issue is whether the State wrongfully charged a monthly premium to retired State employees for the State's 80/20 coinsurance health plan. The general theme of the complaint is that the State established vesting requirements under which if the employee fulfilled the requirements, the State contracted with each employee to provide 80/20 coinsurance insurance coverage at no monthly premium to the retiree for the duration of each retiree's retirement. Similarly, the plaintiffs allege that the State terminated an optional 90/10 coinsurance health plan to which they allegedly had vested rights. Plaintiffs claim (1) breach of contract; (2) unconstitutional impairment of contract; (3) unconstitutional denial of equal protection; and (4) unconstitutional denial of due process. The plaintiffs also allege a variety of equitable claims (e.g., specific performance, common fund) that piggy-back on the legal claims.

The State moved to dismiss and, after a hearing, the trial court denied the motion. On May 19, 2017, the trial court issued an order granting plaintiffs' motion for partial summary judgment and denying defendants' motion for summary judgment as to liability. The trial court held that plaintiffs, and all class members, are entitled to the version of the 80/20 coinsurance plan in existence in September 2011, or its equivalent, with no premium for their lifetime. The trial court's order would provide damages for retirees who remained on the 80/20 coinsurance plan at the amount of premiums they actually paid. Any method for determining damages for retirees who switched to the zero-premium 70/30 coinsurance plan is yet to be determined.

The State appealed. On March 5, 2019, a panel of the Court of Appeals unanimously reversed the order of the superior court and remanded for entry of summary judgment in favor of the State. The plaintiffs have petitioned to the North Carolina Supreme Court for discretionary review of the decision of the Court of Appeals. The petition for discretionary review was allowed and the case is now being briefed in the North Carolina Supreme Court.

The State Treasurer has stated that if the trial court's ruling stands – which would require reversal of the Court of Appeals – the costs to the State could exceed $100 million, not including the cost to the State Health Plan of complying with the plaintiffs' demands going forward.

On October 4, 2022, the North Carolina Supreme Court affirmed in part, reversed in part and remanded the Court of Appeals' decision. The Supreme Court concluded that the eligible retired State employees possessed a vested right protected under the Contracts Clause. The Court also held that genuine issues of material fact needed to be resolved in order to answer whether the General Assembly substantially impaired the retired State employees' vested rights. If so, it must be determined whether any such impairment was reasonable and necessary. The Supreme Court remanded to the trial court on these issues.

The matter is currently pending before the superior court on remand. The parties are in the process of discussing additional discovery to be conducted in this case based on the directives from the Supreme Court and developing a case management order to accommodate the issues identified by the Supreme Court. Written and oral discovery is likely to follow. Additionally, in November 2022, plaintiffs reached out to State defendants to entertain a possibility of settlement.

Map Act Litigation (Kirby v. North Carolina Department of Transportation and subsequent cases) — The Transportation Corridor Official Map Act (Map Act) was enacted in 1987 to provide the NCDOT with the authority to record corridor maps that imposed restrictions on a landowner's rights to improve, develop, and subdivide property within the corridor, which restrictions may remain indefinitely. The Map Act did not require NCDOT to purchase the property at the time of the filing of a future corridor map. Starting in 1989, NCDOT filed 27 separate maps that affected approximately 8,500 parcels of land. In June of 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners' rights to improve, develop, and subdivide their property. Under state law, whether a property owner should be paid for the property, and how much, are determined on a case-by-case basis.

Since the last update, NCDOT has continued to acquire parcels and settle cases that have been filed in the Map Act corridors. The most current numbers as to remaining cases and dollar value are available from NCDOT.

Landowners' attorneys have also recently raised two new theories of recovery, one of which is raised in a case before the state Court of Appeals. If those theories prevail, NCDOT's potential liability will be expanded beyond the current number of known cases.

Buffkin v. Hooks — The American Civil Liberties Union of North Carolina and North Carolina Prisoner Legal Services, Inc., filed this class action on June 15, 2018, on behalf of three named individual offenders infected with hepatitis-C (HCV) against the North Carolina Department of Public Safety (DPS) and four individual state employees, including the Secretary of DPS. The suit seeks class certification for "all current and future prisoners in DPS custody who have or will have HCV and have not been treated with direct-acting antiviral drugs." The plaintiffs seek relief in the form of a declaratory judgment that DPS' policy for treating inmates infected with HCV violates the Eighth Amendment, and that failure to screen all persons in DPS for the virus violates the Eighth Amendment and the Americans with Disabilities Act. To that end, plaintiffs are requesting injunctive relief from the court ordering DPS to (1) formulate and implement an

HCV treatment policy that meets the current standard of medical care, including identifying and monitoring persons with HCV; (2) treat the class members with appropriate direct-acting antiviral drugs; and (3) provide named plaintiffs and class members with an appropriate and accurate assessment of their level of fibrosis or cirrhosis, counseling on drug interactions, and ongoing medical care for complications and symptoms of HCV. The three individual plaintiffs are seeking compensatory and punitive damages. If the plaintiffs are successful in their suit, the defendant may be responsible for costs and attorneys' fees.

The plaintiffs moved for class certification, which was granted March 20, 2019. The plaintiffs also moved for preliminary injunctive relief, which was denied through the same March 20 order. The parties are currently engaged in the discovery process. Ranges of infected inmate populations vary greatly from state to state. More than 30,000 inmates are incarcerated in North Carolina prisons, with more than 30,000 being introduced into the system each year. If the certified class is successful in the litigation, potential costs of complying with the injunctive relief ordered could exceed $200 million.

The parties resolved this litigation through a negotiated resolution which the Court recently approved and entered as a consent decree. Plaintiffs' counsel are now seeking attorneys' fees just shy of $1 million.

The parties were able to resolve Plaintiffs' claim for attorney fees through a negotiated resolution wherein the Department of Public Safety paid $450 thousand in fees in exchange for a full and final release of such claims. The resolution of the attorney fees claim concludes all active litigation in this matter. However, the case will remain open for several more years as the Department of Public Safety is obligated (under the settlement agreement/consent decree) to meet certain benchmarks and make regular reports to Plaintiffs' counsel regarding treatment of HCV in state prisons.

Pasquotank Prison Litigation. In October 2017, four inmates at Pasquotank Correctional Institution murdered four employees and injured additional employees during an escape attempt. The estates of the four employees who were killed and two injured employees have brought multiple lawsuits in the Industrial Commission, state court, and federal court against individual state defendants as well as against state officials, the Department of Public Safety, and Correction Enterprises (a division of the Department of Public Safety). The State is defending the individual State defendants under the Defense of State Employees Act. While the State has limited insurance coverage for claims against individual defendants in excess of $1 million, the potential exposure to the State is nonetheless significant if the State does not prevail on available legal defenses.

The State has resolved the lawsuit filed by one of the estates (Howe), and the parties are in the process of seeking necessary court approval for that settlement. Several other federal court lawsuits and actions in the Industrial Commission remain pending.

Vidant Hospital, UNC Hospitals, DHB/Provider Audit. Vidant filed annual cost reports for fiscal years 2010 through 2016. Provider Audit (Jim Flower's team) disagreed with certain issues on the cost reports and made audit adjustments in Notices of Program Reimbursements dated January 12, 2017, April 13, 2018, March 18, 2019, and May 31, 2019. Vidant appealed all in 2017 through 2019 by requesting reconsideration. The parties were not able to resolve one issue, known as "zero paid claims." Vidant has appealed this issue for all seven fiscal years. Vidant and Division of Health Benefits (DHB) have both submitted position papers to the hearing officer (Ryan Eppenberger). On July 2, 2021, the parties requested, and the hearing officer agreed to hold the matter in abeyance while the parties exchange information that may clarify some issues. DHB's defense is based on the State Medicaid Plan, the Centers for Medicaid Services (CMS) Provider Manual, informal guidance received from CMS, and concurrence from DHB's outside auditing firm. The approximate value of Vidant's claims in dispute is $25 million, which would be part federal and part state dollars. Note also that UNC has appealed the same "zero paid claims" issue for multiple cost years, and Department of Health and Human Services (DHHS) leadership has participated in several high-level discussions with UNC. UNC estimates the value of these claims is about $13 million. The situation with UNC is complicated as UNC may have received some overpayments from DHB. On Nov 3, 2022, the Hearing Officer issued a 22-page decision upholding DHB's audit findings and rejecting Vidant's challenge. The deadline for Vidant to appeal to the Office of Administrative Hearings is January 2, 2023. As of September of 2022, the parties are awaiting the decision of the hearing officer.

Monarch v. Penny, Secretary of Department of Revenue. Monarch formed structured investment partnerships for investment by North Carolina taxpayers related to renewable energy, mill restoration, and historic redevelopment. Its business model used partnerships to aggregate investments to fund such projects, and to then attempt to allocate to investors tax credits for the projects. Monarch claims that the Department of Revenue has unconstitutionally administered North Carolina tax law in a manner that has caused Monarch business damages and denied North Carolina taxpayers, including but not limited to Monarch customers, the benefit of the investment tax credits. The Department of Revenue denies liability. Plaintiffs' most recent estimate of damages was $344 million.

Lexington/AIG v. NC, POELIC, et al. This matter is related to McCollum and Brown v. Red Springs, et al., which is a Section 1983 action filed against a local police department, a county sheriff's office, and two former State Bureau of Investigation (SBI) agents. The plaintiffs in that case alleged various constitutional violations by the law enforcement defendants related to their confessions, subsequent convictions, and incarceration. A jury returned a verdict of $75 million dollars against the two SBI agents (all other defendants settled out before a jury reached a verdict). That verdict is now on appeal with briefing in that matter closing this past spring. After the jury's verdict and while the matter has been on appeal, Lexington Insurance Company (AIG) filed a declaratory judgement action against POELIC seeking a determination that the excess policies it provided to POELIC do not provide coverage (or provide limited coverage) for the jury's verdict against the SBI agents. We approached AIG about a consent stay of the declaratory judgment action pending the full and final resolution on the appeal of the underlying litigation—pointing out that obligations under an indemnity only policy (like the policies at issue in the declaratory judgment action), coverage is dictated by the determinations made by the finder of fact. Since those are currently on appeal, coverage litigation is premature. AIG agreed and we secured a stay in the case.

Samantha R. v. NC and DHHS**,** filed in state court in May 2017 in Wake County Superior Court. The six individual plaintiffs and plaintiff organization Disability Rights North Carolina (DRNC) assert that the State of North Carolina and DHHS have violated the North Carolina Persons with Disabilities Act and the State Constitution. Plaintiffs seek an injunction requiring the defendants to administer publicly funded behavioral health programs in compliance with the Act and the North Carolina Constitution. As Plaintiffs do not seek monetary damages, it is hard to put a dollar amount on the litigation. However, if the Court does enter some sort of injunction, DHHS anticipates that substantial funds would be needed for implementation of any service or systems modification. Attorney General (AG) staff attorneys are representing DHHS and the State. DHHS' motion to dismiss was denied. After the completion of discovery, all parties filed Motion for Summary Judgment. The trial court denied the State's Motion for Summary Judgment and granted Plaintiff's partial Motion for Summary Judgment by order dated February 4, 2020. The court ruled that the State was in violation of North Carolina General Statute 169A-7(b) of the North Carolina Persons with Disabilities Protection Act. At the Court's direction, the parties briefed the question of the proper remedy for the violation of the integration mandate. The Court heard the issue on May 12, 2022. On July 21, 2022, the Court directed the parties to submit a proposed order adopting specific and measurable goals along the lines of the proposal submitted by plaintiff; the court also will consider the State's proposed alternate timelines, numbers, or percentages. The parties filed a proposed order with redlines on August 15, 2022. The parties filed competing proposed orders and arguments in August of 2022 and are awaiting the Court's decision. On November 2, 2022, the Court entered its Order, in the form of an injunction directing North Carolina and DHHS to transition individuals from institutions to community settings; to reduce the Registry/Wait List; and to collect and report data to DRNC on direct care professionals. On November 30, 2022, North Carolina and DHHS filed a Notice of Appeal and Motion to Stay the Court's decision.

Halikierra Community Services, LLC; Dwaylon Whitley; Michael Scales v. NC DHHS, DHB; Medical Review of North Carolina, Inc. d/b/a Carolinas Center for Medical Excellence; Kay Cox in her individual capacity; Patrick Piggott in his individual capacity**,** (Wake Co. Superior Court; case certified for Business Court). Two State Constitutional claims are asserted against DHHS: 1) Violation of Substantive Due Process (Art. I, Sec. 19); and 2) Violation of Equal Protection (Art. I, Sec. 19). Plaintiffs also sued two DHHS employees (Cox and Piggott) in their individual capacities; both employees requested Attorney General Office representation, which has been approved. The claims against Cox and Piggott in their respective individual capacities are Conspiracy in Restraint of Trade, Civil Conspiracy, and Punitive Damages. Damages requested are in excess of $100 million. DHHS disputes the claims and damages. Motions to Dismiss and Answers were filed on behalf of Defendants DHHS, Patrick Piggott, and Brenda Kay Cox. The hearing on Defendants Motions to Dismiss occurred November 18, 2020. Per the judge's request, Defendants submitted supplemental briefing on December 16, 2020 and Plaintiffs submitted supplemental briefing on January 4, 2021. DHHS served Plaintiffs with its discovery responses on January 6, 2021. Plaintiffs deposed Pat Meyer on February 25, 2021, and plan to depose Patrick Piggott and Kay Cox on April 7, 2021 or April 9, 2021. Mediation is scheduled for April 6, 2021. The case management order issued on October 7, 2020 set discovery deadlines throughout 2021 and a trial date for fall 2021. The trial court granted in part our motions to dismiss, but many claims remain. DHHS and the DHHS employees are represented by the AG's office. The parties filed a joint motion to extend discovery 90 days until November 1, 2021. On August 31, 2021, the Business Court transferred the matter from Judge Adam Conrad to Judge Michael Robinson without explanation. Halikierra's owners, Whitley and Scales, were deposed on September 10, 2021 and September 13, 2021, respectively. A Motion for Summary Judgment was filed on December 1, 2021 on behalf of North Carolina DHHS, Cox and Piggott. Plaintiff's Memorandum in Opposition to the Motion for Summary Judgment was filed on January 10, 2022. The court granted the motion for extension of time to file Reply Brief and to increase the word limit for Defendant. Defendant filed Reply Brief on January 27, 2022. Hearing on Motion for Summary Judgment was heard on April 12, 2022. On September 26, 2022, the Court issued an Order granting North Carolina DHHS's Motion for Summary Judgment and dismissed the case. On October 27, 2022, Plaintiff filed a Notice of Appeal with the North Carolina Supreme Court.

Other Litigation. The State is involved in numerous other claims and legal proceedings, many of which are normal for governmental operations. A review of the status of outstanding lawsuits involving the State by the North Carolina Attorney General did not disclose other proceedings that are expected to have a material adverse effect on the financial position of the State.

C. Federal Grants

The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the State.

An audit conducted by the United States Department of Health and Human Services Office of Inspector General concluded that the State did not comply with Federal and State requirements when making Medicaid cost-sharing payments for professional medical services during fiscal years 2012 and 2013. Based on the audit, the Office of Inspector General recommended that the State refund $41.2 million to the federal government for non-compliant payments. The State disagrees with the findings and recommendation. The State received a demand letter from Centers for Medicaid Services (CMS) on December 3, 2020. The demand letter did not include appeal rights, so Division of Health Benefits (DHB) intends to wait for a formal disallowance letter and then appeal.

An audit conducted by the United States Department of Health and Human Services Office of Inspector General concluded that the State did not comply with Federal and State requirements when making Medicaid claims for school-based Medicaid administrative costs. Based on the audit, the Office of Inspector General recommended that the State refund $53.8 million to the federal government for non-compliant claims. The State disagrees with the findings and recommendation. Once a final determination of liability is made, the amount will be paid to CMS. As of June 30, 2022, the State had not received a demand for recovery from CMS.

For the fiscal years 2011-2013, the State received more than $34.8 million in unallowable performance bonus payments under the Children's Health Insurance Program Reauthorization Act. The overpayments were the result of the overstatement of the enrollment numbers in its request. CMS has issued a disallowance and a demand for recovery. The State disagrees with the findings and has appealed. Other states also appealed, and the matters were consolidated for a decision by the Departmental Appeals Board (DAB). The DAB issued its decision on, finding that CMS had erred in its interpretation of the statute, but also remanded the case to CMS to determine if there were overpayments made. The State is awaiting further information and guidance from CMS.

As of June 30, 2022, the State is unable to estimate what liabilities may result from additional audits of Federal grants and entitlements.

The State refunds federal shares of drug rebate collections to CMS. As of June 30, 2022, the amount due to CMS was $142 million.

D. Highway Construction

The State has placed on deposit in court $250.8 million for a potential liability to property owners for contested rights-of-way acquisition costs in condemnation proceedings. The State may also be liable for an additional $81.24 million in these proceedings. As of June 30, 2022, the State had no outstanding verified contractor's claims.

E. Construction and Other Commitments

At June 30, 2022, the State had commitments of $6.095 billion for construction of highway infrastructure. Of this amount, $3.89 billion relates to the Highway Fund, $55.26 million relates to the N.C. Turnpike Authority, and $2.15 billion relates to the Highway Trust Fund. The other commitments for construction and improvements of state government facilities totaled $344.23 million, including $201.56 million for the Department of Administration, $52.31 million for the Department of Environmental Quality, $36.7 million for the Department of Natural and Cultural Resources, $17.41 million for the Department of Agriculture, and $10.71 million for the Department of Public Safety.

At June 30, 2022, the University of North Carolina System (component unit) had outstanding construction commitments of $465.52 million (including $182.15 million for UNC Health Care System, $64.38 million for North Carolina State University, $46.78 million for University of North Carolina at Charlotte, $40.97 million for the University of North Carolina at Chapel Hill, and $30.34 million for Western Carolina University).

At June 30, 2022, community colleges (component units) had outstanding construction commitments of $196.61 million (including $83.72 million for Wake Technical Community College, $33.32 million for Alamance Community College, $22.27 million for Western Piedmont Community College, $8.6 million for Fayetteville Technical Community College, and $8.46 million for Central Piedmont Community College).

The Department of Environmental Quality has other significant commitments of $272.49 million for clean water and other cost reimbursement grants. At June 30, 2022, the Department of Natural and Cultural Resources had other outstanding commitments of $90.39 million for clean water grants to nongovernmental organizations and local and state government. The Department of Public Instruction has other significant commitments of $598.36 million for needs-based public school building capital fund cost reimbursement grants awarded to Local Education Agencies (LEAs) for school capital projects.

The 911 Board (Board), part of the Department of Information Technology Services, sets aside a portion of its fund balance annually to support local Public Safety Answering Points (PSAPs). The PSAPs apply to the Board for the funds with improvement project proposals that the Board evaluates and either approves or denies. At June 30, 2022, the 911 Fund (special revenue fund) had outstanding commitments on these cost-reimbursement grants and contracts to the PSAPs totaling $18.92 million.

At June 30, 2022, the Administrative Office of the Courts had outstanding software in development contract commitments of $15.27 million.

The State Treasurer has entered contracts with external fund managers of several investment portfolios within the North Carolina Department of State Treasurer External Investment Pool (External Investment Pool), where the State Treasurer agrees to commit capital to these investments. More detailed information about the External Investment Pool is available in a separate report (See Note 3A).

The UNC Investment Fund, LLC (UNC Investment Fund) at the University of North Carolina at Chapel Hill has entered into agreements with limited partnerships to invest capital. These agreements represent the funding of capital over a designated period of time and are subject to adjustments. As of June 30, 2022, the UNC Investment Fund had approximately $2.15 billion unfunded committed capital.

F. Tobacco Settlement

In 1998, North Carolina, along with 45 other states, signed the Master Settlement Agreement (MSA) with the nation's largest tobacco companies to settle existing and potential claims of the states for damages arising from the use of the companies' tobacco products. Under the MSA, the tobacco companies are required to adhere to a variety of marketing, advertising, lobbying, and youth access restrictions, support smoking cessation and prevention programs, and provide payments to the states in perpetuity. The amount that North Carolina will receive from this settlement remains uncertain, but projections are that the State will receive approximately $4.74 billion from the inception of the agreement through the year 2025. Since the inception, the State has received approximately $3.79 billion in MSA payments. In the early years of MSA, participating states received initial payments that were distinct from annual payments. The initial payments were made for five years: 1998 and 2000 through 2003. The annual payments began in 2000 and will continue indefinitely. However, these payments are subject to a number of adjustments including an inflation adjustment and a volume adjustment. Some adjustments (e.g., inflation) should result in an increase in the payments while others (e.g., domestic cigarette sales volume) may decrease the payments. Also, future payments may be impacted by continuing and potential litigation against the tobacco industry and changes in the financial condition of the tobacco companies. At year-end, the State recognizes a receivable and revenue in the government-wide statements for the tobacco settlement based on the underlying domestic shipment of cigarettes. This accrual estimate is based on the projected payment schedule in the MSA adjusted for historical payment trends.

G. Other Contingencies

The Civil Rights Division of the U.S. Department of Justice investigated the state's mental health system and found the State to be in violation of Title II of the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. Sec 12131, and the following, as interpreted by the U.S. Supreme Court in *Olmstead v. L.C.*, 527 U.S. 581 (1999), and Section 504 of the Rehabilitation Act of 1973 (Rehab Act), 29 U.S.C. Sec 794(a). On August 23, 2012, the Civil Rights Division and the State entered into an agreement that addresses the corrective measures that will ensure that the State will willingly meet the requirements of the ADA, Section 504 of the Rehab Act, and the *Olmstead* decision. Through the agreement, it is intended that the goals of community integration and self-determination will be achieved. Both parties of the agreement have selected a reviewer to monitor the State's implementation of this agreement. The reviewer has authority to independently assess, review, and report annually on the State's implementation of and compliance with the provisions of this agreement. The potential liability to the State cannot be reasonably estimated. If the State fails to comply with this agreement, the United States can seek an appropriate judicial remedy. To date, the State has demonstrated good faith effort by providing sufficient funding essential to meeting the settlement requirements. The State is responsible for determining and identifying the amount of appropriation funding that is needed to fulfill this agreement which was originally going to be phased in over eight years (2013-2020). The settlement agreement was first extended for an additional year to July 1, 2021 in order to give the State more time to meet the requirements. In March of 2021, the parties signed an agreement acknowledging the State's compliance in some areas of the agreement but extending other items for an additional two years. In Session Law 2012-142 Section 10.23A.(e), $10.3 million was appropriated as recurring funds to support the Department of Health and Human Services in the implementation of its plan for transitioning individuals with severe mental illness to community living arrangements, including establishing a rental assistance program. In Session Law 2013-360, additional money was appropriated in the expansion budget for $3.83 million for fiscal 2014 and $9.39 million for fiscal 2015. Funding has continued each budget year at appropriate levels to meet the terms of the agreement.

In Session Law 2015-241, the North Carolina Housing Finance Agency (NCHFA), in consultation with the Department of Health and Human Services (DHHS), was authorized to administer the Community Living Housing Fund (CLHF) in order to provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness. The funds are first transferred from DHHS and then must be appropriated by the General Assembly in order for the NCHFA to expend the funds. DHHS transferred $2.89 million to the Community Living Housing Fund in fiscal 2015. House Bill 1030 authorized the NCHFA to expend receipts of $5.52 million transferred from DHHS to the CLHF in fiscal 2017. Session Law 2017-57 and Session Law 2018-5 provided funds of $4.2 million and $3.96 million, respectively, transferred from DHHS to the CLHF. In fiscal years 2019 through 2021, DHHS transferred $10.47 million to the CLHF and Session Law 2020-97 appropriated those funds for the State to meet its commitment to the supported housing requirements of the agreement. At present, the work continues with the funds available through continuing budget provisions.

The State is liable for an ongoing worker's compensation claim for a former employee who was severely injured and will require care for life. The estimated total cost of care is currently $25.6 million.

NOTE 22: TAX ABATEMENTS

As of June 30, 2022, the State provides tax abatements through one program, the Job Development Investment Grant (JDIG). The purpose of the JDIG program is to stimulate economic activity and benefit citizens throughout the State through the creation of new jobs, resulting in an enlargement of the overall tax base, an expansion and diversification of the State's industrial base, and an increase in revenue to the State and its political subdivisions.

The tax being abated is the State income tax withheld by employers under North Carolina General Statute Chapter 105 Article 4A. The authority for the abatement falls under North Carolina General Statute Chapter 143B Article 10 Part 2G.

The eligibility criteria for the abatement include the following:

- The project proposed by the business will create, during the term of the engagement, a net increase in employment in the State by the business.
- The project will benefit the people of the State by increasing opportunities for employment and by strengthening the State's economy by, for example, providing worker training opportunities, constructing and enhancing critical infrastructure, increasing development in strategically important industries, or increasing the State and local tax base.
- The project is consistent with economic development goals for the State and for the area where the project will be located.
- A grant is necessary for the completion of the project in the State.
- The total benefits of the project to the State outweigh the costs and render the grant appropriate for the project.
- For a project located in a tier three development area, the affected local governments have participated in recruitment and offered incentives in a manner appropriate for the project.

The amount of the grant awarded in each case shall be a percentage of the State income tax withholdings of eligible positions for a period of years. The percentage shall be no more than 80% for a tier one development area and no more than 75% for any other area.

The North Carolina Department of Commerce annually ranks the State's 100 counties based on economic well-being and assigns each a tier designation. The tier system encourages economic activity in less prosperous areas of the State. County tiers are calculated using four factors: the average unemployment rate, the median household income, the percentage growth in population, and the adjusted property tax base per capita. The 40 most distressed counties are designated as tier one, the next 40 as tier two, and the 20 least distressed counties as tier three.

If the business receiving a grant fails to meet or comply with any condition or requirement set forth in an agreement, the amount of the grant or the term of the agreement shall be reduced, the agreement may be terminated, or both. If a business fails to maintain employment at the levels stipulated in the agreement or otherwise fails to comply with any condition of the agreement for any two consecutive years, the grant payment will be withheld for any consecutive year after the second consecutive year remaining in the base period in which the business fails to comply with any condition of the agreement. If the business is no longer within the base period, the agreement shall be terminated.

The business commits to creating a minimum of 10 eligible positions in a tier one area, 20 eligible positions in a tier two area, or 50 eligible positions in a tier three area. The business must provide health insurance for all applicable full-time employees on the project with respect to which the grant is made.

The amount of taxes abated for fiscal year end June 30, 2022 on an accrual basis as a result of the agreements with the State is $30.36 million. The State has made no other commitments other than to abate taxes.

NOTE 23: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The adjustments in the "GASB 87 Implementation" column are due to the State's adoption of GASB Statement No. 87, *Leases,* as discussed in Note 2. The adjustment in the "Reporting Entity Change" column relates to the blending of two university foundations. The adjustments in the "Reclassifications" column are nonmajor special revenue funds reclassified to general fund due to management reevaluation. Amounts in the "Adjustments" column are primarily due to the correction of errors related to prior periods.

	July 1, 2021 Fund Equity as Previously Reported	GASB 87 Implementation	Reporting Entity Change	Reclassifications	Adjustments	July 1, 2021 Fund Equity as Restated
Primary Government						
Major Governmental Funds:						
General Fund	$ 11,879,293	$ —	$ —	$ 81,523	$ 575	$ 11,961,391
Highway Fund	692,825	—	—	—	—	692,825
Highway Trust Fund	1,838,206	—	—	—	—	1,838,206
Other Governmental Funds:						
Special Revenue Funds	1,979,912	—	—	(81,523)	—	1,898,389
Capital Projects Funds	897,244	—	—	—	—	897,244
Permanent Funds	183,880	—	—	—	—	183,880
Total Governmental Funds	17,471,360	—	—	—	575	17,471,935
Internal Service Funds	168,435	—	—	—	—	168,435
Government-wide adjustments:						
Equity interest in component unit	366,500	—	—	—	—	366,500
Capital assets	59,469,429	415,472	—	—	41,976	59,926,877
Deferred losses on refundings	49,259	—	—	—	—	49,259
Deferred outflows for pensions	1,327,215	—	—	—	—	1,327,215
Deferred inflows for pensions	(24,920)	—	—	—	—	(24,920)
Deferred outflows for OPEB	844,537	—	—	—	—	844,537
Deferred inflows for OPEB	(2,454,201)	—	—	—	—	(2,454,201)
Unavailable revenue	256,322	—	—	—	(1,864)	254,458
Long-term liabilities	(16,768,191)	(417,676)	—	—	—	(17,185,867)
Accrued interest payable	(33,763)	—	—	—	—	(33,763)
OPEB assets	9,117	—	—	—	—	9,117
Total Government-wide adjustments	43,041,304	(2,204)	—	—	40,112	43,079,212
Total Governmental Activities	$ 60,681,099	$ (2,204)	$ —	$ —	$ 40,687	$ 60,719,582
Business-type Activities - Enterprise Funds:						
Unemployment Compensation Fund	3,178,284	—	—	—	—	3,178,284
EPA Revolving Loan Fund	2,011,745	—	—	—	—	2,011,745
N.C. State Lottery Fund	(44,697)	—	—	—	—	(44,697)
N.C. Turnpike Authority	282,532	—	—	—	—	282,532
Other enterprise funds	292,685	—	—	—	(1,010)	291,675
Total Business-type Activities - Enterprise Funds	$ 5,720,549	$ —	$ —	$ —	$ (1,010)	$ 5,719,539

	July 1, 2021 Fund Equity as Previously Reported	GASB 87 Implementation	Reporting Entity Change	Reclassifications	Adjustments	July 1, 2021 Fund Equity as Restated
Fiduciary Funds						
Pension and Other Employee Benefit Trust Funds	138,868,209	—	—	—	—	138,868,209
Private Purpose Trust Funds	979,003	—	—	—	—	979,003
Custodial Funds						
External Investment Pools and Accounts	1,458,632	—	—	—	—	1,458,632
Other Custodial Funds	944,632	—	—	—	272	944,904
Total Fiduciary Funds	$ 142,250,476	$ —	$ —	$ —	$ 272	$ 142,250,748
Total Primary Government	$ 208,652,124	$ (2,204)	$ —	$ —	$ 39,949	$ 208,689,869
Component Units						
University of North Carolina System	$ 14,367,876	$ 87,753	$ 14,048	$ —	$ (89,159)	$ 14,380,518
Community Colleges	2,566,085	934	—	—	3,530	2,570,549
State Health Plan	499,473	—	—	—	—	499,473
Other component units	3,881,781	—	—	—	10,066	3,891,847
Total Component Units	$ 21,315,215	$ 88,687	$ 14,048	$ —	$ (75,563)	$ 21,342,387

NOTE 24: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity Deficit

Primary Government

At June 30, 2022, the following internal service funds reported a net position deficit: Mail Service Center, $824 thousand; Computing Services, $50.91 million.

At June 30, 2022, the following nonmajor enterprise funds reported a net position deficit: State Banking Commission, $3.18 million; Utilities Commission, $16.01 million.

At June 30, 2022, the following fiduciary fund reported a net position deficit: Vehicle Property Tax Collections, $28 thousand.

NOTE 25: SUBSEQUENT EVENTS

Component Unit

General Revenue Bonds, Series 2022B

On October 4, 2022, the Board of Governors of the University of North Carolina, on behalf of Appalachian State University, issued $20.46 million in tax-exempt General Revenue Bonds, Series 2022B. The bonds are dated October 4, 2022 and bear interest from that date. Interest on the bonds will be payable semiannually on each April 1 and October 1, commencing April 1, 2023. The bonds consist of serial and term bonds. The serial bonds will mature from October 1, 2026 to October 1, 2054 with interest rates ranging from 4% to 5%. The term bonds will mature from October 1, 2046 to October 1, 2052 with an interest rate of 4.125%. The bonds were issued to provide funds for the construction of a parking deck adjacent to the George M. Holmes Convocation Center on the University's main campus.

Utility System Revenue Note, Series 2022

On October 12, 2022, Appalachian State University, d/b/a New River Light & Power, entered a promissory note obligation providing up to $7 million in funds designated as a Utility System Revenue Note, Series 2022. The note is dated October 12, 2022 and bears interest from that date. Interest on the note will be due the fifth day of each month, commencing November 5, 2023 based on a variable adjusted SOFR (Secured Overnight Financing Rate). The note will mature on October 1, 2034. The note was issued to provide funds for wholesale power purchases until adjusted utility rates are approved to cover the increased cost of purchased power.

Taxable Student Loan Backed Notes

On August 23, 2022, the State Education Assistance Authority (Authority) entered into a Credit & Security Agreement with Bank of America, N.A. to access funding to use to pay the noteholders.

The following general resolutions have been dissolved:

General Resolutions	**Date Dissolved**
Taxable Student Loan Backed Notes 2010-1 Series	October 25, 2022
Taxable Student Loan Backed Notes 2011-1 Series	October 25, 2022
Taxable Student Loan Backed Notes 2011-2 Series	October 25, 2022
Taxable Student Loan Backed Notes 2012-1 Series	September 26, 2022
Taxable Student Loan Backed Notes 2013-1 Series	September 26, 2022

On November 1, 2022, the Authority sold its interest in Federal Family Education Loan Program (FFELP) loans to National Education Loan Network, Inc. The $693.4 million sale included the October 31, 2022 principal balance and accrued interest of the loans. The Authority will remain the guaranty agency for these FFELP loans.

The proceeds of the sale were used to retire the Tax-Exempt Student Loan Backed Notes (Private Placement Bonds) 2015-1 Series, and the August 23, 2022 Credit & Security Agreement referred to above.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

Schedule of Changes in the Net Pension Liability and Related Ratios: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Schedule of Changes in the Net Pension Liability and Related Ratios: Single-Employer, Defined Benefit Pension Plans

Schedule of Employer and Nonemployer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Schedule of Employer and Nonemployer Contributions: Single-Employer, Defined Benefit Pension Plans

Schedule of Investment Returns: All Defined Benefit Pension Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Nine Fiscal Years

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Teachers' and State Employees'					
Total pension liability					
Service Cost	$ 1,918,712	$ 1,906,954	$ 1,851,058	$ 1,782,475	$ 1,630,323
Interest	5,874,188	5,857,546	5,663,045	5,460,427	5,281,004
Changes of benefit terms	205,169	-	-	-	44,339
Differences between expected and actual experience	(175,206)	(141,796)	258,502	535,860	815,911
Changes of assumptions	-	2,341,992	-	-	1,637,700
Benefit payments, including refunds of member contributions	(5,324,253)	(5,055,075)	(4,934,999)	(4,835,144)	(4,666,391)
Net change in total pension liability	2,498,610	4,909,621	2,837,606	2,943,618	4,742,886
Total pension liability - beginning	91,073,632	86,164,011	83,326,405	80,382,787	75,639,901
Total pension liability - ending (a)	$ 93,572,242	$ 91,073,632	$ 86,164,011	$ 83,326,405	$ 80,382,787
Plan fiduciary net position					
Contributions-employer	$ 2,761,946	$ 2,373,252	$ 2,055,075	$ 1,915,146	$ 1,602,901
Contributions-member	1,030,635	981,051	964,544	951,566	910,797
Net investment income	(6,118,110)	14,023,684	3,050,585	4,514,117	4,885,354
Benefit payments, including refunds of member contributions	(5,324,253)	(5,055,075)	(4,934,999)	(4,835,144)	(4,666,391)
Administrative expense	(13,945)	(13,870)	(12,910)	(11,815)	(11,604)
Other	2,700	(25)	271	(1,120)	181
Net change in plan fiduciary net position	(7,661,027)	12,309,017	1,122,566	2,532,750	2,721,238
Plan fiduciary net position - beginning	86,391,031	74,082,014	72,959,448	70,426,698	67,705,460
Plan fiduciary net position - ending (b)	$ 78,730,004	$ 86,391,031	$ 74,082,014	$ 72,959,448	$ 70,426,698
TSERS's net pension liability - ending (a) - (b)	$ 14,842,238	$ 4,682,601	$ 12,081,997	$ 10,366,957	$ 9,956,089
Plan fiduciary net position as a percentage of the total pension liability	84.14%	94.86%	85.98%	87.56%	87.61%
Covered payroll	$ 16,861,697	$ 16,057,185	$ 15,844,834	$ 15,582,963	$ 14,869,212
Net pension liability as a percentage of covered payroll	88.02%	29.16%	76.25%	66.53%	66.96%
Local Governmental Employees'					
Total pension liability					
Service Cost	$ 904,200	$ 876,765	$ 841,148	$ 798,120	$ 713,227
Interest	2,225,081	2,139,954	2,037,306	1,934,144	1,838,989
Changes of benefit terms	33,159	-	-	-	-
Differences between expected and actual experience	(31,778)	296,054	177,954	252,859	378,665
Changes of assumptions	-	1,125,778	-	-	595,781
Benefit payments, including refunds of member contributions	(1,732,564)	(1,630,148)	(1,551,217)	(1,472,856)	(1,402,793)
Net change in total pension liability	1,398,098	2,808,403	1,505,191	1,512,267	2,123,869
Total pension liability - beginning	34,180,463	31,372,060	29,866,869	28,354,602	26,230,733
Total pension liability - ending (a)	$ 35,578,561	$ 34,180,463	$ 31,372,060	$ 29,866,869	$ 28,354,602
Plan fiduciary net position					
Contributions-employer	$ 880,449	$ 745,308	$ 640,969	$ 534,107	$ 492,317
Contributions-member	477,001	453,112	436,754	420,437	401,632
Net investment income	(2,331,589)	5,283,300	1,139,009	1,675,331	1,789,337
Benefit payments, including refunds of member contributions	(1,732,564)	(1,630,148)	(1,551,217)	(1,472,856)	(1,402,793)
Administrative expense	(5,415)	(5,295)	(4,889)	(4,634)	(4,324)
Other	2,384	1,956	2,061	1,302	3,081
Net change in plan fiduciary net position	(2,709,734)	4,848,233	662,687	1,153,687	1,279,250
Plan fiduciary net position - beginning	32,646,867	27,798,634	27,135,947	25,982,260	24,703,010
Plan fiduciary net position - ending (b)	$ 29,937,133	$ 32,646,867	$ 27,798,634	$ 27,135,947	$ 25,982,260
LGERS's net pension liability (asset) - ending (a) - (b)	$ 5,641,428	$ 1,533,596	$ 3,573,426	$ 2,730,922	$ 2,372,342
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%
Covered payroll	$ 7,570,499	$ 7,166,423	$ 6,914,444	$ 6,665,378	$ 6,368,275
Net pension liability (asset) as a percentage of covered payroll	74.52%	21.40%	51.68%	40.97%	37.25%

2017	2016	2015	2014
$ 1,469,395	$ 1,580,544	$ 1,562,846	$ 1,556,027
5,195,104	4,937,464	4,803,766	4,648,995
449,563	35,605	-	355,224
229,339	(190,178)	(278,170)	(345,392)
381,934	1,743,836	-	-
(4,545,296)	(4,339,637)	(4,184,410)	(3,989,397)
3,180,039	3,767,634	1,904,032	2,225,457
72,459,862	68,692,228	66,788,196	64,562,739
$ 75,639,901	$ 72,459,862	$ 68,692,228	$ 66,788,196
$ 1,441,194	$ 1,275,003	$ 1,262,988	$ 1,177,341
894,538	864,151	854,306	825,548
6,656,652	472,174	1,468,624	9,121,005
(4,545,296)	(4,339,637)	(4,184,410)	(3,989,397)
(11,265)	(10,217)	(10,646)	(10,762)
808	325	393	320
4,436,631	(1,738,201)	(608,745)	7,124,055
63,268,829	65,007,030	65,615,775	58,491,720
$ 67,705,460	$ 63,268,829	$ 65,007,030	$ 65,615,775
$ 7,934,441	$ 9,191,033	$ 3,685,198	$ 1,172,421
89.51%	87.32%	94.64%	98.24%
$ 14,440,822	$ 13,934,459	$ 13,803,148	$ 13,548,227
54.94%	65.96%	26.70%	8.65%

2017	2016	2015	2014
$ 656,231	$ 684,288	$ 670,936	$ 654,735
1,803,590	1,707,699	1,628,373	1,555,958
-	12,581	65,914	(7,790)
73,083	50,205	(72,177)	(80,590)
138,096	183,019	-	-
(1,322,277)	(1,251,918)	(1,172,578)	(1,106,799)
1,348,723	1,385,874	1,120,468	1,015,514
24,882,010	23,496,136	22,375,668	21,360,154
$ 26,230,733	$ 24,882,010	$ 23,496,136	$ 22,375,668
$ 461,329	$ 414,168	$ 408,694	$ 413,175
391,459	375,572	363,863	346,961
2,413,758	175,189	520,578	3,161,964
(1,322,277)	(1,251,918)	(1,172,578)	(1,106,799)
(4,264)	(3,926)	(4,086)	(3,974)
3,330	3,248	3,285	3,297
1,943,335	(287,667)	119,756	2,814,624
22,759,675	23,047,342	22,927,586	20,112,962
$ 24,703,010	$ 22,759,675	$ 23,047,342	$ 22,927,586
$ 1,527,723	$ 2,122,335	$ 448,794	$ (551,918)
94.18%	91.47%	98.09%	102.47%
$ 6,192,808	$ 5,860,574	$ 5,650,694	$ 5,553,383
24.67%	36.21%	7.94%	(9.94%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Nine Fiscal Years

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Firefighters' and Rescue Squad Workers'					
Total pension liability					
Service Cost	$ 7,262	$ 7,675	$ 7,733	$ 7,640	$ 7,542
Interest	32,013	33,116	32,500	32,140	31,686
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(8,484)	(4,881)	(1,376)	(4,922)	(121)
Changes of assumptions	-	6,525	-	-	10,593
Benefit payments, including refunds of member contributions	(30,369)	(30,147)	(29,953)	(29,502)	(31,727)
Net change in total pension liability	422	12,288	8,904	5,356	17,973
Total pension liability - beginning	500,196	487,908	479,004	473,648	455,675
Total pension liability - ending (a)	$ 500,618	$ 500,196	$ 487,908	$ 479,004	$ 473,648
Plan fiduciary net position					
Contributions-member	$ 2,318	$ 2,569	$ 2,581	$ 2,770	$ 2,790
Contributions-nonemployer	19,352	19,002	18,652	18,302	17,952
Net investment income	(37,515)	85,952	18,593	27,363	29,505
Benefit payments, including refunds of member contributions	(30,369)	(30,147)	(29,953)	(29,502)	(31,727)
Administrative expense	(975)	(987)	(885)	(1,002)	(885)
Other	18	15	14	(18)	10
Net change in plan fiduciary net position	(47,171)	76,404	9,002	17,913	17,645
Plan fiduciary net position - beginning	528,127	451,723	442,721	424,808	407,163
Plan fiduciary net position - ending (b)	$ 480,956	$ 528,127	$ 451,723	$ 442,721	$ 424,808
FRSWPF's's net pension liability (asset) - ending (a) - (b)	$ 19,662	$ (27,931)	$ 36,185	$ 36,283	$ 48,840
Plan fiduciary net position as a percentage of the total pension liability	96.07%	105.58%	92.58%	92.43%	89.69%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

	2022	2021	2020	2019	2018
Registers of Deeds'					
Total pension liability					
Service Cost	$ 1,107	$ 1,120	$ 1,125	$ 1,117	$ 1,086
Interest	1,025	1,134	1,122	1,133	1,157
Differences between expected and actual experience	(360)	308	(124)	(770)	(1,125)
Changes of assumptions	-	2,101	-	-	-
Benefit payments, including refunds of member contributions	(1,844)	(1,802)	(1,788)	(1,754)	(1,793)
Net change in total pension liability	(72)	2,861	335	(274)	(675)
Total pension liability - beginning	33,990	31,129	30,794	31,068	31,743
Total pension liability - ending (a)	$ 33,918	$ 33,990	$ 31,129	$ 30,794	$ 31,068
Plan fiduciary net position					
Contributions-employer	$ 1,146	$ 1,200	$ 958	$ 950	$ 856
Net investment income	(5,334)	(228)	4,353	3,721	(230)
Benefit payments, including refunds of member contributions	(1,844)	(1,802)	(1,788)	(1,754)	(1,793)
Administrative expense	(13)	(14)	(12)	(12)	(14)
Net change in plan fiduciary net position	(6,045)	(844)	3,511	2,905	(1,181)
Plan fiduciary net position - beginning	53,203	54,047	50,536	47,631	48,812
Plan fiduciary net position - ending (b)	$ 47,158	$ 53,203	$ 54,047	$ 50,536	$ 47,631
RODSPF's net pension asset - ending (a) - (b)	$ (13,240)	$ (19,213)	$ (22,918)	$ (19,742)	$ (16,563)
Plan fiduciary net position as a percentage of the total pension liability	139.04%	156.53%	173.62%	164.11%	153.31%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension asset as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

2017	2016	2015	2014
$ 4,841	$ 5,610	$ 5,884	$ 5,710
31,475	30,035	29,671	29,394
-	118	-	8,770
2,048	(2,177)	(2,799)	2,714
2,549	15,577	-	(16,688)
(29,070)	(27,998)	(26,912)	(25,614)
11,843	21,165	5,844	4,286
443,832	422,667	416,823	412,537
$ 455,675	$ 443,832	$ 422,667	$ 416,823
$ 2,594	$ 2,778	$ 2,822	$ 2,781
17,602	13,900	13,900	14,627
39,928	2,867	8,711	53,842
(29,070)	(27,998)	(26,912)	(25,614)
(919)	(860)	(1,622)	(1,045)
15	18	4	2
30,150	(9,295)	(3,097)	44,593
377,013	386,308	389,405	344,812
$ 407,163	$ 377,013	$ 386,308	$ 389,405
$ 48,512	$ 66,819	$ 36,359	$ 27,418
89.35%	84.94%	91.40%	93.42%
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

$ 860	$ 579	$ 578	$ 563
1,164	1,354	1,372	1,342
440	(45)	(558)	302
-	7,082	-	-
(1,793)	(1,718)	(1,715)	(1,666)
671	7,252	(323)	541
31,072	23,820	24,143	23,602
$ 31,743	$ 31,072	$ 23,820	$ 24,143
$ 869	$ 817	$ 802	$ 817
(13)	3,722	1,114	2,714
(1,793)	(1,718)	(1,715)	(1,666)
(19)	(47)	(16)	(18)
(956)	2,774	185	1,847
49,768	46,994	46,809	44,962
$ 48,812	$ 49,768	$ 46,994	$ 46,809
$ (17,069)	$ (18,696)	$ (23,174)	$ (22,666)
153.77%	160.17%	197.29%	193.88%
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS
Last Nine Fiscal Years
(Dollars in Thousands)

	2022	2021	2020	2019	2018
Consolidated Judicial					
Total pension liability					
Service Cost	$ 14,320	$ 19,545	$ 18,869	$ 18,710	$ 17,192
Interest	51,397	49,700	48,149	46,838	45,397
Changes of benefit terms	2,127	-	-	-	430
Differences between expected and actual experience	22,417	2,451	4,583	845	7,660
Changes of assumptions	-	46,622	-	-	12,836
Benefit payments, including refunds of member contributions	(53,819)	(50,001)	(48,920)	(46,451)	(43,392)
Net change in total pension liability	36,442	68,317	22,681	19,942	40,123
Total pension liability - beginning	802,893	734,576	711,895	691,953	651,830
Total pension liability - ending (a)	$ 839,335	$ 802,893	$ 734,576	$ 711,895	$ 691,953
Plan fiduciary net position					
Contributions-employer	$ 33,428	$ 29,259	$ 26,637	$ 25,636	$ 23,988
Contributions-member	5,470	5,585	5,224	5,151	5,706
Net investment income	(51,610)	118,772	25,923	38,211	41,123
Benefit payments, including refunds of member contributions	(53,819)	(50,001)	(48,920)	(46,451)	(43,392)
Administrative expense	(29)	(34)	(27)	(30)	(24)
Other	4	-	-	(119)	-
Net change in plan fiduciary net position	(66,556)	103,581	8,837	22,398	27,401
Plan fiduciary net position - beginning	731,320	627,739	618,902	596,504	569,103
Plan fiduciary net position - ending (b)	$ 664,764	$ 731,320	$ 627,739	$ 618,902	$ 596,504
CJRS's net pension liability - ending (a) - (b)	$ 174,571	$ 71,573	$ 106,837	$ 92,993	$ 95,449
Plan fiduciary net position as a percentage of the total pension liability	79.20%	91.09%	85.46%	86.94%	86.21%
Covered payroll	$ 83,528	$ 80,294	$ 79,277	$ 75,712	$ 77,255
Net pension liability as a percentage of covered payroll	209.00%	89.14%	134.76%	122.82%	123.55%
Legislative					
Total pension liability					
Service Cost	$ 796	$ 1,034	$ 1,058	$ 1,088	$ 1,006
Interest	1,925	2,053	2,051	2,052	2,028
Changes of benefit terms	94	-	-	-	24
Differences between expected and actual experience	(281)	(815)	(617)	(596)	207
Changes of assumptions	-	(353)	-	-	511
Benefit payments, including refunds of member contributions	(2,358)	(2,516)	(2,388)	(2,732)	(2,531)
Net change in total pension liability	176	(597)	104	(188)	1,245
Total pension liability - beginning	29,974	30,571	30,467	30,655	29,410
Total pension liability - ending (a)	$ 30,150	$ 29,974	$ 30,571	$ 30,467	$ 30,655
Plan fiduciary net position					
Contributions-employer	$ 1,029	$ 987	$ 956	$ 809	$ 689
Contributions-member	253	253	253	257	253
Net investment income	(2,183)	5,162	1,151	1,726	1,975
Benefit payments, including refunds of member contributions	(2,358)	(2,516)	(2,388)	(2,732)	(2,531)
Administrative expense	(15)	(13)	(13)	(14)	(14)
Other	(1)	-	6	(50)	-
Net change in plan fiduciary net position	(3,275)	3,873	(35)	(4)	372
Plan fiduciary net position - beginning	31,895	28,022	28,057	28,061	27,689
Plan fiduciary net position - ending (b)	$ 28,620	$ 31,895	$ 28,022	$ 28,057	$ 28,061
LRS's net pension liability (asset) - ending (a) - (b)	$ 1,530	$ (1,921)	$ 2,549	$ 2,410	$ 2,594
Plan fiduciary net position as a percentage of the total pension liability	94.93%	106.41%	91.66%	92.09%	91.54%
Covered payroll	$ 3,619	$ 3,615	$ 3,613	$ 3,611	$ 3,618
Net pension liability (asset) as a percentage of covered payroll	42.28%	(53.14%)	70.55%	66.74%	71.70%

2017	2016	2015	2014
$ 15,630	$ 16,904	$ 16,812	$ 16,637
44,837	42,009	40,846	39,405
4,349	332	-	3,031
2,193	(4,295)	(2,289)	(2,484)
3,032	26,588	-	-
(42,053)	(40,462)	(38,364)	(35,428)
27,988	41,076	17,005	21,161
623,842	582,766	565,761	544,600
$ 651,830	$ 623,842	$ 582,766	$ 565,761
$ 19,592	$ 18,908	$ 18,949	$ 21,390
7,399	7,561	6,238	5,598
55,762	3,972	12,176	74,294
(42,053)	(40,462)	(38,364)	(35,428)
(37)	(73)	(30)	(48)
-	-	1	3
40,663	(10,094)	(1,030)	65,809
528,440	538,534	539,564	473,755
$ 569,103	$ 528,440	$ 538,534	$ 539,564
$ 82,727	$ 95,402	$ 44,232	$ 26,197
87.31%	84.71%	92.41%	95.37%
$ 66,504	$ 69,489	$ 69,638	$ 76,367
124.39%	137.29%	63.52%	34.30%

$ 872	$ 822	$ 844	$ 747
2,056	1,708	1,742	1,678
215	22	-	146
(122)	(520)	(579)	762
121	5,151	-	-
(2,437)	(2,430)	(2,473)	(2,614)
705	4,753	(466)	719
28,705	23,952	24,418	23,699
$ 29,410	$ 28,705	$ 23,952	$ 24,418
$ 675	$ 65	$ -	$ -
253	253	253	253
2,744	181	642	4,293
(2,437)	(2,430)	(2,473)	(2,614)
(18)	(53)	(17)	(37)
-	-	-	-
1,217	(1,984)	(1,595)	1,895
26,472	28,456	30,051	28,156
$ 27,689	$ 26,472	$ 28,456	$ 30,051
$ 1,721	$ 2,233	$ (4,504)	$ (5,633)
94.15%	92.22%	118.80%	123.07%
$ 3,705	$ 3,616	$ 3,611	$ 3,608
46.45%	61.75%	(124.73%)	(156.13%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Nine Fiscal Years

(Dollars in Thousands)

	2022	2021	2020	2019	2018
North Carolina National Guard					
Total pension liability					
Service Cost	$ 196	$ 276	$ 315	$ 327	$ 304
Interest	11,070	11,097	11,746	12,368	12,288
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(26,734)	4,599	(12,364)	(12,701)	(1,748)
Changes of assumptions	-	4,601	-	-	3,926
Benefit payments, including refunds of member contributions	(9,049)	(8,915)	(9,018)	(8,736)	(8,766)
Net change in total pension liability	(24,517)	11,658	(9,321)	(8,742)	6,004
Total pension liability - beginning	174,571	162,913	172,234	180,976	174,972
Total pension liability - ending (a)	$ 150,054	$ 174,571	$ 162,913	$ 172,234	$ 180,976
Plan fiduciary net position					
Contributions-nonemployer	$ 11,032	$ 11,032	$ 11,032	$ 9,072	$ 8,923
Net investment income	(12,272)	27,365	5,871	8,463	8,766
Benefit payments, including refunds of member contributions	(9,049)	(8,915)	(9,018)	(8,736)	(8,766)
Administrative expense	(91)	(94)	(83)	(13)	(249)
Other	(4)	1	1	(16)	2
Net change in plan fiduciary net position	(10,384)	29,389	7,803	8,770	8,676
Plan fiduciary net position - beginning	175,765	146,376	138,573	129,803	121,127
Plan fiduciary net position - ending (b)	$ 165,381	$ 175,765	$ 146,376	$ 138,573	$ 129,803
NGPF's net pension liability (asset) - ending (a) - (b)	$ (15,327)	$ (1,194)	$ 16,537	$ 33,661	$ 51,173
Plan fiduciary net position as a percentage of the total pension liability	110.21%	100.68%	89.85%	80.46%	71.72%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

2017	2016	2015	2014
$ 305	$ 593	$ 550	$ 512
11,975	10,700	9,916	9,330
-	-	8,734	5,752
1,204	30	(198)	192
955	15,149	-	-
(8,677)	(8,512)	(7,958)	(7,502)
5,762	17,960	11,044	8,284
169,210	151,250	140,206	131,922
$ 174,972	$ 169,210	$ 151,250	$ 140,206
$ 8,517	$ 7,066	$ 6,039	$ 7,007
11,626	842	2,493	14,942
(8,677)	(8,512)	(7,958)	(7,502)
(168)	(97)	(75)	(73)
-	1	-	1
11,298	(700)	499	14,375
109,829	110,529	110,030	95,655
$ 121,127	$ 109,829	$ 110,529	$ 110,030
$ 53,845	$ 59,381	$ 40,721	$ 30,176
69.23%	64.91%	73.08%	78.48%
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 2,761,946	$ 2,373,252	$ 2,055,075	$ 1,915,146	$ 1,565,728
Contributions in relation to the actuarially determined contribution (1)	2,761,946	2,373,252	2,055,075	1,915,146	1,602,901
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (37,173)
Covered payroll	$ 16,861,697	$ 16,057,185	$ 15,844,834	$ 15,582,963	$ 14,869,212
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%
Local Governmental Employees'					
Actuarially determined contribution	$ 886,620	$ 763,653	$ 625,511	$ 512,287	$ 483,559
Contributions in relation to the actuarially determined contribution (1)	880,449	745,308	640,969	534,107	492,317
Contribution excess	$ 6,171	$ 18,345	$ (15,458)	$ (21,820)	$ (8,758)
Covered payroll	$ 7,570,499	$ 7,166,423	$ 6,914,444	$ 6,665,378	$ 6,368,275
Contributions as a percentage of covered payroll	11.63%	10.40%	9.27%	8.01%	7.73%
Firefighters' and Rescue Squad Workers' (2)					
Actuarially determined contribution	$ 15,183	$ 14,846	$ 14,324	$ 14,544	$ 14,287
Contributions in relation to the actuarially determined contribution (1)	19,352	19,002	18,652	18,302	17,952
Contribution deficiency (excess)	$ (4,169)	$ (4,156)	$ (4,328)	$ (3,758)	$ (3,665)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'					
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution (1)	1,146	1,200	958	950	856
Contribution excess	$ (1,146)	$ (1,200)	$ (958)	$ (950)	$ (856)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

(1) Contributions in relation to the actuarially determined contribution are the same as the contractually required contribution (CRC). The CRC was the same as the actuarially determined contribution except in years where there is a deficiency (excess).

(2) Nonemployer contributing entity

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the pension RSI tables.

2017	2016	2015	2014	2013
$ 1,438,306	$ 1,210,904	$ 1,262,988	$ 1,177,341	$ 1,078,783
1,441,194	1,275,003	1,262,988	1,177,341	1,120,482
$ (2,888)	$ (64,099)	$ -	$ -	$ (41,699)
$ 14,440,822	$ 13,934,459	$ 13,803,148	$ 13,548,227	$ 13,451,164
9.98%	9.15%	9.15%	8.69%	8.33%
$ 453,193	$ 393,920	$ 402,429	$ 397,462	$ 370,152
461,329	414,168	408,694	413,175	383,889
$ (8,136)	$ (20,248)	$ (6,265)	$ (15,713)	$ (13,737)
$ 6,192,808	$ 5,860,574	$ 5,650,694	$ 5,553,383	$ 5,421,364
7.45%	7.07%	7.23%	7.44%	7.08%
$ 17,705	$ 13,241	$ 13,900	$ 14,620	$ 14,074
17,602	13,900	13,900	14,627	15,447
$ 103	$ (659)	$ -	$ (7)	$ (1,373)
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -
869	817	802	817	937
$ (869)	$ (817)	$ (802)	$ (817)	$ (937)
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Consolidated Judicial	**2022**	**2021**	**2020**	**2019**	**2018**
Actuarially determined contribution	$ 33,428	$ 29,259	$ 26,637	$ 24,947	$ 23,988
Contributions in relation to the actuarially determined contribution	33,428	29,259	26,637	25,636	23,988
Contribution deficiency (excess)	$ -	$ -	$ -	$ (689)	$ -
Covered payroll	$ 83,528	$ 80,294	$ 79,277	$ 75,712	$ 77,255
Contributions as a percentage of covered payroll	40.02%	36.44%	33.60%	33.86%	31.05%
Legislative					
Actuarially determined contribution	$ 1,029	$ 987	$ 956	$ 809	$ 689
Contributions in relation to the actuarially determined contribution	1,029	987	956	809	689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,619	$ 3,615	$ 3,613	$ 3,611	$ 3,618
Contributions as a percentage of covered payroll	28.43%	27.30%	26.46%	22.40%	19.04%
North Carolina National Guard *					
Actuarially determined contribution	$ 11,032	$ 11,032	$ 11,032	$ 9,072	$ 8,923
Contributions in relation to the actuarially determined contribution	11,032	11,032	11,032	9,072	8,923
Contribution excess	$ -	$ -	$ -	$ -	$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

* Nonemployer contributing entity

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the pension RSI tables.

2017	2016	2015	2014	2013
$ 19,592	$ 18,324	$ 18,949	$ 21,390	$ 18,992
19,592	18,908	18,949	21,390	18,992
$ -	$ (584)	$ -	$ -	$ -
$ 66,504	$ 69,489	$ 69,638	$ 76,367	$ 71,533
29.46%	27.21%	27.21%	28.01%	26.55%
$ 675	$ 65	$ -	$ -	$ -
675	65	-	-	-
$ -	$ -	$ -	$ -	$ -
$ 3,705	$ 3,616	$ 3,611	$ 3,608	$ 3,600
18.22%	1.80%	0.00%	0.00%	0.00%
$ 8,517	$ 7,066	$ 6,039	$ 5,349	$ 5,667
8,517	7,066	6,039	7,007	7,007
$ -	$ -	$ -	$ (1,658)	$ (1,340)
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT PENSION PLANS

Last Nine Fiscal Years

Annual money-weighted rate of return, net of investment expense	2022	2021	2020	2019	2018
Cost-Sharing, Multiple Employer					
Teachers' and State Employees'	(7.18%)	19.13%	4.35%	6.57%	7.61%
Local Governmental Employees'	(7.20%)	19.10%	4.34%	6.58%	7.59%
Firefighters' and Rescue Squad Workers'	(7.15%)	19.10%	4.33%	6.55%	7.59%
Registers of Deeds'	(10.13%)	(0.43%)	8.72%	7.91%	(0.47%)
Single-Employer					
Consolidated Judicial	(7.17%)	19.13%	4.36%	6.57%	7.60%
Legislative	(7.00%)	18.81%	4.30%	6.43%	7.64%
North Carolina National Guard	(6.90%)	18.40%	4.28%	6.52%	7.44%

2017	2016	2015	2014
10.75%	0.74%	2.27%	15.88%
10.74%	0.77%	2.27%	15.86%
10.76%	0.75%	2.26%	15.62%
(0.03%)	8.04%	2.26%	6.04%
10.75%	0.75%	2.27%	15.87%
10.72%	0.66%	2.25%	15.91%
10.63%	0.77%	2.25%	15.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2022

Changes of benefit terms.

	Cost of Living Increase									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cost-Sharing, Multiple-Employer										
Teachers' and State Employees'	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A
Local Governmental Employees'	N/A	N/A	N/A	N/A	N/A	0.11%	0.63%	N/A	N/A	N/A
Firefighters' and Rescue Squad Workers'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single-Employer										
Consolidated Judicial	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A
Legislative	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A
North Carolina National Guard (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Beginning in FY 2015, with the implementation of GASB 68, the above table reflects COLA's in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan NPL.

(1) In 2015, basic benefits were increased from $95 to $99 and total potential benefits were increased from $190 to $198. In 2016, basic benefits were increased from $99 to $105 and total benefits were increased from $198 to $210.

N/A - not applicable

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS and LRS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS, and LRS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS, CJRS, and LRS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2023. LGERS benefit recipients will receive a one-time benefit supplement payment equal to 2% of the member's annual benefit amount for the fiscal year ending June 30, 2023, paid by October 2022. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and assumptions used in calculations of actuarially determined contributions.
An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2022

determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions. In January 2021, the actuarial assumptions were updated to more closely reflect actual experience. These assumptions pertain to the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Registers of Deeds' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund was lowered from 7.00% to 6.50%, and for the Register of Deeds' Supplemental Pension Fund from 3.75% to 3.00%, effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS — EMPLOYERS (PRIMARY GOVERNMENT AND COMPONENT UNITS)

Required supplementary information for employers provides information on the allocations of net pension liabilities and employer contributions.

The Required Supplementary Information for Employers includes the following schedules:

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net Pension Liability

Schedule of the Primary Government's (Nonemployer) Proportionate Share of the Net Pension Liability

Schedule of the Primary Government's and Component Units' Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Note: For information about the net pension liability of Consolidated Judicial and Legislative (single employer plans) and the primary government's contributions to Consolidated Judicial, Legislative, Firefighters' and Rescue Squad Workers', and North Carolina National Guard, refer to the preceding section on required supplementary information for pension plans. Firefighters' and Rescue Squad Workers' and the North Carolina National Guard are special funding situations in which the State is not the employer but is the only contributing entity. The net pension liabilities of pension plans were measured as of June 30, 2022. The net pension liabilities of employers were measured as of June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Nine Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Teachers' and State Employees'	**2022**	**2021**	**2020**	**2019**	**2018**
Primary Government					
Proportion of the net pension liability	23.50%	22.26%	21.83%	21.75%	21.74%
Proportionate share of the net pension liability	$ 1,100,342	$ 2,689,921	$ 2,263,139	$ 2,165,010	$ 1,725,012
Covered payroll	$ 3,987,199	$ 3,778,103	$ 3,542,384	$ 3,499,295	$ 3,264,890
Proportionate share of the net pension liability as a percentage of covered payroll	27.60%	71.20%	63.89%	61.87%	52.84%
Component Units					
University of North Carolina System					
Proportion of the net pension liability	15.26%	15.12%	15.05%	14.90%	14.72%
Proportionate share of the net pension liability	$ 714,488	$ 1,826,248	$ 1,559,975	$ 1,482,962	$ 1,167,833
Covered payroll	$ 2,435,636	$ 2,431,573	$ 2,374,044	$ 2,280,501	$ 2,202,204
Proportionate share of the net pension liability as a percentage of covered payroll	29.33%	75.11%	65.71%	65.03%	53.03%
Community Colleges					
Proportion of the net pension liability	5.58%	5.56%	5.68%	5.80%	5.96%
Proportionate share of the net pension liability	$ 261,349	$ 671,817	$ 588,482	$ 577,687	$ 472,532
Covered payroll	$ 909,736	$ 927,386	$ 873,702	$ 876,939	$ 895,962
Proportionate share of the net pension liability as a percentage of covered payroll	28.73%	72.44%	67.36%	65.88%	52.74%
Other Component Units					
Proportion of the net pension liability	0.18%	0.18%	0.17%	0.17%	0.16%
Proportionate share of the net pension liability	$ 8,524	$ 21,667	$ 18,087	$ 16,760	$ 12,763
Covered payroll	$ 31,218	$ 30,285	$ 28,153	$ 27,263	$ 27,154
Proportionate share of the net pension liability as a percentage of covered payroll	27.30%	71.54%	64.25%	61.48%	47.00%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

2017	2016	2015	2014
21.93%	22.47%	22.78%	22.95%
$ 2,015,413	$ 828,018	$ 267,119	$ 1,393,385
$ 3,311,814	$ 3,498,284	$ 3,255,443	$ 3,203,001
60.86%	23.67%	8.21%	43.50%
14.43%	14.45%	14.79%	14.48%
$ 1,325,896	$ 532,624	$ 173,441	$ 878,936
$ 2,117,672	$ 2,053,148	$ 2,089,885	$ 1,987,497
62.61%	25.94%	8.30%	44.22%
5.92%	5.89%	5.87%	5.80%
$ 543,846	$ 216,890	$ 68,803	$ 352,004
$ 871,399	$ 861,639	$ 853,383	$ 1,165,333
62.41%	25.17%	8.06%	30.21%
0.16%	0.17%	0.17%	0.17%
$ 14,653	$ 6,224	$ 2,049	$ 10,605
$ 25,454	$ 25,574	$ 25,673	$ 39,228
57.57%	24.34%	7.98%	27.03%
87.32%	94.64%	98.24%	90.60%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S (NONEMPLOYER) PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Nine Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Firefighters' and Rescue Squad Workers'	2022	2021	2020	2019	2018
Primary Government					
Proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	$ (27,931)	$ 36,185	$ 36,283	$ 48,840	$ 48,512
Plan fiduciary net position as a percentage of the total pension liability	105.58%	92.58%	92.43%	89.69%	89.35%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard	2022	2021	2020	2019	2018
Primary Government					
Proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	$ (1,194)	$ 16,537	$ 33,661	$ 51,173	$ 53,845
Plan fiduciary net position as a percentage of the total pension liability	100.68%	89.85%	80.46%	71.72%	69.23%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

2017	2016	2015	2014
100.00%	100.00%	100.00%	100.00%
$ 66,819	$ 36,359	$ 27,418	$ 67,725
84.94%	91.40%	93.42%	83.58%

100.00%	100.00%	100.00%	100.00%
$ 59,381	$ 40,721	$ 30,176	$ 36,267
64.91%	73.08%	78.48%	72.51%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS
Last Nine Fiscal Years
(Dollars in Thousands)

Teachers' and State Employees'	**2022**	**2021**	**2020**	**2019**	**2018**
Primary Government					
Contractually required contribution	$ 644,821	$ 589,308	$ 490,020	$ 435,359	$ 377,224
Contributions in relation to the contractually required contribution	644,821	589,308	490,020	435,359	377,224
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,936,636	$ 3,987,199	$ 3,778,103	$ 3,542,384	$ 3,499,295
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 410,554	$ 359,987	$ 315,375	$ 291,770	$ 245,838
Contributions in relation to the contractually required contribution	410,554	359,987	315,375	291,770	245,838
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,506,435	$ 2,435,636	$ 2,431,573	$ 2,374,044	$ 2,280,501
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%
Community Colleges					
Contractually required contribution	$ 157,746	$ 134,459	$ 120,282	$ 107,378	$ 94,534
Contributions in relation to the contractually required contribution	157,746	134,459	120,282	107,378	94,534
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 963,040	$ 909,736	$ 927,386	$ 873,702	$ 876,939
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%
Other Component Units					
Contractually required contribution	$ 5,526	$ 4,614	$ 3,928	$ 3,460	$ 2,939
Contributions in relation to the contractually required contribution	5,526	4,614	3,928	3,460	2,939
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 33,736	$ 31,218	$ 30,285	$ 28,153	$ 27,263
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%

2017	2016	2015	2014
$ 325,836	$ 303,031	$ 320,093	$ 282,898
325,836	303,031	320,093	282,898
$ -	$ -	$ -	$ -
$ 3,264,890	$ 3,311,814	$ 3,498,284	$ 3,255,443
9.98%	9.15%	9.15%	8.69%
$ 219,780	$ 193,767	$ 187,863	$ 181,611
219,780	193,767	187,863	181,611
$ -	$ -	$ -	$ -
$ 2,202,204	$ 2,117,672	$ 2,053,148	$ 2,089,885
9.98%	9.15%	9.15%	8.69%
$ 89,417	$ 79,733	$ 78,840	$ 74,159
89,417	79,733	78,840	74,159
$ -	$ -	$ -	$ -
$ 895,962	$ 871,399	$ 861,639	$ 853,383
9.98%	9.15%	9.15%	8.69%
$ 2,710	$ 2,329	$ 2,340	$ 2,231
2,710	2,329	2,340	2,231
$ -	$ -	$ -	$ -
$ 27,154	$ 25,454	$ 25,574	$ 25,673
9.98%	9.15%	9.15%	8.69%

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REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS — GASB STATEMENT 73

Required supplementary information for pensions that are not administered through a trust provides information on the sources of changes in the total pension liability and information about the components of the pension liability.

The Required Supplementary Information for pensions not administered through a trust includes the following schedules:

Schedule of Changes in the Total Pension Liability and Related Ratios: Single-Employer, Defined Benefit Pension Plan

Notes to Required Supplementary Information: Schedule of the Total Pension Liability

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN

Last Six Fiscal Years

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Special Separation Allowance					
Total pension liability					
Service Cost	$ 11,074	$ 9,303	$ 7,842	$ 7,090	$ 5,779
Interest	5,764	6,217	6,519	6,721	5,328
Changes of benefit terms	-	-	-	-	18,621
Differences between expected and actual experience	14,160	29,972	11,825	894	8,582
Changes of assumptions	47,935	10,736	3,091	5,051	(5,675)
Benefit payments, including refunds of member contributions	(18,662)	(17,820)	(16,922)	(16,031)	(15,631)
Net change in total pension liability	60,271	38,408	12,355	3,725	17,004
Total pension liability - beginning	270,145	231,737	219,382	215,657	198,653
Total pension liability - ending	$ 330,416	$ 270,145	$ 231,737	$ 219,382	$ 215,657
Covered-employee payroll	$ 305,971	$ 286,465	$ 265,387	$ 258,472	$ 243,663
Total pension liability as a percentage of covered-employee payroll	107.99%	94.30%	87.32%	84.88%	88.51%

2017
$ 6,112
7,314
-
3,927
(1,216)
(14,895)
1,242
197,411
$ 198,653
$ 161,416
123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2022

The Special Separation Allowance (SSA) is a single-employer, defined benefit pension plan in which there are no accumulated assets in a trust fund to pay the benefits to the retired law enforcement officers (LEOs). These benefits are funded on a pay-as-you-go basis from budget appropriated annually of each affected state agency.

Changes in assumptions since the prior measurement date. The discount rate was lowered from 2.21% at June 30, 2021 to 2.16% at June 30, 2022 due to a change in the Municipal Bond Index Rate.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS

Required supplementary information for other postemployment benefit plans provides information on the sources of changes in net OPEB liabilities, information about the components of net OPEB liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Other Postemployment Benefit plans includes the following schedules:

Schedule of Changes in the Net OPEB Liability and Related Ratios: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Employer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Investment Returns: All Defined Benefit OPEB Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Six Fiscal Years

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Retiree Health Benefit					
Total OPEB liability					
Service Cost	$ 2,131,391	$ 1,974,212	$ 1,824,174	$ 1,539,092	$ 1,753,384
Interest	758,427	690,162	1,203,196	1,192,810	1,261,878
Changes of benefit terms	(96,837)	-	224,085	(72,358)	-
Differences between expected and actual experience	106,923	194,899	30,157	(156,655)	(80,951)
Changes of assumptions	(8,798,881)	1,939,421	(5,489,969)	1,824,892	(6,141,972)
Benefit payments, including refunds of member contributions	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)
Net change in total OPEB liability	(6,943,098)	3,698,061	(3,293,025)	3,296,825	(4,184,837)
Total OPEB liability - beginning	33,500,219	29,802,158	33,095,183	29,798,358	33,983,195
Total OPEB liability - ending (a)	$ 26,557,121	$ 33,500,219	$ 29,802,158	$ 33,095,183	$ 29,798,358
Plan fiduciary net position					
Contributions-employer	$ 1,197,278	$ 1,214,750	$ 1,162,967	$ 1,104,902	$ 1,018,693
Contributions-other	180,506	187,000	475,200	-	-
Net investment income	(107,846)	222,377	52,286	71,780	72,384
Benefit payments, including refunds of member contributions	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)
Administrative expense	(174)	(175)	(162)	(215)	(298)
Net change in plan fiduciary net position	225,643	523,319	605,623	145,511	113,603
Plan fiduciary net position - beginning	2,584,626	2,061,307	1,455,684	1,310,173	1,196,570
Plan fiduciary net position - ending (b)	$ 2,810,269	$ 2,584,626	$ 2,061,307	$ 1,455,684	$ 1,310,173
Retiree Health Benefit net OPEB liability - ending (a) - (b)	$ 23,746,852	$ 30,915,593	$ 27,740,851	$ 31,639,499	$ 28,488,185
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	7.72%	6.92%	4.40%	4.40%
Covered payroll	$ 19,034,634	$ 18,184,883	$ 17,974,758	$ 17,622,035	$ 16,837,901
Net OPEB liability as a percentage of covered payroll	124.76%	170.01%	154.33%	179.55%	169.19%
Disability Income					
Total OPEB liability					
Service Cost	$ 22,246	$ 23,010	$ 22,708	$ 22,567	$ 25,919
Interest	9,528	10,969	11,424	13,800	14,654
Changes of benefit terms	-	-	-	-	(44,158)
Differences between expected and actual experience	1,735	15,758	5,137	4,106	48,787
Changes of assumptions	(552)	(2,935)	2	(4,980)	6,692
Benefit payments, including refunds of member contributions	(40,381)	(47,453)	(55,210)	(61,946)	(69,949)
Net change in total OPEB liability	(7,424)	(651)	(15,939)	(26,453)	(18,055)
Total OPEB liability - beginning	315,388	316,039	331,978	358,431	376,486
Total OPEB liability - ending (a)	$ 307,964	$ 315,388	$ 316,039	$ 331,978	$ 358,431
Plan fiduciary net position					
Contributions-employer	$ 17,019	$ 16,226	$ 17,848	$ 24,468	$ 23,385
Net investment income	(29,145)	(1,292)	28,322	24,725	(1,481)
Benefit payments, including refunds of member contributions	(40,381)	(47,453)	(55,210)	(61,946)	(69,949)
Administrative expense	(999)	(879)	(835)	(926)	(777)
Other	-	(113)	(20)	-	23
Net change in plan fiduciary net position	(53,506)	(33,511)	(9,895)	(13,679)	(48,799)
Plan fiduciary net position - beginning	331,722	365,233	375,128	388,807	437,606
Plan fiduciary net position - ending (b)	$ 278,216	$ 331,722	$ 365,233	$ 375,128	$ 388,807
Disability Income's net OPEB asset - ending (a) - (b)	$ 29,748	$ (16,334)	$ (49,194)	$ (43,150)	$ (30,376)
Plan fiduciary net position as a percentage of the total OPEB liability	90.34%	105.18%	115.57%	113.00%	108.47%
Covered payroll	$ 18,909,461	$ 18,028,883	$ 17,848,000	$ 17,477,148	$ 16,703,858
Net OPEB asset as a percentage of covered payroll	0.16%	(0.09%)	(0.28%)	(0.25%)	(0.18%)

2017
$ 2,650,984
1,332,874
-
(2,821,033)
(10,835,144)
(922,021)
(10,594,340)
44,577,535
$ 33,983,195
$ 950,813
-
94,132
(922,021)
(490)
122,434
1,074,136
$ 1,196,570
$ 32,786,625
3.52%
$ 16,365,112
200.34%
$ 25,441
14,111
(403)
22,345
-
(71,728)
(10,234)
386,720
$ 376,486
$ 61,654
(122)
(71,728)
(1,050)
32
(11,214)
448,820
$ 437,606
$ (61,120)
116.23%
$ 16,224,737
(0.38%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Retiree Health Benefit	**2022**	**2021**	**2020**	**2019**	**2018**
Actuarially determined contribution	$ 2,084,130	$ 3,049,625	$ 2,823,873	$ 2,971,069	$ 2,613,258
Contributions in relation to the actuarially determined contribution (1)	1,197,278	1,214,750	1,162,967	1,104,902	1,018,693
Contribution deficiency	$ 886,852	$ 1,834,875	$ 1,660,906	$ 1,866,167	$ 1,594,565
Covered payroll	$ 19,034,634	$ 18,184,883	$ 17,974,758	$ 17,622,035	$ 16,837,901
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%

Disability Income					
Actuarially determined contribution	$ 17,019	$ 16,226	$ 17,848	$ 22,720	$ 23,385
Contributions in relation to the actuarially determined contribution (1)	17,019	16,226	17,848	24,468	23,385
Contribution excess	$ -	$ -	$ -	$ (1,748)	$ -
Covered payroll	$ 18,909,461	$ 18,028,883	$ 17,848,000	$ 17,477,148	$ 16,703,858
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

(1) Contributions in relation to the actuarially determined contribution are the same as the contractually required contribution (CRC). The CRC was the same as the actuarially determined contribution except in years where there is a deficiency (excess).

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the OPEB RSI tables.

2017	2016	2015	2014	2013
$ 2,728,064	$ 2,516,706	$ 2,211,436	$ 2,226,586	$ 2,072,951
950,813	880,847	854,383	815,157	813,223
$ 1,777,251	$ 1,635,859	$ 1,357,053	$ 1,411,429	$ 1,259,728
$ 16,365,112	$ 15,729,411	$ 15,562,532	$ 15,095,500	$ 15,343,830
5.81%	5.60%	5.49%	5.40%	5.30%

$ 24,337	$ 63,963	$ 63,267	$ 65,878	$ 64,969
61,654	63,963	63,267	65,878	64,969
$ (37,317)	$ -	$ -	$ -	$ -
$ 16,224,737	$ 15,600,732	$ 15,430,976	$ 14,972,273	$ 14,765,682
0.38%	0.41%	0.41%	0.44%	0.44%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT OPEB PLANS

Last Six Fiscal Years

Annual money-weighted rate of return, net of investment expense	2022	2021	2020	2019	2018
Retiree Health Benefit	(4.13)%	10.96%	3.80%	5.73%	6.58%
Disability Income	(9.99)%	(0.41)%	8.68%	7.74%	(0.42)%

2017
9.31%
(0.06%)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2022

Changes of benefit terms. Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1,2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State’s potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee’s short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

Method and assumptions used in calculations of actuarially determined contributions. An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions. Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54%, from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2022 for DIPNC, the discount rate was updated to 3.08%, from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with the determination that the plan’s fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers’ and State Employees’ Retirement System and the Committee on Actuarial Valuation of Retired Employees’ Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFIT PLANS – EMPLOYERS (PRIMARY GOVERNMENT AND COMPONENT UNITS)

Required supplementary information for employers provides information on the allocations of net OPEB liabilities and employer contributions.

The Required Supplementary Information for Employers includes the following schedules:

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net OPEB Liability

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net OPEB Asset

Schedule of the Primary Government's and Component Units' Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last Five Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Retiree Health Benefit	2022	2021	2020	2019	2018
Primary Government					
Proportion of the net OPEB liability	20.69%	19.57%	19.38%	19.06%	19.24%
Proportionate share of the net OPEB liability	$ 6,397,613	$ 5,429,964	$ 6,130,058	$ 5,428,301	$ 6,308,532
Covered payroll	$ 4,069,356	$ 3,858,114	$ 3,624,657	$ 3,575,074	$ 3,272,409
Proportionate share of the net OPEB liability as a percentage of covered payroll	157.21%	140.74%	169.12%	151.84%	192.78%
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability	25.57%	25.33%	25.12%	24.31%	23.06%
Proportionate share of the net OPEB liability	$ 7,905,263	$ 7,025,953	$ 7,946,586	$ 6,924,221	$ 7,560,701
Covered payroll	$ 4,531,662	$ 4,477,867	$ 4,401,308	$ 4,068,314	$ 4,632,586
Proportionate share of the net OPEB liability as a percentage of covered payroll	174.45%	156.90%	180.55%	170.20%	163.21%
Community Colleges					
Proportion of the net OPEB liability	4.77%	4.70%	4.86%	5.02%	4.93%
Proportionate share of the net OPEB liability	$ 1,475,791	$ 1,304,098	$ 1,536,342	$ 1,429,417	$ 1,617,372
Covered payroll	$ 910,883	$ 918,872	$ 980,064	$ 889,736	$ 853,363
Proportionate share of the net OPEB liability as a percentage of covered payroll	162.02%	141.92%	156.76%	160.66%	189.53%
Other Component Units					
Proportion of the net OPEB liability	0.16%	0.16%	0.15%	0.14%	0.14%
Proportionate share of the net OPEB liability	$ 49,541	$ 43,564	$ 46,204	$ 40,997	$ 44,486
Covered payroll	$ 32,275	$ 31,376	$ 29,330	$ 28,298	$ 26,235
Proportionate share of the net OPEB liability as a percentage of covered payroll	153.50%	138.84%	157.53%	144.88%	169.57%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' PROPORTIONATE SHARE OF THE NET OPEB ASSET

Last Five Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Disability Income	2022	2021	2020	2019	2018
Primary Government					
Proportion of the net OPEB asset	20.54%	19.23%	18.85%	18.78%	19.02%
Proportionate share of the net OPEB asset	$ (3,354)	$ (9,458)	$ (8,135)	$ (5,707)	$ (11,624)
Covered payroll	$ 3,986,667	$ 3,779,000	$ 3,547,857	$ 3,498,571	$ 3,272,409
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.08%)	(0.25%)	(0.23%)	(0.16%)	(0.36%)
Component Units					
University of North Carolina System					
Proportion of the net OPEB asset	25.30%	25.85%	25.35%	25.03%	24.73%
Proportionate share of the net OPEB asset	$ (4,133)	$ (12,715)	$ (10,937)	$ (7,603)	$ (15,118)
Covered payroll	$ 4,532,222	$ 7,853,000	$ 4,402,143	$ 4,107,143	$ 4,632,586
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.09%)	(0.16%)	(0.25%)	(0.19%)	(0.33%)
Community Colleges					
Proportion of the net OPEB asset	4.88%	4.79%	4.92%	5.04%	5.20%
Proportionate share of the net OPEB asset	$ (797)	$ (2,356)	$ (2,124)	$ (1,520)	$ (3,177)
Covered payroll	$ 941,111	$ 1,560,000	$ 981,429	$ 890,000	$ 853,848
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.08%)	(0.15%)	(0.22%)	(0.17%)	(0.37%)
Other Component Units					
Proportion of the net OPEB asset	0.16%	0.16%	0.15%	0.14%	0.14%
Proportionate share of the net OPEB asset	$ (26)	$ (80)	$ (65)	$ (43)	$ (83)
Covered payroll	$ 32,222	$ 32,000	$ 27,143	$ 27,857	$ 26,235
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.08%)	(0.25%)	(0.24%)	(0.15%)	(0.32%)
Plan fiduciary net position as a percentage of the total OPEB liability	105.18%	115.57%	113.00%	108.47%	116.23%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Five Fiscal Years

(Dollars in Thousands)

Retiree Health	2022	2021	2020	2019	2018
Primary Government					
Contractually required contribution	$ 253,027	$ 271,833	$ 249,620	$ 227,266	$ 216,292
Contributions in relation to the contractually required contribution	253,027	271,833	249,620	227,266	216,292
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,022,687	$ 4,069,356	$ 3,858,114	$ 3,624,657	$ 3,575,074
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 294,872	$ 302,715	$ 289,718	$ 275,962	$ 246,133
Contributions in relation to the contractually required contribution	294,872	302,715	289,718	275,962	246,133
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,687,949	$ 4,531,662	$ 4,477,867	$ 4,401,308	$ 4,068,314
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%
Community Colleges					
Contractually required contribution	$ 59,297	$ 60,847	$ 59,451	$ 61,450	$ 53,829
Contributions in relation to the contractually required contribution	59,297	60,847	59,451	61,450	53,829
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 942,719	$ 910,883	$ 918,872	$ 980,064	$ 889,736
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%
Other Component Units					
Contractually required contribution	$ 2,166	$ 2,156	$ 2,030	$ 1,839	$ 1,712
Contributions in relation to the contractually required contribution	2,166	2,156	2,030	1,839	1,712
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 34,436	$ 32,275	$ 31,376	$ 29,330	$ 28,298
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS
Last Five Fiscal Years
(Dollars in Thousands)

Disability Income	**2022**	**2021**	**2020**	**2019**	**2018**
Primary Government					
Contractually required contribution	$ 3,544	$ 3,588	$ 3,779	$ 4,967	$ 4,898
Contributions in relation to the contractually required contribution	3,544	3,588	3,779	4,967	4,898
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,937,778	$ 3,986,667	$ 3,779,000	$ 3,547,857	$ 3,498,571
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 4,211	$ 4,079	$ 7,853	$ 6,163	$ 5,750
Contributions in relation to the contractually required contribution	4,211	4,079	7,853	6,163	5,750
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,678,889	$ 4,532,222	$ 7,853,000	$ 4,402,143	$ 4,107,143
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%
Community Colleges					
Contractually required contribution	$ 840	$ 847	$ 1,560	$ 1,374	$ 1,246
Contributions in relation to the contractually required contribution	840	847	1,560	1,374	1,246
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 933,333	$ 941,111	$ 1,560,000	$ 981,429	$ 890,000
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%
Other Component Units					
Contractually required contribution	$ 31	$ 29	$ 32	$ 38	$ 39
Contributions in relation to the contractually required contribution	31	29	32	38	39
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 34,444	$ 32,222	$ 32,000	$ 27,143	$ 27,857
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

REQUIRED SUPPLEMENTARY INFORMATION
BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosures for budgetary reporting.

The following schedules are included in the Required Supplementary Information for Budget:

Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual (Budgetary Basis—Non-GAAP): General Fund

Notes to Required Supplementary Information: Budgetary Reporting

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL FUND

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget**
Revenues				
Taxes:				
Individual income	$ 14,312,300	$ 14,308,800	$ 17,567,613	$ 3,258,813
Corporate income	1,119,900	1,119,900	1,625,839	505,939
Sales and use	9,611,300	9,611,300	10,200,703	589,403
Franchise	840,000	840,000	888,283	48,283
Insurance	809,400	809,400	972,343	162,943
Beverage	453,300	453,300	521,200	67,900
Inheritance	-	-	173	173
Tobacco products	258,300	258,300	251,570	(6,730)
Other	155,800	155,800	207,323	51,523
Non-Tax:				
Fees, licenses and fines	216,600	216,600	207,649	(8,951)
Investment income	29,600	29,600	59,932	30,332
Disproportionate share receipts	146,706	146,706	167,364	20,658
Other	320,782	320,782	335,124	14,342
Tobacco settlement	139,400	139,400	194,400	55,000
Departmental:				
Federal funds	26,206,814	21,627,811	16,978,833	(4,648,978)
Federal COVID-19 funds	-	8,668,352	9,952,394	1,284,042
Local funds	821,626	937,406	860,077	(77,329)
Inter-agency grants and allocations	35,039	278,026	266,656	(11,370)
Intra-governmental transactions	9,868,627	24,054,149	16,051,013	(8,003,136)
Sales and services	170,484	245,453	184,955	(60,498)
Rental and lease of property	10,259	22,555	22,042	(513)
Fees, licenses and fines	1,227,244	727,852	968,528	240,676
Contributions, gifts and grants	101,563	1,320,610	1,225,725	(94,885)
Miscellaneous	421,368	230,958	211,278	(19,680)
Total Revenues	67,276,412	86,523,060	79,921,017	(6,602,043)
Expenditures				
Current:				
General government	6,790,312	18,003,613	9,632,653	8,370,960
Primary and secondary education	13,118,873	19,995,978	16,107,067	3,888,911
Higher education	6,202,820	6,842,319	6,464,907	377,412
Health and human services	27,928,938	33,709,837	31,800,032	1,909,805
Environment and natural resources	2,679,644	3,050,333	781,995	2,268,338
Economic development	1,183,757	1,517,676	1,099,170	418,506
Public safety, corrections, and regulation	4,803,656	7,280,314	5,939,419	1,340,895
Agriculture	467,326	529,616	329,718	199,898
Capital outlay	50,000	50,000	-	50,000
Debt Service	673,629	1,161,711	668,598	493,113
Total Expenditures	63,898,955	92,141,397	72,823,559	19,317,838
Excess (deficiency) of revenues over expenditures	3,377,457	(5,618,337)	7,097,458	12,715,795
Total Fund Balance at July 1	14,899,335	14,899,335	14,899,335	-
Total Fund Balance at June 30	$ 18,276,792	$ 9,280,998	$ 21,996,793	$ 12,715,795

Fund balance reserved:	
Statutory	$ 5,024,308
Non-reverting purposes	9,806,762
Fund balance unreserved	7,165,723
Total Fund Balance at June 30	$ 21,996,793

BUDGETARY REPORTING

A. General Fund Budgetary Process

The State of North Carolina operates on a biennial budget cycle with separate annual departmental certified budgets adopted by the General Assembly on the cash basis of accounting for the General Fund.

The accompanying budgetary comparison schedule discloses the annual original budget and final budget for the General Fund. Actual amounts in the schedule are presented on the budgetary basis. Since the budgetary basis differs from generally accepted accounting principles (GAAP), a reconciliation between the budgetary basis and the GAAP basis is presented in section C below.

On July 20, 2006, the General Assembly passed Session Law 2006-203, the State Budget Act, to replace the Executive Budget Act. This legislation was effective July 1, 2007 and affected budget development and management by simplifying, reorganizing, updating the current budget statutes, and making changes to conform the statutes to the state constitutional provisions governing appropriations. The legislation provided that agency budgets be classified in accordance with generally accepted accounting principles as interpreted by the State Controller.

The legal level of budgetary control is essentially at the object level. However, departments and institutions may make changes at their discretion within the budget of each purpose between and among objects for supplies and materials, current obligations and services, fixed charges and other expenses, and capital outlay. Also, Chapter 116, Article 1, Part 2A of the General Statutes authorized the 16 universities within the University of North Carolina System and the North Carolina School of Science and Mathematics to apply for special responsibility status, which sets the legal level of budgetary control at the institution's budget code level. A budget code is a convention used in the State's accounting system to distinguish the type of fund and the responsible department or institution. Budget codes are also used to segregate certain purposes within departments or institutions. Institutions with special responsibility status must still have certain budget revisions, primarily those associated with unanticipated revenues, approved by the Office of State Budget and Management (OSBM). Additionally, universities must maintain programs and services in accordance with the guidelines established by the Board of Governors of the consolidated University of North Carolina System. All 16 universities and the North Carolina School of Science and Mathematics have applied for and received special responsibility status.

Generally, unexpended appropriations at the end of the fiscal year lapse and are reappropriated in the next fiscal year. However, in certain circumstances, the OSBM will allow a department to carry forward appropriations for specifically identified expenditures that will be paid in the next fiscal year. This is accomplished by the department requesting the carryforward amount through OSBM and making required entries to the North Carolina Accounting System (NCAS) in the current year expensing the funds from the agency budget codes. The Office of State Controller (OSC) then transfers the funds to the Carryforward Reserve Fund. The funds are held by OSC pending approval from OSBM to return the funds to the agencies. Upon OSBM approval, the funds are transferred back to the agency budget codes. The agency then makes an entry to NCAS recording the revenue in the subsequent fiscal year.

A detailed listing of appropriation and departmental budget information is available for public inspection in the separately published "Budgetary Compliance Report" prepared by the Office of the State Controller, 3514 Bush Street, Raleigh, NC 27609 and through the Office of State Budget and Management, 116 W. Jones Street, Raleigh, NC 27603.

B. Special Fund Budgetary Process

The major special revenue funds, which are the Highway Fund and Highway Trust Fund, do not have annual appropriated budgets.

C. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between budgetary financial data and GAAP financial data.

Basis differences. Budgetary funds are accounted for on the cash basis of accounting, while under GAAP the governmental funds use the modified accrual basis. Accrued revenues and expenditures are recognized in the GAAP financial statements.

Timing differences. A significant variance between budgetary practices and GAAP is any time-restricted appropriations. Section 11.26 of Session Law 2014-100 restricts the use of funds appropriated to the UNC-Need Based Financial Aid Forward Funding Reserve in the current fiscal year to the subsequent fiscal year. Section 11A.3.(f) of Session Law 2016-94 restricts the use of funds appropriated to the Opportunity Scholarship Grant Fund Reserve in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the revenue/expense from being recognized on GAAP basis, which resulted in the recognition of a deferred inflow of resources (deferred state aid) by the recipient and a deferred outflow of resources (forward funded state aid) by the provider. So while the cash is paid to the recipient in the current fiscal year, it will not be recognized as an expense (by the provider) or revenue (by the recipient) until the subsequent fiscal year.

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2022 to the fund balances on a modified accrual basis (GAAP). Amounts are expressed in thousands.

	General Fund
Fund balance (budgetary basis)	
June 30, 2022	$ 21,996,793
Reconciling Adjustments	
Basis Differences	
Accrued revenues	
Taxes receivable	2,702,638
Less tax refunds payable	(1,158,266)
Accounts receivable and other receivables	659,327
Federal funds, net	865,157
Unearned revenue	(4,715,405)
Total accrued revenues	(1,646,549)
Accrued expenditures	
Medical claims payable	(1,066,454)
Accounts payable, accrued liabilities, and other payables	(1,179,762)
Total accrued expenditures	(2,246,216)
Other Adjustments	
Notes receivable	13,482
Inventories	106,823
Advances to outside entities	2,131
Lease receivable	2,351
Timing Differences	
Forward funded state aid	198,780
Fund balance (GAAP basis)	
June 30, 2022	$ 18,427,595

D. Budgetary Reserves

The North Carolina General Assembly has established several accounts in the General Fund as reserved fund balances for budgetary purposes. Funds that are transferred to these accounts from the unreserved credit balance of the General Fund can be used only for their intended purposes and on a budgetary basis are not available for appropriation.

Savings Reserve (General Statute 143C-4-2). The Savings Reserve is established as a reserve in the General Fund and is a component of the unappropriated General Fund balance. In accordance with Session Law 2017-5, in each fiscal year, funds reserved to the Savings Reserve shall be available for expenditure in an aggregate amount that does not exceed seven and one-half percent (7.5%) of the prior fiscal year's General Fund operating budget appropriations. Funds reserved to the Savings Reserve shall be available for expenditure only upon an act of appropriation by the General Assembly. Each Current Operations Appropriations Act enacted by the General Assembly shall include a transfer to the Savings Reserve of fifteen percent (15%) of each fiscal year's estimated growth in State tax revenues that are deposited in the General Fund. The Office of State Budget and Management and the Fiscal Research Division of the General Assembly shall jointly develop and annually produce an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure, which shall take into consideration relevant statistical and economic literature. After completing the evaluation, these entities may revise the methodology as needed to estimate the target for the Savings Reserve balance, which shall be calculated so as to be sufficient to cover two years of need for nine out of 10 scenarios involving a decline in General Fund revenue from one fiscal year to the next fiscal year. The recommended balance shall be expressed as a percentage of the prior year General Fund operating budget appropriations, excluding departmental receipts. At the beginning of fiscal year 2021-22, the balance of the Savings Reserve was $1.982 billion. Session Law 2021-180 authorized the transfer of $1.134 billion from the Unreserved Fund Balance to the Savings Reserve. At the end of fiscal year 2021-22, the balance of this reserve was $3.116 billion.

Disaster Relief Reserve (Session Law 2005-1). During fiscal year 2004-05, $248.17 million was transferred to the Disaster Relief Reserve. This $248.17 million was funded from required agency, university, and community college transfers, a Savings Reserve Account transfer, and transfers of funds from the unreserved credit balance. At the beginning of fiscal year 2021-22, the balance was $60.612 million. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $425.0 million from the Unreserved Fund Balance to the Disaster Relief Reserve for the fiscal year. During the fiscal year, $465.360 million was transferred out of the reserve. In addition, $390.0 thousand was transferred from the Office of State Budget and Management to the Disaster Relief Reserve to return unused Hurricane Dorian funds. At the end of the fiscal year 2021-22, the balance of this reserve was $20.642 million.

Medicaid Contingency Reserve (Session Law 2014-100). The Medicaid Contingency Reserve was established in accordance with Session Law 2014-100, Section 12H.38.(a) as a reserve in the General Fund. The Medicaid Contingency Reserve shall be used only for budget shortfalls in the Medicaid Program. At the beginning of fiscal year 2021-22, the balance was $50.373 million. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $125.0 million from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of fiscal year 2021-22, the balance of this reserve was $175.373 million.

Medicaid Transformation Reserve Fund (Session Law 2015-241). The Medicaid Transformation Reserve Fund was established in the Office of State Budget and Management as a non-reverting reserve in the General Fund. It was established in accordance with Session Law 2015-241, Section 12H.29. The purpose of the Medicaid Transformation Fund is to provide funds for converting from a fee-for-services payment system to a capitated payment system. At the beginning of fiscal year 2021-22, the balance was $278.861 million. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $215.820 million from the Unreserved Fund Balance to the Medicaid Transformation Reserve. Session Law 2021-180 authorized the transfer of $473.183 million from the reserve to the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $21.498 million.

Carryforward Reserve (Session Law 2014-100). In accordance with Session Law 2014-100, Section 6.7, the General Assembly required the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, to review current budgeting practices in the General Fund. After review, the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, established stronger internal controls over the carryforward process. In fiscal year 2021-22 this process included all State agencies with the exception of higher education. Carryforward funds were transferred from the agencies' General Fund appropriations and placed in the Carryforward Reserve. At the end of fiscal year 2021-22, the balance of this reserve was $935.109 million.

Unfunded Liability Solvency Reserve (Session Law 2018-30). The Unfunded Liability Solvency Reserve was established in accordance with Session Law 2018-30 as a reserve in the General Fund. The funds in the Reserve shall be used only for transfers to the Health Benefit Fund or the Retirement System for the purpose of reducing the unfunded liabilities of those two funds. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of $3.349 million were transferred to the reserve from the Department of State Treasurer. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $40.0 million from the Unreserved Fund Balance to the Unfunded Liability Solvency Reserve. In addition, funds in the amount of $7.086 million were transferred to the reserve from the Office of State Budget and Management State Capital and Infrastructure Fund per General Statute 142-96(d)(2). Funds in the amount of $10.435 million were transferred out of the reserve to the Health Benefit Fund and Retirement System during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $40.0 million.

Hurricane Florence Disaster Recovery Reserve (Session Law 2018-136). The Hurricane Florence Disaster Recovery Reserve was established in accordance with Session Law 2018-136 as a reserve in the General Fund. The purpose is to maintain funds reserved for disaster recovery in relation to Hurricane Florence. At the beginning of fiscal year 2021-22, the balance was $92.022 million. Funds in the amount of $19.019 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $73.003 million.

NC G.R.E.A.T. Reserve (Session Law 2019-230). The Growing Rural Economies with Access to Technology (G.R.E.A.T) program was established in accordance with Session Law 2019-230 to fund the terrestrial deployment of broadband within unserved areas of economically distressed counties. The NC G.R.E.A.T. Reserve was established as a reserve in the General Fund to provide funding for the program. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $15.0 million from the Unreserved Fund Balance to the NC G.R.E.A.T. Reserve for the fiscal year. Funds in the amount of $15.0 million were transferred out of the reserve to the Office of State Budget and Management State Capital and Infrastructure Fund. At the end of fiscal year 2021-22, the balance of this reserve was zero.

Earthquake Disaster Recovery Reserve (Session Law 2020-97). The Earthquake Disaster Recovery Reserve was established in accordance with Session Law 2020-97 as a reserve in the General Fund. The purpose is to maintain funds reserved for disaster recovery in relation to the M5.1 earthquake that occurred on August 9, 2020 in Alleghany County, North Carolina. At the beginning of fiscal year 2021-22, the balance was $15.335 million. Funds in the amount of $15.335 million were transferred from the Earthquake Disaster Recovery Reserve to the OSBM Earthquake Disaster Recovery Fund during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was zero.

State Fiscal Recovery Reserve (Session Law 2021-25). The State Fiscal Recovery Reserve or American Recovery Plan Act Reserve was established in accordance with Session Law 2021-25 as a reserve in the General Fund. The purpose is to maintain federal funds received from the American Rescue Plan Act of 2021, P.L. 117-2, which provides additional relief to address the continued impact of COVID-19. At the beginning of fiscal year 2021-22, the balance was $2.720 billion. Federal funds in the amount of $2.719 billion were received during the fiscal year. Funds in the amount of $5.439 billion were transferred out of the reserve during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was zero.

Information Technology Reserve (Session Law 2021-180). The Information Technology Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for information technology project expenditures. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $109.661 million from the Unreserved Fund Balance to the Information Technology Reserve for the fiscal year. Funds in the amount of $109.661 million were transferred out of the reserve during the fiscal year to various agencies per Session Law 2021-180. At the end of fiscal year 2021-22, the balance of this reserve was zero.

State Capital and Infrastructure Fund (SCIF) Reserve (General Statute 143C-4-3.1). The State Capital and Infrastructure Fund (SCIF) Reserve was established in accordance with General Statute 143C-4-3.1 as a reserve in the General Fund. The purpose is to reserve an unappropriated balance to transfer funds to the State Capital and Infrastructure Fund upon appropriation by the General Assembly. The Fund was established to address the ongoing capital and infrastructure needs of the State. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $3.649 billion from the Unreserved Fund Balance to the SCIF Reserve for the fiscal year. Funds in the amount of $3.649 billion were transferred out of the reserve to the Office of State Budget and Management State Capital and Infrastructure Fund during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was zero.

Wilmington Harbor Enhancements Reserve (Session Law 2021-180). The Wilmington Harbor Enhancements Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with the Wilmington Harbor Enhancement project. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $283.800 million from the Unreserved Fund Balance to the Wilmington Harbor Enhancements Reserve for the fiscal year. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $283.800 million.

Economic Development Project Reserve (Session Law 2021-180). The Economic Development Project Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with economic development projects meeting or exceeding high-yield project metrics. In accordance with Session Law 2021-180, the Office of State Controller was authorized to transfer $338.0 million from the Unreserved Fund Balance to the Economic Development Project Reserve for the fiscal year. Funds in the amount of $135.0 million were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $203.0 million.

Opioid Abatement Reserve (Session Law 2021-180). The Opioid Abatement Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to maintain funds received by the State as a beneficiary of the final consent judgment resolving the case, *State of North Carolina, ex. rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc.*, and any other funds received by the State as a result of the settlement. In accordance with Session Law 2021-180, funds in the amount of $20.101 million were transferred to or deposited into the reserve as a result of the settlement during the fiscal year. Funds in the amount of $15.735 million were transferred out of the reserve to the Opioid Abatement Fund at the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $4.366 million.

Public School Contingency Reserve (Session Law 2022-74). The Public School Contingency Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Public Instruction to provide sufficient State net General Fund appropriations and necessary budget authority to close out the 2021-2022 fiscal year. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $227.0 million from the Unreserved Fund Balance to the Public School Contingency Reserve for the fiscal year. Funds in the amount of $75.476 million were transferred out of the reserve to the Department of Public Instruction during the fiscal year. At the end of fiscal year 2021-22, the balance of this reserve was $151.524 million.

Combining Fund Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022 *Exhibit C-1*

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 1,818,603	$ -	$ 51	$ 1,818,654
Investments	333,667	-	-	333,667
Securities lending collateral	46,518	3,254	830	50,602
Receivables, net:				
Taxes receivable	7,680	-	-	7,680
Accounts receivable	25,443	2	122	25,567
Intergovernmental receivable	1,283	43	-	1,326
Interest receivable	592	119	77	788
Due from other funds	16,494	-	-	16,494
Inventories	26,002	-	-	26,002
Notes receivable, net	81	48,573	-	48,654
Lease receivable	226	-	-	226
Securities held in trust	58,641	-	-	58,641
Restricted/designated cash and cash equivalents	-	368,197	24,290	392,487
Restricted investments	-	232,219	142,395	374,614
Total Assets	2,335,230	652,407	167,765	3,155,402
Deferred Outflows of Resources				
Forward funded state aid	37,287	-	-	37,287
Total Assets and Deferred Outflows	$ 2,372,517	$ 652,407	$ 167,765	$ 3,192,689
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ 19,367	$ 20,257	$ -	$ 39,624
Accrued payroll	82	-	-	82
Intergovernmental payable	9,703	5,569	-	15,272
Claims payable	100,000	-	-	100,000
Obligations under securities lending	46,518	3,254	830	50,602
Due to other funds	175	767	-	942
Due to component units	40	13,247	-	13,287
Unearned revenue	455	-	-	455
Deposits payable	7	-	-	7
Funds held for others	58,770	-	-	58,770
Total Liabilities	235,117	43,094	830	279,041
Deferred Inflows of Resources				
Unavailable revenue	7,305	-	-	7,305
Deferred inflows for lease agreements	186	-	-	186
Total Deferred Inflows of Resources	7,491	-	-	7,491
Fund Balances				
Nonspendable	26,002	-	123,417	149,419
Restricted	1,294,561	251,412	43,518	1,589,491
Committed	805,565	357,756	-	1,163,321
Assigned	3,781	145	-	3,926
Total Fund Balances	2,129,909	609,313	166,935	2,906,157
Total Liabilities, Deferred Inflows and Fund Balances	$ 2,372,517	$ 652,407	$ 167,765	$ 3,192,689

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit C-2*

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Sales and use tax	$ 7,767	$ -	$ -	$ 7,767
Motor fuels tax	26,758	-	-	26,758
Other taxes	128,990	-	-	128,990
Federal funds	95,170	14,235	-	109,405
Local funds	8,509	-	-	8,509
Investment earnings (losses)	(3,095)	447	(20,713)	(23,361)
Interest earnings on loans	-	1,147	-	1,147
Sales and services	156,799	3,761	-	160,560
Rental and lease of property	1,910	13	-	1,923
Fees, licenses, and fines	201,484	669	9,597	211,750
Contributions, gifts, and grants	29,529	24,080	8	53,617
Funds escheated	137,760	-	-	137,760
Federal COVID-19 funds	62,754	-	-	62,754
Miscellaneous	47,211	259	-	47,470
Total revenues	901,546	44,611	(11,108)	935,049
Expenditures				
Current:				
General government	69,438	152	-	69,590
Higher education	60,795	177,299	-	238,094
Health and human services	80,305	-	-	80,305
Economic development	4,234	-	-	4,234
Environment and natural resources	169,887	71,925	47	241,859
Public safety, corrections, and regulation	271,902	3,000	-	274,902
Agriculture	20,886	-	-	20,886
Capital Outlay	-	151,327	-	151,327
Debt service:				
Principal retirement	2,927	-	-	2,927
Interest and fees	821	18	-	839
Total expenditures	681,195	403,721	47	1,084,963
Excess revenues over (under) expenditures	220,351	(359,110)	(11,155)	(149,914)
Other Financing Sources (Uses)				
Other debt issued	14	-	-	14
Sale of capital assets	286	28,630	-	28,916
Insurance recoveries	12,212	437	-	12,649
Transfers in	169,269	105,021	-	274,290
Transfers out	(170,612)	(62,909)	(5,790)	(239,311)
Total other financing sources (uses)	11,169	71,179	(5,790)	76,558
Net change in fund balances	231,520	(287,931)	(16,945)	(73,356)
Fund balances — July 1, as restated	1,898,389	897,244	183,880	2,979,513
Fund balances — June 30	$ 2,129,909	$ 609,313	$ 166,935	$ 2,906,157

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NONMAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

The following are included in the nonmajor special revenue funds:

Escheat Fund
Correction Enterprises Fund
Leaking Petroleum Underground Storage Tank Cleanup Fund
911 Fund
Environment Management Protection Funds
Departmental Funds

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2022

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Assets				
Cash and cash equivalents	$ 828,268	$ 17,732	$ 96,574	$ 144,274
Investments	321,305	-	-	-
Securities lending collateral	28,356	-	-	5,645
Receivables, net:				
Taxes receivable	-	-	1,641	-
Accounts receivable	-	8,782	1,330	7,419
Intergovernmental receivable	-	221	-	-
Interest receivable	429	-	-	74
Due from other funds	-	7,682	-	3,357
Inventories	-	19,168	-	-
Notes receivable, net	-	-	-	-
Lease receivable	-	215	-	-
Securities held in trust	-	-	-	-
Total Assets	1,178,358	53,800	99,545	160,769
Deferred Outflows of Resources				
Forward funded state aid	37,287	-	-	-
Total Assets and Deferred Outflows	$ 1,215,645	$ 53,800	$ 99,545	$ 160,769
Liabilities				
Accounts payable and accrued liabilities:				
Account pay	$ 200	$ 3,288	$ 480	$ 3,247
Accrued payroll	-	1	-	-
Intergovernmental payable	-	-	-	5,912
Claims payable	100,000	-	-	-
Obligations under securities lending	28,356	-	-	5,645
Due to other funds	-	-	-	33
Due to component units	-	-	-	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	128,556	3,289	480	14,837
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Deferred inflows for lease agreements	-	175	-	-
Total Deferred Inflows of Resources	-	175	-	-
Fund Balances				
Nonspendable	-	19,168	-	-
Restricted	1,087,089	25,526	-	-
Committed	-	5,642	99,065	145,932
Assigned	-	-	-	-
Total Fund Balances	1,087,089	50,336	99,065	145,932
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,215,645	$ 53,800	$ 99,545	$ 160,769

Exhibit C-3

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
$ 342,044	$ 389,711	$ 1,818,603
11,928	434	333,667
5,106	7,411	46,518
547	5,492	7,680
4,331	3,581	25,443
-	1,062	1,283
74	15	592
5,363	92	16,494
-	6,834	26,002
-	81	81
-	11	226
58,641	-	58,641
428,034	414,724	2,335,230
-	-	37,287
$ 428,034	$ 414,724	$ 2,372,517
$ 5,829	$ 6,323	$ 19,367
-	81	82
1,879	1,912	9,703
-	-	100,000
5,106	7,411	46,518
-	142	175
-	40	40
-	455	455
-	7	7
58,641	129	58,770
71,455	16,500	235,117
2,063	5,242	7,305
-	11	186
2,063	5,253	7,491
-	6,834	26,002
68,853	113,093	1,294,561
283,364	271,562	805,565
2,299	1,482	3,781
354,516	392,971	2,129,909
$ 428,034	$ 414,724	$ 2,372,517

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Revenues				
Taxes:				
Sales and use tax	$ -	$ -	$ -	$ -
Motor fuels tax	-	-	18,346	-
Other taxes	-	-	-	98,403
Federal funds	-	-	-	-
Local funds	-	-	-	-
Investment earnings (losses)	(1,632)	-	-	317
Sales and services	-	88,318	-	1,499
Rental and lease of property	-	117	-	-
Fees, licenses, and fines	-	-	9,698	-
Contributions, gifts, and grants	-	-	-	-
Funds escheated	137,760	-	-	-
Federal COVID-19 funds	-	-	-	-
Miscellaneous	-	539	-	-
Total revenues	136,128	88,974	28,044	100,219
Expenditures				
Current:				
General government	-	-	-	-
Higher education	42,268	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Environment and natural resources	-	-	14,104	-
Public safety, corrections, and regulation	-	81,218	-	90,074
Agriculture	-	-	-	-
Debt service:				
Principal retirement	-	172	-	-
Interest and fees	-	138	-	-
Total expenditures	42,268	81,528	14,104	90,074
Excess revenues over (under) expenditures	93,860	7,446	13,940	10,145
Other Financing Sources (Uses)				
Other debt issued	-	-	-	-
Sale of capital assets	-	148	-	-
Insurance recoveries	-	12,202	-	-
Transfers in	-	758	-	18
Transfers out	(27,256)	(2,835)	(4,038)	(1,103)
Total other financing sources (uses)	(27,256)	10,273	(4,038)	(1,085)
Net change in fund balances	66,604	17,719	9,902	9,060
Fund balances — July 1, as restated	1,020,485	32,617	89,163	136,872
Fund balances — June 30	$ 1,087,089	$ 50,336	$ 99,065	$ 145,932

Exhibit C-4

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
$ 7,767	$ -	$ 7,767
8,412	-	26,758
11,893	18,694	128,990
6,741	88,429	95,170
1,303	7,206	8,509
(1,955)	175	(3,095)
13	66,969	156,799
20	1,773	1,910
140,330	51,456	201,484
12,191	17,338	29,529
-	-	137,760
-	62,754	62,754
42,740	3,932	47,211
229,455	318,726	901,546
-	69,438	69,438
-	18,527	60,795
-	80,305	80,305
-	4,234	4,234
153,010	2,773	169,887
-	100,610	271,902
-	20,886	20,886
663	2,092	2,927
55	628	821
153,728	299,493	681,195
75,727	19,233	220,351
-	14	14
12	126	286
-	10	12,212
28,932	139,561	169,269
(9,742)	(125,638)	(170,612)
19,202	14,073	11,169
94,929	33,306	231,520
259,587	359,665	1,898,389
$ 354,516	$ 392,971	$ 2,129,909

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP) NONMAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Escheat Fund			Correction Enterprises Fund			Leaking Petroleum Underground Storage Tank Cleanup Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues									
Departmental:									
Federal funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Federal COVID-19 funds	-	-	-	-	-	-	-	-	-
Local funds	-	-	-	-	-	-	-	-	-
Inter-agency grants and allocations	-	-	-	-	-	-	-	-	-
Intra-governmental transactions	-	-	-	650	758	108	18,483	18,483	-
Sales and services	-	-	-	86,935	88,935	2,000	-	-	-
Sale, rental, and lease of property	-	-	-	269	139	(130)	-	-	-
Fees, licenses, and fines	-	-	-	-	-	-	9,786	9,562	(224)
Contributions, gifts, and grants	-	-	-	-	-	-	-	-	-
Miscellaneous	293,361	185,107	(108,254)	118	106	(12)	-	-	-
Total revenues	293,361	185,107	(108,254)	87,972	89,938	1,966	28,269	28,045	(224)
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Higher education	70,879	69,594	1,285	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Environment and natural resources	-	-	-	-	-	-	28,042	18,453	9,589
Public safety, corrections, and regulation	-	-	-	88,062	87,093	969	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-
Total expenditures	70,879	69,594	1,285	88,062	87,093	969	28,042	18,453	9,589
Excess revenues over (under) expenditures	$ 222,482	115,513	$ (106,969)	$ (90)	2,845	$ 2,935	$ 227	9,592	$ 9,365
Fund balances (budgetary basis) at July 1 (as restated)		1,038,142			14,887			86,982	
Fund balances (budgetary basis) at June 30		$ 1,153,655			$ 17,732			$ 96,574	

Exhibit C-5

911 Fund			Environment Management Protection Funds			Departmental Funds			Total Nonmajor Special Revenue Funds		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ 11,300	$ 6,741	$ (4,559)	$ 140,029	$ 87,090	$ (52,939)	$ 151,329	$ 93,831	$ (57,498)
-	-	-	-	-	-	56,293	62,754	6,461	56,293	62,754	6,461
-	-	-	2,003	1,303	(700)	9,436	7,206	(2,230)	11,439	8,509	(2,930)
-	-	-	33,165	12,185	(20,980)	13,053	11,806	(1,247)	46,218	23,991	(22,227)
18	18	-	66,731	62,019	(4,712)	190,069	186,842	(3,227)	275,951	268,120	(7,831)
1,462	1,427	(35)	30	13	(17)	66,340	67,797	1,457	154,767	158,172	3,405
-	-	-	33	32	(1)	2,420	1,895	(525)	2,722	2,066	(656)
96,527	97,384	857	136,173	139,982	3,809	46,845	44,567	(2,278)	289,331	291,495	2,164
-	-	-	106	6	(100)	6,973	5,435	(1,538)	7,079	5,441	(1,638)
1,000	239	(761)	97,395	47,055	(50,340)	23,578	22,027	(1,551)	415,452	254,534	(160,918)
99,007	99,068	61	346,936	269,336	(77,600)	555,036	497,419	(57,617)	1,410,581	1,168,913	(241,668)
-	-	-	-	-	-	179,989	136,143	43,846	179,989	136,143	43,846
-	-	-	-	-	-	2,149	1,206	943	73,028	70,800	2,228
-	-	-	-	-	-	168,406	105,313	63,093	168,406	105,313	63,093
-	-	-	-	-	-	8,710	6,816	1,894	8,710	6,816	1,894
-	-	-	378,340	166,118	212,222	5,696	2,835	2,861	412,078	187,406	224,672
140,015	91,085	48,930	-	-	-	229,287	182,129	47,158	457,364	360,307	97,057
-	-	-	-	-	-	61,333	30,080	31,253	61,333	30,080	31,253
140,015	91,085	48,930	378,340	166,118	212,222	655,570	464,522	191,048	1,360,908	896,865	464,043
$ (41,008)	7,983	$ 48,991	$ (31,404)	103,218	$ 134,622	$ (100,534)	32,897	$ 133,431	$ 49,673	272,048	$ 222,375
	136,291			254,529			355,678			1,886,509	
	$ 144,274			$ 357,747			$ 388,575			$ 2,158,557	

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NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets, as well as capital grants to component units and other governmental entities. They are financed principally by debt proceeds and transfers from the General Fund.

The following activities are included in the nonmajor capital projects funds:

Non-Debt Supported Fund
Debt Supported Fund

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2022 *Exhibit C-6*

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Assets			
Securities lending collateral	$ 3,254	$ -	$ 3,254
Receivables, net:			
Accounts receivable	2	-	2
Intergovernmental receivable	43	-	43
Interest receivable	49	70	119
Notes receivable, net	22,482	26,091	48,573
Restricted/designated cash and cash equivalents	368,034	163	368,197
Restricted investments	9,899	222,320	232,219
Total Assets	$ 403,763	$ 248,644	$ 652,407
Liabilities			
Accounts payable and accrued liabilities:			
Accounts payable	$ 15,406	$ 4,851	$ 20,257
Intergovernmental payable	516	5,053	5,569
Obligations under securities lending	3,254	-	3,254
Due to other funds	767	-	767
Due to component units	13,247	-	13,247
Total Liabilities	$ 33,190	$ 9,904	$ 43,094
Fund Balances			
Restricted	12,672	238,740	251,412
Committed	357,756	-	357,756
Assigned	145	-	145
Total Fund Balances	370,573	238,740	609,313
Total Liabilities and Fund Balances	$ 403,763	$ 248,644	$ 652,407

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECTS FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit C-7*

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Revenues			
Federal funds	$ 14,235	$ -	$ 14,235
Investment earnings	185	262	447
Interest earnings on loans	1,147	-	1,147
Sales and services	3,761	-	3,761
Rental and lease of property	13	-	13
Fees, licenses, and fines	669	-	669
Contributions, gifts, and grants	24,080	-	24,080
Miscellaneous	259	-	259
Total revenues	44,349	262	44,611
Expenditures			
Current:			
General government	-	152	152
Higher education	11,646	165,653	177,299
Environment and natural resources	11,303	60,622	71,925
Public safety, corrections, and regulation	3,000	-	3,000
Capital outlay	129,234	22,093	151,327
Debt service:			
Interest and fees	-	18	18
Total expenditures	155,183	248,538	403,721
Excess revenues over (under) expenditures	(110,834)	(248,276)	(359,110)
Other Financing Sources (Uses)			
Sale of capital assets	28,630	-	28,630
Insurance recoveries	437	-	437
Transfers in	105,021	-	105,021
Transfers out	(47,395)	(15,514)	(62,909)
Total other financing sources (uses)	86,693	(15,514)	71,179
Net change in fund balances	(24,141)	(263,790)	(287,931)
Fund balances — July 1	394,714	502,530	897,244
Fund balances — June 30	$ 370,573	$ 238,740	$ 609,313

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NONMAJOR PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

The following are included in nonmajor permanent funds:

Wildlife Endowment Fund
Departmental Funds

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS

June 30, 2022 *Exhibit C-8*

(Dollars In Thousands)

	Wildlife Endowment Fund	Departmental Fund	Total Nonmajor Permanent Funds
Assets			
Cash and cash equivalents	$ -	$ 51	$ 51
Securities lending collateral	132	698	830
Receivables, net:			
Accounts receivable	-	122	122
Interest receivable	73	4	77
Restricted/designated cash and cash equivalents	3,936	20,354	24,290
Restricted investments	142,395	-	142,395
Total Assets	$ 146,536	$ 21,229	$ 167,765
Liabilities			
Obligations under securities lending	$ 132	$ 698	$ 830
Fund Balances			
Nonspendable	102,937	20,480	123,417
Restricted	43,467	51	43,518
Committed	-	-	-
Total Fund Balances	146,404	20,531	166,935
Total Liabilities and Fund Balances	$ 146,536	$ 21,229	$ 167,765

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit C-9*

(Dollars in Thousands)

	Wildlife Endowment Fund	Departmental Funds	Total Nonmajor Permanent Funds
Revenues			
Investment earnings (losses)	$ (20,750)	$ 37	$ (20,713)
Fees, licenses, and fines	7,596	2,001	9,597
Contributions, gifts, and grants	8	-	8
Total revenues	(13,146)	2,038	(11,108)
Expenditures			
Current:			
Environment and natural resources	-	47	47
Total expenditures	-	47	47
Excess revenues over expenditures	(13,146)	1,991	(11,155)
Other Financing Sources (Uses)			
Transfers out	(5,790)	-	(5,790)
Net change in fund balances	(18,936)	1,991	(16,945)
Fund balances — July 1	165,340	18,540	183,880
Fund balances — June 30	$ 146,404	$ 20,531	$ 166,935

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP) NONMAJOR PERMANENT FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Wildlife Endowment Fund			Departmental Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues						
Departmental:						
Intra-governmental transactions	$ 167,787	$ 165,340	$ (2,447)	$ -	$ -	$ -
Fees, licenses, and fines	$ 10,281	$ 7,616	$ (2,665)	$ 2,484	$ 2,001	$ (483)
Contributions, gifts, and grants	15	8	(7)	-	-	-
Miscellaneous	20,109	15,540	(4,569)	304	33	(271)
Total revenues	198,192	188,504	(9,688)	2,788	2,034	(754)
Expenditures						
Current:						
Environment and natural resources	193,679	193,679	-	2,788	46	2,742
Total expenditures	193,679	193,679	-	2,788	46	2,742
Excess revenues over (under) expenditures	$ 4,513	(5,175)	$ (9,688)	$ -	1,988	$ 1,988
Fund balances (budgetary basis) at July 1, as restated		165,320			18,418	
Fund balances (budgetary basis) at June 30		$ 160,145			$ 20,406	

Exhibit C-10

Total Nonmajor Permanent Funds		
Final Budget	Actual	Variance with Final Budget
$ 167,787	$ 165,340	$ (2,447)
$ 12,765	$ 9,617	$ (3,148)
15	8	(7)
20,413	15,573	(4,840)
200,980	190,538	(10,442)
196,467	193,725	2,742
196,467	193,725	2,742
$ 4,513	(3,187)	$ (7,700)
	183,738	
	$ 180,551	

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PROPRIETARY FUNDS

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for and report activities for which a fee is charged to external users for goods or services.

The following activities are included in the nonmajor enterprise funds:

Public Education Property Insurance
North Carolina State Fair
USS North Carolina Battleship Commission
Agricultural Farmers Market
Workers' Compensation
Utilities Commission
State Banking Commission
ABC Commission
Occupational Licensing Boards
Departmental Funds

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

June 30, 2022

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Assets				
Current Assets				
Cash and cash equivalents	$ 6,150	$ 12,819	$ 5,043	$ 3,511
Investments	59,609	-	-	-
Securities lending collateral	211	-	88	-
Receivables:				
Accounts receivable, net	-	86	120	4
Intergovernmental receivable	-	-	-	-
Interest receivable	3	-	-	-
Premiums receivable	2,156	-	-	-
Due from other funds	-	-	-	-
Lease receivable	-	455	-	745
Inventories	-	18	158	21
Prepaid items	19,166	-	179	-
Restricted cash and cash equivalents	-	-	1,582	-
Total current assets	87,295	13,378	7,170	4,281
Noncurrent Assets				
Investments	-	-	-	-
Notes receivable	-	-	-	-
Lease receivable	-	39	-	216
Prepaid items	-	-	-	-
Restricted/designated cash and cash equivalents	-	-	-	-
Net OPEB asset	-	2	2	1
Capital assets-nondepreciable	-	1,345	320	3,740
Capital assets-depreciable, net	-	9,508	5,716	5,623
Total noncurrent assets	-	10,894	6,038	9,580
Total Assets	87,295	24,272	13,208	13,861
Deferred Outflows of Resources				
Deferred outflows for pensions	147	591	409	362
Deferred outflows for OPEB	270	789	601	394
Total Deferred Outflows of Resources	417	1,380	1,010	756
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	4	253	412	104
Accrued payroll	-	17	29	5
Claims payable	8,119	-	-	-
Obligations under securities lending	211	-	88	-
Due to other funds	-	-	-	-
Unearned revenue	4,227	3,347	46	-
Deposits payable	-	1,267	-	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Compensated absences	5	27	21	13
Total current liabilities	12,566	4,911	596	122

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ 59,159	$ 5,103	$ 12,900	$ 21,603	$ 71,593	$ 7,513	$ 205,394
13,521	-	-	-	55,036	-	128,166
1,672	147	-	-	783	154	3,055
8	39	21	120	814	10	1,222
-	-	-	3,001	-	-	3,001
25	3	-	-	509	2	542
-	-	-	-	-	-	2,156
1,965	-	1	-	-	-	1,966
-	-	-	-	-	345	1,545
-	32	-	2	97	128	456
-	-	-	-	1,255	-	20,600
-	-	-	-	579	-	2,161
76,350	5,324	12,922	24,726	130,666	8,152	370,264
-	-	-	-	27,908	-	27,908
-	-	-	-	249	-	249
-	-	-	-	-	3,925	4,180
-	-	-	-	67	-	67
-	-	-	-	71	-	71
-	8	6	3	2	2	26
-	-	-	550	7,371	1,867	15,193
-	116	1,740	1,374	44,698	7,396	76,171
-	124	1,746	1,927	80,366	13,190	123,865
76,350	5,448	14,668	26,653	211,032	21,342	494,129
-	4,433	3,124	1,085	448	894	11,493
-	7,389	4,140	1,582	663	1,630	17,458
-	11,822	7,264	2,667	1,111	2,524	28,951
-	106	109	1,861	8,839	221	11,909
-	-	-	-	87	9	147
21,254	-	-	-	-	-	29,373
1,672	147	-	-	783	154	3,055
-	-	-	1	-	1	2
-	1	-	-	34,501	346	42,468
-	-	-	-	-	15	1,282
-	-	-	-	1,014	-	1,014
-	-	522	-	102	73	697
-	171	121	44	1,082	37	1,521
22,926	425	752	1,906	46,408	856	91,468

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2022

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Compensated absences	48	423	202	204
Workers' compensation	-	20	-	9
Net pension liability	119	521	1,061	282
Net OPEB liability	674	3,010	1,924	1,630
Total noncurrent liabilities	841	3,974	3,187	2,125
Total Liabilities	13,407	8,885	3,783	2,247
Deferred Inflows of Resources				
Deferred inflows for lease agreements	-	474	-	958
Deferred inflows for pensions	152	1,359	147	369
Deferred inflows for OPEB	264	3,890	1,143	580
Total Deferred Inflows of Resources	416	5,723	1,290	1,907
Net Position				
Net investment in capital assets	-	10,853	5,984	9,363
Restricted for:				
Expendable:				
Economic development	-	-	1,583	-
Public safety, corrections, and regulation	-	-	-	-
Other purposes	-	-	-	-
Unrestricted	73,889	191	1,578	1,100
Total Net Position	$ 73,889	$ 11,044	$ 9,145	$ 10,463

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
-	-	-	-	2,163	-	2,163
-	-	-	-	18,613	-	18,613
-	-	1,230	-	819	139	2,188
-	1,929	1,366	493	2,047	442	7,154
-	-	-	-	-	4	33
-	2,762	1,989	827	553	755	8,869
-	14,979	10,783	4,790	1,998	4,259	44,047
-	19,670	15,368	6,110	26,193	5,599	83,067
22,926	20,095	16,120	8,016	72,601	6,455	174,535
-	-	-	-	-	4,216	5,648
-	4,251	2,979	1,043	418	1,128	11,846
-	8,936	6,009	1,535	1,382	2,367	26,106
-	13,187	8,988	2,578	1,800	7,711	43,600
-	116	-	1,924	31,545	9,050	68,835
-	-	-	-	-	-	1,583
-	-	-	-	1	-	1
-	-	-	-	2,065	-	2,065
53,424	(16,128)	(3,176)	16,802	104,131	650	232,461
$ 53,424	$ (16,012)	$ (3,176)	$ 18,726	$ 137,742	$ 9,700	$ 304,945

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS

For Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Operating Revenues				
Sales and services	$ -	$ 397	$ 1,097	$ 24
Student tuition and fees, net	-	-	-	-
Rental and lease earnings	-	5,386	43	1,116
Fees, licenses, and fines	-	9,366	2,218	2,234
Insurance premiums	15,779	-	-	-
Miscellaneous	41	-	193	1
Total operating revenues	15,820	15,149	3,551	3,375
Operating Expenses				
Personal services	381	3,813	2,258	1,547
Supplies and materials	7	963	35	311
Services	27	5,783	1,833	1,043
Cost of goods sold	-	42	381	-
Depreciation	-	1,020	191	328
Claims	9,541	4	-	-
Insurance and bonding	22,266	179	24	100
Other	19	853	84	15
Total operating expenses	32,241	12,657	4,806	3,344
Operating income (loss)	(16,421)	2,492	(1,255)	31
Nonoperating Revenues (Expenses)				
Noncapital grants	-	-	-	-
Noncapital gifts, net	-	1,436	213	-
Noncapital contributions	4	18	-	10
Lease interest revenue	-	11	-	-
Investment earnings	(8,805)	-	11	-
Interest and fees	-	-	-	-
Insurance recoveries	-	-	-	-
Gain (loss) on sale of equipment	-	-	-	-
Miscellaneous	-	84	113	2
Total nonoperating revenues (expenses)	(8,801)	1,549	337	12
Income (loss) before contributions and transfers	(25,222)	4,041	(918)	43
Capital contributions	-	-	150	-
Transfers in	8	81	-	42
Transfers out	-	(839)	-	(1,028)
Change in net position	(25,214)	3,283	(768)	(943)
Net position — July 1, as restated	99,103	7,761	9,913	11,406
Net position — June 30	$ 73,889	$ 11,044	$ 9,145	$ 10,463

Exhibit D-2

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ -	$ 18	$ -	$ 1	$ 94	$ 248	$ 1,879
-	-	-	-	21	-	21
-	-	-	-	-	1,499	8,044
-	12,697	18,223	29,995	95,642	4,224	174,599
6,986	-	-	-	-	-	22,765
-	150	7	2	896	38	1,328
6,986	12,865	18,230	29,998	96,653	6,009	208,636
-	14,800	10,409	4,415	51,108	3,476	92,207
-	238	145	555	1,187	524	3,965
979	937	780	21,605	19,646	1,586	54,219
-	-	-	-	-	112	535
-	12	541	142	2,648	382	5,264
3,877	-	-	-	866	-	14,288
-	1	1	20	534	190	23,315
-	894	253	493	6,090	269	8,970
4,856	16,882	12,129	27,230	82,079	6,539	202,763
2,130	(4,017)	6,101	2,768	14,574	(530)	5,873
-	19	-	-	-	262	281
-	-	-	-	-	1,114	2,763
-	91	65	29	10	26	253
-	-	-	-	-	133	144
(1,722)	11	-	-	5,240	9	(5,256)
-	-	(60)	-	(358)	(7)	(425)
-	-	-	-	-	20	20
-	-	-	-	1,318	-	1,318
(2)	1	-	-	(464)	-	(266)
(1,724)	122	5	29	5,746	1,557	(1,168)
406	(3,895)	6,106	2,797	20,320	1,027	4,705
-	-	-	-	-	-	150
10,258	940	120	76	28	68	11,621
-	(266)	(154)	(793)	-	(126)	(3,206)
10,664	(3,221)	6,072	2,080	20,348	969	13,270
42,760	(12,791)	(9,248)	16,646	117,394	8,731	291,675
$ 53,424	$ (16,012)	$ (3,176)	$ 18,726	$ 137,742	$ 9,700	$ 304,945

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agriculture Farmers Market
Cash Flows From Operating Activities				
Receipts from customers	$ 13,280	$ 14,922	$ 3,553	$ 2,541
Payments to suppliers	(37,124)	(7,635)	(1,983)	(1,420)
Payments to employees	(430)	(3,773)	(1,980)	(1,802)
Payments for prizes, benefits, and claims	(5,596)	(4)	-	-
Other receipts	-	84	113	3
Other payments	-	-	-	-
Net cash provided by (used for) operating activities	(29,870)	3,594	(297)	(678)
Cash Flows From Noncapital Financing Activities				
Grant receipts	-	-	-	-
Noncapital contributions	-	-	181	-
Transfers from other funds	8	81	-	41
Transfers to other funds	-	(839)	-	(1,028)
Gifts	-	1,436	-	-
Insurance recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	8	678	181	(987)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(99)	-
Proceeds from the sale of capital assets	-	159	-	170
Proceeds from capital debt	-	-	-	-
Transfers to other funds	-	-	-	-
Capital contributions	-	-	99	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Proceeds from lease arrangements	-	445	-	832
Net cash provided by (used for) capital and related financing activities	-	604	-	1,002
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	-
Purchase of non-State Treasurer investments	-	-	-	-
Redemptions from State Treasurer investment pool	35,000	-	-	-
Investment earnings	12	-	10	-
Net cash provided by (used for) investment activities	35,012	-	10	-
Net increase (decrease) in cash and cash equivalents	5,150	4,876	(106)	(663)
Cash and cash equivalents at July 1	1,000	7,943	6,731	4,174
Cash and cash equivalents at June 30	$ 6,150	$ 12,819	$ 6,625	$ 3,511

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ 3,002	$ 16,086	$ 18,222	$ 29,356	$ 95,627	$ 5,643	$ 202,232
(979)	(1,963)	(1,083)	(21,305)	(16,390)	(2,632)	(92,514)
-	(17,004)	(12,511)	(4,808)	(47,531)	(3,956)	(93,795)
(6,490)	-	-	-	-	-	(12,090)
-	769	7	-	1,159	39	2,174
-	-	-	-	(16,890)	-	(16,890)
(4,467)	(2,112)	4,635	3,243	15,975	(906)	(10,883)
-	24	-	-	-	262	286
-	-	-	-	-	-	181
10,393	940	118	76	28	68	11,753
-	(266)	(154)	-	-	(126)	(2,413)
-	-	-	-	-	1,115	2,551
-	-	-	-	-	20	20
10,393	698	(36)	76	28	1,339	12,378
-	-	-	(70)	(3,129)	-	(3,298)
-	-	-	-	2,684	-	3,013
-	-	-	-	1,182	-	1,182
-	-	-	(793)	-	-	(793)
-	-	-	-	-	-	99
-	-	(500)	-	(1,153)	(69)	(1,722)
-	-	(59)	-	(350)	(7)	(416)
-	-	-	-	-	547	1,824
-	-	(559)	(863)	(766)	471	(111)
-	-	-	-	30,497	-	30,497
-	-	-	-	(43,135)	-	(43,135)
-	-	-	-	-	-	35,000
91	10	-	-	835	7	965
91	10	-	-	(11,803)	7	23,327
6,017	(1,404)	4,040	2,456	3,434	911	24,711
53,142	6,507	8,860	19,147	68,809	6,602	182,915
$ 59,159	$ 5,103	$ 12,900	$ 21,603	$ 72,243	$ 7,513	$ 207,626

Continued

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agriculture Farmers Market
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income (loss)	$ (16,421)	$ 2,492	$ (1,255)	$ 31
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	1,020	191	328
Lease revenue (amortized deferred inflow for leases)	-	(454)	-	(833)
Nonoperating miscellaneous and other income (expense)	-	83	113	2
Change in assets and deferred outflows:				
Receivables	(766)	(86)	3	-
Due from other funds	-	-	-	-
Inventories	-	112	121	(5)
Prepaid items	(14,793)	-	11	-
Net OPEB asset	1	7	(1)	1
Deferred outflows for pensions	(39)	267	(8)	(61)
Deferred outflows for OPEB	(158)	217	65	(219)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	3,933	80	321	52
Due to other funds	-	-	-	-
Compensated absences	(6)	(84)	53	(21)
Workers' compensation	-	-	-	(2)
Unearned revenue	(1,733)	313	5	-
Net pension liability	(136)	(1,930)	199	(387)
Net OPEB liability	183	(1,866)	(98)	304
Deferred inflows for pensions	149	1,259	(41)	345
Deferred inflows for OPEB	(84)	897	24	(213)
Deposits payable	-	1,267	-	-
Net cash provided by (used for) operations	$ (29,870)	$ 3,594	$ (297)	$ (678)
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ 1,565	$ -	$ -	$ -
Capital asset writeoff	-	159	-	170
Assets acquired through the assumption of a liability	-	-	(52)	-
Change in fair value of investments	(10,385)	-	-	-
Increase in receivables related to nonoperating income	3	-	52	-
Change in securities lending collateral	210	-	88	-
Decrease in net OPEB liability related to noncapital contributions	(4)	(18)	(32)	(10)

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ 2,130	$ (4,017)	$ 6,101	$ 2,768	$ 14,574	$ (530)	$ 5,873
-	12	541	142	2,648	382	5,264
-	-	-	-	-	(468)	(1,755)
-	1	-	-	(15)	-	184
(2)	3,372	(1)	(639)	(112)	61	1,830
-	617	-	-	-	-	617
-	-	-	1	(14)	(44)	171
-	-	-	-	(233)	-	(15,015)
-	18	12	4	2	5	49
-	(255)	(366)	(252)	(13)	95	(632)
-	(1,181)	(1,297)	(660)	(26)	13	(3,246)
(2,613)	46	53	1,351	(415)	87	2,895
-	-	-	14	4	1	19
-	(33)	(128)	75	111	(132)	(165)
-	-	-	-	-	3	1
(3,982)	-	-	-	(255)	78	(5,574)
-	(4,826)	(3,334)	(1,054)	(463)	(1,322)	(13,253)
-	521	643	1,037	(171)	210	763
-	4,182	2,930	1,014	385	1,052	11,275
-	(569)	(519)	(558)	(32)	(412)	(1,466)
-	-	-	-	-	15	1,282
$ (4,467)	$ (2,112)	$ 4,635	$ 3,243	$ 15,975	$ (906)	$ (10,883)
$ 279	$ -	$ -	$ -	$ -	$ -	$ 1,844
-	-	-	-	-	-	329
-	-	-	-	63	-	11
(2,119)	-	-	-	492	-	(12,012)
25	1	-	-	-	2	83
1,672	147	-	-	783	154	3,054
-	(91)	(65)	(29)	(10)	(26)	(285)

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INTERNAL SERVICE FUNDS

The internal service funds are used to account for and report the operations of state agencies that provide services to other state agencies, component units, or other governments on a cost reimbursement basis.

The following activities are included in the internal service funds:

Department of Administration:
- Motor Fleet Management
- Mail Service Center
- Temporary Solutions
- Surplus Property

Department of Information Technology:
- Computing Services
- State Telecommunications Services

Department of Insurance:
- State Property Fire Insurance

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Assets					
Current Assets					
Cash and cash equivalents	$ 20,821	$ 26,078	$ 1,839	$ 29,996	$ 29,167
Investments	26,070	-	-	-	-
Securities lending collateral	715	-	-	-	-
Receivables:					
Accounts receivable, net	16,069	1,860	537	1,732	9,722
Interest receivable	10	-	-	-	-
Premiums receivable	83	-	-	-	-
Due from other funds	-	93	-	5,967	7,655
Inventories	-	81	152	-	-
Prepaid items	17,500	-	-	-	-
Total current assets	81,268	28,112	2,528	37,695	46,544
Noncurrent Assets					
Net OPEB asset	1	1	1	1	69
Capital assets-nondepreciable	-	288	-	-	3,089
Capital assets-depreciable, net	-	116,359	10	1,149	25,404
Total noncurrent assets	1	116,648	11	1,150	28,562
Total Assets	81,269	144,760	2,539	38,845	75,106
Deferred Outflows of Resources:					
Deferred outflows for pensions	478	462	495	614	36,131
Deferred outflows for OPEB	732	529	495	1,116	82,896
Total Deferred Outflows of Resources	1,210	991	990	1,730	119,027
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	8,116	2,240	59	42	2,115
Accrued payroll	-	-	-	5,685	4
Claims payable	3,137	-	-	-	-
Obligations under securities lending	715	-	-	-	-
Due to other funds	6,642	1	107	-	-
Due to component units	26,110	-	-	-	-
Unearned revenue	12,060	-	-	-	-
Lease liability	-	-	-	126	-
Compensated absences	27	18	23	20	1,406
Workers' compensation	110	-	-	-	112
Total current liabilities	56,917	2,259	189	5,873	3,637
Noncurrent Liabilities					
Compensated absences	275	185	234	249	15,925
Lease liability	-	-	-	1,056	-
Workers' compensation	256	3	252	-	994
Net pension liability	377	317	351	357	23,434
Net OPEB liability	2,150	1,721	1,909	1,940	130,643
Total noncurrent liabilities	3,058	2,226	2,746	3,602	170,996
Total Liabilities	59,975	4,485	2,935	9,475	174,633
Deferred Inflows of Resources:					
Deferred inflows for pensions	484	415	470	462	30,046
Deferred inflows for OPEB	862	831	948	743	40,359
Total Deferred Inflows of Resources	1,346	1,246	1,418	1,205	70,405
Net Position					
Net investment in capital assets	-	116,647	10	-	28,493
Unrestricted	21,158	23,373	(834)	29,895	(79,398)
Total Net Position	$ 21,158	$ 140,020	$ (824)	$ 29,895	$ (50,905)

Exhibit E-1

State Telecommunications Services	Surplus Property	Total
$ 21,589	$ 4,378	$ 133,868
-	-	26,070
-	-	715
11,964	619	42,503
-	-	10
-	-	83
1,062	-	14,777
-	-	233
-	17	17,517
34,615	5,014	235,776
-	1	74
-	19	3,396
2,662	85	145,669
2,662	105	149,139
37,277	5,119	384,915
-	397	38,577
-	704	86,472
-	1,101	125,049
3,885	2,418	18,875
-	-	5,689
-	-	3,137
-	-	715
-	1	6,751
-	-	26,110
-	-	12,060
173	-	299
-	10	1,504
-	-	222
4,058	2,429	75,362
-	102	16,970
173	-	1,229
-	-	1,505
-	269	25,105
-	1,461	139,824
173	1,832	184,633
4,231	4,261	259,995
-	401	32,278
-	892	44,635
-	1,293	76,913
2,317	104	147,571
30,729	562	25,485
$ 33,046	$ 666	$ 173,056

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Operating Revenues					
Sales and services	$ -	$ 42,027	$ 3,914	$ 119,046	$ 193,770
Fees, licenses, and fines	-	-	-	-	4,648
Insurance premiums	34,713	-	-	-	-
Miscellaneous	-	116	77	-	17
Total operating revenues	34,713	42,143	3,991	119,046	198,435
Operating Expenses					
Personal services	2,194	2,186	1,975	112,367	134,208
Supplies and materials	33	10,243	49	12	4,854
Services	292	8,134	473	1,077	49,917
Cost of goods sold	-	269	-	-	-
Depreciation	-	17,361	20	164	3,493
Claims	12,042	-	-	-	-
Insurance and bonding	31,677	1,323	-	-	173
Other	124	67	771	22	15,326
Total operating expenses	46,362	39,583	3,288	113,642	207,971
Operating income (loss)	(11,649)	2,560	703	5,404	(9,536)
Nonoperating Revenues (Expenses)					
Noncapital contributions	13	10	12	12	790
Investment earnings	(3,705)	-	-	-	-
Insurance recoveries	-	14	-	-	-
Gain on sale of equipment	-	5,464	-	-	-
Interest and fees	-	-	-	(38)	-
Miscellaneous	(1)	17	1	-	-
Total nonoperating revenues (expenses)	(3,693)	5,505	13	(26)	790
Income (loss) before contributions and transfers	(15,342)	8,065	716	5,378	(8,746)
Transfers in	33	367	64	59	13,599
Transfers out	-	-	-	-	(3,183)
Change in net position	(15,309)	8,432	780	5,437	1,670
Net position — July 1, as restated	36,467	131,588	(1,604)	24,458	(52,575)
Net position — June 30	$ 21,158	$ 140,020	$ (824)	$ 29,895	$ (50,905)

Exhibit E-2

State Telecommunications Services	Surplus Property	Total
$ 92,570	$ 3,325	$ 454,652
-	-	4,648
-	-	34,713
-	162	372
92,570	3,487	494,385
45	1,707	254,682
3,640	40	18,871
68,836	535	129,264
-	-	269
2,170	22	23,230
-	-	12,042
48	10	33,231
5,938	15	22,263
80,677	2,329	493,852
11,893	1,158	533
-	9	846
-	-	(3,705)
-	-	14
-	-	5,464
(33)	-	(71)
-	-	17
(33)	9	2,565
11,860	1,167	3,098
3,196	41	17,359
(12,503)	(150)	(15,836)
2,553	1,058	4,621
30,493	(392)	168,435
$ 33,046	$ 666	$ 173,056

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Cash Flows From Operating Activities					
Receipts from customers	$ -	$ 8,557	$ 1,182	$ -	$ 1,944
Receipts from other funds	44,745	34,209	2,758	126,411	193,851
Payments to suppliers	(34,438)	(16,891)	(806)	(1,091)	(68,299)
Payments to employees	(2,317)	(2,574)	(2,425)	(112,882)	(128,867)
Payments to other funds	(8,761)	(2,982)	(513)	(12)	(2,112)
Other receipts	3,350	133	78	-	13
Net cash provided by (used for) operating activities	2,579	20,452	274	12,426	(3,470)
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	33	51	64	59	13,599
Transfers to other funds	-	-	-	-	(3,182)
Net cash provided by (used for) noncapital financing activities	33	51	64	59	10,417
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(22,402)	-	-	(566)
Proceeds from the sale of capital assets	-	8,464	-	-	-
Transfers from other funds capital	-	317	-	-	-
Principal paid on capital debt	-	-	-	(126)	-
Interest paid on capital debt	-	-	-	(38)	-
Insurance Recoveries	-	14	-	-	-
Net cash used for capital and related financing activities	-	(13,607)	-	(164)	(566)
Cash Flows From Investing Activities					
Purchase into State Treasurer investment pool	(20,000)	-	-	-	-
Redemptions from State Treasurer investment pool	22,500	-	-	-	-
Investment earnings	40	-	-	-	-
Net cash provided by investment activities	2,540	-	-	-	-
Net increase (decrease) in cash and cash equivalents	5,152	6,896	338	12,321	6,381
Cash and cash equivalents at July 1	15,669	19,182	1,501	17,675	22,786
Cash and cash equivalents at June 30	$ 20,821	$ 26,078	$ 1,839	$ 29,996	$ 29,167
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income (loss)	$ (11,649)	$ 2,560	$ 703	$ 5,404	$ (9,536)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	17,361	20	164	3,493
Nonoperating miscellaneous and other income (expense)	-	17	1	-	-
Change in assets and deferred outflows:					
Receivables	8,746	757	26	8,212	(2,944)
Due from other funds	-	(18)	-	(846)	322
Inventories	1	(7)	(87)	-	-
Prepaid items	(2,645)	-	-	-	-
Net OPEB asset	2	2	2	1	121
Deferred outflows for pensions	10	(71)	(79)	(191)	494
Deferred outflows for OPEB	37	(239)	(293)	(438)	(1,036)
Change in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	4,848	171	36	(407)	(155)
Due to other funds	5,590	(1)	24	-	-
Due to component units	(3,488)	-	-	-	-
Compensated absences	(22)	33	(10)	5	(396)
Workers' compensation	124	3	(15)	-	(49)
Unearned revenue	1,286	-	-	-	-
Net pension liability	(572)	(440)	(482)	(356)	(32,365)
Net OPEB liability	281	293	337	597	24,536
Deferred inflows for pensions	443	403	425	438	29,348
Deferred inflows for OPEB	(413)	(372)	(334)	(157)	(15,303)
Net cash provided by (used for) operations	$ 2,579	$ 20,452	$ 274	$ 12,426	$ (3,470)

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
$ 13,370	$ 803	$ 25,856
82,179	1,909	486,062
(75,061)	(127)	(196,713)
(45)	(1,920)	(251,030)
(759)	(97)	(15,236)
-	163	3,737
19,684	731	52,676
3,196	41	17,043
(12,503)	(150)	(15,835)
(9,307)	(109)	1,208
(132)	-	(23,100)
-	-	8,464
-	-	317
(173)	-	(299)
(33)	-	(71)
-	-	14
(338)	-	(14,675)
-	-	(20,000)
-	-	22,500
-	-	40
-	-	2,540
10,039	622	41,749
11,550	3,756	92,119
$ 21,589	$ 4,378	$ 133,868
$ 11,893	$ 1,158	$ 533
2,170	22	23,230
-	-	18
2,870	(562)	17,105
108	-	(434)
-	-	(93)
-	(17)	(2,662)
-	1	129
-	(32)	131
-	(122)	(2,091)
2,643	342	7,478
-	1	5,614
-	-	(3,488)
-	2	(388)
-	-	63
-	-	1,286
-	(379)	(34,594)
-	238	26,282
-	329	31,386
-	(250)	(16,829)
$ 19,684	$ 731	$ 52,676

Continued

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Noncash Investing, Capital, and Financing Activities					
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ 523	$ -	$ -	$ -	$ -
Assets acquired through the assumption of a liability	-	-	-	-	-
Change in fair value of investments	(4,279)	-	-	-	-
Increase in receivables related to nonoperating income	10	-	-	-	-
Change in securities lending collateral	213	-	-	-	-
Decrease in net OPEB liability related to noncapital contributions	(13)	(10)	(12)	(12)	(790)

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
$ -	$ -	$ 523
346	-	346
-	-	(4,279)
-	-	10
-	-	213
-	(9)	(846)

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FIDUCIARY FUNDS

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PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds account for and report resources held in trust in which the principal and income benefit individuals, private organizations, or other governments.

The following activities are included in the private purpose trust funds:

Deposits of Insurance Carriers Fund
Administrative Office of the Courts Trust Fund

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

June 30, 2022 *Exhibit F-1*

(Dollars In Thousands)

	Deposits of Insurance Carriers Fund	Administrative Office of the Courts Trust Fund	Total
Assets			
Cash and cash equivalents	$ 84	$ 147,641	$ 147,725
Investments:			
Certificates of deposit	-	44,502	44,502
Securities lending collateral	3	-	3
Sureties	823,957	-	823,957
Total Assets	824,044	192,143	1,016,187
Liabilities			
Obligations under securities lending	3	-	3
Net Position			
Restricted for:			
Individuals, organizations, and other governments	824,041	192,143	1,016,184
Total Net Position	$ 824,041	$ 192,143	$ 1,016,184

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2022 *Exhibit F-2*

(Dollars In Thousands)

	Deposits of Insurance Carriers Fund	Administrative Office of the Courts Trust Fund	Total
Additions			
Contributions:			
Trustee deposits	$ 27,169	$ 174,566	$ 201,735
Investment Income:			
Investment earnings	-	175	175
Net investment income	-	175	175
Total Additions	27,169	174,741	201,910
Deductions			
Payments in accordance with trust arrangements	8,153	156,576	164,729
Change in net position	19,016	18,165	37,181
Net position — July 1, as restated (Note 23)	805,025	173,978	979,003
Net position — June 30	$ 824,041	$ 192,143	$ 1,016,184

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CUSTODIAL FUNDS

Custodial funds account for and report resources held by the State in a purely custodial capacity for individuals, private organizations, or other governments.

The following activities are included in the custodial funds:

External Equity Index Investment Account
External Investment Pool
External Bond Index Investment Pool
Local Sales Tax Collections
Clerks of Court
Insurers in Receivership
Vehicle Property Tax Collections
Swain County Settlement
Local Fiscal Recovery
Departmental Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

June 30, 2022

(Dollars In Thousands)

	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Assets				
Cash and cash equivalents	$ -	$ 5,572	$ -	$ 5,572
Investments:				
Corporate bonds	-	-	-	-
Corporate stocks	-	-	-	-
Certificates of deposit	-	-	-	-
State Treasurer investment pool	463,650	1,031,611	195,574	1,690,835
Securities lending collateral	315	33,485	-	33,800
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Other receivables	-	-	-	-
Intergovernmental receivable	-	-	-	-
Interest receivable	-	677	-	677
Due from other funds	-	-	-	-
Sureties	-	-	-	-
Capital assets-nondepreciable	-	-	-	-
Total Assets	$ 463,965	$ 1,071,345	$ 195,574	$ 1,730,884
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ -	$ 996	$ -	$ 996
Intergovernmental payable	-	-	-	-
Obligations under securities lending	315	33,485	-	33,800
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	$ 315	$ 34,481	$ -	$ 34,796
Net Position				
Restricted for:				
Pool participants	-	1,036,864	195,574	1,232,438
Individuals, organizations, and other governments	463,650	-	-	463,650
Total Net Position	$ 463,650	$ 1,036,864	$ 195,574	$ 1,696,088

Exhibit F-3

Other Custodial Funds								
Local Sales Tax Collections	**Clerks of Court**	**Insurers in Receivership**	**Vehicle Property Tax Collections**	**Swain County Settlement**	**Local Fiscal Recovery**	**Departmental Funds**	**Total Other Custodial Funds**	**Total Custodial Funds**
$ 884,588	$ 196,236	$ 105,070	$ 106,473	$ 52,116	$ 352,715	$ 51,991	$ 1,749,189	$ 1,754,761
-	-	124,483	-	-	-	-	124,483	124,483
-	-	43,342	-	-	-	-	43,342	43,342
-	-	-	-	-	-	400	400	400
-	-	-	-	-	-	-	-	1,690,835
-	-	-	3,366	1,784	12,072	684	17,906	51,706
296,000	-	-	-	-	-	-	296,000	296,000
-	8	88,990	-	-	-	332	89,330	89,330
-	51	-	-	-	-	-	51	51
-	-	-	1	-	-	-	1	1
-	-	15,701	46	27	146	3	15,923	16,600
38,492	-	-	-	-	-	35	38,527	38,527
-	24,390	-	-	-	-	-	24,390	24,390
-	-	68	-	-	-	-	68	68
$ 1,219,080	$ 220,685	$ 377,654	$ 109,886	$ 53,927	$ 364,933	$ 53,445	$ 2,399,610	$ 4,130,494
$ -	$ -	$ -	$ -	$ -	$ -	$ 706	$ 706	$ 1,702
1,219,080	4,666	-	106,548	-	-	252	1,330,546	1,330,546
-	-	-	3,366	1,784	12,072	684	17,906	51,706
-	-	-	-	-	-	276	276	276
-	-	-	-	-	-	1,256	1,256	1,256
$ 1,219,080	$ 4,666	$ -	$ 109,914	$ 1,784	$ 12,072	$ 3,174	$ 1,350,690	$ 1,385,486
-	-	-	-	-	-	-	-	1,232,438
-	216,019	377,654	(28)	52,143	352,861	50,271	1,048,920	1,512,570
$ -	$ 216,019	$ 377,654	$ (28)	$ 52,143	$ 352,861	$ 50,271	$ 1,048,920	$ 2,745,008

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

For the Fiscal Year Ended June 30, 2022

(Dollars In Thousands)

	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Additions				
Investment Income:				
Investment earnings (loss)	$ (78,662)	$ 2,009	$ (16,042)	$ (92,695)
Less investment expenses	(90)	(33)	(35)	(158)
Net investment income (loss)	(78,752)	1,976	(16,077)	(92,853)
Pool share transactions:				
Reinvestment of distributions	(78,752)	1,976	(16,077)	(92,853)
Net share purchases/(redemptions)	153,903	91,379	85,027	330,309
Net pool share transactions	75,151	93,355	68,950	237,456
Property tax collections for local governments	-	-	-	-
Sales and use tax collections for local governments	-	-	-	-
Participant deposits	-	-	-	-
Child support deposits	-	-	-	-
Federal COVID-19 funds	-	-	-	-
Other additions:				
Sales and services	-	-	-	-
Total Additions	(3,601)	95,331	52,873	144,603
Deductions				
Distributions paid and payable	(78,752)	1,976	(16,077)	(92,853)
Payments of property tax to local governments	-	-	-	-
Payments of sales and use tax to local governments	-	-	-	-
Payments in accordance with custodial arrangements	-	-	-	-
Payments in accordance with child support agreements	-	-	-	-
Payments of grants to local governments	-	-	-	-
Payments of refunds to grantors	-	-	-	-
Administrative expenses	-	-	-	-
Total deductions	(78,752)	1,976	(16,077)	(92,853)
Change in net position	75,151	93,355	68,950	237,456
Net position — July 1, as restated (Note 23)	388,499	943,509	126,624	1,458,632
Net position — June 30	$ 463,650	$ 1,036,864	$ 195,574	$ 1,696,088

Exhibit F-4

Other Custodial Funds								
Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
$ -	$ -	$ -	$ 3	$ 117	172	$ 14	$ 306	$ (92,389)
-	-	-	(3)	(2)	(3)	(1)	(9)	(167)
-	-	-	-	115	169	13	297	(92,556)
-	-	-	-	-	-	-	-	(92,853)
-	-	-	-	-	-	-	-	330,309
-	-	-	-	-	-	-	-	237,456
-	-	-	1,167,266	-	-	-	1,167,266	1,167,266
4,974,071	-	-	-	-	-	-	4,974,071	4,974,071
-	669,405	56,918	-	-	-	86,596	812,919	812,919
-	-	-	-	-	-	709,481	709,481	709,481
-	-	-	-	-	352,692	-	352,692	352,692
-	-	-	-	-	-	1,321	1,321	1,321
4,974,071	669,405	56,918	1,167,266	115	352,861	797,411	8,018,047	8,162,650
-	-	-	-	-	-	-	-	(92,853)
-	-	-	1,167,220	-	-	-	1,167,220	1,167,220
4,974,071	-	-	-	-	-	-	4,974,071	4,974,071
-	604,637	14,684	-	-	-	90,809	710,130	710,130
-	-	-	-	-	-	709,706	709,706	709,706
-	-	-	-	-	343,228	-	343,228	343,228
-	-	-	-	-	9,464	-	9,464	9,464
-	-	-	-	-	-	212	212	212
4,974,071	604,637	14,684	1,167,220	-	352,692	800,727	7,914,031	7,821,178
-	64,768	42,234	46	115	169	(3,316)	104,016	341,472
-	151,251	335,420	(74)	52,028	352,692	53,587	944,904	2,403,536
$ -	$ 216,019	$ 377,654	$ (28)	$ 52,143	$ 352,861	$ 50,271	$ 1,048,920	$ 2,745,008

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COMPONENT UNITS

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COMPONENT UNITS – DISCRETELY PRESENTED

The component units listed below are legally separate entities for which the State is financially accountable.

Nonmajor component units are comprised of the following entities:

State Education Assistance Authority
N.C. Housing Finance Agency
The Golden LEAF, Inc.
N.C. State Ports Authority
N.C. Global TransPark Authority
North Carolina Railroad Company
North Carolina Biotechnology Center
N.C. Partnership for Children, Inc.
Centennial Authority
Economic Development Partnership of N.C.

This section also includes a statement of cash flows for the State Health Plan, a major component unit, which does not issue separate financial statements.

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS

June 30, 2022
(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Assets					
Cash and cash equivalents	$ -	$ 116,602	$ 1,810	$ 3,752	$ 13,191
Investments	-	-	1,189,666	58,590	3,944
Securities lending collateral	-	21,520	-	1	308
Receivables, net	47,631	10,475	-	10,692	3,214
Due from primary government	-	1,277	-	-	-
Due from component units	3,110	-	412	-	-
Inventories	-	-	-	755	-
Prepaid items	4,750	-	120	2,616	-
Advances to outside entities	-	11,330	-	-	-
Notes receivable, net	885,972	346,770	25	-	960
Lease receivable	-	-	-	19,677	10,177
Restricted/designated cash and cash equivalents	590,888	694,856	-	252	-
Restricted investments	3,302,641	1,185,890	5	50,668	-
Restricted due from component units	-	-	2,886	-	-
Net OPEB asset	2	8	-	12	1
Capital assets-nondepreciable	-	-	904	83,634	23,959
Capital assets-depreciable, net	3,641	4,639	2,182	414,971	123,224
Total Assets	4,838,635	2,393,367	1,198,010	645,620	178,978
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	-	756	-	-	-
Deferred loss on refunding	-	-	-	138	-
Deferred outflows for pensions	986	3,271	-	4,736	194
Deferred outflows for OPEB	2,274	3,993	-	5,833	499
Total Deferred Outflows of Resources	3,260	8,020	-	10,707	693
Liabilities					
Accounts payable and accrued liabilities	43,129	4,151	170,049	7,677	490
Obligations under securities lending	-	21,520	-	1	308
Interest payable	1,566	18,628	-	670	14
Due to component units	-	-	7,318	-	3,299
Due to primary government	-	16,254	41,106	-	-
Unearned revenue	-	23,176	-	289	159
Advance from primary government	-	-	-	-	1,691
Deposits payable	-	3,607	-	-	-
Funds held for others	3,354,246	-	-	-	80
Hedging derivatives liability	-	756	-	141	-
Long-term liabilities:					
Due within one year	100,505	41,343	27	6,547	834
Due in more than one year	575,233	1,484,922	14	116,459	6,905
Total Liabilities	4,074,679	1,614,357	218,514	131,784	13,780
Deferred Inflows of Resources					
Deferred state aid	132,227	-	-	-	-
Deferred inflows for lease agreements	-	-	-	19,677	10,177
Deferred inflows for pensions	823	3,444	-	5,031	209
Deferred inflows for OPEB	1,360	4,128	-	5,880	365
Total Deferred Inflows of Resources	134,410	7,572	-	30,588	10,751

Exhibit G-1

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
$ 17,689	$ 10,590	$ 6,331	$ 1,740	$ 5,678	$ 177,383
-	12,984	-	-	-	1,265,184
-	-	-	950	-	22,779
4,307	379	9,140	2,589	433	88,860
-	-	-	-	-	1,277
-	-	-	-	-	3,522
-	-	-	-	-	755
555	137	175	-	432	8,785
-	-	-	-	-	11,330
-	9,114	-	-	-	1,242,841
-	-	-	28,867	-	58,721
7	-	24	26,150	-	1,312,177
122,690	-	-	822	-	4,662,716
-	-	-	-	-	2,886
-	-	-	-	-	23
53,220	-	-	-	-	161,717
186,559	7,399	995	92,469	1,704	837,783
385,027	40,603	16,665	153,587	8,247	9,858,739
-	-	-	-	-	756
-	-	-	-	-	138
-	-	-	77	-	9,264
-	-	-	-	-	12,599
-	-	-	77	-	22,757
2,791	910	10,550	190	616	240,553
-	-	-	950	-	22,779
-	-	-	-	-	20,878
-	-	-	-	-	10,617
-	-	-	-	-	57,360
10,589	-	3,388	335	26	37,962
-	-	-	-	-	1,691
61	-	-	-	-	3,668
-	-	-	-	-	3,354,326
-	-	-	-	-	897
-	-	1,058	138	1,889	152,341
-	-	142	51	-	2,183,726
13,441	910	15,138	1,664	2,531	6,086,798
-	-	-	-	-	132,227
-	-	-	28,443	-	58,297
-	-	-	76	-	9,583
-	-	-	-	-	11,733
-	-	-	28,519	-	211,840

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS (Continued)

June 30, 2022
(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Net Position					
Net investment in capital assets	3,641	4,639	3,086	404,347	138,377
Restricted for:					
Expendable:					
Higher education	522,244	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	672,729	25,102	51,325	1,532
Unrestricted	106,921	102,090	951,308	38,283	15,231
Total Net Position	$ 632,806	$ 779,458	$ 979,496	$ 493,955	$ 155,140

Exhibit G-1

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
239,779	7,399	-	92,331	-	893,599
-	-	-	-	-	522,244
-	-	46	-	-	46
122,690	446	-	26,970	-	900,794
9,117	31,848	1,481	4,180	5,716	1,266,175
$ 371,586	$ 39,693	$ 1,527	$ 123,481	$ 5,716	$ 3,582,858

COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Total expenses	$ 351,155	$ 434,377	$ 124,575	$ 66,292	$ 10,339
Program revenues:					
Charges for services	48,230	331,280	279	66,141	5,655
Operating grants and contributions:					
Federal Aid - COVID-19	-	-	-	-	-
State aid - program	78,482	45,408	-	-	-
Other operating grants and contributions	212,707	(70,858)	-	(1,929)	477
Capital grants and contributions:					
State capital aid	-	-	-	-	-
Other capital grants and contributions	-	-	-	2,906	421
Net program (expense) revenue	(11,736)	(128,547)	(124,296)	826	(3,786)
Non-tax general revenues:					
Unrestricted investment earnings	4,061	-	(166,817)	-	(277)
State aid - coronavirus	-	-	-	326	-
State aid - general	-	10,660	42,500	50,000	8,882
Noncapital contributions	30	95	-	136	18
Miscellaneous	-	-	-	1,560	-
Total non-tax general revenues	4,091	10,755	(124,317)	52,022	8,623
Change in net position	(7,645)	(117,792)	(248,613)	52,848	4,837
Net position — July 1, as restated	640,451	897,250	1,228,109	441,107	150,303
Net position — June 30	$ 632,806	$ 779,458	$ 979,496	$ 493,955	$ 155,140

Exhibit G-2

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
$ 39,686	$ 16,365	$ 112,870	$ 18,538	$ 25,109	$ 1,199,306
23,340	614	-	2,161	847	478,547
-	-	-	-	-	-
-	-	94,596	-	-	218,486
-	-	12,435	12,982	2,420	168,234
11,038	-	-	-	-	11,038
-	-	-	539	-	3,866
(5,308)	(15,751)	(5,839)	(2,856)	(21,842)	(319,135)
9,224	916	2	60	-	(152,831)
-	-	-	-	2,724	3,050
-	17,301	5,707	-	19,961	155,011
-	-	-	-	-	279
1,170	1,136	33	738	-	4,637
10,394	19,353	5,742	798	22,685	10,146
5,086	3,602	(97)	(2,058)	843	(308,989)
366,500	36,091	1,624	125,539	4,873	3,891,847
$ 371,586	$ 39,693	$ 1,527	$ 123,481	$ 5,716	$ 3,582,858

STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNIT

June 30, 2022 *Exhibit G-3*

(Dollars in Thousands)

		State Health Plan
Cash Flows From Operating Activities		
Receipts from customers	$	3,820,397
Payments to suppliers		(154,470)
Payments to employees		(5,502)
Payments for claims		(3,736,884)
Other receipts		103,024
Net cash provided by (used for) operating activities		26,565
Cash Flows From Noncapital Financing Activities		
Grant receipts		12,996
Grants, aid, and subsidies		(172,023)
State aid - coronavirus		215,056
Net cash provided by (used for) noncapital financing activities		56,029
Cash Flows From Investing Activities		
Investment earnings		1,600
Net increase (decrease) in cash and cash equivalents		84,194
Cash and cash equivalents at July 1		765,907
Cash and cash equivalents at June 30	$	850,101
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities		
Operating income (loss)	$	(52,630)
Nonoperating miscellaneous and other income (expense)		-
Change in assets and deferred outflows:		
Receivables		(39,608)
Net OPEB asset		7
Deferred outflows for pensions		89
Deferred outflows for OPEB		409
Change in liabilities and deferred inflows:		
Accounts payable and accrued liabilities		(7,522)
Compensated absences		8
Unearned revenue		17,389
Medical claims payable		109,274
Net pension liability		(1,797)
Net OPEB liability		357
Deferred inflows for pensions		1,376
Deferred inflows for OPEB		(787)
Net cash provided by (used for) operations	$	26,565
Noncash Investing, Capital, and Financing Activities		
Increase in receivables related to nonoperating income		673
Decrease in net OPEB liability related to noncapital contributions		(35)

STATISTICAL SECTION

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Index to Statistical Section

This part of the State of North Carolina's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Contents

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

NET POSITION BY COMPONENT

For the Fiscal Years 2013-2022

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Governmental Activities					
Net investment in capital assets	$ 59,631,130	$ 56,843,205	$ 55,581,833	$ 52,846,067	$ 49,966,225
Restricted	2,014,178	1,868,783	1,458,418	1,248,281	1,187,465
Unrestricted	9,750,179	2,007,594	(5,356,649)	(5,899,285)	(5,831,775)
Total Governmental Activities Net Position	$ 71,395,487	$ 60,719,582	$ 51,683,602	$ 48,195,063	$ 45,321,915
Business-type Activities					
Net investment in capital assets	$ 493,653	$ 515,390	$ 513,378	$ 562,921	$ 606,649
Restricted	204,494	255,800	178,212	114,803	16,963
Unrestricted	5,673,307	4,948,349	4,863,901	5,640,685	5,096,931
Total Business-type Activities Net Position	$ 6,371,454	$ 5,719,539	$ 5,555,491	$ 6,318,409	$ 5,720,543
Primary Government					
Net investment in capital assets	$ 60,124,783	$ 57,358,595	$ 56,095,211	$ 53,408,988	$ 50,572,874
Restricted	2,218,672	$ 2,124,583	1,636,630	1,363,084	1,204,428
Unrestricted	15,423,486	$ 6,955,943	(492,748)	(258,600)	(734,844)
Total Primary Government Net Position	$ 77,766,941	$ 66,439,121	$ 57,239,093	$ 54,513,472	$ 51,042,458

Table 1

2017	2016	2015	2014	2013
$ 47,274,373	$ 45,313,618	$ 43,589,998	$ 42,139,297	$ 40,394,260
1,122,895	1,039,216	1,061,817	861,988	852,901
(6,518,107)	376,874	(1,829,718)	(3,398,663)	(3,042,454)
$ 41,879,161	$ 46,729,708	$ 42,822,097	$ 39,602,622	$ 38,204,707
$ 532,834	$ 653,235	$ 535,344	$ 442,100	$ 410,031
15,785	7,043	1,256	1,940	995
4,592,444	3,831,415	2,638,877	1,032,581	(250,294)
$ 5,141,063	$ 4,491,693	$ 3,175,477	$ 1,476,621	$ 160,732
$ 47,807,207	$ 45,966,853	$ 44,125,342	$ 42,581,397	$ 40,804,291
1,138,680	1,046,259	1,063,073	863,928	853,896
(1,925,663)	4,208,289	809,159	(2,366,082)	(3,292,748)
$ 47,020,224	$ 51,221,401	$ 45,997,574	$ 41,079,243	$ 38,365,439

CHANGES IN NET POSITION

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019	2018
Expenses					
Governmental Activities					
General government	$ 3,033,443	$ 2,500,096	$ 1,441,776	$ 1,392,293	$ 1,284,612
Primary and secondary education	15,459,082	12,936,328	11,971,116	11,697,451	11,026,473
Higher education	5,473,516	5,142,660	4,815,552	4,788,720	4,390,938
Health and human services	30,645,511	25,629,768	21,594,958	19,567,645	19,076,459
Economic development	435,295	664,528	525,242	505,806	518,717
Environment and natural resources	816,601	821,398	708,815	666,594	603,594
Public safety, corrections, and regulation	4,777,868	4,536,568	4,228,118	3,792,606	3,564,262
Transportation	3,079,409	2,793,445	2,979,441	3,907,427	3,154,210
Agriculture	249,195	286,217	313,068	392,214	204,253
Interest on long-term debt	173,241	170,435	171,372	163,799	138,513
Total Governmental Activities Expenses	64,143,161	55,481,443	48,749,458	46,874,555	43,962,031
Business-type Activities					
Unemployment Compensation	672,550	7,317,289	5,707,104	169,967	196,572
N.C. State Lottery	2,960,246	2,875,899	2,290,926	2,154,116	1,938,395
EPA Revolving Loan	37,447	17,458	13,785	23,657	13,974
N.C. Turnpike Authority	210,152	193,813	186,369	132,456	88,703
Regulatory programs	139,202	130,118	131,503	121,652	118,917
Insurance programs	37,099	35,153	51,815	22,362	14,646
North Carolina State Fair	12,657	7,086	15,981	18,197	19,006
Other business-type activities	14,696	12,780	15,421	17,015	16,065
Total Business-type Activities Expenses	4,084,049	10,589,596	8,412,904	2,659,422	2,406,278
Total Primary Government Expenses	$ 68,227,210	$ 66,071,039	$ 57,162,362	$ 49,533,977	$ 46,368,309
Program Revenues					
Governmental Activities					
Charges for Services:					
Transportation	$ 1,089,208	$ 1,102,786	$ 967,438	$ 992,925	$ 978,504
Public safety, corrections, and regulation	640,364	565,774	577,517	633,050	652,818
General government	358,361	335,269	297,451	293,563	264,692
Health and human services	351,072	338,172	352,364	355,483	343,247
Other activities	671,484	607,223	530,640	356,404	328,341
Operating grants and contributions	30,859,243	23,540,962	19,246,548	16,980,579	16,324,807
Capital grants and contributions	1,149,590	1,281,167	1,328,260	1,317,197	994,934
Total Governmental Activities Program Revenues	35,119,322	27,771,353	23,300,218	20,929,201	19,887,343
Business-type Activities					
Charges for services:					
Unemployment Compensation	663,385	599,309	246,021	505,379	585,552
N.C. State Lottery	3,892,769	3,810,995	3,021,992	2,864,962	2,610,475
EPA Revolving Loan	19,419	15,956	19,487	20,888	21,918
N.C. Turnpike Authority	107,271	57,186	82,613	65,155	49,647
Regulatory programs	157,746	144,511	139,927	132,263	130,375
Insurance programs	22,806	17,951	18,999	9,142	19,455
North Carolina State Fair	15,160	3,212	16,504	15,694	16,416
Other business-type activities	13,068	9,145	12,022	12,394	12,987
Operating grants and contributions	695,299	6,907,326	4,737,551	203,779	142,370
Capital grants and contributions	248	21,393	3,681	27,578	5,249
Total Business-type Activities Program Revenues	5,587,171	11,586,984	8,298,797	3,857,234	3,594,444
Total Primary Government Program Revenues	$ 40,706,493	$ 39,358,337	$ 31,599,015	$ 24,786,435	$ 23,481,787
Net (Expense) Revenue					
Governmental Activities	$ (29,023,839)	$ (27,710,090)	$ (25,449,240)	$ (25,945,354)	$ (24,074,688)
Business-type Activities	1,503,122	997,388	(114,107)	1,197,812	1,188,166
Total Primary Government Net Expense	$ (27,520,717)	$ (26,712,702)	$ (25,563,347)	$ (24,747,542)	$ (22,886,522)

Table 2

2017	2016	2015	2014	2013
$ 1,220,572	$ 1,064,299	$ 1,158,892	$ 1,080,982	$ 1,034,277
10,721,373	10,372,787	10,224,967	9,772,994	9,830,464
4,137,922	4,003,154	3,859,549	3,901,543	3,986,465
18,871,497	18,422,804	18,705,192	17,812,888	18,313,335
475,172	402,773	408,289	420,464	595,248
549,838	547,540	490,185	484,718	515,496
3,355,432	2,960,451	2,896,088	2,911,146	2,907,980
2,953,576	2,767,006	2,673,649	2,607,663	2,490,991
196,538	179,152	165,735	191,242	187,608
194,559	199,516	216,519	216,521	233,606
42,676,479	40,919,482	40,799,065	39,400,161	40,095,470
238,193	255,851	349,069	700,190	2,496,445
1,808,537	1,752,837	1,450,494	1,341,219	1,215,944
14,648	19,047	22,965	27,789	23,711
108,845	87,467	89,004	88,278	95,897
113,780	94,857	90,397	86,253	76,447
23,828	12,502	21,632	18,427	17,591
17,459	16,183	14,975	13,957	13,441
23,293	20,903	16,269	12,917	13,400
2,348,583	2,259,647	2,054,805	2,289,030	3,952,876
$ 45,025,062	$ 43,179,129	$ 42,853,870	$ 41,689,191	$ 44,048,346
$ 973,237	$ 875,603	$ 742,586	$ 730,048	$ 706,231
614,165	622,044	601,407	580,817	604,447
275,983	264,708	253,506	242,809	228,054
374,624	357,597	320,100	324,689	331,559
333,437	299,269	385,081	323,722	330,613
16,197,394	15,924,934	16,152,680	15,261,306	15,767,596
1,064,722	940,448	942,238	1,260,306	1,010,889
19,833,562	19,284,603	19,397,598	18,723,697	18,979,389
933,147	1,309,907	1,552,934	1,651,108	1,535,068
2,433,036	2,388,977	1,977,486	1,844,636	1,695,009
19,217	21,908	23,955	22,603	19,490
45,520	39,147	30,710	24,725	13,499
135,783	112,525	96,155	90,938	78,557
18,425	18,628	18,641	10,780	19,275
16,102	15,539	14,985	14,828	14,506
12,658	12,042	11,239	10,781	10,681
136,200	156,515	409,351	347,108	1,423,525
10,317	14,932	21,251	11,942	21,109
3,760,405	4,090,120	4,156,707	4,029,449	4,830,719
$ 23,593,967	$ 23,374,723	$ 23,554,305	$ 22,753,146	$ 23,810,108
$ (22,842,917)	$ (21,634,879)	$ (21,401,467)	$ (20,676,464)	$ (21,116,081)
1,411,822	1,830,473	2,101,902	1,740,419	877,843
$ (21,431,095)	$ (19,804,406)	$ (19,299,565)	$ (18,936,045)	$ (20,238,238)

Continued

CHANGES IN NET POSITION (Continued)

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019	2018
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes:					
Individual income tax	$ 17,845,868	$ 15,368,872	$ 13,121,892	$ 13,242,924	$ 12,607,563
Corporate income tax	1,624,384	1,327,813	726,186	779,886	750,381
Sales and use tax	11,029,810	9,826,411	8,556,460	8,436,190	7,951,984
Motor fuels tax	2,227,883	2,067,262	2,054,235	2,118,180	2,013,961
Franchise tax	879,789	882,332	640,865	754,936	676,309
Highway use tax	1,137,060	1,003,310	847,919	838,571	798,314
Insurance tax	1,000,680	722,958	661,881	577,430	588,042
Beverage tax	559,195	533,088	462,401	435,471	411,071
Inheritance tax	—	—	—	—	—
Tobacco products tax	296,416	303,060	288,933	294,030	296,064
Other taxes	372,624	334,913	290,178	276,828	315,429
Tobacco settlement	171,849	167,417	148,929	155,818	162,108
Federal COVID-19	1,525,132	3,117,857	173,448	—	—
Unrestricted investment earnings (loss)	60,506	15,662	133,251	153,490	97,346
Noncapital Contributions	38,147	91,696	—	—	—
Miscellaneous	67,754	102,661	76,395	84,549	60,840
Contributions to permanent funds	9,605	7,472	5,919	4,916	4,845
Transfers	853,042	833,513	652,776	613,895	607,892
Total Governmental Activities	39,699,744	36,706,297	28,841,668	28,767,114	27,342,149
Business-type Activities					
Noncapital Contributions	517	1,309	—	—	—
Miscellaneous	1,318	—	—	2,879	—
Transfers	(853,042)	(833,513)	(652,776)	(613,895)	(607,892)
Total Business-type Activities	(851,207)	(832,204)	(652,776)	(611,016)	(607,892)
Total Primary Government	$ 38,848,537	$ 35,874,093	$ 28,188,892	$ 28,156,098	$ 26,734,257
Change in Net Position					
Governmental Activities	$ 10,675,905	$ 8,996,207	$ 3,392,428	$ 2,821,760	$ 3,267,461
Business-type Activities	651,915	165,184	(766,883)	586,796	580,274
Total Primary Government	$ 11,327,820	$ 9,161,391	$ 2,625,545	$ 3,408,556	$ 3,847,735

Table 2

2017	2016	2015	2014	2013
$ 11,950,085	$ 11,980,791	$ 11,288,542	$ 10,576,575	$ 11,113,597
805,062	1,120,553	1,272,879	1,318,091	1,194,850
7,646,658	7,184,788	6,869,090	5,839,362	5,556,484
1,945,769	1,938,849	1,945,462	1,907,803	1,889,439
749,408	521,628	556,786	888,815	845,130
784,549	728,580	653,931	596,801	555,581
517,781	503,621	529,927	476,402	540,844
394,883	380,065	360,280	342,784	330,918
—	—	—	—	113,721
284,531	291,841	279,795	273,426	287,340
298,367	296,595	292,535	348,938	305,726
140,569	136,561	137,910	139,169	213,078
—	—	—	—	—
62,683	43,551	20,139	19,452	13,621
—	—	—	—	—
50,650	35,246	42,167	192,002	44,837
4,561	4,718	4,382	3,861	2,834
665,199	518,461	416,483	429,810	448,733
26,300,755	25,685,848	24,670,308	23,353,291	23,456,733
—	—	—	—	—
535	42	4	3	7
(665,199)	(518,461)	(416,483)	(429,810)	(448,733)
(664,664)	(518,419)	(416,479)	(429,807)	(448,726)
$ 25,636,091	$ 25,167,429	$ 24,253,829	$ 22,923,484	$ 23,008,007
$ 3,457,838	$ 4,060,969	$ 3,268,841	$ 2,676,827	$ 2,340,652
747,158	1,312,054	1,685,423	1,310,612	429,117
$ 4,204,996	$ 5,373,023	$ 4,954,264	$ 3,987,439	$ 2,769,769

FUND BALANCES OF GOVERNMENTAL FUNDS [1]

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017
General Fund						
Nonspendable	106,920	118,773	83,763	160,906	70,193	72,345
Restricted	244,916	231,967	226,008	162,836	137,695	112,346
Committed	6,531,413	2,666,145	2,855,654	2,683,751	2,329,651	2,021,250
Assigned	4,298,908	531,349	1,725,771	554,243	517,815	217,747
Unassigned	7,245,438	8,413,157	1,694,412	2,396,667	2,335,267	1,977,982
Total General Fund	$ 18,427,595	$ 11,961,391	$ 6,585,608	$ 5,958,403	$ 5,390,621	$ 4,401,670
All Other Governmental Funds						
Nonspendable	251,369	256,019	228,646	231,482	224,714	215,690
Restricted	2,272,459	2,347,662	2,199,737	2,225,062	1,012,887	1,176,441
Committed	3,254,044	2,903,301	2,110,466	2,505,415	2,622,022	2,754,107
Assigned	3,926	3,562	3,763	3,027	3,449	929
Unassigned	-	—	(892,965)	(1,345,891)	(495,336)	—
Total All Other Governmental Funds	$ 5,781,798	$ 5,510,544	$ 3,649,647	$ 3,619,095	$ 3,367,736	$ 4,147,167

Table 3

2016	2015	2014	2013
84,122	83,079	81,458	75,153
162,568	173,575	83,885	130,411
1,518,439	1,447,011	911,720	910,629
376,677	116,705	283,280	30,957
1,619,055	686,453	193,482	150,713
$ 3,760,861	$ 2,506,823	$ 1,553,825	$ 1,297,863
218,575	211,883	216,528	210,307
1,067,534	1,252,733	768,448	923,253
2,308,077	1,870,499	1,713,790	1,409,097
1,166	1,011	—	778
—	—	—	—
$ 3,595,352	$ 3,336,126	$ 2,698,766	$ 2,543,435

(1) All governmental fund types consist of the General Fund, special revenue funds, capital projects funds, and permanent funds.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS [1]

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019
Revenues				
Taxes	$ 36,984,274	$ 32,335,305	$ 27,654,005	$ 27,743,450
Federal funds	25,240,803	21,856,916	19,218,083	17,878,544
Local funds	165,241	153,530	170,937	171,986
Investment earnings	49,246	87,980	216,341	241,587
Interest earnings on loans	1,284	1,128	933	994
Sales and services	340,766	327,404	308,687	326,316
Rental and lease of property	22,560	20,801	23,413	40,218
Fees, licenses, and fines	2,418,513	2,281,719	2,050,179	1,969,177
Tobacco settlement	171,585	167,234	149,194	155,926
Contributions, gifts, and grants	192,093	231,085	115,001	151,950
Funds escheated	137,760	151,474	168,851	129,913
Federal recovery funds	7,903,387	5,602,489	1,156,776	—
Miscellaneous	250,149	219,670	167,997	167,298
Total revenues	73,877,661	63,436,735	51,400,397	48,977,359
Expenditures				
Current:				
General government	3,097,730	2,484,419	1,343,940	1,247,648
Primary and secondary education	15,491,013	12,947,489	11,978,624	11,696,298
Higher education	5,476,903	5,144,492	4,816,610	4,790,041
Health and human services	30,839,275	25,705,449	21,612,473	19,674,618
Economic development	443,260	674,841	529,115	509,626
Environment and natural resources	806,434	779,112	692,030	639,449
Public safety, corrections, and regulation	4,991,888	4,504,476	4,097,966	3,785,440
Transportation	6,188,970	4,780,981	5,637,600	6,534,522
Agriculture	284,491	286,038	295,349	400,471
Capital outlay	151,327	177,741	205,341	152,880
Debt service:				
Principal retirement (2)	852,868	646,004	684,065	633,309
Interest and fees (2)	281,419	272,026	262,181	240,896
Debt issuance costs	905	1,591	2,582	1,653
Total expenditures	68,906,483	58,404,659	52,157,876	50,306,851
Excess revenues over (under) expenditures	4,971,178	5,032,076	(757,479)	(1,329,492)
Other Financing Sources (Uses)				
Bonds issued	—	400,000	600,000	400,000
Special Indebtedness issued	300,000	700,000	—	300,000
GARVEE bonds issued	252,595	—	—	600,000
Refunding bonds issued	132,025	—	—	—
Other debt issued	34,412	—	—	2,765
Premium on debt issued	113,792	199,037	82,392	215,733
Discount on debt issued	—	—	—	—
Payments to refunded bond escrow agent	—	—	—	—
Sale of capital assets	54,957	15,721	12,887	18,501
Insurance recoveries	26,980	56,313	29,082	19,308
Transfers in	1,829,416	1,429,460	1,403,813	1,397,089
Transfers out	(977,897)	(595,927)	(752,027)	(784,123)
Total other financing sources (uses)	1,766,280	2,204,604	1,376,147	2,169,273
Net change in fund balances	$ 6,737,458	$ 7,236,680	$ 618,668	$ 839,781
Debt service as a percentage of noncapital expenditures.........	1.76%	1.66%	1.96%	1.88%

Table 4

2018	2017	2016	2015	2014	2013
$ 26,401,176	$ 25,376,794	$ 24,942,287	$ 24,032,552	$ 22,605,977	$ 22,769,317
16,987,521	16,896,580	16,325,844	16,509,242	15,967,504	16,161,532
172,815	180,725	189,786	195,962	173,727	186,327
148,974	116,006	88,114	43,574	76,144	41,259
975	900	1,094	2,864	1,797	3,684
336,952	323,677	325,883	318,411	312,872	304,179
21,921	25,682	20,906	22,400	23,791	27,559
1,947,486	1,894,212	1,813,402	1,644,450	1,597,517	1,574,727
160,653	141,054	137,230	138,622	139,937	211,162
110,742	104,856	102,217	121,750	99,672	74,857
105,127	126,701	75,105	165,062	106,760	112,671
—	—	196,752	209,492	236,869	273,192
157,480	195,388	176,847	182,507	328,781	184,763
46,551,822	45,382,575	44,395,467	43,586,888	41,671,348	41,925,229
1,195,086	1,169,676	1,136,781	1,142,043	1,036,518	986,897
11,022,159	10,699,781	10,381,474	10,213,160	9,749,844	9,818,572
4,390,338	4,136,832	4,002,167	3,850,111	3,900,386	3,986,575
19,121,283	18,930,282	18,501,376	18,781,793	17,901,879	18,416,229
505,695	472,037	407,575	412,783	442,364	571,037
568,828	518,631	527,448	454,602	456,099	455,894
3,382,199	3,288,609	3,029,405	2,932,540	2,896,879	2,899,287
5,669,605	4,839,716	4,313,225	4,044,532	4,152,663	3,992,200
202,592	195,562	183,389	178,282	179,848	171,196
129,798	158,793	144,674	113,689	127,634	182,107
966,248	595,300	587,628	562,820	553,016	1,261,685
240,013	279,631	293,503	303,433	331,451	461,739
1,986	1,009	1,398	3,048	1,193	6,605
47,395,830	45,285,859	43,510,043	42,992,836	41,729,774	43,210,023
(844,008)	96,716	885,424	594,052	(58,426)	(1,284,794)
—	200,000	—	231,360	—	—
—	—	—	—	—	250,000
—	—	—	264,930	—	—
949,200	—	329,360	299,020	506,255	1,320,970
32,945	630	1,875	1,622	6,733	9,380
180,865	30,018	88,066	117,506	98,789	284,428
—	—	—	—	—	—
(774,195)	—	(416,509)	(349,828)	(603,550)	(748,022)
21,867	33,289	70,263	13,432	14,939	12,939
34,842	12,125	8,881	9,039	15,975	9,925
1,047,384	1,253,047	1,036,161	1,044,348	1,233,471	1,112,704
(439,966)	(441,561)	(515,965)	(632,660)	(805,682)	(651,195)
1,052,942	1,087,548	602,132	998,769	466,930	1,601,129
$ 208,934	$ 1,184,264	$ 1,487,556	$ 1,592,821	$ 408,504	$ 316,335
2.74%	2.06%	2.15%	2.13%	2.25%	4.24%

(1) All governmental fund types consist of the General Fund, special revenue funds, capital projects funds, and permanent funds.

(2) For the fiscal year ended June 30, 2013, principal retirement expenditures include payments for a current refunding of $696.96 million and interest and fees expenditures include net payments of $124.91 million to terminate basis swaps and swaptions. If these amounts were excluded, debt service as a percentage of noncapital expenditures would be 2.26%. For the fiscal year ended June 30, 2018, principal retirement expenditures include payments for a current refunding of $353.2 million. If these amounts were excluded, debt service as a percentage of noncapital expenditures would be 1.95%.

SCHEDULE OF REVENUES BY SOURCE — GENERAL FUND

For the Fiscal Years 2013-2022
(Dollars in Thousands)

		2022	2021	2020	2019	2018
Tax Revenues						
Individual income tax		17,845,868	15,368,872	13,121,892	$ 13,242,924	$ 12,607,563
Corporate income tax		1,630,010	1,304,274	728,989	774,121	749,488
Sales and use tax		11,012,646	9,811,208	8,546,796	8,428,539	7,940,757
Franchise tax		890,406	870,914	646,414	750,674	669,598
Beverage tax		559,192	533,261	462,403	435,328	411,161
Insurance tax		1,001,625	722,936	660,905	577,506	588,907
Tobacco products tax		296,701	307,333	289,317	292,614	292,284
License tax		37,052	43,458	35,033	35,128	33,869
Real estate conveyance tax		154,741	118,861	87,542	80,103	72,933
Manufacturing tax	(3)	1,079	1,271	980	1,120	46,699
Other taxes	(1)	49,042	45,229	43,552	41,760	53,097
Total tax revenues		33,478,362	29,127,617	24,623,823	24,659,817	23,466,356
Non-tax Revenues						
Federal Funds:						
Departmental revenues		23,855,788	20,363,937	17,584,656	16,260,190	15,626,073
Federal COVID-19 funds	(4)	7,793,424	5,410,439	1,156,776	—	—
Federal recovery funds	(2)	—	—	—	—	—
		31,649,212	25,774,376	18,741,432	16,260,190	15,626,073
Local Funds:						
Departmental revenues		118,239	108,692	128,634	138,775	139,422
Investment Earnings:						
Income from General Fund investments		59,932	14,821	130,042	150,073	96,968
Income from securities lending		1,416	52	5,130	5,765	297
Departmental revenues		5,185	19,481	16,935	13,651	10,052
		66,533	34,354	152,107	169,489	107,317
Interest Earnings on Loans:						
Departmental revenues		68	143	94	287	332
Sales and Services:						
Departmental revenues		176,750	181,018	161,579	169,206	179,553
Other non-tax revenues		111	113	118	83	88
		176,861	181,131	161,697	169,289	179,641
Rental and Lease of Property:						
Proceeds from rental and lease of property		1,565	584	5,002	21,031	943
Departmental revenues		15,130	13,849	11,140	12,013	12,914
		16,695	14,433	16,142	33,044	13,857
Fees, Licenses and Fines:						
Court fines and fees		207,596	178,537	203,244	231,286	239,613
Secretary of State service fees		166,769	158,970	141,261	125,521	123,891
Banking and investment fees		3,823	3,909	3,938	3,771	3,911
Permits (ABC Commission)		30,647	4,531	23,157	26,524	25,829
Probation supervision fees		8,638	9,926	10,753	12,001	12,082
Department of Insurance fees		67,987	58,873	51,182	48,094	48,209
DWI service and restoration fees		3,287	3,316	3,744	4,782	5,104
Civil penalties, fines, and forfeitures	(5)	226,338	221,391	114,645	—	—
Departmental revenues		398,234	296,528	314,553	328,980	334,539
Other non-tax revenues		16,704	12,538	10,161	9,619	8,824
		1,130,023	948,519	876,638	790,578	802,002
Tobacco Settlement:						
Tobacco settlement		171,585	167,234	149,194	155,926	160,653
Contributions, Gifts and Grants:						
Departmental revenues		49,901	62,609	49,517	45,582	44,088
Miscellaneous:						
Local sales and use tax administration		16,897	16,676	14,677	14,421	13,711
Sales tax refunds		1,226	2,201	1,929	2,545	1,734
Departmental revenues		159,958	155,466	128,938	139,229	127,723
Other non-tax revenue		11,666	625	252	277	342
		189,747	174,968	145,796	156,472	143,510
Total non-tax revenues		33,568,864	27,466,459	20,421,251	17,919,632	17,216,895
Total Revenues		$ 67,047,226	$ 56,594,076	$ 45,045,074	$ 42,579,449	$ 40,683,251

Table 5

2017	2016	2015	2014	2013
$ 11,950,085	$ 11,980,791	$ 11,288,542	$ 10,576,575	$ 11,111,462
807,208	1,117,999	1,270,985	1,331,934	1,224,702
7,634,608	7,177,819	6,858,523	5,838,079	5,554,065
748,018	524,967	552,221	890,692	857,867
394,995	379,986	360,138	342,955	330,711
516,970	503,413	529,927	476,402	521,510
291,671	286,968	277,830	277,736	283,629
30,470	30,785	46,265	47,612	44,378
68,793	62,250	56,028	50,424	—
46,922	47,435	40,611	36,743	36,447
39,188	41,523	37,919	111,873	187,482
22,528,928	22,153,936	21,318,989	19,981,025	20,152,253
15,497,006	15,138,975	15,293,459	14,526,468	14,878,307
—	—	—	—	—
—	45,220	84,429	151,757	182,756
15,497,006	15,184,195	15,377,888	14,678,225	15,061,063
143,580	155,486	161,514	144,826	158,413
62,315	40,795	19,282	17,458	12,991
925	1,354	554	6,853	9,125
6,010	3,684	2,045	2,481	2,597
69,250	45,833	21,881	26,792	24,713
259	442	2,192	1,098	2,883
171,534	171,318	164,521	158,684	140,603
105	109	75	87	80
171,639	171,427	164,596	158,771	140,683
5,718	51	103	117	94
10,711	11,161	10,383	9,966	10,210
16,429	11,212	10,486	10,083	10,304
242,013	244,724	234,510	236,790	250,789
112,479	108,208	101,792	94,923	89,994
4,101	4,595	7,684	7,568	6,107
24,682	24,025	24,065	15,151	15,138
12,669	13,626	14,231	14,579	15,566
45,897	44,461	43,392	40,603	39,224
5,672	6,490	7,594	8,033	8,590
—	—	—	—	—
302,396	307,282	304,463	287,233	288,922
9,417	8,667	7,940	8,895	9,696
759,326	762,078	745,671	713,775	724,026
141,054	137,230	138,622	139,937	211,162
43,996	39,755	39,088	26,441	21,487
13,038	11,374	10,519	9,388	8,942
1,876	2,189	2,452	3,716	2,826
165,645	143,840	112,647	214,371	104,432
237	236	3,072	66,643	9,865
180,796	157,639	128,690	294,118	126,065
17,023,335	16,665,297	16,790,628	16,194,066	16,480,799
$ 39,552,263	$ 38,819,233	$ 38,109,617	$ 36,175,091	$ 36,633,052

(1) SL2013-316 repealed piped natural gas and estate (reported as inheritance) taxes. The collections for these tax types will continue to decline until zero. Beginning fiscal year ending June 30, 2019, gift taxes were combined with other taxes due to continued decline in revenue stream. All years have been adjusted to include piped natural gas tax, inheritance tax, and gift tax balances with other taxes.

(2) Beginning fiscal year ending June 30, 2017, Federal recovery funds were combined with Federal Funds: Departmental revenues, due to continued decline in revenue stream.

(3) SL2017-57 repealed manufacturing tax. The collections for this tax will continue to decline until zero.

(4) Beginning fiscal year ending June 30, 2020, Federal COVID- 19 funds were reported as a result of funds received directly from federal agencies under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act of 2021.

(5) Beginning fiscal year ending June 30, 2021, amounts accumulated in the Civil Penalty and Forfeiture Fund pursuant to Article IX, Section 7(b) of the Constitution are recorded in the General Fund. These amounts were previously recorded in an Agency Fund. The 2020 amount is restated.

PERSONAL INCOME BY INDUSTRY

For the Fiscal Years 2011-2020
(Dollars in Thousands)

	2020	2019	2018	2017	2016
Manufacturing	$ 37,183,454	$ 37,545,696	$ 36,564,601	$ 35,556,839	$ 34,520,572
Retail trade	22,020,654	20,984,366	19,822,307	18,939,152	18,522,384
Services	132,122,275	131,299,257	124,308,545	117,125,952	111,542,333
Agricultural, forestry, fishing, etc	847,496	790,254	745,397	769,564	816,347
Government	64,451,106	62,708,432	60,700,890	57,988,474	56,017,527
Construction	23,723,571	23,100,090	21,135,148	19,728,977	18,381,490
Wholesale trade	18,860,176	18,172,223	17,155,314	16,993,141	16,033,600
Transportation and warehousing	11,611,235	10,855,895	10,262,131	9,457,359	8,840,743
Finance and insurance	27,028,925	24,467,017	22,623,138	21,302,932	19,584,093
Mining	179,217	234,255	249,230	297,699	193,532
Utilities	3,143,541	2,975,896	2,727,583	2,328,678	2,041,683
Information	8,906,883	8,435,820	8,663,579	8,137,688	8,028,714
Real estate and rental and leasing	8,684,304	8,417,855	7,244,261	6,451,493	6,504,105
Other	174,506,500	150,509,800	143,281,212	138,019,753	131,599,070
Total	$ 533,269,337	$ 500,496,856	$ 475,483,336	$ 453,097,701	$ 432,626,193
Average Effective Rate (1):					
Individual Income Tax	2.5%	2.6%	2.7%	2.6%	2.8%

Source: United States Department of Commerce - Bureau of Economic Analysis (Data for 2021 & 2022 is not available)

Table 6

2015	2014	2013	2012	2011
$ 33,917,464	$ 32,663,058	$ 31,396,324	$ 30,665,848	$ 29,862,927
17,859,725	17,227,306	16,363,209	15,714,199	14,966,515
106,697,163	101,512,938	94,155,224	92,630,810	86,373,005
839,379	810,293	770,044	749,827	632,718
55,985,541	53,827,305	53,810,584	53,184,884	52,765,707
17,173,746	15,887,282	14,695,182	13,984,141	12,462,615
15,666,100	14,994,989	13,995,352	13,497,515	12,666,822
8,660,303	8,036,618	7,482,287	7,246,264	6,940,013
17,965,913	17,639,760	18,283,201	25,073,812	18,500,449
175,080	168,758	195,625	211,604	232,048
2,029,592	1,809,498	1,569,505	1,850,950	2,190,305
7,786,806	7,302,160	6,389,957	6,105,228	5,768,439
5,771,969	5,062,430	4,240,605	3,266,757	2,040,127
128,805,489	121,157,127	113,045,284	115,978,729	110,424,932
$ 419,334,270	$ 398,099,522	$ 376,392,383	$ 380,160,568	$ 355,826,622
2.7%	2.7%	3.0%	2.8%	2.8%

(1) Average effective tax rate equals individual income tax revenues divided by personal income.

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2011 AND 2020
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2012-2021

Individual Income Tax Filers and Liability by Income Level

	Tax Year 2020				Tax Year 2011			
North Carolina Taxable Income	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
0 to $15,000....................	2,362,173	46.3%	$ 417,165,439	3.2%	2,139,069	50.6%	$ 408,300,395	4.3%
$15,001 to $25,000..........	565,002	11.1%	579,862,316	4.4%	540,317	12.8%	601,431,214	6.3%
$25,001 to $50,000..........	870,701	17.1%	1,617,650,725	12.3%	740,936	17.5%	1,647,776,670	17.3%
$50,001 to $75,000..........	449,861	8.8%	1,417,324,676	10.7%	352,066	8.3%	1,383,551,209	14.6%
$75,001 to $100,000........	266,210	5.2%	1,180,445,922	9.0%	178,126	4.2%	1,015,516,744	10.7%
$100,001 to $200,000......	390,272	7.7%	2,725,923,880	20.7%	200,816	4.8%	1,845,734,172	19.4%
$200,001 and up.............	195,381	3.8%	5,233,837,941	39.7%	74,992	1.8%	2,607,256,061	27.4%
	5,099,600	100.0%	$ 13,172,210,899	100.0%	4,226,322	100.0%	$ 9,509,566,465	100.0%

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Tax year 2020 is the most recent year for which data is available.

Individual Income Tax Rates - Last 10 Years

Tax Years 2012-2013				
Tax Year	Bracket 1	Bracket 2	Bracket 3	
Married - Joint:				
Taxable income	$1-$21,250	$21,251-$100,000	> $100,000	
Tax rate	6%	7%	7.75%	
Married - Separate:				
Taxable income	$1-$10,625	$10,626-$50,000	> $50,000	
Tax rate	6%	7%	7.75%	
Head of Household:				
Taxable income	$1-$17,000	$17,001-$80,000	> $80,000	
Tax rate	6%	7%	7.75%	
Single:				
Taxable income	$1-$12,750	$12,751-$60,000	> $60,000	
Tax rate	6%	7%	7.75%	

Income Tax Rate Restrictions - The State Constitution (Article V, section 2(6)) places the following limitation on the income tax: "The rate of tax on incomes shall not in any case exceed ten percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed."

Federal Adjusted Gross Income Starting Point - Effective with tax year 2012 the starting point in determining North Carolina taxable income is federal adjusted gross income (FAGI) subject to some modifications.

Source: North Carolina Department of Revenue

Table 7

Individual Income Tax Rates - Last 10 Years

Tax Year 2014				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	5.8%			
Tax Years 2015-2016				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	5.75%			
Tax Years 2017-2018				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	5.499%			
Tax Years 2019-2021				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	5.250%			

Income Tax Rate and Base Structure Changes - Effective for tax years beginning on or after January 1, 2014, SL 2013- 316 (HB998), *An Act to Simplify the NC Tax Structure and to Reduce Individual and Business Tax Rates* (enacted July 23, 2013) replaces the multi- tiered bracket system with a flat rate structure.

Income Tax Rate and Base Structure Changes - The 2015 Appropriations Act reduces the personal income tax rate to 5.499% effective with taxable year 2017 and increases the withholding tax rate on or after January 1, 2016 to equal the statutory personal income tax rate plus 0.1% to reduce the incidence of deficient withholding.

Income Tax Rate Restrictions - The State Constitution (Article V, section 2(6)) places the following limitation on the income tax: "The rate of tax on incomes shall not in any case exceed seven percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed." [Applicable to taxable years beginning on or after January 1, 2019]

Income Tax Rate and Base Structure Changes - The 2017 Appropriations Act reduces the personal income tax rate to the 5.25% effective for taxable year 2019.

TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2013-2022

(Dollars in Thousands)

	2022	2021	2020	2019	2018
General merchandise...........................	$ 62,226,026	$ 56,410,899	$ 45,601,205	$ 41,960,513	$ 38,965,273
Food...	35,303,794	30,564,158	29,256,742	29,981,154	28,318,061
Lumber & building material..................	26,325,703	22,441,929	19,048,555	18,383,205	16,500,032
Automotive...	12,090,992	11,018,415	9,837,130	9,691,420	9,098,884
3% and 4.75% tax group (1)................	910,727	839,260	705,394	647,756	588,128
Furniture...	6,201,915	5,757,054	5,050,850	5,182,589	4,914,916
Apparel...	8,216,790	7,025,959	5,620,937	6,018,989	5,700,497
Unclassified..	59,892,202	50,815,780	44,629,147	44,693,250	41,113,549
Total..	$ 211,168,149	$ 184,873,454	$ 159,749,960	$ 156,558,876	$ 145,199,340
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

Source: North Carolina Department of Revenue

Table 8

2017	2016	2015	2014	2013
$ 38,193,321	$ 35,258,344	$ 33,018,301	$ 30,122,560	$ 29,092,064
27,164,722	26,204,343	24,663,183	22,892,242	21,961,810
15,426,794	13,635,227	12,711,938	11,754,511	11,034,483
9,058,317	7,667,914	6,920,644	6,272,460	5,855,515
541,143	479,938	448,267	456,127	460,461
4,778,592	4,372,666	4,160,558	3,887,077	3,739,815
5,648,766	5,414,102	5,140,968	4,707,181	4,554,679
38,358,149	35,124,312	33,241,081	30,258,424	28,668,485
$ 139,169,804	$ 128,156,846	$ 120,304,940	$ 110,350,582	$ 105,367,312
4.75%	4.75%	4.75%	4.75%	4.75%

(1) 3% and 4.75% tax group includes manufactured homes, airplanes, boats, and modular homes. In fiscal year 2016, airplanes sold or purchased at retail for use was subject to a 3% tax rate from July 1, 2015 to September 30, 2015 and a 4.75% tax rate beginning October 1, 2015. In the fiscal years prior to 2015, some manufactured homes were included in the 2% tax group and some modular homes were included in the 2.5% tax group. In the fiscal years prior to 2014, there was also a 1% tax group that included farm, mill, laundry machinery, fuel to farmers, manufacturers, and laundries.

SALES TAX REVENUE PAYERS BY BUSINESS GROUP

For the Fiscal Years 2013 & 2022

(Dollars in Thousands)

	2022			2013		
		Tax Liability	Percentage of Total		Tax Liability	Percentage of Total
General merchandise	$	2,961,269	25.94%	$	1,386,103	23.39%
Food		1,686,271	14.77%		1,050,203	17.72%
Utilities		1,361,289	11.93%		910,529	15.36%
Lumber & building material		1,252,246	10.97%		525,651	8.87%
Automotive		611,572	5.36%		291,068	4.90%
Furniture		295,647	2.59%		178,707	3.02%
Apparel		391,447	3.43%		217,287	3.67%
Unclassified		2,854,860	25.01%		1,367,391	23.07%
Total	$	11,414,601	100.00%	$	5,926,939	100.00%
General State Sales Tax Rate		4.75%			4.75%	

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2012-13	No substantive changes to sales and use tax rates or base became effective during the July 1, 2012 through June 30, 2013 period.
Fiscal Year 2013-14	Effective January 1, 2014, the sale of a modular home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2.5% preferential rate with 20% of the proceeds shared with local governments). The sale of a manufactured home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2% preferential rate (maximum tax $300 per article)). Service contracts (warranty agreements, maintenance agreements, repair contracts, or similar agreements or contracts by which the seller agrees to maintain or repair tangible personal property) are subject to the State general rate of 4.75% (applicable local rates apply). Previously, combined State/local use tax rates assessed on parts applied for certain transactions. Admission charges to the following entertainment activities are subject to the State general rate of 4.75% plus applicable local rates: a live performance or live event, a motion picture or film, a museum, a cultural site, a garden, an exhibit, a show, or a similar attraction or a guided tour at any of these attractions. The following events are exempted from this tax: school sponsored events held at an elementary or secondary school, certain commercial agricultural fairs, certain nonprofit-sponsored festivals or other recreational/entertainment activity, certain youth athletic contests, and certain State attractions. Previously, motion picture show admission charges were subject to a 1% gross receipts privilege tax and certain other amusements were subject to a 3% gross receipts privilege tax. Newspaper street vendors and sales by newspaper vending machines, nutritional supplements sold by a chiropractic physician at a chiropractic office to a patient as part of the patient's plan of treatment, and food and prepared meals sold by institutions of higher education (private and public) are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Effective June 1, 2014, gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent where a person occupies or has the right to occupy such on or after June 1, 2014, are subject to the 4.75% general State and applicable local and transit rates of sales and use tax and any local occupancy tax imposed by a city or county. Previously, the taxation of gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent for fewer than 15 days was deemed exempt under provisions of the Important Notice: Tax on Accommodations (Revised June 14, 2002).

Source: North Carolina Department of Revenue

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2014-15	Effective July 1, 2014, gross receipts derived from sales of electricity billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, electricity sold for residential purposes was subject to the State 3% preferential rate and electricity sold to laundry and dry cleaning establishments for business use was subject to the State 2.83% preferential rate. The legislation concurrently repeals the utility franchise tax rate of 3.22% applicable to gross receipts from sales of electricity, electric lights, current, or power (local governments shared proceeds). [Gross receipts derived from sales of electricity to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption.] Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, the piped natural gas excise tax was based on monthly therm volumes of gas received by the end-user (local governments shared proceeds). Special phase-in provision for gas cities: Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014 and before July 1, 2015, received by gas cities and delivered by a gas city to a sales customer or transportation customer of the gas city are subject to a 3.5% rate. [Gross receipts derived from sales of piped natural gas to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption; additionally, sales of piped natural gas to commercial laundry and pressing or dry cleaning establishments and sales to and purchases by State agencies may qualify for exemption.] Bakery thrift store sales are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Annual sales tax holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. Annual energy star holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. *Nonprofit refund limit provision:* The aggregate annual refund amount allowed a nonprofit entity for a fiscal year may not exceed $45 million ($31.7 million State tax and $13.3 million local tax). Effective September 1, 2014, effective for transactions on or after September 1, 2014, fifty percent (50%) of the sales of a modular home or a manufactured home, including all accessories attached when delivered to the purchaser is exempt from taxation. Effective October 1, 2014, effective for transactions on or after October 1, 2014, the exemption is repealed for sales from vending machines where price is 1¢ per sale. Effective for transactions on or after October 1, 2014, newspapers sold through a coin-operated vending machine no longer qualify for an exemption of 50% of the sales price (taxed on 100% gross receipts). Effective January 1, 2015, gross receipts derived from admission charges to certain commercial agricultural fairs and to State attractions supported by State funds that offer cultural, educational, historical, or recreational opportunities are subject to the 4.75% general State and applicable local and transit rates of sales and use tax. *New application for real property contracts (designates the real property contractor as the consumer):* Effective for sales made (and contracts entered into) on or after January 1, 2015, the sales price of tangible personal property sold to a real property contractor for use by the real property contractor in erecting structures, building on, or otherwise improving, altering, or repairing real property is subject to the general 4.75% State and applicable local and transit rates of sales and use tax.
Fiscal Year 2015-16	Effective July 1, 2015, gross receipts derived from sales of piped natural gas by gas cities (Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, Rocky Mount, Shelby and Wilson) and gross receipts derived from sales of electricity by Cape Hatteras Electric Membership Corporation (CHEMC) billed on or after July 1, 2015, are subject to the 7% combined general rate of sales and use tax (local governments to share proceeds). The 7% combined general rate of sales and use tax generally applied to gross receipts of piped natural gas and electricity sold at retail in the State and billed on or after July 1, 2014 except that gross receipts of gas cities and CHEMC were subject to a reduced 3.5% rate applicable for the July 1, 2014 through June 30, 2015 billing period prior to being subject to the 7% rate effective for billing periods on or after July 1, 2015. *Refunds authorized for certain governmental entities*: A joint agency created by interlocal agreement pursuant to General Statute 160A-462 to provide fire protection, emergency services, or police protection is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A soil and water conservation district organized under Chapter 139 of the General Statutes is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A district confinement facility created pursuant to General Statute 153A-219 is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015.

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2015-16 continued	Purchases or sales of datacenter machinery and equipment by or to an owner of a datacenter, or a contractor or subcontractor of an owner of a datacenter, are subject to the general 4.75% State and applicable local and transit rates of sales and use tax (the privilege tax imposed on machinery and equipment transactions purchased by a qualifying datacenter pursuant to General Statute 105 Article 5F expires for sales made on or after July 1, 2015). Effective September 24, 2015, the sales price of spirituous liquor sold at retail by a distillery permit holder and sales of antique spirituous liquor are subject to the 7% combined general rate of sales and use tax. A distillery, as authorized by legislation enacted during the 2015 General Assembly session is permitted to sell spirituous liquor distilled on the premises to visitors of the distillery with certain restrictions for consumption off the premises. Effective September 30, 2015, the sale, lease, or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax; an engine or a part to rebuild an engine for the purpose of providing an engine under an agreement to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax (exemptions expire for transactions made on or after January 1, 2020). *Refund provisions for economic incentive funds:* The refund provision for interstate passenger air carriers was modified to allow a refund of the sales and use taxes paid on fuel in excess of $1.25 million for the six-month period July 1, 2015 through December 31, 2015. The sunset for repeal of the refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). The sunset for repeal of the refund provision for professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). Effective October 1, 2015, the sales price of an aircraft sold at retail is subject to the 4.75% general State rate of tax (previously 3% State rate) with a maximum tax per article of $2,500 (previously $1,500); the sales price of an aircraft includes all accessories attached to the aircraft when it is delivered to the purchaser. The sale of an aircraft is not subject to the local and transit rates of sales and use tax. Each qualified jet engine sold at retail or purchased for storage, use, or consumption in this State is subject to the 4.75% general State rate of sales or use tax. The maximum use tax on a qualified jet engine purchased under a direct pay permit is $2,500; otherwise, no maximum tax applies. The sale of a qualified jet engine is not subject to the local and transit rates of sales and use tax. Parts and accessories for use in the repair or maintenance of a qualified aircraft (or a qualified jet engine) are specifically exempt from the tax imposed on the sale at retail and the use, storage, or consumption in this State. A qualified aircraft is aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds. The sales price of (or the gross receipts) derived from a service contract applicable to a qualified aircraft (or a qualified jet engine) is exempt from taxation. Effective January 1, 2016, the gross receipts derived from the retail sale of aviation gasoline and jet fuel are subject to the 7% combined general rate of sales and use tax (previously 4.75% general State and local and transit rates applied) except that sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation are exempt (exemption expires January 1, 2020). [The net proceeds of the tax collected on aviation gasoline and jet fuel are transferred within 75 days after the end of each fiscal year to the Highway Fund; this amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive aviation capital improvement projects for economic development purposes (initial transfer in September 2016 for sales and use taxes collected during FY15-16).] The sale at retail or the storage, use, or consumption in this State of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter are exempt from sales and use tax. In this application, datacenter support equipment is property that is capitalized for tax purposes under the Code and is used within the provision of a service or function included in the business of an owner, user, or tenant of the datacenter. Effective March 1, 2016, the 4.75% general State and applicable local and transit rates of sales and use tax apply to the sales price of (or the gross receipts derived from) certain repair, maintenance, and installation services transacted by a retailer and sourced to the State effective for sales occurring on or after March 1, 2016.

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2015-16 continued	Effective for transactions on or after March 1, 2016, the sales and use tax base is extended to include installation charges, repair, maintenance, and installation services for taxable tangible property; the 4.75% general State and local and transit rates of sales and use tax are imposed provided the transaction is made by a person engaged in retail trade. Motor vehicle repair, maintenance, and installation services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax except for services (includes replacement items and repair parts) covered under a manufacturer's warranty or dealer's warranty; the sales price of (or the gross receipts derived from) a service contract sold at retail that covers the entire motor vehicle is exempt from tax. Shoe repair services, watch, clock, and jewelry repair services, and tire recapping or retreading sales and services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax (sales or receipts prior to March 1, 2016 by administrative rule were permitted to be taxed at certain percentages where charges for labor and materials were not separately stated). The definition of service contract is amended to include a contract to maintain or repair tangible personal property regardless of whether the property becomes a part of or is applied to real property; additionally, a renewal of a service contract for tangible personal property where the tangible personal property becomes a part of or applied to real property to the effective date of the renewal is subject to sales and use tax. Installation charges made by a retailer as part of the retail sale of tangible personal property, certain digital property, and taxable services, sold at retail, are subject to the applicable rate of tax for the product, irrespective that installation charges may be separately stated by the retailer. Installation charges that are part of the gross receipts from the lease or rental of tangible personal property are subject to the applicable rate of sales and use tax, and maximum tax if applicable.
Fiscal Year 2016-17	Effective July 1, 2016, a use tax exemption is granted to a direct pay permit holder for certain boat, aircraft, and qualified jet engine charges and services; the allowable amount of use tax exemption is the amount of the separately stated installation charges that are part of the sales price of the tangible personal property or digital property that exceed $25,000 and the sales price of or gross receipts derived from the repair, maintenance, and installation services that exceed $25,000. Effective January 1, 2017 (for transactions occurring on or after such date) The General Assembly repealed an exemption for sales of items by a nonprofit civic, charitable, educational, scientific, or literary organization when the net proceeds of the sales will be given, contributed, or ultimately flow to the State of North Carolina or to one or more of its agencies or instrumentalities. The General Assembly enacted an exemption for sales of food, prepared food, soft drinks, candy, and other items of tangible personal property sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given, contributed, or ultimately flow to the school. The 2016 General Assembly enacted various provisions affecting the sales and use tax base expansion items related to repair, maintenance, and installation (RMI) services, and service contracts: the newly enacted provisions repeal provisions for retail trade; expand the application of sales and use tax to RMI services of certain transactions for real property and certain digital property; identify specific RMI-related exemptions; clarify the application of sales and use tax to real property contracts with respect to capital improvements; grant an exemption for installation labor related to real property contracts; and expand the exemption applicable to motor vehicle service contracts. The definition of retail trade is repealed; the definition of retailer is amended to provide that the term does not include a real property contractor, but does include a person whose *only* business activity is providing RMI services. (The 2015 legislated provisions applied sales and use tax to RMI services for transactions made by a person engaged in retail trade as statutorily defined). The definition of RMI services is expanded to include such services rendered with respect to digital property and real property, except for tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract. RMI-related services transactions performed pursuant to a real property contract that constitute construction, reconstruction, or remodeling with respect to a capital improvement to real property are not subject to the sales and use tax. RMI-related services transactions performed on real property that do not meet the statutory definition of capital improvement such as the replacement or repair of a fixture in or on a building or structure, or a single repair, maintenance, or installation service may be subject to the sales and use tax. The definition of RMI services, as amended, clarifies that such service include cleaning, refinishing, inspection, and monitoring services for property or a motor vehicle (excludes security or similar monitoring services for real property).

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2017-18	*Effective July 1, 2017 (for transactions occurring on or after such date)* An exemption from sales and use tax is allowed for sales of investment coins, investment metal bullion, and non-coin currency. An exemption from sales and use tax is allowed for sales of wastewater dispersal products that have been approved by the Department of Health and Human Services for dispersing wastewater effluent within the subsurface dispersal field in a ground absorption system. An exemption from sales and use tax is allowed for sales of equipment, or an accessory, an attachment, or a repair part for equipment that is sold to a large fulfillment facility and is used at the facility in the distribution process (excludes electricity). To qualify for the exemption, a large fulfillment facility must achieve required investment and employment levels within five years and maintain the minimum level of employment throughout its operation. If the level of investment or employment is not timely made, achieved, or maintained, the exemption is forfeited. A sales and use tax refund is provided for a transformative project for sales and use tax paid on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility. A qualifying transformative project must be approved for a grant under the Job Development Investment Grant (JDIG) Program by the North Carolina Department of Commerce on or before June 30, 2019 and achieve legislated investment and employment levels. *Special Provisions (Effective August 11, 2017)* Sales Tax Base Expansion Protection Act - The 2017 General Assembly provides the Department of Revenue shall take no action to assess any tax due for a filing period beginning on or after March 1, 2016 and ending before January 1, 2018 if certain conditions set forth in the statute apply and the retailer did not receive specific written advice from the Secretary of Revenue for the transactions at issue for the laws in effect for the applicable periods. The 2017 General Assembly enacted provisions relative to the determination of taxability of a mixed transaction contract (a contract that includes both a real property contract for a capital improvement and a repair, maintenance, and installation (RMI) service that is not related to the capital improvement). If the allocated sales price of the taxable RMI services included in the mixed transaction contract is greater than 25% of the contract price, then the 4.75% general State sales and use tax rate applies to the sales price of or the gross receipts derived from the taxable RMI service portion of the contract. If the allocated sales price of the taxable RMI services included in the contract is less than or equal to 25% of the contract price, then the RMI service portion of the contract and the taxable personal property, digital property, or service used to perform those services are taxable as real property contract and not subject to the 4.75% general State sales and use tax rate. The 2017 legislation increased the percentage for determining taxability of a mixed transaction contract from 10% to 25%. (Effective retroactively for sales and purchases made on or after January 1, 2017)
Fiscal Year 2018-19	*Special Provision (Effective June 12, 2018)* Sales Tax Base Expansion Protection Act - The 2018 General Assembly amended the Act to provide certain additional and extended relief from sales and use taxes due to the expansion of the sales tax base: the grace period is extended to January 1, 2019 (previously January 1, 2018). Effective November 1, 2018, as a result of the US Supreme Court decision rendered on June 21, 2018 in *South Dakota v. Wayfair, Inc.,* the NC Department of Revenue requires certain remote sellers that do not have a physical presence in the State and are not registered to collect and remit NC sales and use taxes to register, collect, and remit sales and use taxes to this State effective November 1, 2018, or 60 days after a remote seller meets the threshold, whichever is later. The threshold applies for remote sellers having gross sales in excess of $100,000 sourced to the State or 200 or more separate transactions sourced to the State in the previous or current calendar year.

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2019-20	*Effective July 26, 2019* An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract. *Effective October 1, 2019 Exemptions from sales and use tax:* -sales of equipment, attachments, and repair parts of equipment used in cutting, shaping, polishing, and finishing granite, marble, and engineered stone, and for similar stone-like products sold to a company primarily engaged in the business of providing made-to-order countertops, walls, and tubs. -sales of self-service car washes or vacuums and limited-service vehicle washes. -certain prescription sales of diapers and incontinence underpads purchased by an enrolled State Medicaid/Health Choice provided for use by beneficiaries of the State Medicaid program. *Effective November 1, 2019* *The sunset of the following provisions was extended to January 1, 2024 (from January 1, 2020)* -exemption for sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation. -exemptions for engine-related transactions to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series. -refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body. -refund provision for a professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle. *Effective February 1, 2020* A marketplace facilitator is required to collect sales taxes from its remote sales (including all marketplace-facilitated sales for all marketplace sellers) sourced to this State if the facilitator meets either of the following conditions for sales sourced to this State in the previous or current calendar year: (1) gross sales in excess of $100,000, or (2) 200 or more separate transactions.
Fiscal Year 2020-21	The 2020 General Assembly enacted the following provisions: *Retroactively effective October 1, 2019* -exemption for sales of a digital audio work or a digital audiovisual work that is a qualifying education expense under G.S. 115C-595(a)(3) to the operator of a home school as defined in G.S.115C-563 -exemption for sales of a digital audio work or a digital audiovisual work that consists of nontaxable service content when the electronic transfer of the digital audio work or digital audiovisual work occurs contemporaneously with the provision of the nontaxable service in real time -exclusion from taxation for an educational service as certain digital property *Effective July 1, 2020* -exemption for sales of livestock to qualifying or conditional farmers
Fiscal Year 2021-22	The 2021 General Assembly enacted the following provisions: *Retroactively effective July 1, 2020* -exemption for sales of fowl to qualifying or conditional farmers *Effective October 1, 2021* -exemption for sales of machinery, equipment, parts, and accessories to alcoholic beverage permit holders for use in the manufacture of unfortified wine, fortified wine, malt beverages, and spirituous liquor (exemption applies for sales of supplies and ingredients used or consumed by the permittee in the manufacturing process)

RATIOS OF OUTSTANDING DEBT BY TYPE

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019	2018
Governmental Activities					
General obligation bonds	$ 2,309,790	$ 2,648,385	$ 2,605,380	$ 2,424,075	$ 2,441,685
Lease-purchase revenue bonds	—	—	—	—	—
Certificates of participation	—	—	—	—	—
Limited obligation bonds	2,348,890	2,275,750	1,774,945	1,946,915	1,783,975
GARVEE bonds	1,023,210	875,865	959,525	1,046,580	516,820
Issuance premium	628,794	638,351	553,093	581,316	468,508
Notes payable	—	—	—	—	50,623
Notes from direct borrowings (3)	43,403	40,185	43,937	47,676	—
Leases payable (4)	407,490	8,254	10,656	13,347	16,080
Total Governmental Activities	6,761,577	6,486,790	5,947,536	6,059,909	5,277,691
Business-type Activities					
Revenue bonds	2,323,816	2,365,938	1,917,358	1,456,614	1,077,275
GARVEE bonds	—	—	—	—	—
Issuance discount	—	—	—	—	(410)
Issuance premium	155,435	179,289	122,565	72,420	48,620
Notes payable	—	—	—	—	385,960
Notes from direct borrowings (3)	186,127	185,991	177,925	132,087	—
Leases payable (4)	2,885	66	94	106	38
Total Business-type Activities	2,668,263	2,731,284	2,217,942	1,661,227	1,511,483
Total Primary Government	$ 9,429,840	$ 9,218,074	$ 8,165,478	$ 7,721,136	$ 6,789,174
Debt as a Percentage of Personal Income (1)	1.58%	1.56%	1.50%	1.53%	1.43%
Amount of Debt Per Capita (1), (2)	$ 886	$ 874	$ 781	$ 736	$ 653

Table 10

	2017	2016	2015	2014	2013
	$ 2,851,695	$ 3,038,665	$ 3,469,220	$ 3,607,100	$ 3,999,580
	—	—	2,000	4,125	20,915
	102,405	124,820	151,745	247,615	508,500
	1,888,370	1,997,070	2,095,550	2,132,085	1,993,740
	607,685	529,755	598,165	395,275	454,820
	434,721	505,737	550,393	558,928	623,105
	22,089	27,196	34,095	39,738	39,312
	—	—	—	—	—
	20,118	24,037	20,712	17,869	19,375
	5,927,083	6,247,280	6,921,880	7,002,735	7,659,347
	1,096,395	1,011,388	1,019,588	1,039,308	1,058,458
	—	145,535	145,535	145,535	145,535
	(498)	(1,548)	(1,664)	(1,780)	(1,896)
	45,254	20,753	23,326	25,932	28,661
	387,146	388,827	390,818	376,869	377,466
	—	—	—	—	—
	—	—	—	—	—
	1,528,297	1,564,955	1,577,603	1,585,864	1,608,224
	$ 7,455,380	$ 7,812,235	$ 8,499,483	$ 8,588,599	$ 9,267,571
	1.64%	1.81%	2.03%	2.16%	2.46%
	$ 726	$ 770	$ 846	$ 864	$ 941

(1) North Carolina personal income and population obtained from Table 15 for calculations.

(2) Figures for amount of debt per capita are presented in whole dollars.

(3) For fiscal year ended June 30, 2019, GASB Statement 88, Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements was implemented. This statement requires additional information be disclosed for direct borrowings and direct placements separately from other debt.

(4) For fiscal year ended June 30, 2022, GASB Statement 87, Leases, was implemented and generated an increase in Leases payable. This was due to the additional lease related liabilities reported for each effected entity.

RATIOS OF GENERAL BONDED AND SIMILAR DEBT OUTSTANDING

For the Fiscal Years 2013-2022
(Dollars in Thousands)

Fiscal Year Ended June 30	General Obligation Bonds	Lease-Purchase Revenue Bonds	Certificates of Participation	Limited Obligation Bonds	GARVEE Bonds	Issuance Premium
2022	$ 2,309,790	$ —	$ —	$ 2,348,890	$ 1,023,210	$ 628,794
2021	2,648,385	—	—	2,275,750	875,865	638,351
2020	2,605,380	—	—	1,774,945	959,525	553,093
2019	2,424,075	—	—	1,946,915	1,046,580	581,316
2018	2,441,685	—	—	1,783,975	516,820	468,508
2017	2,851,695	—	102,405	1,888,370	607,685	434,721
2016	3,038,665	—	124,820	1,997,070	529,755	505,737
2015	3,469,220	2,000	151,745	2,095,550	598,165	550,393
2014	3,607,100	4,125	247,615	2,132,085	395,275	558,928
2013	3,999,580	20,915	508,500	1,993,740	454,820	623,105

Table 11

Total	Per Capita (1), (2)
$ 6,310,684	$ 593
6,438,351	610
5,892,943	564
5,998,886	572
5,210,988	502
5,884,876	573
6,196,047	610
6,867,073	685
6,945,128	699
7,600,660	772

(1) North Carolina population obtained from Table 15 for calculations.

(2) Figures for amount of debt per capita are presented in whole dollars.

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 2022

(Dollars in Thousands)

		Payable from General Fund Revenues				
	Total General Obligation Bonds	*Total General Fund*	Refunding Series 2013B 2-20-13 5%	Refunding Series 2013C 2-28-13 3.5%-5%	Refunding Series 2013D 2-28-13 3%-4%	Refunding Series 2014A 4-30-14 5%
Bonds Authorized and Issued:						
2004 session law	$ 1,927,258	$ 1,927,258	$ 271,373	$ 351,970	$ 349,955	$ 287,095
2015 session law	1,600,000	1,600,000	—	—	—	—
Total bonds authorized and issued	3,527,258	3,527,258	271,373	351,970	349,955	287,095
Bonds retired	1,217,468	1,217,468	60,163	263,620	285,020	208,270
Bonds outstanding— June 30, 2022	$ 2,309,790	$ 2,309,790	$ 211,210	$ 88,350	$ 64,935	$ 78,825
Bond Maturity as Follows:						
2022-23	$ 333,850	$ 333,850	$ 13,595	$ 39,470	$ 64,935	$ 22,540
2023-24	310,880	310,880	143,180	16,225	—	35,450
2024-25	232,420	232,420	54,435	16,290	—	20,835
2025-26	173,320	173,320	—	16,365	—	—
2026-27	156,620	156,620	—	—	—	—
2027-28	129,230	129,230	—	—	—	—
2028-29	112,900	112,900	—	—	—	—
2029-30	112,745	112,745	—	—	—	—
2030-31	91,565	91,565	—	—	—	—
2031-32	91,565	91,565	—	—	—	—
2032-33	91,565	91,565	—	—	—	—
2033-34	91,565	91,565	—	—	—	—
2034-35	91,565	91,565	—	—	—	—
2035-36	80,000	80,000	—	—	—	—
2036-37	70,000	70,000	—	—	—	—
2037-38	70,000	70,000	—	—	—	—
2038-39	50,000	50,000	—	—	—	—
2039-40	20,000	20,000	—	—	—	—
Total Bonds Outstanding	$ 2,309,790	$ 2,309,790	$ 211,210	$ 88,350	$ 64,935	$ 78,825

Source: Compiled by North Carolina Department of State Treasurer

Table 12

Payable from General Fund Revenues

General Obligation Series 2015A 4-22-15 3%-5%	Refunding Series 2016A 3-9-16 3%-5%	General Obligation Series 2016B 8-10-16 2%-5%	Refunding Series 2017A 7-27-17 5%	General Obligation Series 2018A 8-1-18 3%-5%	General Obligation Series 2019B 9-19-19 3%-5%	General Obligation Series 2020A 10-22-20 1.5%-5%
$ 231,360	$ 329,360	$ —	$ 106,145	$ —	$ —	$ —
—	—	200,000	—	400,000	600,000	400,000
231,360	329,360	200,000	106,145	400,000	600,000	400,000
80,990	20,390	60,000	29,015	80,000	90,000	40,000
$ 150,370	$ 308,970	$ 140,000	$ 77,130	$ 320,000	$ 510,000	$ 360,000
$ 11,570	$ 24,610	$ 10,000	$ 77,130	$ 20,000	$ 30,000	$ 20,000
11,570	24,455	10,000	—	20,000	30,000	20,000
11,570	49,290	10,000	—	20,000	30,000	20,000
11,570	65,385	10,000	—	20,000	30,000	20,000
11,570	65,050	10,000	—	20,000	30,000	20,000
11,565	37,665	10,000	—	20,000	30,000	20,000
11,565	21,335	10,000	—	20,000	30,000	20,000
11,565	21,180	10,000	—	20,000	30,000	20,000
11,565	—	10,000	—	20,000	30,000	20,000
11,565	—	10,000	—	20,000	30,000	20,000
11,565	—	10,000	—	20,000	30,000	20,000
11,565	—	10,000	—	20,000	30,000	20,000
11,565	—	10,000	—	20,000	30,000	20,000
—	—	10,000	—	20,000	30,000	20,000
—	—	—	—	20,000	30,000	20,000
—	—	—	—	20,000	30,000	20,000
—	—	—	—	—	30,000	20,000
—	—	—	—	—	—	20,000
$ 150,370	$ 308,970	$ 140,000	$ 77,130	$ 320,000	$ 510,000	$ 360,000

SCHEDULE OF SPECIAL INDEBTEDNESS DEBT

June 30, 2022

(Dollars in Thousands)

		Limited Obligation Bonds			
	Total Special Indebtedness Debt	*Total Limited Obligation Bonds*	Capital Improvements Series 2013A 1-30-13 2.25%-5%	Capital Improvements Refunding Series 2014B 5-21-14 5%	Limited Obligation Refunding Series 2014C 11-19-14 3%-5%
Bonds Authorized and Issued:					
Ch. 284, 2003 session law	$ 1,367,005	$ 1,367,005	$ 250,000	$ 199,570	$ 299,020
Ch. 142, 2018 session law	1,432,025	1,432,025	—	—	—
Total bonds authorized and issued	2,799,030	2,799,030	250,000	199,570	299,020
Bonds retired	435,905	435,905	86,715	65,060	108,165
Partial defeasances	14,235	14,235	14,235	—	—
Bonds outstanding— June 30, 2022	$ 2,348,890	$ 2,348,890	$ 149,050	$ 134,510	$ 190,855
Bond Maturity as Follows:					
2022-23	$ 227,400	$ 227,400	$ 12,200	$ 25,425	$ 32,925
2023-24	233,700	233,700	12,810	43,800	34,655
2024-25	208,845	208,845	13,450	37,785	36,480
2025-26	205,145	205,145	13,920	27,500	27,230
2026-27	205,710	205,710	—	—	30,165
2027-28	208,460	208,460	14,945	—	29,400
2028-29	201,270	201,270	15,395	—	—
2029-30	167,010	167,010	15,855	—	—
2030-31	171,090	171,090	16,330	—	—
2031-32	142,575	142,575	16,820	—	—
2032-33	124,580	124,580	17,325	—	—
2033-34	111,685	111,685	—	—	—
2034-35	88,100	88,100	—	—	—
2035-36	26,010	26,010	—	—	—
2036-37	27,310	27,310	—	—	—
Total Bonds Outstanding	$ 2,348,890	$ 2,348,890	$ 149,050	$ 134,510	$ 190,855

Source: Compiled by the North Carolina Department of State Treasurer and the North Carolina Department of Transportation

Table 13

Limited Obligation Bonds

Limited Obligation Refunding Series 2017B 8-3-17 3%-5%	Limited Obligation Series 2019A 6-27-19 4%-5%	Limited Obligation Series 2020A 10-29-20 2%-5%	Limited Obligation Refunding Series 2021A 8-5-21 5%	Limited Obligation Series 2022A 5-19-22 4%-5%
$ 618,415	$ —	$ —	$ —	$ —
—	300,000	700,000	132,025	300,000
618,415	300,000	700,000	132,025	300,000
55,095	45,695	60,805	14,370	—
—	—	—	—	—
$ 563,320	$ 254,305	$ 639,195	$ 117,655	$ 300,000
$ 44,030	$ 15,995	$ 36,295	$ 45,710	$ 14,820
46,050	16,795	38,110	26,785	14,695
48,200	17,630	40,015	—	15,285
59,915	18,515	42,015	—	16,050
95,140	19,440	44,115	—	16,850
79,690	20,410	46,320	—	17,695
97,230	21,430	48,635	—	18,580
58,070	22,505	51,070	—	19,510
34,995	23,630	53,620	22,030	20,485
—	24,810	56,305	23,130	21,510
—	26,050	58,620	—	22,585
—	27,095	60,875	—	23,715
—	—	63,200	—	24,900
—	—	—	—	26,010
—	—	—	—	27,310
$ 563,320	$ 254,305	$ 639,195	$ 117,655	$ 300,000

PLEDGED REVENUE COVERAGE

For the Fiscal Years 2013-2022
(Dollars in Thousands)

	2022	2021	2020	2019	2018
Department of Transportation					
Grant Anticipation Revenue Vehicle Bonds (GARVEE)					
Pledged revenue:					
Federal transportation revenues	$ 1,233,197	$ 1,255,035	$ 1,459,841	$ 1,456,615	$ 1,147,920
Net available revenue	$ 1,233,197	$ 1,255,035	$ 1,459,841	$ 1,456,615	$ 1,147,920
Debt service:					
Principal	$ 105,250	$ 83,660	$ 87,055	$ 70,240	$ 71,940
Interest	49,083	47,976	44,579	25,697	23,996
Coverage ratio	7.99	9.53	11.09	15.18	11.97
North Carolina Turnpike Authority					
Revenue Bonds					
Pledged revenue:					
Toll revenues (1)	$ 75,625	$ 42,423	$ 66,576	$ 57,937	$ 43,940
Fees, licenses and fines (2)	12,736	7,363	10,615	6,038	5,055
Federal transportation revenues	—	—	—	—	—
Federal interest subsidy on debt	6,045	4,147	4,324	6,177	10,834
Interest on investments	26,378	3,302	9,053	4,084	2,654
Less: Operating expenses	(1,227)	—	—	—	—
Net available revenue	$ 119,557	$ 57,235	$ 90,568	$ 74,236	$ 62,483
Debt service:					
Principal	$ 42,122	$ 29,860	$ 26,210	$ 22,060	$ 18,395
Interest	101,329	85,957	65,048	50,150	54,400
Coverage ratio (3)	0.83	0.49	0.99	1.03	0.86

Table 14

2017	2016	2015	2014	2013
$ 1,142,699	$ 1,031,454	$ 1,064,575	$ 1,311,264	$ 1,137,807
$ 1,142,699	$ 1,031,454	$ 1,064,575	$ 1,311,264	$ 1,137,807
$ 67,605	$ 68,410	$ 62,040	$ 59,545	$ 57,265
31,783	25,816	18,574	21,006	23,288
11.50	10.95	13.21	16.28	14.12
$ 39,199	$ 33,999	$ 26,265	$ 18,980	$ 10,416
5,505	4,460	3,922	5,203	2,557
—	14,807	9,733	11,677	12,365
11,348	11,387	11,375	11,338	11,686
2,735	2,143	1,768	1,272	2,372
—	—	—	—	—
$ 58,787	$ 66,796	$ 53,063	$ 48,470	$ 39,396
$ 11,960	$ 8,200	$ 19,720	$ 19,150	$ 22,725
55,178	61,328	61,912	62,585	63,076
0.88	0.96	0.65	0.59	0.46

(1) In fiscal year 2012, the N.C. Turnpike Authority began collecting tolls; 2012 and 2013 are restated to include the tolls.

(2) In fiscal year 2012, the N.C. Turnpike Authority began charging fees in connection with the tolls; 2012 and 2013 are restated to include the fees.

(3) For fiscal years 2011 through 2013, the N.C. Turnpike Authority reported state appropriations as a pledged revenue. Starting with 2014, the state appropriations are no longer included as a pledged revenue and the coverage ratios are recalculated.

Continued

PLEDGED REVENUE COVERAGE (Continued)

For the Fiscal Years 2013-2022

(Dollars in Thousands)

	2022	2021	2020	2019	2018
University of North Carolina System					
Revenue Bonds					
Pledged revenue:					
Sales and services	$ 66,542	$ 65,922	$ 189,752	$ 193,640	$ 207,349
Student tuition and fees	—	—	4,579	3,468	4,014
Patient services	1,320,020	1,208,853	1,116,673	1,105,697	1,060,817
Rental lease earnings	138	13	—	123	2,002
Investment income	—	—	566	1,013	1,194
Federal interest subsidy on debt	—	—	—	—	—
Other operating revenues	—	2	33,941	185,703	2,403
Net increase in fair value of investments	—	—	—	—	—
Non-operating revenues	32,910	128,006	—	—	42
Less: Operating expenses	(1,316,815)	(1,045,883)	(1,228,550)	(1,233,620)	(1,177,224)
Net available revenue	$ 102,795	$ 356,913	$ 116,961	$ 256,024	$ 100,597
Debt service:					
Principal	$ 8,980	$ 9,560	$ 14,695	$ 15,675	$ 16,415
Interest	13,994	13,789	14,125	10,456	9,779
Coverage ratio	4.47	15.29	4.06	9.80	3.84
Direct Placements (1)					
Pledged revenue:					
Sales and services	$ 23,145	$ 22,376	$ 20,319	$ 19,481	$ —
Rental lease earnings	28	27	25	23	—
Investment income	89	1,492	105	348	—
Non-operating revenues	16	16	18	3	—
Less: Operating expenses	(22,006)	(15,910)	(17,971)	(18,669)	—
Net available revenue	$ 1,272	$ 8,001	$ 2,496	$ 1,186	$ —
Debt service:					
Principal	$ 1,375	$ 1,324	$ 1,183	$ 635	$ —
Interest	772	744	735	93	—
Coverage ratio	0.59	3.87	1.30	1.63	—
Special Indebtedness					
Pledged revenue:					
Sales and services	$ 10,006	$ 8,580	$ 9,369	$ 11,217	$ 8,859
Student tuition and fees	—	—	—	—	—
Rental lease earnings	—	—	—	—	1,986
Investment income (loss)	7	21	74	64	37
Other operating revenues	341	307	29	45	48
Less: Operating expenses	(2,815)	(1,850)	(2,229)	(2,336)	(2,389)
Net available revenue	$ 7,539	$ 7,058	$ 7,243	$ 8,990	$ 8,541
Debt service:					
Principal	$ 3,766	$ 3,631	$ 3,082	$ 3,447	$ 3,268
Interest	2,931	3,091	3,784	3,838	3,956
Coverage ratio	1.13	1.05	1.05	1.23	1.18
Notes from Direct Borrowings					
Pledged revenue:					
Sales and services	$ 7,873	$ 4,598	$ —	$ —	$ —
Less: Operating expenses	(986)	(2,319)	—	—	—
Net available revenue	$ 6,887	$ 2,279	$ —	$ —	$ —
Debt service:					
Principal	$ 377	$ —	$ —	$ —	$ —
Interest	444	215	—	—	—
Coverage ratio	8.39	10.60	—	—	—

Table 14

2017	2016	2015	2014	2013
$ 193,570	$ 199,685	$ 231,306	$ 239,267	$ 237,607
4,344	4,552	5,214	6,673	6,624
1,017,713	934,687	842,845	737,984	666,238
1,815	3,098	3,998	3,866	73
1,018	326	820	522	533
—	371	362	368	400
2,548	32,859	—	3	—
—	—	—	571	362
1	—	18	9,619	92
(1,110,601)	(1,038,199)	(1,035,252)	(915,827)	(797,205)
$ 110,408	$ 137,379	$ 49,311	$ 83,046	$ 114,724
$ 16,915	$ 17,025	$ 16,720	$ 16,645	$ 17,110
10,700	12,084	8,298	8,668	9,137
4.00	4.72	1.97	3.28	4.37
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—
$ 8,914	$ 8,144	$ 1,007	$ 3,695	$ 6,283
—	—	—	—	1,350
2,206	849	3,129	3,035	—
23	16	(1)	9	—
53	240	—	—	—
(2,410)	(2,375)	(2,021)	(2,560)	(2,127)
$ 8,786	$ 6,874	$ 2,114	$ 4,179	$ 5,506
$ 3,099	$ 2,535	$ 730	$ 1,110	$ 1,788
4,304	3,591	1,107	1,824	1,923
1.19	1.12	1.15	1.42	1.48
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—

(1) For fiscal year ended June 30, 2019, GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, was implemented. Direct Placements for years prior to 2019 are included in Revenue Bonds.

SCHEDULE OF DEMOGRAPHIC DATA

For the Years 2013-2022

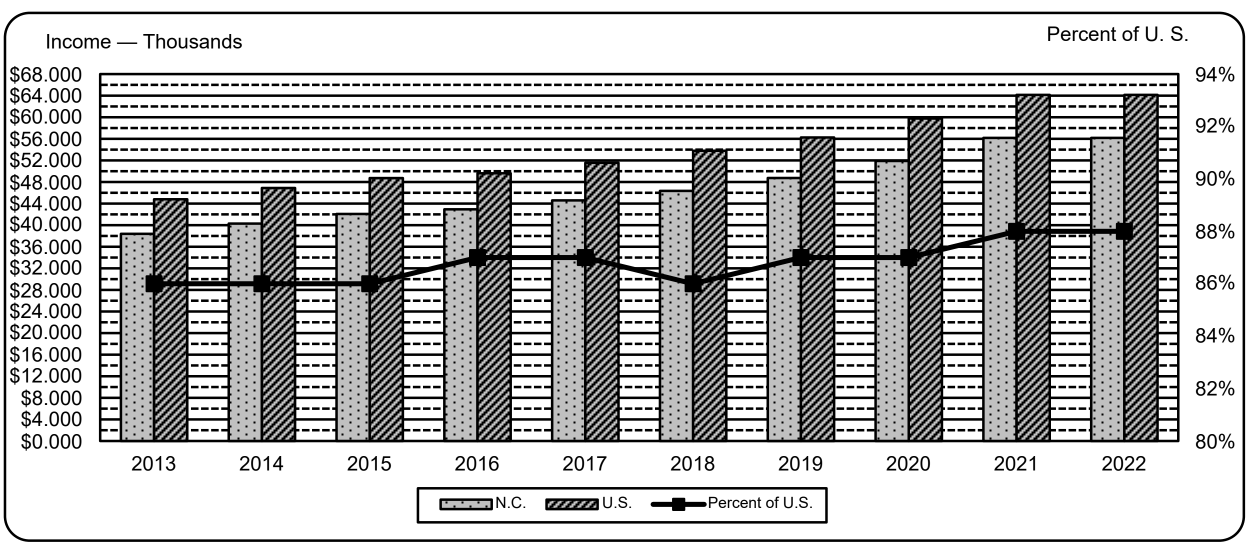
	Population			(3)	*Per Capita Income*		(4)	*Personal Income (millions)*	
Year	(1) **United States Population**	**U.S. Increase from Prior Period**	(1) **North Carolina Population**	**N.C. Incr/Decr from Prior Period**	(2) **United States**	(2) **North Carolina**	**N.C. as a Percentage of U.S.**	(2) **United States**	(2) **North Carolina**
2022	332,286,875	0.12%	10,645,992	0.90%	$ 64,144	56,174	87.57%	$ 21,314,209	$ 598,028
2021	331,893,745	0.12%	10,551,162	0.90%	64,143	56,173	87.57%	21,288,709	592,695
2020	331,501,080	0.99%	10,457,177	(0.29%)	59,765	51,900	86.84%	19,812,171	542,727
2019	328,239,523	0.48%	10,488,084	1.03%	56,250	48,741	86.65%	18,575,467	505,470
2018	326,687,501	0.52%	10,381,615	1.10%	53,786	46,352	86.18%	17,671,054	476,309
2017	324,985,539	0.63%	10,268,233	1.12%	51,550	44,591	86.50%	16,837,337	453,729
2016	322,941,311	0.72%	10,154,788	1.23%	49,613	42,936	86.54%	16,092,713	432,626
2015	320,635,163	0.73%	10,031,646	0.99%	48,725	42,076	86.35%	15,681,233	419,334
2014	318,301,008	0.73%	9,932,887	0.91%	46,887	40,293	85.94%	14,969,527	398,100
2013	315,993,715	0.69%	9,843,336	0.96%	44,798	38,394	85.70%	14,189,228	376,392

Sources:

(1) Census estimates based on 2010 census (July 1) for years 2013 - 2019. Census estimates based on 2020 (April 1) census for years 2020-2021. 2020 and 2021 populations were updated in 2022 because estimates were not available last year due to the pandemic. 2022 is an Office of the State Controller estimate based on 2020 and 2021.

(2) U.S. Department of Commerce Bureau of Economic Analysis used for years 2013 - 2021. Since the 2022 per capita income estimate was not available, the Office of State Controller used the U.S. Per Capita Income growth rate of the previous year to project the 2022 U.S. Per Capita Income, and the previous year N.C. as a Percentage of U.S. was used to project the 2022 Per Capita Income for North Carolina. U.S. and N.C. Personal Income was not available, so year 2022 is calculated from sources 3 and 4.

Per Capita Income
North Carolina Compared to United States
2013 to 2022

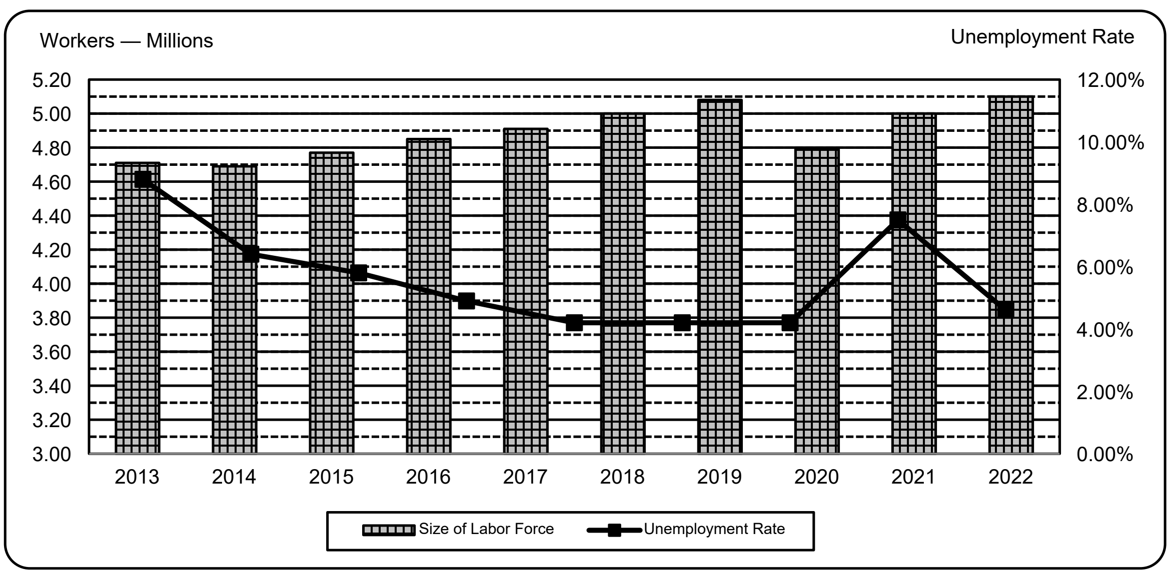


Sources:	*(3) Population*	*U.S. Department of Commerce, Bureau of the Census*
	(4) Per Capita Income	*U.S. Department of Commerce, Bureau of Economic Analysis*

Table 15

	North Carolina Civilian Labor Force Data			(5)	*North Carolina - Other Data*	
Year	**Total**	**Employed**	**Unemployed**	**Unemployed Percentage Rate**	(6) **Motor Vehicles Registered**	(7) **Residential Construction Authorized**
2022	5,101,330	4,929,061	172,269	3.40%	10,344,024	50,527
2021	5,000,933	4,769,039	231,894	4.60%	10,245,443	45,417
2020	4,787,234	4,430,134	357,100	7.50%	9,876,946	36,244
2019	5,078,853	4,868,076	210,777	4.20%	9,548,341	34,313
2018	4,997,161	4,787,584	209,577	4.20%	9,403,076	36,166
2017	4,908,517	4,700,760	207,757	4.20%	9,513,210	30,055
2016	4,853,581	4,614,694	238,887	4.90%	9,328,899	27,230
2015	4,770,538	4,493,898	276,640	5.80%	9,076,874	26,293
2014	4,688,666	4,389,480	299,186	6.40%	8,843,938	23,528
2013	4,708,565	4,292,251	416,314	8.80%	8,811,236	25,065

Civilian Labor Force Trends
With Unemployment Percentages
2013 to 2022



Sources: *(5) Seasonally Adjusted Labor Force Data - As of June 30* — *N.C. Division of Employment Security*
(6) Motor Vehicle Registrations - For the Fiscal Year Ended June 30 — *N.C. Division of Motor Vehicles*
(7) Residential Housing Permits — *U.S. Department of Commerce, Bureau of the Census*

PRINCIPAL EMPLOYERS

For the Fiscal Years 2013 & 2022 *Table 16*

	2022			2013		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina..................................	170,000-174,999	1	3.50%	180,000-184,999	1	4.25%
Federal Government......................................	75,000-79,999	2	1.57%	65,000-69,999	2	1.57%
Wal-Mart Associates, Inc...............................	60,000-64,999	3	1.27%	45,000-59,999	3	1.22%
Duke University..	40,000-44,999	4	0.86%	30,000-34,999	5	0.76%
Food Lion LLC...	35,000-39,999	5	0.76%	25,000-29,999	6	0.64%
Atrium Health...	30,000-34,999	6	0.66%	-		-
Wells Fargo Bank NA....................................	30,000-34,999	7	0.66%	20,000-24,999	7	0.52%
Amazon Fulfillment services Inc....................	25,000-29,999	8	0.56%	-		-
Lowes Home Center Inc................................	20,000-24,999	9	0.46%	-		-
Wake County Public Schools.........................	20,000-24,999	10	0.46%	15,000-19,999	10	0.41%
Charlotte Mecklenburg Hospital.....................	-		-	30,000-34,999	4	0.76%
Charlotte-Mecklenburg Board of Education...	-		-	20,000-24,999	8	0.52%
Bank of America NA......................................	-		-	20,000-24,999	9	0.52%
Total..	505,000-554,990		10.76%	450,000-509,990		11.17%

Notes: All figures are based on 1st quarter average. Percentage of total state employment is based on the average of the ranges given.

Source: North Carolina Department of Commerce – Labor and Economic Analysis Division

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TEACHERS AND STATE EMPLOYEES BY FUNCTION

For the Fiscal Years 2013-2022

	2022 (4)	2021 (4)	2020 (4)	2019 (4)	2018 (4)
General government (3)	5,811	5,769	5,631	5,501	4,983
Primary and secondary education	156,512	156,712	156,693	155,755	151,263
Higher education:					
Universities	67,987	65,824	67,166	65,697	64,028
Community colleges	17,025	17,122	17,761	18,095	18,028
Health and human services (1)	18,286	18,270	18,270	18,098	18,038
Economic development	2,280	2,236	2,554	2,141	2,136
Environment and natural resources (2), (3)	4,295	4,222	4,157	4,140	4,128
Public safety, corrections and regulation (1)	35,232	34,205	34,963	34,034	34,089
Transportation	11,423	11,624	11,669	11,666	12,141
Agriculture (2)	2,127	2,136	2,159	2,088	2,082
Total	320,978	318,120	321,023	317,215	310,916

Source: North Carolina Office of State Budget and Management

Table 17

2017	2016	2015	2014	2013
5,160	4,857	5,270	5,357	5,450
153,236	154,079	153,165	157,205	165,167
63,345	62,194	62,152	61,720	60,665
18,021	18,129	18,471	18,588	19,518
17,970	17,552	17,620	17,801	17,786
2,340	3,365	2,893	3,003	2,722
4,112	4,148	3,471	3,566	3,549
34,009	33,966	33,558	33,635	34,668
12,578	12,591	12,758	13,309	13,170
2,077	2,066	2,080	2,081	2,110
312,848	312,947	311,438	316,265	324,805

(1) Starting in fiscal year 2013, Juvenile Justice and Delinquency Prevention is included in the public safety, corrections and regulation function; whereas in prior years it was included with the health and human services function.

(2) Starting in fiscal year 2013, the Division of North Carolina Forest Service and Division of Soil and Water Conservation are included in the agriculture function; whereas in prior years the divisions were included with the environment and natural resources function.

(3) Starting in fiscal year 2016, the Department of Natural and Cultural Resources is included in the environment and natural resources function; whereas in prior years it was included with the general government function.

(4) Counts for fiscal year end 2018, 2019, 2020, 2021 and 2022 are projected from prior year data.

OPERATING INDICATORS BY FUNCTION

For the Fiscal Years 2013-2022

	2022	2021	2020	2019	2018
General Government					
Department of Revenue					
Number of tax returns filed electronically	10,661,970	10,849,874	9,292,526	9,163,552	8,837,553
Number of tax returns processed	12,229,201	12,772,595	11,102,781	11,323,904	11,217,334
Number of individual refunds direct deposited	2,013,686	2,223,632	1,850,823	1,875,194	1,806,510
Number of individual refunds processed	2,664,561	2,963,570	2,539,044	2,717,162	2,683,039
Number of pieces of incoming mail	3,201,916	3,759,578	3,608,395	4,186,563	4,160,827
Number of pieces of outgoing mail	5,245,111	7,453,330	6,355,203	8,814,460	8,934,110
Department of Administration					
Construction projects administered	5	4	3	3	1
Construction value excluding design fee (thousands)	$ 16,715	$ 8,845	$ 4,935	$ 139	$ -
USS North Carolina Battleship Commission					
Visitation to USS North Carolina Battleship	209,530	126,225	173,919	187,570	211,596
Primary and Secondary Education					
Public School (K-12)					
Public school enrollment	1,563,458	1,558,633	1,580,754	1,579,332	1,582,118
Total high school graduates	101,244	107,375	109,518	107,095	103,261
Graduate intention to pursue further education	75.6%	75.4%	78.8%	81.0%	82.0%
Higher Education					
Community Colleges					
Number of students (annualized FTE)	219,655	214,608	239,554	230,140	219,176
Number of certificates and degrees awarded	63,831	61,690	63,438	65,305	63,226
Universities					
Number of regular term students (FTE)	221,485	220,391	219,021	216,959	213,218
Number of certificates and degrees awarded	62,930	60,692	57,939	55,874	54,838
Health and Human Services (3)					
Department of Health and Human Services					
Medicaid recipients	2,618,162	2,423,504	2,097,451	2,073,052	2,247,663
Food stamp recipients	2,002,376	1,809,263	1,739,775	1,797,272	1,345,157
Clients served by mental health facilities	1,386	1,826	2,167	3,017	3,062
Clients served by developmental disabilities facilities	805	895	954	985	1,136
Clients served by substance abuse facilities	2,572	3,564	3,883	3,374	3,466
Clients served by neuro-meds facilities	379	436	502	515	612
Children served through subsidized child care	85,825	85,273	119,550	120,017	122,924
Participation in Special Supplemental Nutrition Program	253,547	252,719	220,455	221,206	230,071
Clients served through Work First	29,631	30,276	34,022	38,576	27,436
NC Health Choice annual enrollment	78,021	101,032	120,729	109,644	94,698

Source: Financial reporting entities listed in the table.

Table 18

2017	2016	2015	2014	2013
8,418,279	7,941,295	7,263,173	7,022,822	6,669,752
11,150,416	10,946,995	10,363,073	10,366,001	10,143,464
1,825,815	1,453,984	1,412,624	1,934,344	1,821,767
2,753,655	2,308,133	2,311,764	3,127,317	3,123,326
4,580,005	5,219,418	5,090,535	5,129,271	5,514,005
9,050,706	9,083,964	9,219,001	8,417,904	8,172,888
2	8	8	7	7
$ 33,309	$ 72,824	$ 63,552	$ 63,460	$ 62,729
218,479	212,369	202,447	210,969	216,438
1,545,614	1,538,310	1,520,985	1,510,664	1,493,474
101,991	99,183	96,477	95,580	94,869
85.9%	83.8%	83.8%	84.5%	85.0%
222,461	220,312	225,135	229,924	238,092
62,131	58,960	49,592	45,392	40,224
209,401	205,119	202,447	200,716	201,251
53,236	51,799	51,850	51,086	49,791
2,200,011	2,198,496	2,054,975	2,073,166	1,781,096
1,436,586	1,609,669	1,649,754	1,620,115	1,670,428
3,110	3,146	3,301	3,593	3,463
1,156	1,161	1,199	1,212	1,289
3,496	3,512	3,698	4,047	4,181
644	683	721	744	567
105,755	112,545	120,471	121,112	121,303
240,691	244,652	248,575	257,582	265,616
26,415	31,015	33,598	37,256	45,201
90,589	81,897	78,407	98,537	192,044

Continued

OPERATING INDICATORS BY FUNCTION (Continued)

For the Fiscal Years 2013-2022

	2022	2021	2020	2019	2018
Economic Development					
Economic Development Partnership of North Carolina					
Jobs generated company recruitment/expansion	30,546	25,796	18,304	22,061	20,794
Capital investment (thousands)	$ 13,250,000	$ 9,275,000	$ 5,630,000	$ 3,325,257	$ 3,580,000
Department of Commerce					
Total employed	4,929,061	4,769,039	4,430,134	4,868,076	4,787,584
Percentage of unemployment	3.40%	4.6%	7.5%	4.2%	4.2%
Environment and Natural Resources					
Department of Environmental Quality					
Public drinking water systems in compliance	99%	99%	98%	98%	98%
Department of Natural and Cultural Resources					
Visitation to state parks	20,924,142	23,459,561	17,391,643	17,866,517	19,153,780
Visitation to historical sites and museums	4,019,105	2,950,439	2,451,425	4,506,115	4,014,046
Visitation to state aquariums	1,309,703	862,418	801,738	690,809	1,376,820
Visitation to N.C. Zoo	1,008,296	636,448	490,829	864,138	839,963
Wildlife Resources Commission					
Hunting licenses sold	201,869	200,969	186,284	176,847	144,380
Fishing licenses sold (inland and coastal)	771,624	920,244	790,572	742,253	743,316
Combination hunting/fishing licenses sold	168,079	167,682	162,681	139,878	146,772
Vessels registered	182,146	188,883	186,594	173,732	173,740
Public Safety, Corrections and Regulation (3)					
Department of Public Safety					
Incarcerated adult offenders	29,977	29,113	31,506	36,053	37,104
Supervised adult offenders	76,292	77,463	94,937	100,348	97,798
Juvenile offenders	5,361	4,299	4,632	5,349	6,075
Administrative Office of the Courts					
Cases disposed as a % of cases filed-Superior Court	100%	100%	100%	100%	100%
Cases disposed as a % of cases filed-District Court	100%	100%	100%	100%	100%
Agriculture					
Department of Agriculture and Consumer Services					
Motor fuel dispensers tested (1)	100,061	5,061	81,907	117,459	116,709
Rejection rate	6.92%	12.60%	6.10%	33.06%	27.70%
Retail scales tested (2)	38,484	1,479	23,028	27,110	33,630
Rejection rate	5.16%	12.90%	8.30%	7.60%	7.70%

Table 18

2017	2016	2015	2014	2013
15,748	14,806	14,812	14,094	16,939
$ 3,831,981	$ 4,245,981	$ 2,388,677	$ 2,787,447	$ 2,139,346
4,700,760	4,614,694	4,493,898	4,389,480	4,292,251
4.2%	4.9%	5.8%	6.4%	8.8%
99%	97%	96%	96%	96%
19,038,513	18,053,654	16,293,380	14,751,051	13,918,725
5,488,204	5,480,871	4,627,997	4,161,452	4,243,249
1,347,641	1,233,070	1,268,467	1,123,756	1,193,252
870,882	755,567	721,432	728,531	732,310
141,448	145,029	145,729	126,524	117,473
779,184	789,049	795,878	823,712	772,197
152,801	161,847	191,244	204,179	199,280
176,585	179,485	146,305	144,316	149,311
37,487	37,440	37,793	37,529	37,619
99,313	100,881	102,790	103,399	105,763
6,613	7,170	8,037	8,141	8,625
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
106,614	91,525	95,811	96,880	110,730
11.49%	13.00%	16.00%	16.36%	12.84%
31,994	33,270	26,091	30,220	27,995
8.70%	9.40%	8.80%	8.96%	9.65%

(1) Governed by Gasoline and Oil Inspection Law (General Statute 119)

(2) Governed by North Carolina Weights and Measures Act (General Statute 81A)

(3) Starting in fiscal year 2012, Juvenile Justice and Delinquency Prevention is included in the public safety, corrections and regulation function; whereas in prior years it was included in the health and human services function.

CAPITAL ASSET STATISTICS BY FUNCTION

For the Fiscal Years 2013-2022

	2022	2021	2020	2019	2018
Primary Government					
General Government					
Department of Administration					
Buildings	64	65	67	71	74
Parking lots	24	24	24	24	24
Parking spaces	8,433	8,433	8,425	8,391	8,434
Motor Fleet vehicles	7,894	7,957	7,806	7,538	7,657
Health and Human Services					
Mental Health Institutions	13	13	13	13	13
Number of certified beds	4,029	3,986	3,964	4,008	3,916
Environment and Natural Resources					
Department of Natural and Cultural Resources					
Number of state park lands	35	35	34	34	34
Acres of state park lands	171,546	172,759	165,168	165,168	163,159
Number of state recreation areas	4	4	4	4	4
Acres of state recreation areas	13,256	13,256	13,256	13,256	13,256
Number of state natural areas	25	24	24	24	28
Acres of state natural areas	35,509	33,259	29,830	28,328	28,024
Number of state lakes	7	7	7	7	7
Acres of state lakes	29,135	29,135	29,135	29,135	29,135
Zoo animals	1,247	1,270	1,326	1,672	1,393
Vehicles (4)	945	856	880	868	853
Boats/trailers (4)	351	333	336	351	352
Scientific equipment (4)	348	342	391	165	50
Department of Environmental Quality					
Vehicles (5)	143	157	158	173	179
Boats/trailers (5)	457	430	433	434	416
Aircraft	2	2	2	2	4
Scientific equipment (5)	534	1,298	1,233	1,049	734
Wildlife Resources Commission					
Number of game lands	94	72	71	70	70
Acres of game lands	544,481	533,595	532,733	509,600	501,617
Vehicles	534	543	568	575	571
Boats/trailers	605	969	1,033	913	898
Aircraft	2	2	2	2	3
Public Safety, Corrections and Regulation					
Department of Public Safety					
Close security prisons	14	13	19	15	14
Medium security prisons	19	19	17	19	19
Minimum security prisons	20	23	25	21	22
Youth facilities	10	11	11	10	10
Adult Correction Vehicles:					
Passenger/cargo vans	206	177	183	239	180
Inmate transfer vans/buses	453	595	555	616	347
Inmate work crew vans/buses (6)	—	—	—	—	148
Pickup trucks	280	143	124	348	425
Roving patrol pickups	106	111	105	109	106
One ton maintenance trucks	92	341	334	104	184
Specialty/other trucks (1)	77	346	358	71	152

Source: Financial reporting entities listed in the table.

Table 19

2017	2016	2015	2014	2013
82	87	107	105	127
24	25	25	25	25
8,434	8,423	8,526	8,528	8,597
7,591	7,465	7,602	8,136	7,620
12	13	13	13	12
4,041	4,087	4,111	4,245	4,402
35	35	35	35	35
162,294	160,891	157,856	155,556	153,959
4	4	4	4	4
13,256	13,256	13,256	13,256	12,240
24	24	20	20	20
26,114	26,000	24,662	23,896	22,519
7	7	7	7	7
29,135	29,135	29,135	29,135	29,135
1,533	1,341	1,767	1,816	1,622
850	863	—	—	—
341	316	—	—	—
53	49	—	—	—
181	178	889	883	896
430	443	519	508	489
2	3	3	3	3
716	743	749	774	689
69	66	64	64	57
492,950	488,589	481,665	493,134	492,440
570	563	463	463	458
906	870	796	779	793
3	3	3	3	4
14	15	14	13	13
18	17	18	22	23
23	26	26	24	29
10	10	10	10	13
183	129	127	122	120
536	497	490	486	492
191	208	218	223	222
450	361	376	348	338
123	100	95	97	98
190	104	106	106	107
160	114	108	108	113

Continued

CAPITAL ASSET STATISTICS BY FUNCTION (Continued)

For the Fiscal Years 2013-2022

	2022	2021	2020	2019	2018
Department of Public Safety					
Enterprise Vehicles:					
Passenger/cargo vans	20	18	18	16	16
Inmate workcrew buses	19	16	16	18	18
Pickup trucks	47	42	42	56	55
One ton maintenance trucks	64	64	64	20	20
Specialty/other trucks	95	95	95	112	116
Alcohol Law Enforcement Vehicles					
Cars/SUV's	166	167	171	175	156
State Highway Patrol Vehicles					
Cars	1,819	1,766	1,693	1,699	1,649
Trucks/vans	416	383	403	362	372
Motorcycles	42	36	35	38	37
State Bureau of Investigation Vehicles					
Cars/SUV's	238	271	266	292	275
Trucks/vans	159	145	141	115	90
State Highway Patrol Aircraft					
Helicopters	2	4	2	4	6
Transportation					
Department of Transportation					
Pavement in lane-miles:					
Primary subsystem (2)	—	15,205	15,176	15,164	15,142
Secondary subsystem (2)	—	65,113	65,066	64,995	64,901
Bridges:					
Number of bridges (2)	—	13,570	13,587	13,476	13,413
Number of culverts (2)	—	4,807	4,756	4,739	4,653
Vehicles	7,932	7,846	7,763	8,007	8,779
Heavy equipment	15,948	15,877	15,287	15,636	15,948
Component Units					
Higher Education					
Community Colleges					
Buildings	1,337	1,313	1,277	1,275	1,271
Universities					
Academic/administrative buildings	1,071	1,057	1,050	1,045	1,053
Dormitories/auxiliary buildings	810	800	792	790	789
Medical (3)	24	24	25	25	35
University System Hospitals					
Administration	17	17	16	12	16
Clinical	30	30	30	32	47
Facility services	9	9	9	9	10
Hospital	14	11	10	9	9

Table 19

2017	2016	2015	2014	2013
17	16	16	16	14
18	19	18	19	15
52	53	52	52	44
20	19	21	21	24
113	114	117	106	126
175	178	225	162	172
1,672	1,738	1,805	1,925	1,766
407	418	525	506	486
38	41	46	40	28
284	257	308	349	333
93	74	78	74	78
6	6	6	6	9
15,125	15,125	15,062	15,062	15,064
64,830	64,544	64,522	64,522	64,514
13,522	13,494	13,519	13,552	13,557
4,654	4,592	4,520	4,496	4,547
8,276	872	9,191	9,463	9,484
14,840	14,799	15,237	14,808	14,221
1,238	1,234	1,199	1,182	1,178
1,052	1,044	1,070	1,010	1,003
786	744	721	684	692
35	36	49	39	36
16	16	18	18	18
61	52	51	52	52
10	10	10	10	9
9	9	8	7	8

(1) Includes boom trucks, cranes, flat beds, rollbacks, yard trucks, dump trucks, semi-trucks, etc.

(2) Recent data from the source was not available, as of the date of publication.

(3) East Carolina Teaching Hospital

(4) Data reported with Department of Environmental Quality for years prior to 2016.

(5) Starting in fiscal year 2016, vehicles, boats/trailers, and scientific equipment decreased because five divisions are now included in the Department of Natural and Cultural Resources; whereas in prior years the divisions were included with the Department of Environmental Quality, formerly Department of Environment and Natural Resources.

(6) In fiscal year 2019, vehicle statistics were changed by vehicle type as vehicles were repurposed.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND
For the Fiscal Years 2013-2022

The following table illustrates how earned revenues (net of reinsurance) and investment income of the State Public Education Property Insurance Fund (the Fund) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund for the last ten fiscal years ended June 30. The rows of the table are defined as follows:

(1) Total of each fiscal year's earned contribution revenues, investment revenues, contribution revenues ceded to excess insurers or reinsurers, and amount of reported revenues net of excess insurance or reinsurance.

(2) Each fiscal year's other operating costs of the Fund, including overhead and claims expense not allocable to individual claims.

(3) The Fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (before the effect of loss assumed by excess insurers or reinsurers), the loss assumed by excess insurers or reinsurers, and total net amount of incurred claims and allocated claim adjustment expenses.

(4) Cumulative amounts paid as of the end of successive years for each policy year.

(5) The most current reestimated amount of losses assumed by reinsurers for each accident year. The amount can and will be changed as claims and expenses are reevaluated.

(6) The reestimated net incurred claims and expenses based on the information available as of the end of the year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) Comparison of the latest reestimated net incurred claims amount to the amount originally established (line 3) and indication of whether this latest estimate of claims cost is greater or less than originally thought.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND

For the Fiscal Years 2013-2022 *Table 20*

As data for individual policy years mature, the correlation between original estimated and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns in the table present data for successive policy years. Amounts are expressed in thousands.

							Restated	Restated	Restated	
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
1) Required contribution and investment revenue:										
Earned	$ 16,380	$17,583	$14,563	$19,099	$12,518	$12,585	$19,931	$20,473	$ 10,521	$ 6,974
Ceded	4,502	4,313	3,545	3,665	3,386	3,298	3,952	6,396	18,750	22,266
Net earned	11,878	13,270	11,018	15,434	9,132	9,287	15,979	14,077	(8,229)	(15,292)
2) Unallocated expenses	714	695	635	600	659	583	564	619	446	434
3) Estimated claims and expenses, end of policy year:										
Incurred	4,366	6,492	10,524	943	16,149	1,271	62,387	7,357	4,976	7,280
Ceded	—	—	—	—	—	—	(45,500)	—	—	—
Net incurred	4,366	6,492	10,524	943	16,149	1,271	16,887	7,357	4,976	7,280
4) Paid (cumulative) as of:										
End of policy year	1,975	1,845	1,448	872	4,188	1,015	10,969	2,861	2,914	1,956
One year later	3,465	4,053	5,389	1,078	10,169	1,735	40,580	8,461	5,950	
Two years later	3,465	4,053	5,389	1,078	12,381	1,735	45,887	9,106		
Three years later	3,465	4,053	5,389	1,078	12,381	1,735	45,887			
Four years later	3,465	4,053	5,389	1,078	12,381	1,735				
Five years later	3,465	4,053	5,389	1,078	12,381					
Six years later	3,465	4,053	5,389	1,078						
Seven years later	3,465	4,053	5,389							
Eight years later	3,465	4,053								
Nine years later	3,465									
5) Reestimated ceded claims and expenses	—	—	—	—	2,834	—	—	—	—	—
6) Reestimated net incurred claims and expenses:										
End of policy year	4,366	6,492	10,524	943	16,149	1,271	16,887	2,867	6,853	3,945
One year later	2,965	5,189	10,669	917	18,622	1,800	55,177	8,467	9,648	
Two years later	2,965	5,189	10,669	917	12,547	1,800	60,484	8,467		
Three years later	2,965	5,189	10,669	917	12,547	1,800	60,484			
Four years later	2,965	5,189	10,669	917	12,547	1,800				
Five years later	2,965	5,189	10,669	917	12,547					
Six years later	2,965	5,189	10,669	917						
Seven years later	2,965	5,189	10,669							
Eight years later	2,965	5,189								
Nine years later	2,965									
7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(1,401)	(1,303)	145	(26)	(3,602)	529	43,597	1,110	4,672	(3,335)

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