



OFFICE OF THE
STATE CONTROLLER

STATE OF NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

On The Cover – Stone Mountain, North Carolina

Located on more than 14,100 acres in Wilkes and Alleghany counties, Stone Mountain State Park offers cascading waterfalls and cool mountain streams, quiet forests abundant with wildlife, scenic hiking trails and a historic mountain homestead.

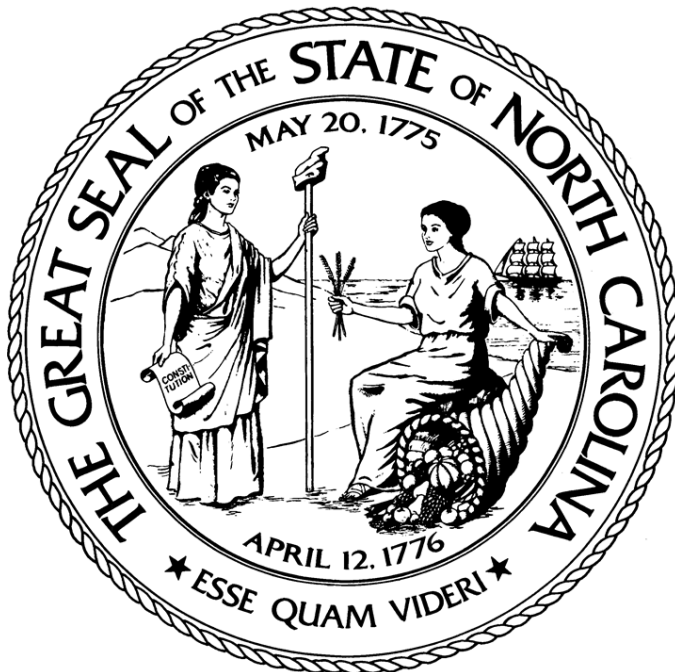
One of the park's most spectacular features is Stone Mountain, a 600-foot granite dome. This magnificent feature is part of a 25-square-mile pluton, an igneous rock formed beneath the earth's surface by molten lava. Over time, wind, water, and other forces gradually eroded the softer layers of rock atop the granite block and exposed the outcrop we see today. Wet weather springs continually carve troughs in the granite as water runs down the mountain's sloping face.

Established in 1969 and designated a National Natural Landmark in 1975, Stone Mountain is bounded by the Blue Ridge Parkway and the Thurmond Chatham Game Lands.

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2021



ROY COOPER
GOVERNOR

LINDA COMBS
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

<https://www.osc.nc.gov>

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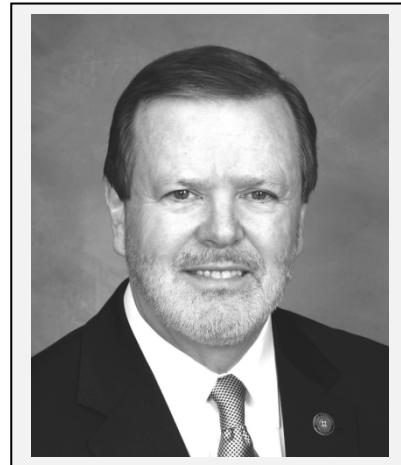
Special appreciation is given to the chief fiscal officers and the dedicated accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.



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



LINDA COMBS
State Controller

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Combining Fund Statements and Schedules

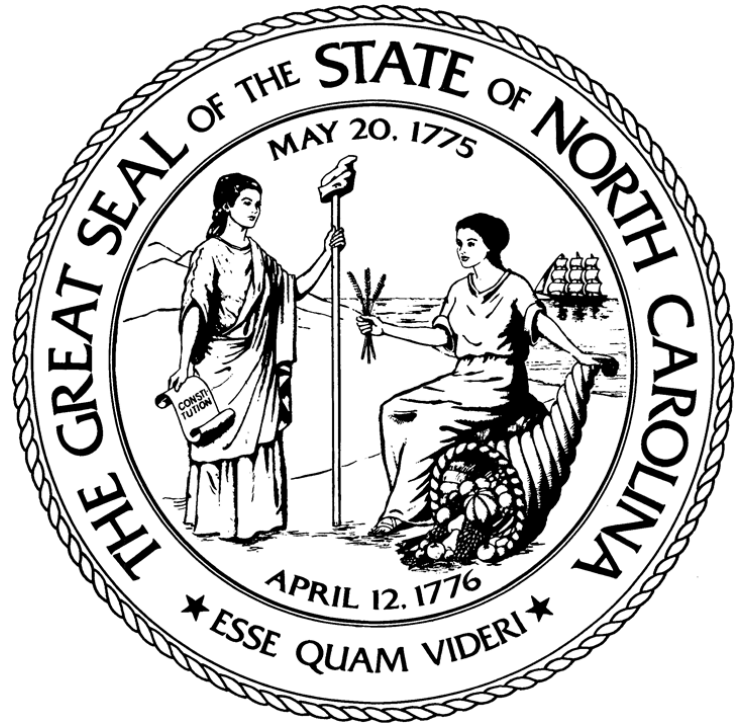
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INTRODUCTORY SECTION



State of North Carolina Office of the State Controller

LINDA COMBS
STATE CONTROLLER

December 8, 2021

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 2021 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 early 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.

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 80,242 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 in the top two states by *Site Selection* and *CNBC* magazines for doing business while *Chief Executive* magazine ranked North Carolina fourth 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

In fiscal year 2020-21, the nation and North Carolina were recovering from the sharp economic downturn caused by disruptions associated with the COVID-19 pandemic. Public health measures undertaken in response to COVID-19 resulted in shuttered businesses and unprecedented job losses, leading to a unique recession caused largely by a single external factor rather than structural economic problems. The pandemic-induced U.S. recession was unusually severe, with declines in economic activity and employment comparable to those seen at the start of the Great Depression. However, this recession was also unusually short; it lasted only two months and officially ended in April 2020.

At the start of the fiscal year, the most stringent business restrictions had been eased and the State's economy was beginning to rebound. The economic recovery continued in fits and starts throughout the fiscal year, following the trajectory of the spread of the virus and related containment measures. In May 2021, near the end of the fiscal year, the remaining business restrictions were lifted, and COVID-19 vaccinations had become widely available to adults. By the fiscal year's end, economic output had surpassed pre-pandemic levels despite employment remaining well below pre-pandemic levels.

At the start of fiscal year 2021-22, the Delta variant of the coronavirus precipitated a new wave of infections, slowing economic recovery. By October 2021, this "Delta wave" had peaked and was beginning to fall, and the economic recovery was beginning to accelerate once more. Going forward, economy remains tied to the rate of transmission of the coronavirus. Given falling infection and hospitalization rates, the economic outlook is positive.

Broad measures of U.S. and North Carolina economic activity demonstrate the remarkable recovery from the depths of the pandemic-induced recession. Although many indicators suggest that the economy has returned to or exceeded pre-pandemic levels, labor market indicators, in particular, demonstrate that certain sectors of the economy have not yet fully recovered. Projections of key economic indicators reflect how the economy is expected to unfold during the next two fiscal years.

Economic Indicators

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	Actual	Actual	Projected	Projected
<u>United States Indicators</u>				
Real Gross Domestic Product Growth	-0.9%	1.6%	5.2%	2.9%
Personal Income Growth	5.4%	7.2%	0.9%	3.9%
Corporate Pre-Tax Profit Growth	-5.3%	15.0%	10.2%	4.9%
Retail Sales Growth	1.3%	14.6%	8.0%	3.6%
Average Unemployment Rate	6.0%	6.9%	4.4%	3.5%
Average Consumer Price Index Growth	1.6%	2.3%	5.0%	2.5%
Average 30-yr Fixed Mortgage Interest Rate	3.5%	2.9%	3.2%	3.7%
<u>North Carolina Indicators</u>				
Real Gross State Product Growth	-0.8%	2.5%	5.6%	3.3%
Personal Income Growth	6.4%	7.2%	0.6%	3.9%
Wages and Salaries Growth	3.4%	6.1%	7.4%	4.9%
Retail Sales Growth	0.5%	13.6%	12.0%	6.1%
Average Unemployment Rate	5.7%	6.1%	3.3%	2.9%
Nonfarm Employment Growth	-7.0%	5.8%	4.2%	1.8%

U.S. real gross domestic product (GDP, a broad measure of economic activity) decreased by 5.0 percent annualized in the first quarter of 2020, and by 31.4 percent annualized in the second quarter of 2020, ending the longest period of economic expansion in recorded history. The onset of the pandemic took a similarly substantial toll on State economic activity. The contraction was in large part a result of the restrictions on economic activity imposed because of the pandemic; once lifted, economic activity recovered substantially. North Carolina's gross state product grew by 2.5 percent in fiscal year 2020-21, while the U.S. gross domestic product similarly grew by 1.6 percent, both exceeding their pre-pandemic levels by the end of the fiscal year. Over the next two fiscal years, North Carolina's economy is expected to expand at a faster pace than that of the nation.

U.S. corporate profits mounted an especially robust recovery, ending the fiscal year up 15.0 percent, after falling by 5.3 percent in the previous fiscal year. Corporate profits are expected to remain strong through next fiscal year, with growth moderating in fiscal year 2022-23.

Inflation was low for most of the fiscal year but began to accelerate near the end of the fiscal year, bringing the average annual change in consumer prices to 2.3 percent. Price increases were concentrated in a few categories where prices had been cut initially due to the pandemic, such as airfares and hotels, and in used vehicles due to supply-chain issues. Inflation is expected to become more widespread in fiscal year 2021-22, as pandemic-fueled supply-chain disruptions continue to grow. Consequently, consumer price growth is expected to remain high through next fiscal year, before slowing in fiscal year 2022-23.

During the fiscal year, the housing market tightened considerably. Mortgage rates hit an all-time low at the beginning of January 2021 and housing demand surged. In North Carolina, home values appreciated 17.7 percent over the fiscal year. Mortgage rates are expected to rise slowly over the next two years and the housing market is expected to cool.

Wage and salary income rose 6.1 percent during the fiscal year, compared to growth last fiscal year of 3.4 percent. As the economic restrictions largely impacted lower-wage industries such as the leisure and

hospitality sector, wage growth overall was not as dramatically impacted as it may have been had the pandemic and related economic restrictions affected higher-wage industries. In 2020 and early 2021, total personal income was boosted by pandemic-related assistance programs. Income from the federal government economic impact payments, expanded unemployment insurance, and the Paycheck Protection Program more than offset declines in other sources of income. State total personal income rose by 7.2 percent during the fiscal year, mirroring the national 7.2 percent increase. These increases came after last fiscal year's growth of 6.4 percent at the State level and 5.4 percent nationally. As transfer payments subside to more typical levels, personal income growth is expected to slow significantly.

Consumer spending was initially hard hit by the pandemic, especially during the most restrictive phases of the economic lockdown. However, upon reopening, consumer spending rebounded significantly, due to pent up demand because of reduced spending during the lockdown, as well as income from the federal stimulus benefits provided in 2020 and early 2021. Retail sales were especially strong, growing 13.6 percent in the State during this fiscal year compared to a growth rate of only 0.5 percent last fiscal year. Growth was slow early in the fiscal year, but quickly surpassed pre-pandemic levels as business restrictions were eased. Despite higher prices, retail sales are expected to remain robust through next fiscal year as consumers spend down the savings accumulated during the pandemic.

Compared to other economic indicators, employment measures present a more nuanced picture of overall economic conditions. Prior to the pandemic, the State and U.S. unemployment rates were 3.5 percent, the lowest level in 50 years. Throughout the recession and recovery, North Carolina's unemployment rate has been consistently below the U.S. unemployment rate. Unemployment rates peaked in April 2020 in the State and nationally, reaching 13.5 percent for North Carolina and 14.8 percent for the U.S. The State unemployment rate averaged 6.1 percent for the fiscal year, declining from 8.8 percent at the start of the fiscal year to 4.6 percent in June 2021. The U.S. unemployment rate fell from 10.2 percent in July 2020 to 5.9 percent in June 2021, averaging 6.9 percent over the 12-month period. However, the unemployment rate understates the level of joblessness because workers who left the labor force during the pandemic are not counted among the unemployed. In North Carolina, over 100,000 workers had not returned to the labor force as of June 2021.

From June 2020 to June 2021, the North Carolina economy gained 247,900 nonfarm jobs (5.8 percent). However, employment was 121,400 (2.6 percent) lower than in February 2020, before the pandemic. At the end of the fiscal year, North Carolina had recovered 78.9 percent of the 575,200 jobs lost during the recession, while the U.S. had only recovered 70.3 percent of jobs lost. In North Carolina, jobs were added over the fiscal year in all major industries. The leisure and hospitality sector, hardest hit during the pandemic, added the most jobs (81,000 jobs).

Labor market conditions are expected to continue to improve. New business formation, which is critical for the employment outlook, was extraordinarily strong during the fiscal year. Over 170,000 new businesses were formed in the State, up 66.8 percent over last fiscal year. North Carolina is expected to fully recoup job losses incurred as a result of the pandemic by early 2022.

Emma Turner, PhD
NCGA 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, 2020, the State established an employer contribution rate of 14.78% of compensation for TSERS. This contribution rate remains in effect until there is a Current Operations Appropriations Act for fiscal year 2021-22. The TSERS Board of Trustees has recommended a contribution rate of 15.74% of compensation pursuant to Employer Contribution Rate Stabilization Policy (ECRSP) subject to adjustment if there are cost-of-living increases or benefit improvements enacted by the General Assembly.

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 from the prior fiscal year, within the following bounds: 1) contributions may not be less than the actuarially determined contribution rate using the assumptions adopted, including a discount rate equal to the assumed rate of investment return used in the current year's valuation; and 2) contributions may not be greater than the actuarially determined contribution rate 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 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 also 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. The TSERS Board of Trustees met on April 29, 2021, and determined pursuant to G.S. 143C-4-10(c)(3)c that rebates received from supplemental voluntary insurance benefits are not needed to pay for the future administrative costs of these benefits and can be directed to the Unfunded Liability Solvency Reserve. The Retirement System Division received a rebate check in October 2021 in the amount of \$3.3 million from United Health Care in a performance reward which was deposited to the Unfunded Liability Solvency Fund.

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 Annual Comprehensive Financial Report (ACFR), on July 28, 2021. Through fiscal year ended June 2021, project spending has amounted to approximately \$28 million out of the \$40 million

appropriated. There is currently a budget request for the balance of \$50 million to complete the project. The project team is currently in the development phase for Release Three, the replacement of the North Carolina Accounting System (NCAS), scheduled for a 2023 implementation.

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 2021, the Office of State Budget and Management along with the Fiscal Research Division of the General Assembly recommended a target of 10.9% of the prior fiscal year's General Fund operating budget appropriations. At June 30, 2021, the Savings Reserve was \$1.982 billion, which represents 8.12% of the prior year's General Fund appropriation budget.

At the beginning of fiscal year 2020-21, the balance of the Savings Reserve Account was \$1.169 billion. The 2020 General Assembly authorized the transfer of \$877.717 million from the Unreserved Fund Balance to the Savings Reserve, the transfer of \$13.203 million from the Savings Reserve to the State Emergency/Response Disaster Reserve, \$27.797 million to the Hurricane Florence Disaster Recovery Reserve, and \$24.0 million to the Earthquake Disaster Recovery Reserve leaving a balance in the Savings Reserve of \$1.982 billion.

State Capital and Infrastructure Fund

The 2017 General Assembly established the State Capital and Infrastructure Fund, 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.

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 N.C. generated by the fiscal year 2020-21 grant payments include 1) the creation of 27,523 jobs, 2) capital investment of \$6.06 billion, and 3) \$12.03 million contributed to the Utility Fund for infrastructure grants to rural counties.

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 June 30, 2021 \$3.29 billion had been spent on COVID-19 relief. The remaining \$294.09 million was reported as unearned revenue.

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 to manage federal funds received from the federal government under the American Rescue Plan Act (ARPA) of 2021, P.L.117-2. North Carolina will receive \$5.4 billion in federal funds from ARPA which will be appropriated by the General Assembly for expenditure. As of June 30, 2021, N.C. had received \$2.7 billion of the \$5.4 billion and is expected to receive the remainder in fiscal year 2021-22. At June 30, 2021, the full amount of \$2.7 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. A one-month extension was granted for the report in 2021 in anticipation of the latest consensus revenue forecasts.

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 2021 study indicated over the ten-year planning horizon the State's revenue picture is positive overall, reflecting a continued economic recovery. The study found that the State's General Fund has debt capacity of \$1.458 billion in each of the next ten years after incorporating the Committee's policy that directs resources to unfunded pension and OPEB liabilities. The ratio of debt service to revenues was projected to peak at 2.68% in fiscal year 2021. This rate is below the 4.0% target. The debt service arising from the Connect NC Bonds and Build NC Bonds is incorporated into the model.

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 4.0% 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, 2020. This was the 27th consecutive year (1994 to 2020) 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,



Linda Combs
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 Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

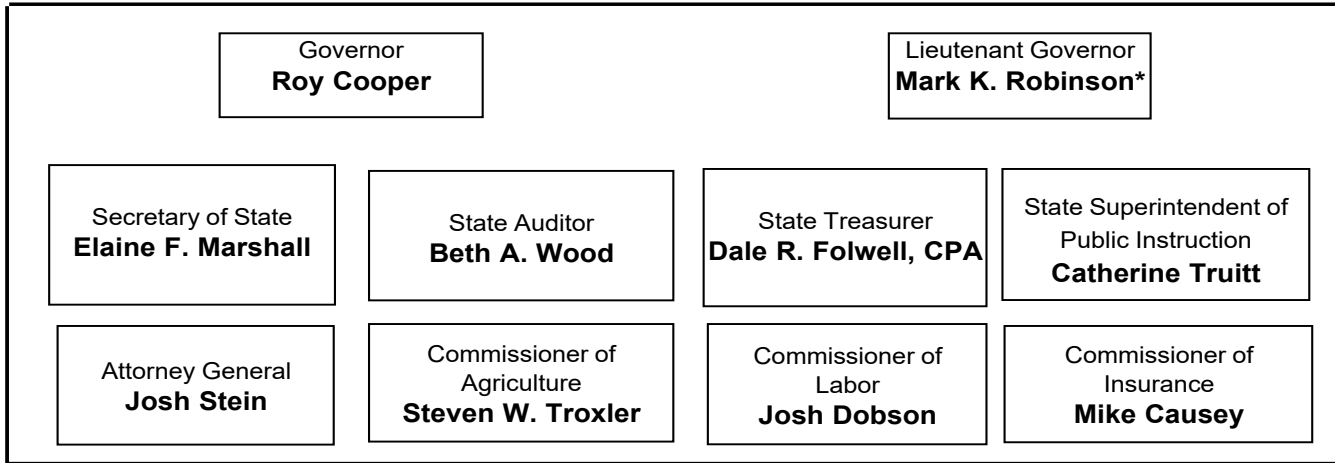
Christopher P. Morrill

Executive Director/CEO

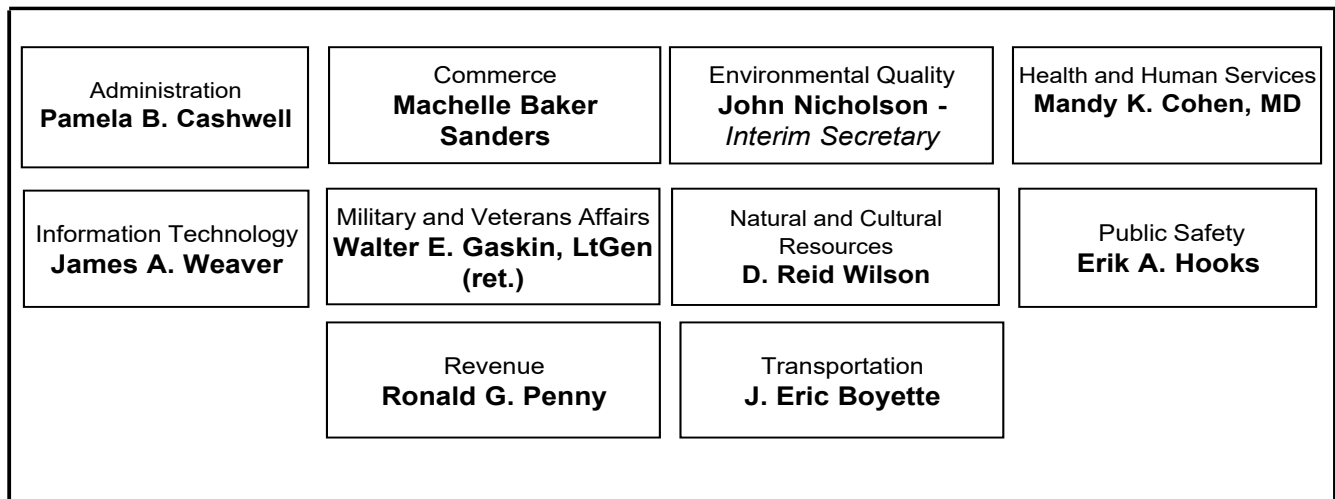
**ORGANIZATION OF NORTH CAROLINA STATE GOVERNMENT
INCLUDING PRINCIPAL STATE OFFICIALS**

EXECUTIVE BRANCH

Council of State



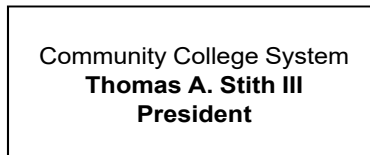
Cabinet Secretaries — Appointed by the Governor



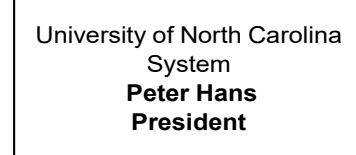
**Appointed by Governor,
Confirmed by Legislature**



**Appointed by State Board of
Community Colleges**



**Appointed by University
Board of Governors**



LEGISLATIVE BRANCH

JUDICIAL BRANCH

Senate	House of Representatives
President Pro Tempore Philip Berger	Speaker Tim Moore
Deputy Pres. Pro Tempore Ralph Hise	Speaker Pro Tempore Sarah Stevens
Majority Leader Kathy Harrington	Majority Leader John R. Bell, IV
Minority Leader Dan Blue	Minority Leader Robert T. Reives, II
<p><small>*Note: Article II of the NC Constitution provides that the Lieutenant Governor shall serve as President of the Senate.</small></p>	

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

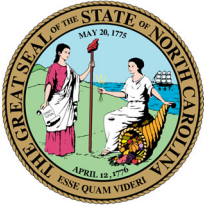
University of North Carolina System	Community Colleges	State Health Plan
Other Component Units		

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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 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<https://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, 2021, 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, 2021, 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 4 percent and 33 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Turnpike Authority, a major enterprise fund, which represent 35 percent and 1 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Housing Finance Agency, which represent 5 percent and 2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The North Carolina State Education Assistance Authority, which represent 10 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.

INDEPENDENT AUDITOR'S REPORT

- The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc., which represent 3 percent and 1 percent, respectively, of the assets and revenues 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 5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The Supplemental Retirement Income Plan of North Carolina, which represent 9 percent and 6 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 1 percent, respectively, of the assets and revenues of the aggregate remaining fund information.
- The North Carolina Department of State Treasurer Investment Programs, which represent 88 percent and 53 percent, respectively, of the assets and revenues of the aggregate remaining fund information; 14 percent of the assets of the business-type activities; and 23 percent of the assets of the governmental activities.

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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2021, the State of North Carolina adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

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

INDEPENDENT AUDITOR'S REPORT

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 one year after the date that the financial statements are issued.

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 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by Government Auditing Standards

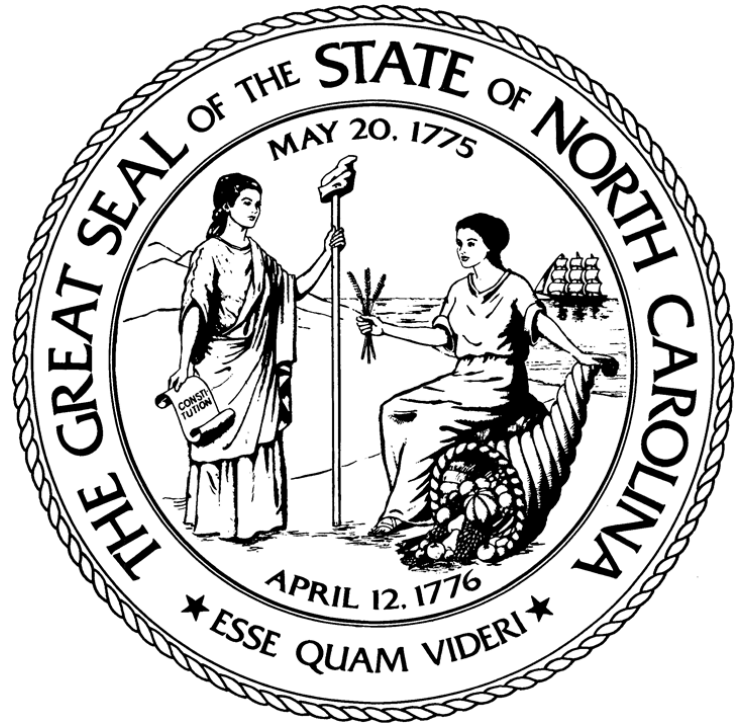
In accordance with *Government Auditing Standards*, we will also issue our report dated December 8, 2021, on our consideration of the State of North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 8, 2021



*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, 2021. 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 \$9.16 billion or 16.01% as a result of this year's operations. Net position of governmental activities increased by \$9 billion (17.41%) and net position of business-type activities increased by \$165 million (or 2.97%). At year-end, net position of governmental activities and business-type activities totaled \$60.68 billion and \$5.72 billion, respectively.
- Component units reported net position of \$21.32 billion, an increase of \$5.11 billion or 31.5% 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 \$6.59 billion at June 30, 2020 (as restated) to \$11.88 billion at June 30, 2021, an increase of 80.38%.
- The fund balance of the Highway Fund increased from negative \$330.19 million at June 30, 2020 to \$692.83 million at June 30, 2021, an increase of \$1.02 billion from the previous year. This increase was mainly due to an increase in cash resulting from a reduction in construction and maintenance expenditures.
- The Highway Trust Fund reported a fund balance of \$1.84 billion, an increase of 50.35% from the previous year. The fund balance increase was mainly due to an increase in cash resulting from fewer expenditures in construction and maintenance projects.
- The Unemployment Compensation Fund reported net position of \$3.18 billion at June 30, 2021 compared to \$3.02 billion at June 30, 2020, an increase of \$154.09 million or 5.1%. The increase in net position is due almost entirely to various fluctuations created by impacts from the Coronavirus pandemic, including the gradually decreasing unemployment rates since the last quarter of the 2019-20 fiscal year.
- The N.C. State Lottery Fund reported net ticket sales of \$3.81 billion, an increase of 26.16% from the previous year. As required by law, the Lottery transferred \$936.8 million to the General Fund to support educational programs.
- The N.C. Turnpike Authority (NCTA) reported net position of \$282.53 million, a decrease of 19.83% from the previous year. The NCTA had an operating loss of \$45.07 million, a loss increase of \$26.41 million or 141.47% from the prior year due to a decrease in toll revenues. The NCTA also had a \$10.03 million increase in nonoperating expenses due to a \$6.37 million increase in interest and fees related to debt issued during the fiscal year.
- The EPA Revolving Loan Fund reported net position of \$2.01 billion, an increase of 3.57% from the previous year. Operating income was \$6.82 million, and net nonoperating revenues of \$50.18 million consisted primarily of federal capitalization grants and investment earnings.

Capital Assets

- The State's investment in capital assets (net of accumulated depreciation) was \$62.06 billion, an increase of 3.77% from the previous fiscal year-end.
- Significant year-end construction in progress amounts were for State highway projects (\$2.27 billion), an expressway project (\$364.8 million), a new system for managing and administering social service benefits (\$723.5 million), a new laboratory complex (\$89.31 million), and a new skilled nursing facility for state veterans (\$40.46 million).

Long-term Debt

- The State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$8.39 billion, an increase of 12.21% from the previous fiscal year-end. The State issued \$400 million in general obligation bonds for its governmental activities. The Highway Trust Fund issued \$700 million in special indebtedness limited obligation bonds for regional and divisional transportation projects. Additionally, the NCTA, a business-type activity, issued \$573.45 million in revenue bonds.
- In connection with the general 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 thirteen 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 256 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 our 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 \$66.4 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, 2021 and 2020

(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2020-21
	2021	2020 (as restated)	2021	2020 (as restated)	2021	2020 (as restated)	
	Current and other non-current assets	\$26,896,480	\$19,599,397	\$6,820,390	\$ 6,691,138	\$33,716,870	\$26,290,535
Capital assets, net	59,619,798	57,559,801	2,439,910	2,244,625	62,059,708	59,804,426	3.77%
Total assets	<u>86,516,278</u>	<u>77,159,198</u>	<u>9,260,300</u>	<u>8,935,763</u>	<u>95,776,578</u>	<u>86,094,961</u>	<u>11.25%</u>
Total deferred outflows of resources	2,544,873	2,361,920	65,713	63,347	2,610,586	2,425,267	7.64%
Long-term liabilities	16,962,803	16,679,814	2,951,590	2,433,214	19,914,393	19,113,028	4.19%
Other liabilities	8,875,772	8,843,459	599,103	966,723	9,474,875	9,810,182	(3.42%)
Total liabilities	<u>25,838,575</u>	<u>25,523,273</u>	<u>3,550,693</u>	<u>3,399,937</u>	<u>29,389,268</u>	<u>28,923,210</u>	<u>1.61%</u>
Total deferred inflows of resources	2,541,477	2,314,243	54,771	43,682	2,596,248	2,357,925	10.11%
Net position:							
Net investment in capital assets	56,803,432	55,581,833	516,526	513,378	57,319,958	56,095,211	2.18%
Restricted	1,868,783	1,458,418	255,800	178,212	2,124,583	1,636,630	29.81%
Unrestricted	<u>2,008,884</u>	<u>(5,356,649)</u>	<u>4,948,223</u>	<u>4,863,901</u>	<u>6,957,107</u>	<u>(492,748)</u>	<u>1,511.9%</u>
Total net position	<u>\$60,681,099</u>	<u>\$51,683,602</u>	<u>\$5,720,549</u>	<u>\$ 5,555,491</u>	<u>\$66,401,648</u>	<u>\$57,239,093</u>	<u>16.01%</u>

The largest component of the State's net position (86.32% for fiscal year 2021) 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 (\$2.12 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 \$2.01 billion at June 30, 2021, an increase of \$7.37 billion from the prior 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 \$6.44 billion of bonds and special indebtedness outstanding for governmental activities at June 30, 2021, approximately \$3.18 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, 2021, the State's governmental activities have significant unfunded liabilities for compensated absences of \$610.18 million, pension liabilities of \$3.08 billion, net OPEB liabilities of \$5.35 billion, workers' compensation of \$693.47 million, and claims and judgments payable of \$731.7 million (see Note 8 to the financial statements). These unfunded liabilities reduce unrestricted net position for governmental activities. However, the strong financial results for fiscal year 2021 (i.e., the excess of revenues over expenses of \$8.16 billion) contributed to the increase in unrestricted net position.

The State's overall net position increased \$9.16 billion or 16.01% (total primary government) from the prior fiscal year. The net position of the governmental activities increased \$9 billion or 17.41% and business-type activities increased \$165.06 million or 2.97%. The following financial information was derived from the government-wide Statement of Activities:

Changes in Net Position for the Fiscal Years Ended June 30, 2021 and 2020
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2021	2020 (as restated)	2021	2020 (as restated)	2021	2020 (as restated)	2020-21
	Revenues:						
Program revenues							
Charges for services	\$2,951,088	\$2,725,410	\$4,658,211	\$3,557,565	\$7,609,299	\$6,282,975	21.11%
Operating grants and contributions	23,540,962	19,246,548	6,907,326	4,737,551	30,448,288	23,984,099	26.95%
Capital grants and contributions	1,281,167	1,328,260	21,393	3,681	1,302,560	1,331,941	(2.21%)
General revenues							
Taxes:							
Individual income tax	15,368,872	13,121,892	—	—	15,368,872	13,121,892	17.12%
Corporate income tax	1,327,813	726,186	—	—	1,327,813	726,186	82.85%
Sales and use tax	9,826,411	8,556,460	—	—	9,826,411	8,556,460	14.84%
Motor fuels tax	2,067,262	2,054,235	—	—	2,067,262	2,054,235	0.63%
Franchise tax	882,332	640,865	—	—	882,332	640,865	37.68%
Highway use tax	1,003,310	847,919	—	—	1,003,310	847,919	18.33%
Insurance tax	722,958	661,881	—	—	722,958	661,881	9.23%
Beverage tax	533,088	462,401	—	—	533,088	462,401	15.29%
Tobacco products tax	303,060	288,933	—	—	303,060	288,933	4.89%
Other taxes	334,913	290,178	—	—	334,913	290,178	15.42%
Tobacco settlement	167,417	148,929	—	—	167,417	148,929	12.41%
Federal COVID-19	3,117,857	173,448	—	—	3,117,857	173,448	1,697.57%
Unrestricted investment earnings	15,662	133,251	—	—	15,662	133,251	(88.25%)
Noncapital contributions	91,696	—	1,309	—	93,005	—	100.00%
Miscellaneous	102,661	76,395	—	—	102,661	76,395	34.38%
Total revenues	63,638,529	51,483,191	11,588,239	8,298,797	75,226,768	59,781,988	25.84%
Expenses:							
General government	2,500,096	1,441,776	—	—	2,500,096	1,441,776	73.40%
Primary and secondary education	12,936,328	11,971,116	—	—	12,936,328	11,971,116	8.06%
Higher education	5,142,660	4,815,552	—	—	5,142,660	4,815,552	6.79%
Health and human services	25,629,768	21,594,958	—	—	25,629,768	21,594,958	18.68%
Economic development	665,102	525,242	—	—	665,102	525,242	26.63%
Environment and natural resources	821,398	708,815	—	—	821,398	708,815	15.88%
Public safety, corrections and regulation	4,536,568	4,228,118	—	—	4,536,568	4,228,118	7.30%
Transportation	2,793,445	2,979,441	—	—	2,793,445	2,979,441	(6.24%)
Agriculture	286,217	313,068	—	—	286,217	313,068	(8.58%)
Interest on long-term debt	170,435	171,372	—	—	170,435	171,372	(0.55%)
Unemployment compensation	—	—	7,317,289	5,707,104	7,317,289	5,707,104	28.21%
N.C. State Lottery	—	—	2,875,899	2,290,926	2,875,899	2,290,926	25.53%
EPA Revolving Loan	—	—	17,458	13,785	17,458	13,785	26.64%
N.C. Turnpike Authority	—	—	193,813	186,369	193,813	186,369	3.99%
Regulatory programs	—	—	130,081	131,503	130,081	131,503	(1.08%)
Insurance programs	—	—	35,262	51,815	35,262	51,815	(31.95%)
North Carolina State Fair	—	—	7,086	15,981	7,086	15,981	(55.66%)
Other business-type activities	—	—	12,780	15,421	12,780	15,421	(17.13%)
Total expenses	55,482,017	48,749,458	10,589,668	8,412,904	66,071,685	57,162,362	15.59%
Increase in net position							
before contributions and transfers	8,156,512	2,733,733	998,571	(114,107)	9,155,083	2,619,626	249.48%
Contributions to permanent funds	7,472	5,919	—	—	7,472	5,919	26.24%
Transfers	833,513	652,776	(833,513)	(652,776)	—	—	
Increase (decrease) in net position	8,997,497	3,392,428	165,058	(766,883)	9,162,555	2,625,545	248.98%
Net position - beginning - restated	51,683,602	48,291,174	5,555,491	6,322,374	57,239,093	54,613,548	4.81%
Net position - ending	\$60,681,099	\$51,683,602	\$5,720,549	\$5,555,491	\$66,401,648	\$57,239,093	16.01%

Governmental Activities. For fiscal year 2021, 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 \$9 billion (17.41%) resulted for governmental activities. Total revenues increased by 23.61% (\$12.16 billion) while total expenses increased by 13.81% (\$6.73 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 \$4.29 billion or 22.31% due to higher spending in federally supported programs, such as Medicaid, disaster relief, and the Governor's Education Emergency Relief (GEER) fund as well as increases in federal COVID-19 funds (see below). Individual, corporate, and sales and use taxes increased \$4.12 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 funds (see below)

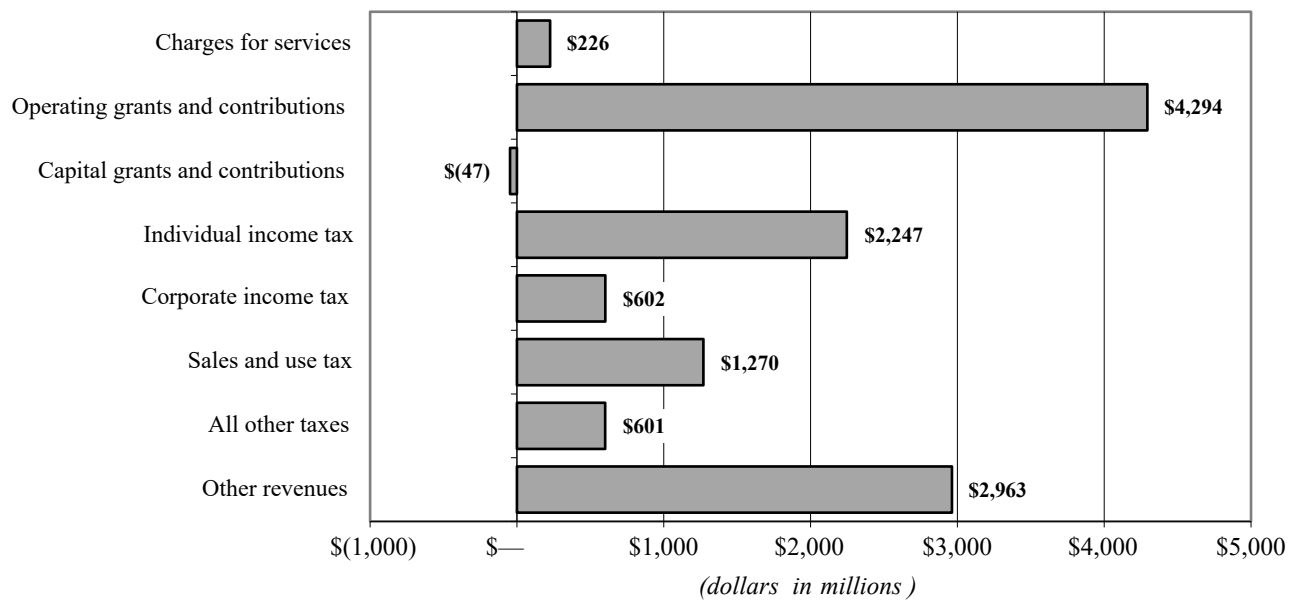
In the prior fiscal year, the U.S. Congress enacted a series of laws, including the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act; these laws were a direct response to the economic and societal crises resulting from the COVID-19 pandemic. 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 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.

For fiscal year 2021, federal COVID-19 funds increased \$4.45 billion or 384.32%. The primary factor for the increase is the \$3.11 billion recognition of revenues in governmental activities related to the CARES Act funds that were provided to agencies in fiscal year 2020 but were unspent at the end of the prior year. The requirements were met during fiscal year 2021 allowing the revenues to be recognized. Other factors that contributed to the increase in federal COVID-19 funds was a higher 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 Emergency Rental Assistance and Homeowners Assistance programs; and federal funds for the GEER fund. The State's governmental activities recognized \$5.60 billion of federal COVID-19 funds; \$2.48 billion is included in operating grants and contributions (i.e. program revenues) and \$3.12 billion is reported as federal COVID-19, which is included in the other revenues source shown in the table below (i.e. general revenues).

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, 2021, North Carolina had received \$2.7 billion of the 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 following chart reflects the dollar change in governmental activities revenues by source between fiscal years 2020 and 2021:

**Dollar Change in Governmental Activities Revenues by Source
Between Fiscal Years 2020 and 2021**



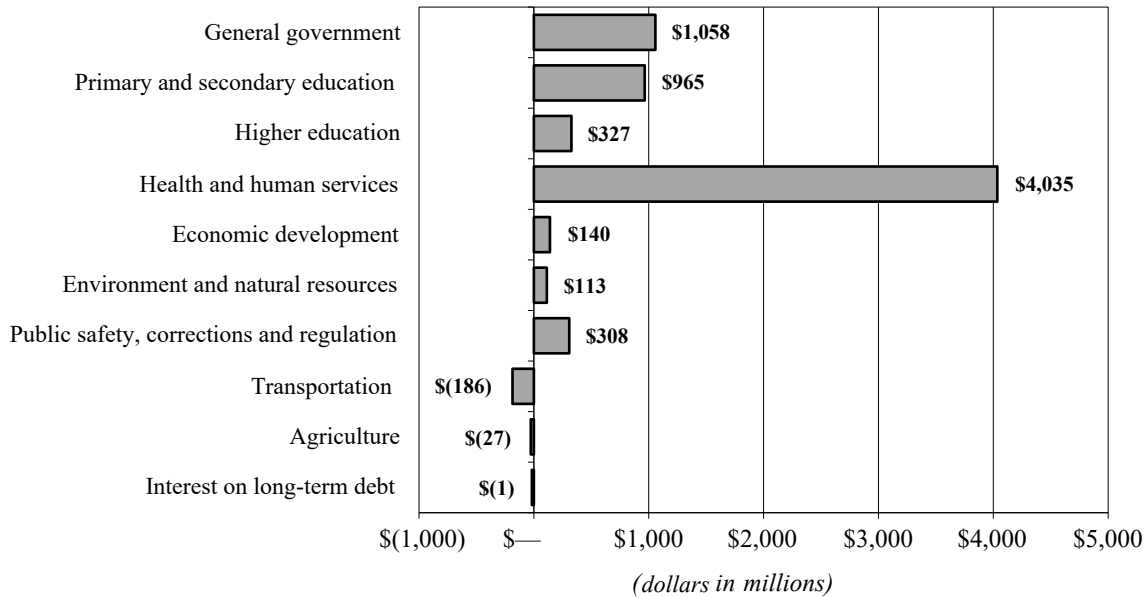
For fiscal year 2021, spending increased in the majority of the State’s functional areas, with an exception in transportation. Transportation expenses decreased by \$186 million or 6.24% primarily due to the reduction of various construction and maintenance projects in progress as a result of the cash shortage in the prior year.

Total health and human services (HHS) spending increased by 18.68% or \$4.03 billion in 2021. For comparison, HHS spending increased by 10.36% and 2.57% in fiscal years 2020 and 2019, respectively. The increase in health and human services is primarily due to increased spending for Medicaid (the State’s largest public assistance program) in response to the COVID-19 Public Health Emergency (PHE). A significant factor was the temporary provider rate increases implemented by Medicaid in response to the COVID -19 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. Enrollment in Medicaid increased 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 PHE. 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 2021 were to general government and primary and secondary education. Total expenses increased 73.40% (\$1.06 billion) for general government and 8.06% (\$965.21 million) 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 aid for the Extra Child Grant Program; and increased state aid provided to local education agencies (LEAs) for continued COVID-19 related expenditures.

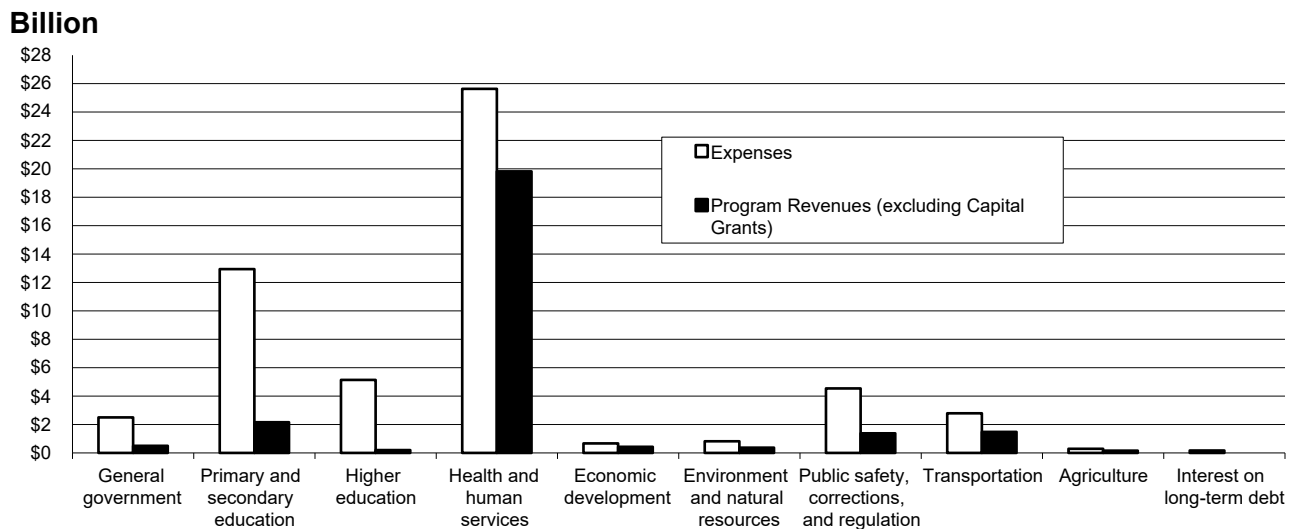
The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2020 and 2021:

**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2020 and 2021**



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, 2021**



Business-type Activities. Business-type activities reflect an overall increase in net position of \$165.06 million or 2.97%, primarily due to the increase in net position in the Unemployment Compensation Fund. The increase in net position of \$154.09 million or 5.1% in the Unemployment Compensation Fund (Trust Fund) is due almost entirely to various fluctuations created by the Coronavirus pandemic. The Trust Fund received an increase of \$1.98 billion or 44.16% from the prior year in federal COVID-19 funding, while there was also a corresponding increase of \$1.6 billion in unemployment benefits paid. In addition, unemployment rates have continued to decrease since the fourth quarter of the prior fiscal year. The N.C. Turnpike Authority's net position decreased by \$69.87 million or 19.83% mainly due to the NCTA incurring an operating loss of \$45.07 million, mostly due to decreases in toll revenues. Net nonoperating expenses also increased by \$10.03 million, mainly due to a \$6.37 million increase in interest and fees related to debt issued during the fiscal year. The net position increase of \$69.42 million or 3.57% 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, 2021, the State's governmental funds reported combined fund balances of \$17.47 billion, an increase of 70.70% from the prior fiscal year-end (as restated). Of this amount, \$7.4 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, 2021, the fund balance of the General Fund increased 80.38% (\$5.29 billion) to \$11.88 billion. The unassigned fund balance increase is due, in part, to the overall increases in tax revenues including individual income tax, sales and use tax, and corporate income tax. General Fund revenues increased by \$11.66 billion (25.96%) while expenditures increased by \$7.15 billion (15.88%). The increase in revenues is primarily due to increased tax revenues, federal and federal COVID-19 funds received. For the current fiscal year, the General Fund recognized \$5.24 billion in federal COVID-19 funds. These CARES ACT funds were derived from the recognition of amounts that were unspent at the end of fiscal year 2020, and ultimately spent and recognized as revenues in fiscal year 2021. The increase in expenditures is primarily due to the federal and federal COVID-19 funds spent by the various State functions. The expenditures supported aid programs, increased DHHS SNAP caseloads, increased medical expenses, and increased contracted and temporary personal services all 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 13.55% to 2.46 million individuals (23.22% of North Carolina's population). For comparison, Medicaid enrollment increased 4.35% and 0.46%, respectively, in fiscal years 2020 and 2019. 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 \$124 million or 3.26%. The Medicaid program ended the fiscal year with unspent state appropriations of \$201 million, which were reverted to the General Fund. This is the eighth 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.

Total tax revenues in the General Fund increased by \$4.5 billion or 18.29% in fiscal year 2021. Individual income tax revenues increased \$2.25 billion or 17.12% and sales and use tax revenues increased \$1.26 billion or 14.79% in fiscal year 2021. Corporate income tax also increased \$575.29 million or 78.92% from the prior year. During fiscal year 2021, North Carolina's economy was impacted by the effects of the COVID-19 pandemic and the federal and state government responses to counter these negative effects, such as direct payments to households and more support for businesses and laid-off workers. 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. The Bureau of Economic Analysis reported that North Carolina's personal income has shown substantial growth during the fiscal year, leading to the individual income tax revenue growth.

During the fiscal year, there were two rounds of federal economic impact payments to North Carolina households that increased personal income. In addition, the State of North Carolina issued payments to households with eligible children under the Extra Credit Grant program. Although these payments are not taxable under the State's income tax, sales and use taxes and other excise taxes would be positively impacted by these payments. The federal government also provided pandemic unemployment compensation payments and other unemployment assistance. The unemployment compensation payments are taxable and the N.C. Department of Revenue (DOR) collected withholding taxes from these payments. Wage and salary income growth was higher than the prior fiscal year and 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. Personal consumption expenditures also showed growth from the prior year. The growth is attributed to the State's improved economy as well as the economic impact payments by the federal government. This growth increased the disposable incomes of consumers.

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. In addition the DOR implemented the Voluntary Corporate Transfer Pricing Resolution Initiative during the fiscal year to work with corporate taxpayers to expedite resolution of corporate intercompany pricing issues. This initiative also contributed to the increase in corporate income tax revenues.

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 and the budgeting of federal funds for the fiscal year. The original base budget for the 2019-21 biennium was prepared and finalized in December 2018 as part of the two-year base budget adopted by the General Assembly. This was approximately six months prior to the adoption of the adjusted biennial budget on June 30, 2019. 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, FY 2020-21 was unusual due to the Coronavirus health emergency that struck in the third and fourth quarter of the FY 2019-20 and continued throughout FY 2020-21. The global pandemic resulted in North Carolina receiving \$3.5 billion in federal aid in the fourth quarter of FY 2019-20 that could be spent in FY 2020-21. Additionally, North Carolina received federal funds from the ARPA enacted in March of 2021.

In 2020, the General Assembly enacted a series of bills that established a base budget plus various supplemental appropriations for the fiscal biennium. For fiscal year 2021, the General Assembly enacted a General Fund budget that provided \$24.49 billion in net appropriations.

Additional factors leading to variances between the original and final budget in fiscal year 2020-21 include the following:

- 1) Awarding of new unanticipated federal grants to manage the COVID-19 pandemic and increases and decreases in amounts for long-term standing federally supported programs. North Carolina received an additional \$1.2 billion for Medicaid due to an increase in the FMAP. Additionally, \$1.5 billion in federal Coronavirus Relief Funds have been budgeted and expended during the biennium.
- 2) Statewide encumbrance carry-forward budgeted amounts from fiscal year 2019-20 totaled \$583.9 million, which increased the budget for fiscal year 2020-21 through administrative action.
- 3) Allocation of hurricane disaster funds that were appropriated and authorized in prior years but not expended until fiscal year 2020-21. 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, including 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 10.43% higher than budgeted revenue amounts in fiscal year 2021. Tax revenues were 7.52% higher than anticipated primarily due to better than expected individual income, corporate income, and sales tax revenues due to federal fiscal stimulus. Non-tax revenues from sources included in certified revenues were 1.6% higher than budget. A shortfall in judicial fees and short-term investment income was offset by higher-than-anticipated revenue from Disproportionate Share Hospital payments and Master Settlement Agreement payments. The \$711.4 million (315.74%) variance in the non-tax fees, licenses, and fines is due primarily to the exclusion of fund-balance carryforwards in budgeted non-tax revenues.

Collections for individual income taxes, which accounted for 54.85% of total General Fund tax revenue collections, were \$1 billion (6.75%) higher than the budgeted revenue due primarily to higher-than-expected estimated and final payments, as well as higher than expected withholding from unemployment benefits. Withholding payment from wage earnings were \$1.68 billion (16.6%) above the year-end target. Quarterly payments, final and extension payments for tax year 2020 returns, and refunds all came in higher than expected. Sales and use tax collections, which comprised 31.28% of total General Fund tax revenues in fiscal year 2021, were \$400 million (4.64%) above the budgeted revenue. The federal stimulus and shift in spending patterns away from services and towards more goods due to pandemic contributed to strong consumer spending and resulting sales and use tax revenues. Corporate income tax collections which accounted for 5.24% of total General Fund tax revenues in fiscal year 2021, were \$474.26 million (45.72%) above their respective budgeted revenues. Corporate profits reached all-time highs in the second half of 2020 which contributed to a surge in corporate tax revenue.

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, 81% of motor fuel taxes, vehicle registration fees, and driver's license fees.

The fund balance of the Highway Fund increased substantially from negative \$330.19 million at June 30, 2020 to \$692.83 million at June 30, 2021, an increase of 309.83%. The increase in fund balance was mainly due to decreased expenditures during the fiscal year. Cash constraints, due to pandemic revenue decreases within the Highway Fund at June 30, 2020, required a decrease in spending across most activities in the Highway Fund in the current year, including contract maintenance and construction. Construction and maintenance expenditures also decreased in an effort to maintain the cash balance required by general statute, which resulted in a higher cash balance and a lower accounts payable balance. The cash and cash equivalents balance increased by \$952.51 million from June 30, 2020 to June 30, 2021. The decrease in liabilities was also due to the Highway Fund's repayment of the advance from the Highway Trust Fund which decreased by \$390 million, at June 30, 2021. The decrease in liabilities and increase in cash were offset somewhat by a decrease in restricted investments due to the use of Grant Anticipation Revenue Vehicle (GARVEE) bond funds for expenditures during the year.

Total revenues were \$4.22 billion, an increase of 8.59% or \$334 million, while total expenditures decreased by 15.95% to \$3.28 billion. The increase in total revenue was primarily a result of an increased motor fuel tax revenues of \$191.10 million and increased fees, license and fines revenue of \$115.43 over the prior fiscal year. The decrease in expenditures was primarily due to the reduction of construction and maintenance activities and other expenses as a result of the cash shortage at June 30, 2020, which resulted in limited expenditures in the current year in order to recover.

The State issued \$600 million in GARVEE bonds in June 2019. 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, 2021, \$166.05 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, it revised the distribution of motor fuel tax revenue for the Highway Fund from 71% to 81%. Effective July 1, 2021, it changes the distribution to 80% and beginning July 1, 2022 to 75%. Session Law 2020-91 also established a motor fuel tax floor. Effective January 1, 2021, and ending December 31, 2021, the motor fuel 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, over a 10-year period (2011 to 2020), paved lane miles grew by 2.6%, and vehicle miles traveled increased by 2.1%. From 2019 to 2020, the vehicle miles traveled dropped by 13.5% due to the decrease in travel

because of the COVID pandemic but is expected to rebound and increase as pandemic impacts lessen. From 2019 to 2020, bridge deck area grew by 1.4%. These increases and expected continued 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 general obligation bonds issued for highway purposes. The principal revenue sources of the Highway Trust Fund are highway use taxes, 19% percent of motor fuel 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). In 2017, the enabling legislation was amended to require annual transfers to the State Ports Authority to be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the State Ports Authority. Funds appropriated to the State Ports Authority could also be used for capital projects.

The fund balance of the Highway Trust Fund increased 50.35% to \$1.84 billion at June 30, 2021. The fund balance increase is attributable to an increase in cash due to fewer expenditures during the year, and an increase in restricted investments due to the issuance of additional Build NC bonds. Pandemic revenue decreases resulted in cash constraints within the Highway Trust Fund at June 30, 2020, which resulted in fewer expenditures in the current year in order to recover. Expenditures were also decreased in an effort to maintain the cash balance required by general statute, which resulted in a higher cash balance and a lower accounts payable balance. The cash balance increased by \$663.41 million from June 30, 2020 to June 30, 2021. The Build NC bonds were issued in November 2020 and at June 30, 2020, \$177.46 million of the special indebtedness proceeds were unspent compared to \$425.33 million at June 30, 2021. The increase in assets and decrease in expenditures was somewhat offset by the decrease in the advance owed to the Highway Trust Fund from the Highway fund which decreased by \$390 million, at June 30, 2021.

Total revenues were \$1.56 billion, relatively unchanged from the prior year. Motor fuel taxes decreased 30.80% or \$172.98 million while highway use taxes increased 18.54% or \$155.39 million. The decrease in motor fuel taxes was mostly due to the change in the Motor Fuel Tax Distribution as a result of Session Law 2020-91, as discussed below and under the Highway Fund section. The increase in highway use tax was due to an increase the number of transactions to title a motor vehicle in fiscal year 2021 compared to fiscal year 2020. This was fueled by vehicle purchases and new residents moving into North Carolina who must title a vehicle with North Carolina before registering their vehicle. The Highway Trust Fund reported \$1.71 billion in total transportation expenditures, a decrease 12.85% or \$252.23 million from the previous year. The decrease in expenditures was largely due to the decrease in capital outlay. This decrease was a result of the low cash balance in fiscal year 2020, which was due to the COVID pandemic and large projected decrease in future revenues that led the department to delay the bid process or put on hold various contractual and maintenance projects in progress across the state.

In November 2020, the State issued \$700 million in special indebtedness (limited obligation bonds), as authorized by Session Law 2020-91 and Session Law 2018-16, 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 noted above, the unspent proceeds were \$425.33 million at June 30, 2021. Legislative language is pending concerning the possible change to the Build NC bond cash ceiling.

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, it changes the distribution to 20% and then to 25% beginning July 1, 2022. Session Law 2020-91 also established a motor fuels tax floor.

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 (Unemployment Insurance Trust Fund or "Trust Fund") reported net position of \$3.18 billion at June 30, 2021 compared to \$3.02 billion at June 30, 2020. The \$154.09 million increase in net position is related to various fluctuations created almost entirely by impacts from the Coronavirus pandemic. Unemployment rates in North Carolina have gradually decreased during fiscal year 2021. As businesses began reopening in June 2020 and into the 2021 fiscal year, unemployment rates were as high as 8.8% in July 2020 but dropped to 4.6% by June 2021.

The Trust Fund's operating margin (operating revenues less operating expenses) decreased by \$1.25 billion, a 22.88% decrease from the prior year, predominantly as a result of a \$1.6 billion increase in unemployment benefits paid. Increases in benefit payments are directly related to additional federal funds received as nonoperating revenues from the CARES Act and ARPA programs. In addition to the increase in benefit payments, there was also a \$353.29 million increase (143.6%) in revenues, which is attributable to employer tax credits provided in the spring of 2020 which reduced employer contribution revenues in the prior year. These tax credits were not available to employers in the 2021 fiscal year.

Contributing to the increase in net position, nonoperating revenues increased by \$2.23 billion for the 2020-21 fiscal year due to receiving \$6.76 billion in federal funds, including \$6.48 billion in COVID-19 funds, a \$2.26 billion or 50.13% increase in federal funds received. Investment earnings decreased by \$26.49 million from the prior fiscal year due to decreased balances in the Unemployment Trust Fund as well as declines in interest rates. While nonoperating revenues have historically provided significant support for the total yearly benefits, for the 2021 fiscal year the nonoperating revenues sustained the Trust Fund by supporting 93.36% of the total benefits paid for the year.

In addition, there was a \$39 million transfer in for the 2021 fiscal year related to 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.

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 \$936.8 million to the General Fund in 2021 to support educational programs for the State. The amount transferred in 2020 was \$729.4 million.

For fiscal year 2020-21, net ticket sales increased 26.16% or \$789.12 million from the previous fiscal year to \$3.81 billion. With this increase in ticket sales, the NCEL saw a corresponding increase in prize payouts of 25.79% or \$504.84 million, and an overall increase in operating income of 27.87% or \$203.83 million. Significant financial highlights include the following: awarded \$1 million or more to an NCEL player for the 639th time; and released 54 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 Triangle Expressway is North Carolina's first modern toll road extending from the interchange of I-40 and N.C. 147 on the north end, to the N.C. 55 Bypass in the south, to partially complete the "Outer Loop" around the greater Raleigh area. The NCTA has added two interchanges to the existing Triangle Expressway: The Old Holly Springs-Apex Road interchange, now named the Veridea Parkway interchange, and the Morrisville Parkway interchange. The Veridea Parkway opened to traffic in April 2017, and the Morrisville Parkway opened to traffic in February 2020. These interchanges provide increased connectivity and access to the Triangle Expressway and are considered part of the Triangle Expressway System for accounting purposes. In addition to the two interchanges, construction commenced for Phase I of the Complete 540 Project in 2019. Phase I will extend the Triangle Expressway to I-40 in southern Wake County and is expected to open to traffic in 2023. Phase II of Complete 540 will extend the project from I-40 to I-540.
- The I-77 Express Lanes project is structured as a concession agreement between the North Carolina Department of Transportation and I-77 Mobility Partners, LLC and is the first toll project established as a public-private partnership in the State of North Carolina. The I-77 Express Lanes project is approximately 26 miles long between the I-77 and I-277 junction in Charlotte and N.C. 150 in Mooresville. The Turnpike Authority is responsible for account management, billing, and customer service for the express lanes. The northern 13 miles of the express lanes opened in June 2019, and the remaining lanes opened in late 2019.

The NCTA reported a \$45.07 million operating loss for fiscal year 2021, a loss increase of \$26.41 million or 141.47% from the prior year. Contributing to that loss was a \$25.43 or 30.78% decrease in operating revenues, mostly due to a \$24.15 million or \$36.28% decrease in toll revenues. Toll revenues decreased primarily due to a change in accounting estimate for bad debt expense from the direct write-off method to the allowance method, resulting in an increase in bad debt allowance of \$17.65 million from a one-time adjustment in fiscal year 2021 of \$17.66 million. The remaining decrease of \$6.5 million or 9.56% in toll receipts for the Triangle Expressway is primarily due to a decrease in traffic levels due to the pandemic. Operating revenues consist of toll revenues, fees, and sales revenue from the sale of transponders. Fees, licenses, and fines decreased by \$3.16 million to \$8.47 million, a 27.2% decrease. Total operating expenses stayed predominantly even with fiscal year end 2020 increasing only by \$0.98 million. The \$7.91 million decreases in supplies and materials were offset by an increase of \$3.84 million in services and \$4.75 million in other operating expenses. In addition to the NCTA's operating loss, there was also a \$10.03 million increase in nonoperating expenses or 13.89%, predominantly due to a \$6.37 million increase in interest and fees related to the 2020 Complete 540 bonds issued.

Funding for administrative expenses continues to be 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 that requires 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 include the funds received from NCDOT's Highway Fund and Highway Trust Fund during fiscal year 2021 and the Federal Highway Administration State match. While the amounts received from NCDOT's Highway and Highway Trust for gap funding remained unchanged at \$49 million, transfers in for project participation decreased by \$121.79 million from the Highway Trust Fund and by \$13.68 million from the Highway Fund, a total decrease of \$135.47 million or 73.07%. The decrease in project participation is due to decreasing expenditures for the Complete 540 and Mid-Currituck Bridge projects and using bond proceeds from bonds issued in fiscal year 2020 instead of using Strategic Transportation Improvement (STI) funds received from the Highway Trust Fund and the Highway Fund. Offsetting the transfers in from DOT's Highway Fund and Highway Trust Fund, NCTA repaid DOT \$13.89 million as a transfer out during fiscal year 2021, which represents a \$132.36 million or 90.5% decrease from the prior year. In fiscal year 2020, NCTA repaid DOT for project participation with proceeds from the sale of bonds, which was not done in fiscal year 2021. NCTA has shifted to debt financing, and as a result, capital grants awarded based on Federal Highway Administration (FHWA) participation has declined. However, NCTA did receive \$21.39 million in federal capital grants during the year, creating a \$18.07 million increase from the prior year.

Both NCTA's operating loss and increase in nonoperating expenses contributed to a \$69.87 million or 19.83% decrease in net position to \$282.53 million at the 2021 fiscal year end. In addition to factors identified above, the Complete 540 project had significant impacts on NCTA's balance sheet. Restricted investments increased by \$312.49 million as NCTA invested proceeds from the sale of bonds during the year that were issued to support the Complete 540 project. Land and permanent easements increased by \$74.48 million due to the continued right of way acquisitions for the project, and construction in progress for the project increased by \$147.20 million. Bonds payable increased by \$505.30 million with the issuance of the 2020 Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Note and the 2021 Monroe Expressway System State Appropriation Revenue Refunding Bonds. Corresponding to the debt issued during the year, interest payable increased by \$23.56 million.

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 3.57% or \$69.42 million to \$2.01 billion in fiscal year 2021. 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 grant for these projects (as opposed to funds from other sources). The amount of new loans issued during the current year was \$131.31 million, a decrease of \$15.9 million or 10.8%, and the amount of principal received on existing loans during the year was \$257.76 million, a \$151.19 million or 141.86% increase. As a result, notes receivable decreased by \$126.45 million. The small reduction in loans being issued during fiscal year 2021 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, resulting in an increase in principal payments received during fiscal year 2021.

Operating income (operating revenues less operating expenses) was \$ 6.82 million, a decrease of \$3.71 million or 35.24% from the prior year. The decrease in operating income was due predominantly to a \$3.57 million decrease in operating revenues from a \$4.38 million or 25.62% decrease in interest earnings on loans. Operating expenses did not change significantly from the prior year and were \$9.14 million for fiscal year 2021, which represents a \$0.15 million or 1.62% increase.

Net nonoperating revenues were \$50.18 million, a decrease of \$24.01 million or 32.36%. 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 \$57.25 million, a \$5.97 million or 11.64% increase from the prior year. Investment earnings were \$1.14 million, a decrease of \$26.56 million or 95.87%. In addition to declining interest rates, investment earnings decreased from the prior year due to the Loan Fund reporting an unrealized gain of \$14.01 million in fiscal year 2020 and reporting a combination of realized and unrealized losses of \$7.53 million in 2021. Payments for grants, aid and subsidies increased by \$3.76 million or 82.82%. In addition, the EPA Revolving Loan Fund received \$12.56 million in transfers for appropriated state match funds for Clean Water and Drinking Water projects, a \$17.54 million or 58.27% decrease from the prior year. The decrease in transfers for fiscal year 2021 is due to the Loan Fund receiving one-time Additional Supplemental Appropriations for Disaster Recovery Act (ASADRA) funds in fiscal year 2020, which required an additional 20% State match, which was not available for fiscal year 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION**CAPITAL ASSETS**

As of June 30, 2021, the State's investment in capital assets was \$62.06 billion, an increase of 3.77% 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	
	2020		2020		2020	
	2021	(as restated)	2021	2020	2021	(as restated)
Land and permanent easements	\$20,643,403	\$20,083,620	\$ 549,128	\$ 474,653	\$21,192,531	\$20,558,273
Buildings	2,856,993	2,865,861	54,113	56,441	2,911,106	2,922,302
Machinery and equipment	799,418	836,165	8,658	8,938	808,076	845,103
Infrastructure:						
State highway system	31,103,285	29,266,797	—	—	31,103,285	29,266,797
NC toll road system	—	—	1,358,637	1,388,319	1,358,637	1,388,319
General infrastructure	233,081	234,493	6,584	6,596	239,665	241,089
Computer software	288,560	274,513	644	831	289,204	275,344
Art, literature, and other artifacts	147,441	147,082	1,290	1,286	148,731	148,368
Construction in progress	2,755,714	3,138,670	460,856	307,561	3,216,570	3,446,231
Computer software in development	791,903	712,600	—	—	791,903	712,600
Total	<u>\$59,619,798</u>	<u>\$57,559,801</u>	<u>\$2,439,910</u>	<u>\$2,244,625</u>	<u>\$62,059,708</u>	<u>\$59,804,426</u>

Total percent change between
fiscal years 2020 and 2021

3.58 %

8.7 %

3.77 %

The largest component of capital assets is the state highway system. North Carolina has an 80,242 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 \$2.27 billion for state highway projects. Additionally, the NCTA (business-type activity) reported year-end construction in progress of \$364.8 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway 28 miles. NCTA also has \$37.3 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 Agriculture and Consumer Services is constructing a new state-of-the art laboratory complex to replace four labs whose average age is more than 40 years. The Agricultural Sciences Center will contain offices and labs that perform tests for the following divisions in the department: Food and Drug Protection, Stands, Structural Pest Control and Pesticides and Veterinary. The new laboratory complex is financed from the Connect NC bonds approved by voters in March 2016. At year-end, construction in progress for the Agricultural Sciences Center totaled \$89.31 million.
- 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 expected to cost in excess of \$50 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 facility is scheduled to be completed in February 2022. At year-end, construction in progress for the Kernersville Veterans Home totaled \$40.46 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 \$723.5 million.

As further detailed in Note 21E to the financial statements, the State has commitments of \$4.703 billion for the construction of highway infrastructure (\$4.384 billion for governmental activities and \$319 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 \$137.21 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 \$8.39 billion, an increase of 12.21% 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	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 2,648,385	\$ 2,605,380	\$ —	\$ —	\$ 2,648,385	\$ 2,605,380
Special Indebtedness:						
Limited obligation bonds	2,275,750	1,774,945	—	—	2,275,750	1,774,945
GARVEE bonds	875,865	959,525	—	—	875,865	959,525
Revenue bonds	—	—	2,365,938	1,917,358	2,365,938	1,917,358
Notes from direct borrowings	40,185	43,937	185,991	177,925	226,176	221,862
Total	<u>\$ 5,840,185</u>	<u>\$ 5,383,787</u>	<u>\$ 2,551,929</u>	<u>\$ 2,095,283</u>	<u>\$ 8,392,114</u>	<u>\$ 7,479,070</u>

Total percent change between
fiscal years 2020 and 2021

8.48 %

21.79 %

12.21 %

During the 2021 fiscal year, the State issued \$400 million in general obligation bonds for its governmental activities. The general obligation bonds were issued pursuant to the Connect NC Bond Act of 2015 (see below) and will provide financing for various capital improvements throughout the State as authorized in the Act. The Highway Trust Fund issued \$700 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). Additionally, the NCTA, a business-type activity, issued \$573.45 million in revenue bonds that will be used to finance the Complete 540 project and the Mid-Currituck Bridge project.

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 \$5.84 billion in 2021, 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 \$2.55 billion in 2021.

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 remainder of the \$2 billion 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		
<u>Rating Agency</u>	<u>Rating</u>	<u>Outlook</u>
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. During the 2020-21 fiscal year, the State issued general obligation bonds. In connection with these bonds, 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 credit 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 Regular Session, the General Assembly enacted Senate Bill 105, establishing Session Law 2021-180. The General Assembly appropriated \$25.92 billion in the General Fund for fiscal year 2021-22. The budget provided salary increases and bonuses for state employees and cost of living supplements for retirees, including a 2.5% salary increase in each year of the biennium for most state employees, new pay plans for Correctional Officers and Law Enforcement Officers, and pandemic bonuses. The budget also included \$3.13 billion in fiscal year 2021-22 and \$1.51 billion in fiscal year 2022-23 for capital projects, repairs and renovations, and projects funded through the State Capital Infrastructure Fund (SCIF).

Session Law 2021-180 contains several tax changes that will reduce General Fund tax revenues by \$1.33 billion in fiscal year 2021-22 and \$1.99 billion in fiscal year 2022-23. The tax reductions with the largest fiscal impact during the biennium include:

- Reducing the individual income tax rate from 5.25% to 4.99% in fiscal year 2022 and 4.75% in fiscal year 2023;
- Increasing the standard deduction by nearly 20% (to \$25,500 for married couples);
- Increasing the child deduction by \$500 and expanding eligibility to incomes up to \$140,000;
- Exempting military pension income from taxation;
- Allowing business deductions for expenses paid using proceeds from federal pandemic relief programs; and
- Eliminating the real and tangible property tax bases in the franchise tax.

The budget also includes further tax reductions beyond the biennium, including phasing down the individual income tax rate to 3.99% over six years and phasing out the corporate income tax over five years starting in fiscal year 2025.

Session Law 2021-180 and Session Law 2021-25 also appropriated over \$7.8 billion in federal grants authorized under the American Rescue Plan Act (ARPA) funds as well as \$5.4 billion in ARPA State Fiscal Recovery Funds (SFRF) and \$277 million in ARPA Coronavirus Capital Project Funds (CCPF). Among many other items, SFRF and CCPF funds support state employee bonuses, the expansion of high-speed internet, water and sewer investments, and small business recovery grants.

State Health Plan

In calendar year 2022, active employees and pre-65 retirees can choose between two self-insured plans: the 80/20 PPO Plan (80/20 Plan) or the 70/30 PPO Plan (70/30 Plan). For Medicare retirees, The State Health Plan (SHP) will continue to offer two fully insured Medicare Advantage products with integrated prescription drug plans and a self-insured 70/30 PPO Plan.

Additionally, the Board of Trustees of the State Health Plan for Teachers and State Employees approved employee and retiree premium rates to remain at their current levels effective January 1, 2022. This decision was made given the expectation that employer premiums would return to funding levels before legislation passed in June 2020.

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, 2021

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 19,068,868	\$ 3,880,667	\$ 22,949,535	\$ 4,260,446
Investments (Note 3)	402,260	519,295	921,555	6,075,098
Securities lending collateral (Note 3)	241	19	260	63
Receivables, net (Note 4)	4,595,007	735,568	5,330,575	1,730,814
Due from component units (Note 18)	33,404	-	33,404	10,941
Due from primary government (Note 18)	-	-	-	35,310
Internal balances	292,677	(292,677)	-	-
Inventories	229,210	1,031	230,241	194,985
Prepaid items	14,854	15,578	30,432	179,752
Advances to component units	2,191	-	2,191	-
Advances to outside entities	54,817	-	54,817	210
Notes receivable, net (Note 4)	72,773	1,122,441	1,195,214	1,533,151
Investment in joint venture	-	-	-	199,635
Equity interest in component unit	366,500	-	366,500	-
Securities held in trust	58,572	-	58,572	-
Restricted/designated cash and cash equivalents (Note 3)	443,922	39,091	483,013	3,369,753
Restricted investments (Note 3)	1,251,864	799,239	2,051,103	12,366,053
Restricted due from primary government (Note 18)	-	-	-	8,140
Restricted due from component units (Note 18)	-	-	-	7,028
Beneficial interest in assets held by others	-	-	-	3,467
Net OPEB asset (Note 14)	9,320	138	9,458	15,151
Capital assets-nondepreciable (Note 5)	24,338,461	1,011,274	25,349,735	3,003,178
Capital assets-depreciable, net (Note 5)	35,281,337	1,428,636	36,709,973	17,243,927
Total Assets	86,516,278	9,260,300	95,776,578	50,237,102
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	-	-	-	130,457
Deferred loss on refunding	49,259	23,539	72,798	55,757
Forward funded state aid	200,770	-	200,770	-
Deferred outflows for asset retirement obligation	-	-	-	13,406
Deferred outflows for pensions (Note 12)	1,365,925	19,197	1,385,122	1,064,775
Deferred outflows for OPEB (Note 14)	928,919	22,977	951,896	1,437,520
Other deferred outflows	-	-	-	1,746
Total Deferred Outflows of Resources	2,544,873	65,713	2,610,586	2,703,661
Liabilities				
Accounts payable and accrued liabilities	2,139,339	391,175	2,530,514	1,701,259
Medical claims payable	1,044,109	-	1,044,109	299,784
Unemployment benefits payable	-	33,296	33,296	-
Tax refunds payable	1,188,453	-	1,188,453	-
Obligations under securities lending	241	19	260	63
Interest payable	33,763	115,165	148,928	62,010
Due to component units (Note 18)	43,450	-	43,450	17,969
Due to primary government (Note 18)	-	-	-	33,404
Unearned revenue	4,319,572	50,254	4,369,826	905,840
Advance from primary government	-	-	-	2,191
Deposits payable	2,727	9,194	11,921	31,010
Funds held for others	104,118	-	104,118	3,563,699
Hedging derivatives liability (Note 7)	-	-	-	130,606
Long-term liabilities (Note 8):				
Due within one year	845,099	52,134	897,233	534,212
Due in more than one year	16,117,704	2,899,456	19,017,160	19,648,909
Total Liabilities	25,838,575	3,550,693	29,389,268	26,930,956

STATEMENT OF NET POSITION

June 30, 2021

Exhibit A-1

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred Inflows of Resources				
Deferred gain on refunding	-	6,201	6,201	-
SCA revenue applicable to future years	-	-	-	184,620
Deferred state aid	-	-	-	200,770
Deferred inflows for pensions (Note 12)	25,811	1,147	26,958	20,069
Deferred inflows for OPEB (Note 14)	2,515,666	47,423	2,563,089	4,262,986
Deferred inflows irrevocable split-interest agreements	-	-	-	23,808
Other deferred inflows	-	-	-	2,339
Total Deferred Inflows of Resources	2,541,477	54,771	2,596,248	4,694,592
Net Position				
Net investment in capital assets	56,803,432	516,526	57,319,958	14,107,903
Restricted for:				
Nonexpendable:				
Environment and natural resources	145,425	-	145,425	-
Higher education	-	-	-	3,403,993
Health and human services	-	-	-	402
Expendable:				
Primary and secondary education	6,089	-	6,089	-
Higher education	9,581	-	9,581	6,390,746
Higher education student aid	1,021,163	-	1,021,163	-
Health and human services	83,653	-	83,653	428,639
Economic development	30,754	2,717	33,471	1,033,216
Environment and natural resources	72,488	5	72,493	-
Public safety, corrections, and regulation	128,983	6	128,989	-
Transportation	4,627	18,024	22,651	-
Highway construction/preservation	97,482	-	97,482	-
Agriculture	83,652	8	83,660	-
Debt service	142,723	232,841	375,564	-
Capital projects/repairs and renovations	7,839	-	7,839	-
Other purposes	34,324	2,199	36,523	2
Unrestricted	2,008,884	4,948,223	6,957,107	(4,049,686)
Total Net Position	\$ 60,681,099	\$ 5,720,549	\$ 66,401,648	\$ 21,315,215

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 2,500,096	\$ 335,269	\$ 160,829	\$ 21,662	\$ (1,982,336)
Primary and secondary education	12,936,328	226,486	1,931,207	-	(10,778,635)
Higher education	5,142,660	151,838	44,052	-	(4,946,770)
Health and human services	25,629,768	338,172	19,485,137	-	(5,806,459)
Economic development	665,102	2,666	428,462	-	(233,974)
Environment and natural resources	821,398	197,366	171,316	15,662	(437,054)
Public safety, corrections, and regulation	4,536,568	565,774	813,773	1,153	(3,155,868)
Transportation	2,793,445	1,102,786	380,166	1,241,391	(69,102)
Agriculture	286,217	30,731	126,020	1,299	(128,167)
Interest on long-term debt	170,435	-	-	-	(170,435)
Total Governmental Activities	<u>55,482,017</u>	<u>2,951,088</u>	<u>23,540,962</u>	<u>1,281,167</u>	<u>(27,708,800)</u>
Business-type Activities					
Unemployment Compensation	7,317,289	599,309	6,832,105	-	114,125
N.C. State Lottery	2,875,899	3,810,995	359	-	935,455
EPA Revolving Loan	17,458	15,956	58,399	-	56,897
N.C. Turnpike Authority	193,813	57,186	9,295	21,391	(105,941)
Regulatory programs	130,081	144,511	3,143	-	17,573
Insurance programs	35,262	17,951	(277)	-	(17,588)
North Carolina State Fair	7,086	3,212	1,109	-	(2,765)
Other business-type activities	12,780	9,091	3,193	2	(494)
Total Business-type Activities	<u>10,589,668</u>	<u>4,658,211</u>	<u>6,907,326</u>	<u>21,393</u>	<u>997,262</u>
Total Primary Government	<u>\$ 66,071,685</u>	<u>\$ 7,609,299</u>	<u>\$ 30,448,288</u>	<u>\$ 1,302,560</u>	<u>\$ (26,711,538)</u>
Component Units					
University of North Carolina System	\$ 13,664,751	\$ 9,419,032	\$ 4,712,582	\$ 514,039	\$ 980,902
Community Colleges	2,402,415	283,898	1,091,736	359,546	(667,235)
State Health Plan	4,063,819	3,752,449	15,820	-	(295,550)
Other component units	1,101,482	444,534	461,915	5,282	(189,751)
Total Component Units	<u>\$ 21,232,467</u>	<u>\$ 13,899,913</u>	<u>\$ 6,282,053</u>	<u>\$ 878,867</u>	<u>\$ (171,634)</u>

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

STATEMENT OF ACTIVITIES

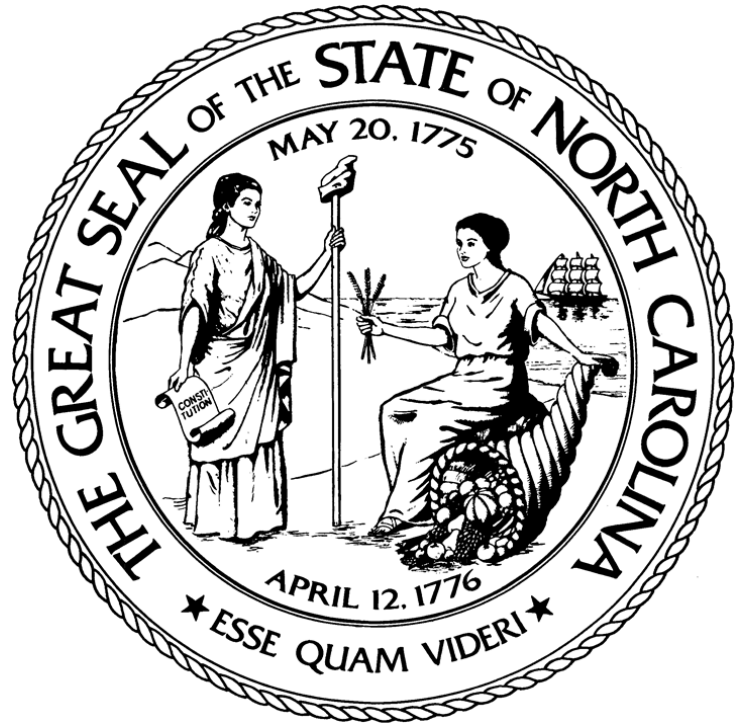
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in Net Position				
Net (expense) revenue	\$ (27,708,800)	\$ 997,262	\$ (26,711,538)	\$ (171,634)
General Revenues:				
Taxes:				
Individual income tax	15,368,872	-	15,368,872	-
Corporate income tax	1,327,813	-	1,327,813	-
Sales and use tax	9,826,411	-	9,826,411	-
Motor fuels tax	2,067,262	-	2,067,262	-
Franchise tax	882,332	-	882,332	-
Highway use tax	1,003,310	-	1,003,310	-
Insurance tax	722,958	-	722,958	-
Beverage tax	533,088	-	533,088	-
Tobacco products tax	303,060	-	303,060	-
Other taxes	334,913	-	334,913	-
Tobacco settlement	167,417	-	167,417	-
Federal COVID-19	3,117,857	-	3,117,857	-
Unrestricted investment earnings	15,662	-	15,662	316,634
State aid - coronavirus	-	-	-	330,732
State aid	-	-	-	4,284,632
Noncapital contributions	91,696	1,309	93,005	144,247
Miscellaneous	102,661	-	102,661	3,166
Contributions to permanent funds	7,472	-	7,472	-
Contributions to endowments	-	-	-	198,489
Transfers	833,513	(833,513)	-	-
Total general revenues, contributions, and transfers	36,706,297	(832,204)	35,874,093	5,277,900
Change in net position	8,997,497	165,058	9,162,555	5,106,266
Net position — July 1, as restated (Note 23)	51,683,602	5,555,491	57,239,093	16,208,949
Net position — June 30	\$ 60,681,099	\$ 5,720,549	\$ 66,401,648	\$ 21,315,215

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*FUND FINANCIAL
STATEMENTS*

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2021

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)	\$ 15,254,777	\$ 1,270,067	\$ 811,833	\$ 1,640,072	\$ 18,976,749
Investments (Note 3)	9,294	-	-	360,641	369,935
Securities lending collateral (Note 3)	204	12	11	14	241
Receivables, net: (Note 4)					
Taxes receivable	2,602,309	160,472	41,036	6,445	2,810,262
Accounts receivable	338,570	44,224	13,227	18,336	414,357
Intergovernmental receivable	1,243,119	57,406	2,005	1,688	1,304,218
Interest receivable	287	10	7	1,976	2,280
Contributions receivable	92	-	-	-	92
Other receivables	-	4,107	-	-	4,107
Due from other funds (Note 10)	258,566	65,525	202,188	26,638	552,917
Due from component units (Note 18)	33,404	-	-	-	33,404
Inventories	118,676	88,439	-	21,955	229,070
Advances to other funds (Note 10)	-	-	430,655	-	430,655
Advances to component units	-	2,191	-	-	2,191
Advances to outside entities	54,817	-	-	-	54,817
Notes receivable, net (Note 4)	14,424	101	15	58,233	72,773
Securities held in trust	15	2,694	-	55,863	58,572
Restricted/designated cash and cash equivalents (Note 3)	38,130	-	-	405,792	443,922
Restricted investments (Note 3)	1,976	175,994	425,333	648,561	1,251,864
Total Assets	<u>19,968,660</u>	<u>1,871,242</u>	<u>1,926,310</u>	<u>3,246,214</u>	<u>27,012,426</u>
Deferred Outflows of Resources					
Forward funded state aid	163,483	-	-	37,287	200,770
Total Assets and Deferred Outflows	<u>\$ 20,132,143</u>	<u>\$ 1,871,242</u>	<u>\$ 1,926,310</u>	<u>\$ 3,283,501</u>	<u>\$ 27,213,196</u>
Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	\$ 323,933	\$ 289,429	\$ 61,483	\$ 37,694	\$ 712,539
Accrued payroll	3,297	37,219	-	87	40,603
Intergovernmental payable	971,277	155,541	4,793	11,338	1,142,949
Claims payable	-	-	-	100,000	100,000
Medical claims payable	1,044,109	-	-	-	1,044,109
Tax refunds payable	1,170,642	14,249	3,562	-	1,188,453
Obligations under securities lending	204	12	11	14	241
Due to fiduciary funds (Note 10)	124,383	-	-	-	124,383
Due to other funds (Note 10)	69,876	215,022	16,245	1,299	302,442
Due to component units (Note 18)	5,712	-	-	8,140	13,852
Unearned revenue	4,264,500	41,713	2,010	575	4,308,798
Advance from other funds (Note 10)	-	400,300	-	-	400,300
Deposits payable	2,719	-	-	8	2,727
Funds held for others	28,383	19,782	-	55,953	104,118
Total Liabilities	<u>8,009,035</u>	<u>1,173,267</u>	<u>88,104</u>	<u>215,108</u>	<u>9,485,514</u>
Deferred Inflows of Resources					
Unavailable revenue	243,815	5,150	-	7,357	256,322
Fund Balances (Note 11)					
Nonspendable	118,773	88,439	-	167,580	374,792
Restricted	231,967	179,233	425,333	1,743,096	2,579,629
Committed	2,584,622	425,153	1,412,873	1,146,798	5,569,446
Assigned	531,349	-	-	3,562	534,911
Unassigned	8,412,582	-	-	-	8,412,582
Total Fund Balances	<u>11,879,293</u>	<u>692,825</u>	<u>1,838,206</u>	<u>3,061,036</u>	<u>17,471,360</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 20,132,143</u>	<u>\$ 1,871,242</u>	<u>\$ 1,926,310</u>	<u>\$ 3,283,501</u>	<u>\$ 27,213,196</u>

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, 2021

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1) \$ 17,471,360

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)	\$ 60,331,525	
Less: Accumulated depreciation (excluding internal service funds)	(862,096)	
Net capital assets		59,469,429
– 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.		256,322
– Equity interest in component unit is not a financial resource and, therefore, is not reported in the funds.		366,500
– 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).		9,117
– 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.		49,259
– 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).		1,327,215
– 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).		844,537
– 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	(2,648,385)	
Limited obligation bonds payable	(2,275,750)	
GARVEE bonds payable	(875,865)	
Unamortized debt premiums (to be amortized as interest expense)	(638,351)	
Notes from direct borrowings	(40,185)	
Capital leases payable	(8,254)	
Net long-term debt		(6,486,790)
– 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	(33,763)	
Compensated absences (excluding internal service funds)	(591,317)	
Obligations for workers' compensation (excluding internal service funds)	(691,803)	
Death benefit payable	(37)	
Pollution remediation payable	(7,656)	
Claims and judgments payable	(731,703)	
Pension liability (excluding internal service funds)	(3,022,347)	
Net OPEB liability (excluding internal service funds)	(5,236,538)	
Total other liabilities		(10,315,164)
– 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).		(24,920)
– 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).		(2,454,201)
– 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).		168,435
Total net position - governmental activities (see Exhibit A-1)		<u>\$ 60,681,099</u>

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, 2021

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Individual income tax	\$ 15,368,872	\$ -	\$ -	\$ -	\$ 15,368,872
Corporate income tax	1,304,274	-	-	-	1,304,274
Sales and use tax	9,811,208	-	-	8,539	9,819,747
Motor fuels tax	-	1,654,803	388,716	25,668	2,069,187
Franchise tax	870,914	-	-	-	870,914
Highway use tax	-	10,000	993,310	-	1,003,310
Insurance tax	722,936	-	-	-	722,936
Beverage tax	533,261	-	-	-	533,261
Tobacco products tax	307,333	-	-	-	307,333
Other taxes	208,819	-	-	126,652	335,471
Federal funds	20,363,937	1,303,218	-	189,761	21,856,916
Local funds	108,692	25,137	8,963	10,738	153,530
Investment earnings	34,354	2,379	1,941	49,306	87,980
Interest earnings on loans	143	-	359	626	1,128
Sales and services	181,131	3,866	-	142,407	327,404
Rental and lease of property	14,433	4,507	344	1,517	20,801
Fees, licenses, and fines	948,519	929,584	160,581	243,035	2,281,719
Tobacco settlement	167,234	-	-	-	167,234
Contributions, gifts, and grants	62,609	107,163	5,470	55,843	231,085
Funds escheated	-	-	-	151,474	151,474
Federal COVID-19 funds	5,410,439	172,962	-	19,088	5,602,489
Miscellaneous	174,968	8,809	1,179	34,714	219,670
Total revenues	<u>56,594,076</u>	<u>4,222,428</u>	<u>1,560,863</u>	<u>1,059,368</u>	<u>63,436,735</u>
Expenditures					
Current:					
General government	2,420,009	-	-	64,410	2,484,419
Primary and secondary education	12,947,489	-	-	-	12,947,489
Higher education	4,758,214	-	-	386,278	5,144,492
Health and human services	25,628,484	-	-	76,965	25,705,449
Economic development	672,801	-	-	2,615	675,416
Environment and natural resources	522,934	-	-	256,178	779,112
Public safety, corrections, and regulation	4,221,467	-	-	283,009	4,504,476
Transportation	-	3,141,617	1,639,364	-	4,780,981
Agriculture	263,309	-	-	22,729	286,038
Capital outlay	-	-	-	177,741	177,741
Debt service:					
Principal retirement	519,062	86,197	40,745	-	646,004
Interest and fees	192,697	48,743	30,554	32	272,026
Debt issuance costs	399	8	584	600	1,591
Total expenditures	<u>52,146,865</u>	<u>3,276,565</u>	<u>1,711,247</u>	<u>1,270,557</u>	<u>58,405,234</u>
Excess revenues over (under) expenditures	<u>4,447,211</u>	<u>945,863</u>	<u>(150,384)</u>	<u>(211,189)</u>	<u>5,031,501</u>
Other Financing Sources (Uses)					
General obligation bonds issued	-	-	-	400,000	400,000
Special indebtedness issued	-	-	700,000	-	700,000
Premium on debt issued	-	-	148,687	50,350	199,037
Sale of capital assets	7,072	8,281	160	208	15,721
Insurance recoveries	1,297	54,836	-	180	56,313
Transfers in (Note 10)	1,128,386	57,972	-	243,102	1,429,460
Transfers out (Note 10)	(290,281)	(43,942)	(82,883)	(178,821)	(595,927)
Total other financing sources (uses)	<u>846,474</u>	<u>77,147</u>	<u>765,964</u>	<u>515,019</u>	<u>2,204,604</u>
Net change in fund balances	5,293,685	1,023,010	615,580	303,830	7,236,105
Fund balances — July 1, as restated (Note 23)	6,585,608	(330,185)	1,222,626	2,757,206	10,235,255
Fund balances — June 30	<u>\$ 11,879,293</u>	<u>\$ 692,825</u>	<u>\$ 1,838,206</u>	<u>\$ 3,061,036</u>	<u>\$ 17,471,360</u>

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, 2021

*Exhibit B-2a**(Dollars in Thousands)*

Net change in fund balances - total governmental funds (see Exhibit B-2)		\$ 7,236,105
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.)	\$ 3,197,292	
Less: Depreciation expense (excluding internal service funds)	<u>(1,079,843)</u>	
Net capital outlay adjustment		2,117,449
– 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.		(60,423)
– 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.		1,692
– Pension Contributions (excluding internal service funds) to defined benefit pension plans in the current fiscal year are not included on the Statement of Activities.		633,673
– OPEB Contributions (excluding internal service funds) to defined benefit OPEB plans in the current fiscal year are not included on the Statement of Activities.		358,402
– 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).		18,738
– 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	(1,100,000)	
Premiums on debt issued	(199,037)	
Principal repayments:		
Bonds, notes, and similar debt	643,602	
Capital leases	<u>2,402</u>	
Net debt adjustments		(653,033)
– 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.		34,631
– 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.		(5,674)
– 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	3,314	
Compensated absences (excluding internal service funds)	(1,824)	
Workers' compensation (excluding internal service funds)	23,669	
Pension expense (excluding internal service funds)	(863,015)	
OPEB expense (excluding internal service funds)	70,826	
Pollution remediation	290	
Amortization of deferred amounts	<u>98,276</u>	
Net expense accruals		(668,464)
– 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).		<u>(15,599)</u>
Change in net position - governmental activities (see Exhibit A-2)		<u>\$ 8,997,497</u>

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

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2021

(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)	\$ 2,827,813	\$ 656,094	\$ 218,568	\$ -
Investments (Note 3)	-	245,889	7,371	-
Securities lending collateral (Note 3)	1	7	2	8
Receivables: (Note 4)				
Accounts receivable, net	372,980	-	16,518	19,770
Intergovernmental receivable	133,342	280	-	4,723
Interest receivable	16,687	116	2	-
Premiums receivable	-	-	-	-
Contributions receivable, net	162,399	-	-	-
Notes receivable	-	85,796	-	-
Due from other funds (Note 10)	23,149	1,557	-	263
Inventories	-	-	-	402
Prepaid items	-	-	-	133
Restricted cash and cash equivalents (Note 3)	-	-	-	16,344
Total current assets	<u>3,536,371</u>	<u>989,739</u>	<u>242,461</u>	<u>41,643</u>
Noncurrent Assets				
Investments (Note 3)	-	-	80,789	-
Notes receivable	-	1,036,395	-	-
Prepaid items	-	-	5,140	4,696
Restricted/designated cash and cash equivalents (Note 3)	-	-	-	18,024
Restricted investments (Note 3)	-	-	-	799,239
Net OPEB asset	-	10	48	4
Capital assets-nondepreciable (Note 5)	-	-	-	986,348
Capital assets-depreciable, net (Note 5)	-	-	2,469	1,358,636
Total noncurrent assets	<u>-</u>	<u>1,036,405</u>	<u>88,446</u>	<u>3,166,947</u>
Total Assets	<u>3,536,371</u>	<u>2,026,144</u>	<u>330,907</u>	<u>3,208,590</u>
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	23,539
Deferred outflows for pensions	-	1,761	5,809	786
Deferred outflows for OPEB	-	2,637	4,472	1,688
Total Deferred Outflows of Resources	<u>-</u>	<u>4,398</u>	<u>10,281</u>	<u>26,013</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 50,491	\$ 85	\$ 3,295	\$ 18,121
Accrued payroll	-	-	2,680	-
Intergovernmental payable	271,230	2,461	-	1,726
Claims payable	-	-	-	-
Unemployment benefits payable	33,296	-	-	-
Obligations under securities lending	1	7	2	8
Interest payable	-	-	-	49,781
Due to fiduciary funds (Note 10)	-	-	378	-
Due to other funds (Note 10)	859	-	235,072	54,076
Due to component units (Note 18)	-	-	-	-
Unearned revenue	2,210	-	-	-
Deposits payable	-	-	-	9,194
Annuity and life income payable (Note 8)	-	-	7,371	-
Notes from direct borrowings (Note 8)	-	-	-	-
Capital leases payable (Note 8)	-	-	-	-
Bonds payable (Note 8)	-	-	-	42,122
Compensated absences (Note 8)	-	58	275	38
Workers' compensation (Note 8)	-	-	55	-
Total current liabilities	<u>358,087</u>	<u>2,611</u>	<u>249,128</u>	<u>175,066</u>

Exhibit B-3

		Governmental Activities —	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 178,192	\$ 3,880,667	\$ 92,119	
162,483	415,743	32,325	
1	19	-	
4,395	413,663	59,598	
2,338	140,683	-	
628	17,433	-	
1,390	1,390	93	
-	162,399	-	
-	85,796	-	
2,717	27,686	14,343	
629	1,031	140	
5,526	5,659	14,854	
4,652	20,996	-	
<u>362,951</u>	<u>5,173,165</u>	<u>213,472</u>	
22,763	103,552	-	
250	1,036,645	-	
83	9,919	-	
71	18,095	-	
-	799,239	-	
76	138	203	
24,926	1,011,274	3,396	
<u>67,531</u>	<u>1,428,636</u>	<u>146,973</u>	
<u>115,700</u>	<u>4,407,498</u>	<u>150,572</u>	
<u>478,651</u>	<u>9,580,663</u>	<u>364,044</u>	
-	23,539	-	
10,841	19,197	38,710	
14,180	22,977	84,382	
<u>25,021</u>	<u>65,713</u>	<u>123,092</u>	
\$ 10,411	\$ 82,403	\$ 10,652	
141	2,821	6,117	
27	275,444	-	
28,154	28,154	2,096	
-	33,296	-	
1	19	-	
-	49,781	-	
-	378	-	
1	290,008	2,496	
-	-	29,598	
48,044	50,254	10,774	
-	9,194	-	
-	7,371	-	
780	780	-	
31	31	-	
-	42,122	-	
1,404	1,775	874	
-	55	233	
<u>88,994</u>	<u>873,886</u>	<u>62,840</u>	

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)

June 30, 2021

(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	-	-	-	65,384
Advances from other funds (Note 10)	-	-	-	30,355
Annuity and life income payable (Note 8)	-	-	80,788	-
Notes from direct borrowings (Note 8)	-	-	-	166,500
Capital leases payable (Note 8)	-	-	-	-
Bonds payable, net (Note 8)	-	-	-	2,503,105
Compensated absences (Note 8)	-	1,008	2,334	346
Workers' compensation (Note 8)	-	-	-	-
Net pension liability (Note 8)	-	3,000	13,734	1,270
Net OPEB liability (Note 8)	-	5,874	27,073	2,522
Total noncurrent liabilities	-	9,882	123,929	2,769,482
Total Liabilities	358,087	12,493	373,057	2,944,548
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	6,201
Deferred inflows for pensions	-	538	39	-
Deferred inflows for OPEB	-	5,766	12,789	1,322
Total Deferred Inflows of Resources	-	6,304	12,828	7,523
Net Position				
Net investment in capital assets	-	-	2,469	432,495
Restricted for:				
Expendable:				
Economic development	-	-	-	-
Environment and natural resources	-	3	-	-
Public safety, corrections, and regulation	-	-	-	-
Transportation	-	-	-	18,024
Agriculture	-	-	-	-
Debt service	-	-	-	232,841
Other purposes	-	-	33	-
Unrestricted	3,178,284	2,011,742	(47,199)	(400,828)
Total Net Position	<u>\$ 3,178,284</u>	<u>\$ 2,011,745</u>	<u>\$ (44,697)</u>	<u>\$ 282,532</u>

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

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities —	
		Internal Service Funds	
1,975	1,975	-	-
-	65,384	-	-
-	30,355	-	-
-	80,788	-	-
18,711	185,211	-	-
35	35	-	-
-	2,503,105	-	-
7,430	11,118	17,988	-
32	32	1,430	-
22,124	40,128	59,699	-
43,570	79,039	114,388	-
<u>93,877</u>	<u>2,997,170</u>	<u>193,505</u>	-
<u>182,871</u>	<u>3,871,056</u>	<u>256,345</u>	-
-	6,201	-	-
570	1,147	891	-
<u>27,546</u>	<u>47,423</u>	<u>61,465</u>	-
<u>28,116</u>	<u>54,771</u>	<u>62,356</u>	-
81,562	516,526	150,369	-
2,717	2,717	-	-
2	5	-	-
6	6	2	-
-	18,024	-	-
8	8	-	-
-	232,841	-	-
2,166	2,199	6	-
<u>206,224</u>	<u>4,948,223</u>	<u>18,058</u>	-
<u>\$ 292,685</u>	<u>\$ 5,720,549</u>	<u>\$ 168,435</u>	-

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

For the Fiscal Year Ended June 30, 2021

(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	\$ 592,352	\$ -	\$ -	\$ -
Federal funds	6,957	-	-	-
Sales and services	-	3,255	3,805,326	575
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	12,701	-	-
Rental and lease earnings	-	-	-	-
Fees, licenses, and fines	-	-	5,220	8,465
Toll revenues	-	-	-	42,424
Insurance premiums	-	-	-	-
Miscellaneous	-	-	449	5,722
Total operating revenues	<u>599,309</u>	<u>15,956</u>	<u>3,810,995</u>	<u>57,186</u>
Operating Expenses				
Personal services	-	7,160	27,931	3,387
Supplies and materials	-	101	1,742	40,591
Services	-	1,473	373,307	11,148
Cost of goods sold	-	-	-	701
Depreciation	-	-	529	29,684
Lottery prizes	-	-	2,462,425	-
Claims	-	-	-	-
Unemployment benefits	7,310,011	-	-	-
Insurance and bonding	-	-	114	-
Other	-	402	9,850	16,748
Total operating expenses	<u>7,310,011</u>	<u>9,136</u>	<u>2,875,898</u>	<u>102,259</u>
Operating income (loss)	<u>(6,710,702)</u>	<u>6,820</u>	<u>935,097</u>	<u>(45,073)</u>
Nonoperating Revenues (Expenses)				
Noncapital grants	287,267	57,251	-	-
Noncapital gifts, net	-	-	-	-
Noncapital contributions	-	101	464	43
Investment earnings	67,366	1,143	359	4,496
Interest and fees	-	-	-	(90,896)
Insurance recoveries	-	-	-	652
Grants, aid, and subsidies	-	(8,289)	-	-
Gain (loss) on sale of equipment	-	-	-	-
Federal interest subsidy on debt	-	-	-	4,147
Federal COVID-19 funds	6,477,431	-	-	-
Miscellaneous	(7,237)	(28)	(1)	(658)
Total nonoperating revenues (expenses)	<u>6,824,827</u>	<u>50,178</u>	<u>822</u>	<u>(82,216)</u>
Income (loss) before contributions and transfers	114,125	56,998	935,919	(127,289)
Capital contributions	-	-	-	21,391
Transfers in (Note 10)	39,963	12,558	4,000	49,922
Transfers out (Note 10)	-	(137)	(939,919)	(13,891)
Change in net position	<u>154,088</u>	<u>69,419</u>	<u>-</u>	<u>(69,867)</u>
Net position — July 1, as restated (Note 23)	3,024,196	1,942,326	(44,697)	352,399
Net position — June 30	<u>\$ 3,178,284</u>	<u>\$ 2,011,745</u>	<u>\$ (44,697)</u>	<u>\$ 282,532</u>

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

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
\$ -	\$ 592,352	\$ -
-	6,957	-
1,103	3,810,259	432,190
11	11	-
-	12,701	-
5,538	5,538	-
148,582	162,267	4,460
-	42,424	-
17,951	17,951	28,003
1,580	7,751	332
174,765	4,658,211	464,985
92,249	130,727	263,551
3,255	45,689	17,390
41,362	427,290	119,278
273	974	215
4,515	34,728	21,304
-	2,462,425	-
15,397	15,397	7,414
-	7,310,011	-
19,719	19,833	27,679
7,444	34,444	29,009
184,214	10,481,518	485,840
(9,449)	(5,823,307)	(20,855)
1,079	345,597	-
3,118	3,118	-
701	1,309	1,959
2,911	76,275	(24)
(345)	(91,241)	-
26	678	13
(350)	(8,639)	-
(285)	(285)	2,763
-	4,147	-
-	6,477,431	-
19	(7,905)	557
6,874	6,800,485	5,268
(2,575)	977,178	(15,587)
2	21,393	8
16,805	123,248	8,453
(2,814)	(956,761)	(8,473)
11,418	165,058	(15,599)
281,267	5,555,491	184,034
\$ 292,685	\$ 5,720,549	\$ 168,435

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2021

(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	\$ 323,193	\$ 2,372	\$ 3,544,928	\$ 60,538
Receipts from federal agencies	7,879	-	-	-
Receipts from program loan - interest	-	12,701	-	-
Receipts from program loan - principal	-	257,759	-	-
Receipts from other funds	-	-	-	-
Payments to suppliers	-	(2,099)	(132,421)	(37,662)
Payments to employees	-	(7,680)	(26,567)	(3,056)
Payments for prizes, benefits, and claims	(7,613,836)	-	(2,476,667)	-
Payments for program loans issued	-	(131,308)	-	-
Payments to other funds	-	-	-	-
Other receipts	41	4	86	5,903
Other payments	(6,419)	(28)	(1)	(1,205)
Net cash provided by (used for) operating activities	<u>(7,289,142)</u>	<u>131,721</u>	<u>909,358</u>	<u>24,518</u>
Cash Flows From Noncapital Financing Activities				
Grant receipts	294,463	57,251	-	-
Grants, aid, and subsidies	-	(7,015)	-	-
Federal aid - COVID-19	6,639,679	-	-	-
Advances from other funds	-	-	-	501
Transfers from other funds	39,963	12,558	4,000	-
Transfers to other funds	-	(137)	(732,500)	-
Gifts	649	-	-	-
Insurance recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>6,974,754</u>	<u>62,657</u>	<u>(728,500)</u>	<u>501</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(545)	(223,330)
Proceeds from the sale of capital assets	-	-	87	-
Proceeds from capital debt	-	-	-	661,762
Transfers from other funds	-	-	-	49,922
Transfers to other funds	-	-	-	(13,891)
Capital contributions	-	-	-	21,482
Principal paid on capital debt	-	-	-	(124,865)
Interest paid on capital debt	-	-	-	(85,958)
Payment to bond escrow agent	-	-	-	(1,234)
Federal subsidy for interest on debt	-	-	-	4,147
Insurance recoveries	-	-	-	652
Bond issuance costs	-	-	-	(653)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(458)</u>	<u>288,034</u>
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	809,693
Purchase of non-State Treasurer investments	-	-	-	(1,121,121)
Investment earnings	72,651	5,524	406	3,434
Net cash provided by (used for) investment activities	<u>72,651</u>	<u>5,524</u>	<u>406</u>	<u>(307,994)</u>
Net increase (decrease) in cash and cash equivalents	(241,737)	199,902	180,806	5,059
Cash and cash equivalents at July 1, as restated	3,069,550	456,192	37,762	29,309
Cash and cash equivalents at June 30	<u>\$ 2,827,813</u>	<u>\$ 656,094</u>	<u>\$ 218,568</u>	<u>\$ 34,368</u>

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
\$ 179,414	\$ 4,110,445	\$ 19,752
-	7,879	-
-	12,701	-
-	257,759	-
2,234	2,234	439,884
(57,319)	(229,501)	(186,068)
(89,064)	(126,367)	(246,272)
(17,944)	(10,108,447)	-
-	(131,308)	-
-	-	(20,450)
1,629	7,663	879
(15,381)	(23,034)	-
3,569	(6,219,976)	7,725
1,075	352,789	-
(393)	(7,408)	-
-	6,639,679	-
-	501	-
17,042	73,563	8,453
(2,814)	(735,451)	(8,472)
3,120	3,769	-
26	26	-
18,056	6,327,468	(19)
(7,234)	(231,109)	(25,159)
19	106	5,342
9,931	671,693	-
-	49,922	-
-	(13,891)	-
2	21,484	-
(5,993)	(130,858)	-
(345)	(86,303)	-
-	(1,234)	-
-	4,147	-
-	652	13
-	(653)	-
(3,620)	283,956	(19,804)
16,276	825,969	-
(19,514)	(1,140,635)	-
1,801	83,816	140
(1,437)	(230,850)	140
16,568	160,598	(11,958)
166,347	3,759,160	104,077
\$ 182,915	\$ 3,919,758	\$ 92,119

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Reconciliation of Operating Income to Net Cash Provided				
By Operating Activities				
Operating income (loss)	\$ (6,710,702)	\$ 6,820	\$ 935,097	\$ (45,073)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	529	29,684
Management fees	-	-	-	(1,206)
Nonoperating miscellaneous and other income (expense)	(7,237)	77	463	(615)
Change in assets and deferred outflows:				
Receivables	(232,421)	-	(3,929)	11,108
Intergovernmental receivables	-	-	-	(1,889)
Due from other funds	(4,739)	(884)	-	(144)
Inventories	-	-	-	702
Prepaid items	-	-	573	-
Net OPEB asset	-	2	(8)	(1)
Notes receivable	-	126,452	-	-
Deferred outflows for pensions	-	128	(1,332)	(236)
Deferred outflows for OPEB	-	703	(868)	(373)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(334,902)	(124)	(22,959)	(2,686)
Due to other funds	859	-	-	41,604
Due to component units	-	-	-	-
Due to fiduciary funds	-	-	378	(8,094)
Compensated absences	-	135	127	75
Workers' compensation	-	-	32	-
Unearned revenue	-	-	-	-
Net pension liability	-	(423)	2,671	390
Net OPEB liability	-	(3,092)	(2,673)	167
Deferred inflows for pensions	-	346	(114)	(9)
Deferred inflows for OPEB	-	1,581	1,371	254
Deposits payable	-	-	-	860
Net cash provided by (used for) operations	<u>\$ (7,289,142)</u>	<u>\$ 131,721</u>	<u>\$ 909,358</u>	<u>\$ 24,518</u>
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer				
Bond Index External Investment Pool and/or other agents	\$ -	\$ 19,527	\$ -	\$ -
Donated or transferred assets	-	-	-	-
Change in construction in progress as a result of accrual of accounts payable	-	-	-	13,043
Capital asset writeoff	-	-	-	-
Assets acquired through the assumption of a liability	-	-	-	(1,681)
Change in fair value of investments	-	(20,589)	-	(3,646)
Increase in receivables related to nonoperating income	-	-	-	-
Change in securities lending collateral	(1,100)	(9,919)	(817)	(6,274)

Exhibit B-5

		Governmental Activities —	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ (9,449)	\$ (5,823,307)	\$	(20,855)
4,515	34,728		21,304
-	(1,206)		-
810	(6,502)		2,515
4,144	(221,098)		268
-	(1,889)		-
-	(5,767)		(6,431)
27	729		17
6,599	7,172		2,659
(13)	(20)		(35)
-	126,452		-
(1,448)	(2,888)		(3,620)
(1,611)	(2,149)		8,436
(5,879)	(366,550)		4,378
(33)	42,430		(6,085)
-	-		(4,683)
-	(7,716)		-
262	599		1,309
(34)	(2)		(281)
4,213	4,213		1,191
3,870	6,508		12,219
(3,897)	(9,495)		(9,834)
(293)	(70)		(344)
1,880	5,086		5,597
(94)	766		-
<u>\$ 3,569</u>	<u>\$ (6,219,976)</u>	<u>\$</u>	<u>7,725</u>
\$ 2,906	\$ 22,433	\$	726
-	-		8
-	13,043		-
(18)	(18)		-
11	(1,670)		-
(3,068)	(27,303)		(865)
5	5		-
(1,777)	(19,887)		502

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2021

Exhibit B-6

(Dollars in Thousands)

	<u>Custodial Funds</u>			
	<u>Pension and Other Employee Benefit Trust</u>	<u>Private- Purpose Trust Funds</u>	<u>External Investment Pools and Investment Account</u>	<u>Other Custodial Funds</u>
Assets				
Cash and cash equivalents (Note 3)	\$ 1,360,173	\$ 139,403	\$ 4,036	\$ 1,520,102
Investments (Note 3):				
Corporate bonds	-	-	-	130,825
Corporate stocks	-	-	-	51,683
Certificates of deposit	-	34,658	-	400
Collective investment funds	48,126	-	-	-
State Treasurer investment pool	122,255,586	-	1,463,590	-
Unallocated insurance contracts	244,816	-	-	-
Synthetic guaranteed investment contracts	2,069,058	-	-	-
Non-State Treasurer pooled investments	12,220,738	-	-	-
Securities lending collateral (Note 3)	813,825	-	10	2
Receivables:				
Taxes receivable	-	-	-	286,200
Accounts receivable	31,898	-	-	69,490
Intergovernmental receivable	304	-	-	2
Interest receivable	282	-	1,146	5,338
Contributions receivable	228,256	-	-	-
Due from other funds (Note 10)	92,106	-	-	32,655
Due from component units	31,168	-	-	-
Notes receivable	299,492	-	-	-
Sureties	-	804,942	-	40,013
Capital assets-nondepreciable	-	-	-	68
Total Assets	<u>139,695,828</u>	<u>979,003</u>	<u>1,468,782</u>	<u>2,136,778</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	1,574	-	10,140	12
Intergovernmental payable	-	-	-	1,190,970
Benefits payable	5,959	-	-	-
Obligations under securities lending	813,825	-	10	2
Unearned revenue	269	-	-	9
Deposits payable	-	-	-	405
Funds held for others	5,992	-	-	748
Total Liabilities	<u>827,619</u>	<u>-</u>	<u>10,150</u>	<u>1,192,146</u>
Net Position				
Restricted for:				
Pension benefits	133,655,203	-	-	-
Other postemployment benefits	2,916,348	-	-	-
Other employment benefits	2,296,658	-	-	-
Pool participants	-	-	1,070,133	-
Individuals, organizations, and other governments	-	979,003	388,499	944,632
Total Net Position	<u>\$ 138,868,209</u>	<u>\$ 979,003</u>	<u>\$ 1,458,632</u>	<u>\$ 944,632</u>

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, 2021

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	\$ 4,650,343	\$ -	\$ -	\$ -
Members	1,916,203	-	-	-
Trustee deposits	-	170,656	-	-
Other contributions	245,200	-	-	-
Total contributions	<u>6,811,746</u>	<u>170,656</u>	<u>-</u>	<u>-</u>
Investment income:				
Investment earnings	21,918,484	-	127,693	263
Less investment expenses	(390,193)	-	(122)	(2)
Net investment income	<u>21,528,291</u>	<u>-</u>	<u>127,571</u>	<u>261</u>
Pool share transactions:				
Reinvestment of dividends	-	-	127,571	-
Net share purchases/(redemptions)	-	-	(212,082)	-
Net pool share transactions	<u>-</u>	<u>-</u>	<u>(84,511)</u>	<u>-</u>
Property tax collections for local governments	-	-	-	1,138,379
Sales and use tax collections for local governments	-	-	-	4,631,843
Participant deposits	-	-	-	828,161
Child support deposits	-	-	-	771,097
Federal COVID-19 funds	-	-	-	352,692
Other additions:				
Sales and services	-	-	-	1,296
Fees, licenses, and fines	2,669	-	-	-
Interest earnings on loans	17,348	-	-	-
Miscellaneous	765	-	-	-
Total other additions	<u>20,782</u>	<u>-</u>	<u>-</u>	<u>1,296</u>
Total additions	<u>28,360,819</u>	<u>170,656</u>	<u>43,060</u>	<u>7,723,729</u>
Deductions				
Claims and benefits	7,614,835	-	-	-
Medical insurance premiums	1,100,802	-	-	-
Refund of contributions	160,998	-	-	-
Distributions paid and payable	-	-	127,571	-
Payments in accordance with trust arrangements	-	178,735	-	932
Payments of property tax to local governments	-	-	-	1,138,453
Payments of sales and use tax to local governments	-	-	-	4,631,843
Payments in accordance with custodial arrangements	-	-	-	763,827
Payments in accordance with child support arrangements	-	-	-	760,672
Administrative expenses	34,296	-	-	16
Other deductions	839	-	-	1
Total deductions	<u>8,911,770</u>	<u>178,735</u>	<u>127,571</u>	<u>7,295,744</u>
Change in net position	19,449,049	(8,079)	(84,511)	427,985
Net position — July 1, as restated (Note 23)	<u>119,419,160</u>	<u>987,082</u>	<u>1,543,143</u>	<u>516,647</u>
Net position — June 30	<u>\$ 138,868,209</u>	<u>\$ 979,003</u>	<u>\$ 1,458,632</u>	<u>\$ 944,632</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS**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 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.

NOTES TO THE FINANCIAL STATEMENTS**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	University of North Carolina School of the Arts
Appalachian State University	Western Carolina University
East Carolina University	Winston-Salem State University
Elizabeth City State University	Gateway Research Park, Inc.
Fayetteville State University	North Carolina School of Science and Mathematics
North Carolina Agricultural and Technical State University	North Carolina Arboretum
North Carolina Central University	University of North Carolina Health Care System
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	

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.

NOTES TO THE FINANCIAL STATEMENTS

The following are the State's 58 community colleges:

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

NOTES TO THE FINANCIAL STATEMENTS**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, seven of whom are appointed by the Governor 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

NOTES TO THE FINANCIAL STATEMENTS

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 Railroad Company
2809 Highwoods Boulevard
Raleigh, NC 27604-1000

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

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

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

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

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

Centennial Authority
1400 Edwards Mill Road
Raleigh, NC 27607

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.

NOTES TO THE 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, 2021, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 2020, 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, 2020. 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.

NOTES TO THE FINANCIAL STATEMENTS**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.

NOTES TO THE FINANCIAL STATEMENTS**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.

NOTES TO THE FINANCIAL STATEMENTS**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.

NOTES TO THE FINANCIAL STATEMENTS**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.

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.

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:

<u>Asset Class</u>	<u>Method</u>	<u>Estimated Useful Life</u>
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

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

NOTES TO THE FINANCIAL STATEMENTS

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 position 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 the following items that qualify for reporting in this category. They are 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 position 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 a component unit have the following items that qualify for reporting in this category. They are 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) a capital lease obligation adjustment by a university due to a change in the provisions of a lease resulting from a refunding by the lessor of tax-exempt debt (other deferred inflows), 6) deferred inflows for irrevocable split interest agreements that universities are beneficiaries of, and 7) 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2021, the OSBM along with the Fiscal Research Division of the General Assembly recommended a Savings Reserve target balance of 10.9% of prior fiscal year's General Fund operating budget appropriations. At June 30, 2021, the balance of the Savings Reserve was \$1.982 billion, which represents 8.12% 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. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the State implemented the following pronouncements and implementation guide issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 84, *Fiduciary Activities*,
- Statement No. 92, *Omnibus 2020*, paragraphs 6-10, and 12,
- Statement No. 93, *Replacement of Interbank Offered Rates*, all paragraphs except 11b, 13, and 14,
- Statement No. 98, *The Annual Comprehensive Financial Report*,
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

Statement No. 84 provides criteria for determining and identifying fiduciary activities of a government. The focus is on whether the government has control of the assets of the fiduciary activity and the beneficiaries with whom the government has a fiduciary relationship with. Activity meeting the criteria should be reported in the fiduciary fund of the basic financial statements. A statement of fiduciary net position and a statement of changes in fiduciary net position should be presented. There are four types of fiduciary funds that should be reported, 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds.

Statement No. 92 provides guidance on intra-entity transfers of assets; reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet specified criteria; applicability of certain requirements of GASB Statement 84 to postemployment benefit arrangements; exception to the acquisition value in a government acquisition; and nonrecurring fair value measurements.

Statement No. 93 provides guidance on the replacement of interbank offered rates, such as the London Interbank Offered Rate (LIBOR) when it no longer exists.

Statement No. 98 replaces the term *comprehensive annual financial report* with *annual comprehensive financial report* along with the associated acronym.

Implementation Guide No. 2019-2, *Fiduciary Activities* provides additional guidance on the requirements of Statement No. 84.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, the economic impact on interest rates resulted in a usage of funds from the General Fund to meet program obligations of \$22.79 million.

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.

NOTES TO THE FINANCIAL STATEMENTS**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):

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity (Days)</u>
Debt investments:		
U.S. Treasuries	\$ 7,154	22
Repurchase agreements	<u>426,620</u>	8
Total investments	<u>\$433,774</u>	

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.

Repurchase agreements are reported at cost. See Note 1E for additional information. U.S. Treasuries are valued at fair value at June 30, 2021 (\$7.15 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, 2021, there were twenty-four 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, 2021, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**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):

	Fair Value 6/30/2021	Unfunded Commitments
Investments Measured at the NAV		
Private credit limited partnership	\$ 10,934	\$ 309
Private equity investment partnerships	<u>56,621</u>	13,254
Total investments measured at the NAV	<u>\$ 67,555</u>	

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 five 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	<u>\$ 3,157</u>
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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	\$ 676,170
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	<u>5,709</u>
Total	<u>\$ 681,879</u>

NOTES TO THE FINANCIAL STATEMENTS

C. Investments Outside the State Treasurer

Primary Government

At year-end, 90% 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, 2020, 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 \$12.2 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 Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 1,431,912	\$ 72,326	\$ 1,000,137	\$ 302,582	\$ 56,867
U.S. agencies	46,523	-	10,217	23,053	13,253
Mortgage pass-throughs	740,240	167,126	25,117	32,203	515,794
Collateralized mortgage obligations	65,689	28,550	-	5,497	31,642
State and local government	111,032	3,400	44,062	34,359	29,211
Asset-backed securities	372,882	64,135	191,822	20,417	96,508
Fixed income collective investment funds	111,506	-	-	111,506	-
Debt mutual funds	28,951	-	28,951	-	-
Pooled debt funds	1,068,086	-	-	1,068,086	-
Domestic corporate bonds	655,880	55,496	280,881	186,462	133,041
Foreign corporate bonds	146,825	20,323	80,193	27,040	19,269
Foreign government bonds	31,960	21,566	5,533	4,861	-
	4,811,486	\$ 432,922	\$ 1,666,913	\$ 1,816,066	\$ 895,585
Other investments:					
Equity collective investment trusts	4,464,105				
Unallocated insurance contracts	244,816				
Domestic stocks	2,571,528				
Foreign stocks	1,921,762				
Short-term investment collective trust	184,472				
Hedge/commodity/debt collective investment trust	484,925				
Total investments	\$ 14,683,094				

NOTES TO THE FINANCIAL STATEMENTS

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 \$100.356 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, 2020, 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):

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	\$ -	\$ 46,523	\$ -	\$ -	\$ -	\$ -
Mortgage pass-throughs	-	633,069	-	-	-	-
Collateralized mortgage obligations	12,921	26,162	89	2,142	19,038	5,337
State and local government	20,434	80,374	9,348	876	-	-
Asset-backed securities	314,185	20,049	1,857	-	36,791	-
Fixed income collective investment funds	-	-	-	-	-	111,506
Debt mutual funds	-	-	-	-	-	28,951
Pooled debt funds	-	-	-	-	-	1,068,086
Domestic corporate bonds	18,223	30,076	175,140	375,412	56,647	382
Foreign corporate bonds	9,412	17,134	54,893	55,163	10,175	48
Foreign government bonds	-	5,811	25,763	386	-	-
	<u>\$ 375,175</u>	<u>\$ 859,198</u>	<u>\$ 267,090</u>	<u>\$ 433,979</u>	<u>\$ 122,651</u>	<u>\$ 1,214,310</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2020, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Amount Foreign stocks
Euro	\$ 459,144
Japanese Yen	364,127
Pound Sterling	277,254
Hong Kong Dollar	257,357
Swiss Franc	103,070
New Taiwan Dollar	99,488
Indian Rupee	56,957
South Korean Won	56,308
Swedish Krona	53,304
Singapore Dollar	42,140
Danish Krone	35,443
Australian Dollar	31,451
Chinese Yuan Renminbi	25,167
South African Rand	20,395
Canadian Dollar	20,270
Brazilian Real	9,786
Indonesian Rupiah	5,581
Mexican Peso	4,520
Total	\$ 1,921,762

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.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2020, the investments of these Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

	6/30/2021	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 1,431,912	\$ -	\$ 1,431,912
U.S. agencies	46,523	-	46,523
Mortgage pass-throughs	740,240	-	740,240
Collateralized mortgage obligations	65,689	-	65,689
State and local government	111,032	-	111,032
Asset-backed securities	372,882	-	372,882
Domestic corporate bonds	655,880	-	655,880
Foreign corporate bonds	146,825	-	146,825
Foreign government bonds	31,960	-	31,960
Domestic stocks	2,571,528	2,571,528	-
Foreign stocks	1,921,762	1,921,762	-
Total investments by fair value level	8,096,233	\$ 4,493,290	\$ 3,602,943
Investments measured at the net asset value (NAV)			
Short-term investment collective trust	184,472		
Hedge/commodity/debt collective investment trust	484,925		
Fixed income collective investment funds	111,506		
Debt mutual funds	28,951		
Pooled mutual funds	1,068,086		
Equity collective investment trusts	4,464,105		
Total investments measured at the NAV	6,342,045		
Total investments measured at fair value	\$ 14,438,278		

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 6/30/2021	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Short-term investment collective trust	\$ 184,472	Daily	1 day
Hedge/commodity/debt collective investment trust	484,925	Daily	1 day
Fixed income collective investment funds	111,506	Daily	1 day
Debt mutual funds	28,951	Daily	1 day
Pooled debt funds	1,068,086	Daily	1 day
Equity collective investment trusts	4,464,105	Daily	1 day
Total investments measured at the NAV	\$ 6,342,045		

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Barclays 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 Fund in Fixed Income. The fund is an actively managed bond fund that seeks an excess return over the Bloomberg Barclays 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	\$ 417,038	\$ 417,038	\$ -	\$ -	\$ -
State and local government	538	-	538	-	-
Repurchase agreements	234,911	234,911	-	-	-
Annuity contracts	88,159	7,371	29,484	29,484	21,820
Money market mutual funds	112,023	112,023	-	-	-
Pooled debt funds	688,009	-	688,009	-	-
	1,540,678	\$ 771,343	\$ 718,031	\$ 29,484	\$ 21,820
Other investments:					
Domestic stocks	136,995				
Total investment securities	\$ 1,677,673				

NOTES TO THE FINANCIAL STATEMENTS

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):

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch		
	Aaa/AAA	Aa/AA	Unrated
State and local government	\$ 538	\$ -	\$ -
Annuity contracts	-	88,159	-
Money market mutual funds	112,023	-	-
Pooled debt funds	-	-	688,009
Total	<u>\$ 112,561</u>	<u>\$ 88,159</u>	<u>\$ 688,009</u>

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):

Investments by fair value level	6/30/2021	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasuries	\$ 417,038	\$ 378,032	\$ 39,006
State and local government	538	538	-
Annuity contracts	88,159	88,159	-
Domestic stocks	136,995	136,995	-
Total investments by fair value level	642,730	<u>\$ 603,724</u>	<u>\$ 39,006</u>
Investments as a position in an External Investment Pool			
Pooled debt funds	688,009		
Total investments measured at fair value	<u>\$ 1,330,739</u>		

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. 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

NOTES TO THE FINANCIAL STATEMENTS

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 Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 99,984	\$ 48,931	\$ 9,928	\$ 12,579	\$ 28,546
U.S. agencies	135,722	14,950	16,070	20,531	84,171
Mortgage pass-throughs	9,443	-	-	-	9,443
Collateralized mortgage obligations	86,053	-	3,150	1,309	81,594
Asset-backed securities	236,620	-	8,496	66,086	162,038
Collective investment funds	191,179	147,222	15,271	28,686	-
Annuity contracts	44	44	-	-	-
Debt mutual funds	770,045	26,700	472,581	164,947	105,817
Money market mutual funds	783,032	783,032	-	-	-
Domestic corporate bonds	13,383	583	181	11,563	1,056
Foreign corporate bonds	16,043	-	-	12,289	3,754
Foreign government bonds	6,887	-	29	2,289	4,569
Other	39	16	-	-	23
	<u>2,348,474</u>	<u>\$ 1,021,478</u>	<u>\$ 525,706</u>	<u>\$ 320,279</u>	<u>\$ 481,011</u>
Other investments:					
Balanced mutual funds	46,691				
International mutual funds	40,944				
Equity mutual funds	98,523				
Investments in real estate	95,471				
Real estate investment trust	73,595				
Hedge funds	4,453,830				
Private equity limited partnerships	4,093,409				
Real assets limited partnerships	495,550				
Other limited partnerships	395,848				
Domestic stocks	625,277				
Foreign stocks	22,824				
Other	3,792				
Total investments	<u>\$ 12,794,228</u>				

NOTES TO THE FINANCIAL STATEMENTS

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):

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	\$ 104	\$ 120,649	\$ -	\$ 277	\$ 2,259	\$ 12,433
Mortgage pass-throughs	-	979	5,709	1,706	1,049	-
Collateralized mortgage obligations	3,285	284	475	4,631	38,079	39,299
Asset-backed securities	3,035	6,549	4,612	41,584	143,472	37,368
Collective investment funds	-	15,271	26,771	-	1,915	147,222
Annuity contracts	-	-	-	-	-	44
Debt mutual funds	5,276	10,248	10,228	605,226	52,123	86,944
Money market mutual funds	781,569	-	-	-	-	1,463
Domestic corporate bonds	-	26	1,361	846	11,150	-
Foreign corporate bonds	236	907	1,841	4,309	8,750	-
Foreign government bonds	-	1,267	1,690	3,106	824	-
Other	16	-	-	-	-	23
Total	<u>\$ 793,521</u>	<u>\$ 156,180</u>	<u>\$ 52,687</u>	<u>\$ 661,685</u>	<u>\$ 259,621</u>	<u>\$ 324,796</u>

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):

Investment Type	Carrying Amount	
	Held by Counterparty	Held by Counterparty's Trust Dept. or Agent but not in the entity's name
Domestic stocks	\$ 87,904	\$ 174
Foreign stocks	54	15
Total	<u>\$ 87,958</u>	<u>\$ 189</u>

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):

Currency	Carrying Amount		
	Hedge funds	Private equity limited partnerships	Real assets limited partnerships
Euro	\$ 24,521	\$ 197,258	\$ 1,277
British Pound Sterling	-	60,507	265
Canadian Dollar	-	7,785	-
Australian Dollar	-	9	-
Total	<u>\$ 24,521</u>	<u>\$ 265,559</u>	<u>\$ 1,542</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	6/30/2021	Fair Value Measurements Using		
		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	\$ 99,984	\$ 99,841	\$ 143	\$ -
U.S. agencies	135,722	81	135,641	-
Mortgage pass-throughs	9,443	-	9,443	-
Collateralized mortgage obligations	86,053	-	86,053	-
Asset-backed securities	236,620	-	236,620	-
Collective investment funds	191,179	191,179	-	-
Annuity contracts	44	-	44	-
Debt mutual funds	770,045	770,045	-	-
Money market mutual funds	780,986	780,986	-	-
Balanced mutual funds	46,691	46,691	-	-
International mutual funds	40,944	40,944	-	-
Equity mutual funds	98,523	98,523	-	-
Domestic corporate bonds	13,383	477	12,906	-
Foreign corporate bonds	16,043	-	16,043	-
Foreign government bonds	6,887	-	6,887	-
Domestic stocks	625,277	611,904	-	13,373
Foreign stocks	22,824	22,066	758	-
Investments in real estate	95,471	1,252	87,973	6,246
Real estate investment trust	73,494	73,494	-	-
Other	3,144	190	-	2,954
Total investments by fair value level	3,352,757	\$ 2,737,673	\$ 592,511	\$ 22,573
Investments measured at the net asset value (NAV)				
Real estate investment trust	101			
Hedge funds	4,453,830			
Private equity limited partnerships	4,093,409			
Real assets limited partnerships	495,550			
Other limited partnerships	395,848			
Other	622			
Total investments measured at the NAV	9,439,360			
Total investments measured at fair value	\$ 12,792,117			

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 valuations. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 6/30/2021	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	\$ 4,449,435	\$ 37,602	From weekly to 3+ years	1 to 365 days
Private equity limited partnerships	3,912,482	1,052,845	Not currently eligible	10-15 years
Real assets limited partnerships	<u>495,209</u>	479,281	Not currently eligible	10-15 years
Total investments measured at the NAV	<u>\$ 8,857,126</u>			

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.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 4: RECEIVABLES**

Receivables at June 30, 2021, 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)	\$ 5,824,406	\$ 280,277	\$ 56,275	\$ 221,423	\$ 59,691	\$ 6,442,072
Allowance for doubtful accounts	(1,640,029)	(14,058)	-	(192,978)	-	(1,847,065)
Receivables, net	<u>\$ 4,184,377</u>	<u>\$ 266,219</u>	<u>\$ 56,275</u>	<u>\$ 28,445</u>	<u>\$ 59,691</u>	<u>\$ 4,595,007</u>
Notes receivable, gross	\$ 14,424	\$ 101	\$ 15	\$ 58,268	\$ -	\$ 72,808
Allowance for doubtful accounts	-	-	-	(35)	-	(35)
Notes receivable, net	<u>\$ 14,424</u>	<u>\$ 101</u>	<u>\$ 15</u>	<u>\$ 58,233</u>	<u>\$ -</u>	<u>\$ 72,773</u>

Within governmental activities, the significant receivables not expected to be collected within one year total \$167.9 million. Amounts not expected to be collected within one year in the General Fund are \$117.2 million and \$50.7 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)	\$ 774,037	\$ 396	\$ 16,520	\$ 42,153	\$ 8,751	\$ 841,857
Allowance for doubtful accounts	(88,629)	-	-	(17,660)	-	(106,289)
Receivables, net	<u>\$ 685,408</u>	<u>\$ 396</u>	<u>\$ 16,520</u>	<u>\$ 24,493</u>	<u>\$ 8,751</u>	<u>\$ 735,568</u>

NOTES TO THE FINANCIAL STATEMENTS**NOTE 5: CAPITAL ASSETS**

Primary Government A summary of changes in capital assets for the year ended June 30, 2021 is presented below (dollars in thousands).

Governmental Activities	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021
Capital Assets, nondepreciable				
Land and permanent easements	\$ 20,083,620	\$ 585,358	\$ (25,575)	\$ 20,643,403
Art, literature, and other artifacts	147,082	2,534	(2,175)	147,441
Construction in progress	3,138,670	2,411,805	(2,794,761)	2,755,714
Computer software in development	712,600	91,632	(12,329)	791,903
Total Capital Assets-nondepreciable	<u>24,081,972</u>	<u>3,091,329</u>	<u>(2,834,840)</u>	<u>24,338,461</u>
Capital Assets, depreciable				
Buildings	4,343,390	78,941	(10,172)	4,412,159
Machinery and equipment	2,056,658	89,166	(86,930)	2,058,894
General infrastructure	369,390	4,337	(1,447)	372,280
State highway system	42,297,684	2,737,186	(170,471)	44,864,399
Computer software	370,822	30,276	-	401,098
Total Capital Assets-depreciable	<u>49,437,944</u>	<u>2,939,906</u>	<u>(269,020)</u>	<u>52,108,830</u>
Less accumulated depreciation for				
Buildings	(1,477,529)	(79,518)	1,881	(1,555,166)
Machinery and equipment	(1,220,493)	(103,361)	64,378	(1,259,476)
General infrastructure	(134,897)	(4,751)	449	(139,199)
State highway system	(13,030,887)	(897,288)	167,061	(13,761,114)
Computer software	(96,309)	(16,229)	-	(112,538)
Total accumulated depreciation	<u>(15,960,115)</u>	<u>(1,101,147)</u>	<u>233,769</u>	<u>(16,827,493)</u>
Total Capital Assets-depreciable, net	<u>33,477,829</u>	<u>1,838,759</u>	<u>(35,251)</u>	<u>35,281,337</u>
Governmental activities				
Capital Assets, net	<u>\$ 57,559,801</u>	<u>\$ 4,930,088</u>	<u>\$ (2,870,091)</u>	<u>\$ 59,619,798</u>

NOTES TO THE FINANCIAL STATEMENTS**Business-type Activities**

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, nondepreciable				
Land and permanent easements	\$ 474,653	\$ 74,492	\$ (17)	\$ 549,128
Art, literature, and other artifacts	1,286	4	-	1,290
Construction in progress	307,561	153,629	(334)	460,856
Total Capital Assets-nondepreciable	<u>783,500</u>	<u>228,125</u>	<u>(351)</u>	<u>1,011,274</u>
Capital Assets, depreciable				
Buildings	105,512	402	(1)	105,913
Machinery and equipment	27,687	1,879	(3,427)	26,139
General infrastructure	19,907	333	-	20,240
NC toll road system	1,534,469	-	-	1,534,469
Computer software	1,745	20	(7)	1,758
Total Capital Assets-depreciable	<u>1,689,320</u>	<u>2,634</u>	<u>(3,435)</u>	<u>1,688,519</u>
Less accumulated depreciation for				
Buildings	(49,071)	(2,730)	1	(51,800)
Machinery and equipment	(18,749)	(1,764)	3,032	(17,481)
General infrastructure	(13,311)	(345)	-	(13,656)
NC toll road system	(146,150)	(29,682)	-	(175,832)
Computer software	(914)	(207)	7	(1,114)
Total accumulated depreciation	<u>(228,195)</u>	<u>(34,728)</u>	<u>3,040</u>	<u>(259,883)</u>
Total Capital Assets-depreciable, net	<u>1,461,125</u>	<u>(32,094)</u>	<u>(395)</u>	<u>1,428,636</u>
Business-type activities				
Capital Assets, net	<u>\$ 2,244,625</u>	<u>\$ 196,031</u>	<u>\$ (746)</u>	<u>\$ 2,439,910</u>

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

General government	\$ 30,532
Primary and secondary education	1,612
Higher education	85
Health and human services	36,171
Economic development	1,398
Environment and natural resources	17,237
Public safety, corrections, and regulation	64,029
Transportation	942,603
Agriculture	7,480
Total depreciation expense	<u>\$ 1,101,147</u>

Business-type activities

N.C. State Lottery	\$ 529
N.C. Turnpike Authority	29,684
Regulatory programs	2,549
North Carolina State Fair	1,033
Other business-type activities	933
Total depreciation expense	<u>\$ 34,728</u>

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, 2021, was as follows (dollars in thousands):

University of North Carolina System

	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021
Capital Assets, nondepreciable				
Land and permanent easements	\$ 511,266	\$ 7,952	\$ (4,036)	\$ 515,182
Art, literature, and other artifacts	239,510	2,425	-	241,935
Construction in progress	1,227,750	934,759	(716,335)	1,446,174
Computer software in development	545	3,490	(3,323)	712
Other intangible assets	9,867	50	-	9,917
Total Capital Assets-nondepreciable	<u>1,988,938</u>	<u>948,676</u>	<u>(723,694)</u>	<u>2,213,920</u>
Capital Assets, depreciable				
Buildings	15,073,681	962,634	(51,557)	15,984,758
Machinery and equipment	2,955,450	196,185	(206,173)	2,945,462
Art, literature, and artifacts	202	-	-	202
General infrastructure	2,241,623	44,034	(1,951)	2,283,706
Computer Software	441,110	12,015	(34,354)	418,771
Other intangible assets	18,149	3,428	-	21,577
Total Capital Assets-depreciable	<u>20,730,215</u>	<u>1,218,296</u>	<u>(294,035)</u>	<u>21,654,476</u>
Less accumulated depreciation for				
Buildings	(5,115,859)	(375,995)	30,401	(5,461,453)
Machinery and equipment	(1,932,259)	(167,508)	193,916	(1,905,851)
Art, literature, and other artifacts	(193)	(2)	-	(195)
General infrastructure	(935,825)	(60,608)	790	(995,643)
Computer software	(286,695)	(41,535)	33,721	(294,509)
Other intangible assets	(2,077)	(119)	-	(2,196)
Total accumulated depreciation	<u>(8,272,908)</u>	<u>(645,767)</u>	<u>258,828</u>	<u>(8,659,847)</u>
Total Capital Assets-depreciable, net	<u>12,457,307</u>	<u>572,529</u>	<u>(35,207)</u>	<u>12,994,629</u>
University of North Carolina System				
Capital Assets, net	<u>\$ 14,446,245</u>	<u>\$ 1,521,205</u>	<u>\$ (758,901)</u>	<u>\$ 15,208,549</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2021, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$52.463 million and net depreciable capital assets of \$108.849 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 \$1.90 million, the present value of this obligation. The University also reports

NOTES TO THE FINANCIAL STATEMENTS

the facility as a capital asset with a carrying amount of \$24.41 million at year-end and a related deferred inflow of resources of \$20.58 million.

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 \$13.14 million, the present value of this obligation. Collectively, the universities report the facilities as capital assets with an aggregate carrying amount of \$179.73 million at year-end and a related deferred inflow of resources of \$164.04 million.

Community Colleges

	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021
Capital Assets, nondepreciable				
Land and permanent easements	\$ 207,095	\$ 15,289	\$ (322)	\$ 222,062
Art, literature, and other artifacts	886	-	(8)	878
Construction in progress	317,024	229,354	(224,813)	321,565
Total Capital Assets-nondepreciable	<u>525,005</u>	<u>244,643</u>	<u>(225,143)</u>	<u>544,505</u>
Capital Assets, depreciable				
Buildings	3,687,971	223,743	(312)	3,911,402
Machinery and equipment	556,731	59,089	(14,718)	601,102
Art, literature, and other artifacts	771	-	-	771
General infrastructure	256,821	17,584	(356)	274,049
Total Capital Assets-depreciable	<u>4,502,294</u>	<u>300,416</u>	<u>(15,386)</u>	<u>4,787,324</u>
Less accumulated depreciation for				
Buildings	(1,056,157)	(74,054)	208	(1,130,003)
Machinery and equipment	(254,194)	(28,879)	10,316	(272,757)
Art, literature, and other artifacts	(238)	(20)	-	(258)
General infrastructure	(73,919)	(6,480)	600	(79,799)
Total accumulated depreciation	<u>(1,384,508)</u>	<u>(109,433)</u>	<u>11,124</u>	<u>(1,482,817)</u>
Total Capital Assets-depreciable, net	<u>3,117,786</u>	<u>190,983</u>	<u>(4,262)</u>	<u>3,304,507</u>
Community Colleges				
Capital Assets, net	<u>\$ 3,642,791</u>	<u>\$ 435,626</u>	<u>\$ (229,405)</u>	<u>\$ 3,849,012</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2021, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$13.635 million and net depreciable capital assets of \$7.903 million.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 6: SHORT-TERM DEBT****Primary Government****Business-type Activities (Enterprise Funds)**

The North Carolina Medical Board (an occupational licensing board) obtained a note from direct borrowings in the amount of \$3.952 million to purchase a new office building. As of June 30, 2021, the balance on the loan is zero.

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, 2021, 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.

Short-term debt activity for the Occupational Licensing Boards (Enterprise Funds) for the fiscal year ended June 30, 2021, is as follows (dollars in thousands):

	<u>Balance</u> <u>July 1, 2020</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2021</u>
<u>Occupational Licensing Boards</u>				
Notes from direct borrowings	\$ 3,952	\$ -	\$ (3,952)	\$ -
Line of credit	160	-	(160)	-
Total short-term debt	<u>\$ 4,112</u>	<u>\$ -</u>	<u>\$ (4,112)</u>	<u>\$ -</u>

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, 2021, 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, 2021 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, 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Short-term debt activity for the University of North Carolina System for the fiscal year ended June 30, 2021, is as follows (dollars in thousands):

<u>University of North Carolina System</u>	<u>Balance July 1, 2020</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance, June 30, 2021</u>
Commercial paper program	\$ 85,000	\$ -	\$ (85,000)	\$ -
Line of credit	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ (46)</u>	<u>\$ -</u>
Total short-term debt	<u>\$ 85,046</u>	<u>\$ -</u>	<u>\$ (85,046)</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: DERIVATIVE INSTRUMENTS

A. Summary Information**Component Unit – 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, 2021, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended (dollars in thousands).

Type	(a) Changes in Fair Value	(b) Fair Value at June 30, 2021	Fair Value Measurements Using		Notional
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
UNC at Chapel Hill:					
Cash flow hedges:					
Pay-fixed interest rate swaps	\$ 38,150	\$ (118,980)	\$ -	\$ (118,980)	\$ 250,000
Investment derivatives:					
Pay-fixed interest rate swaps	\$ 646	\$ (1,196)	\$ -	\$ (1,196)	\$ 9,435
U.S. dollar equity futures	\$ 103,764	\$ 412	\$ 412	\$ -	\$ 267,823
Total	\$ 104,410	\$ (784)	\$ 412	\$ (1,196)	

- (a) For the fiscal year ended June 30, 2021, the changes in fair value of cash flow hedges are classified as *deferred outflows of resources*, and the changes in fair value of investment derivatives are classified as *operating grants and contributions*.
- (b) At June 30, 2021, the fair value balances of cash flow hedges outstanding are classified as *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, 2021 was negative \$128.61 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**Component Unit – 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, 2021 (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 one-month LIBOR
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 one-month LIBOR

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, both of the swaps have a negative fair value calculated as of June 30, 2021. 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, 2021. 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, 2021, SIFMA Swap Index rate was .03%. The interest rate swap has a notional amount of \$9.435 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 2.75%, 2.45%, 2.47%, and 2.38%, respectively. The fair value of the securities covered by the contracts as of December 31, 2020, is \$1.809 billion and the contract value is \$1.726 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 2.75%, 2.45%, 2.47%, and 2.38%, respectively. The fair value of the securities covered by the contracts as of December 31, 2020, is \$360 million and the contract value is \$343 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Primary Government. Long-term liability activity for the year ended June 30, 2021, was as follows (dollars in thousands):

	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Governmental activities					
Bonds and similar debt payable:					
General obligation bonds	\$ 2,605,380	\$ 400,000	\$ (356,995)	\$ 2,648,385	\$ 338,595
Special indebtedness:					
Limited obligation bonds	1,774,945	700,000	(199,195)	2,275,750	208,685
GARVEE bonds	959,525	-	(83,660)	875,865	87,840
Issuance premium	553,093	199,037	(113,779)	638,351	-
Total bonds and similar debt payable	5,892,943	1,299,037	(753,629)	6,438,351	635,120
Notes from direct borrowings	43,937	-	(3,752)	40,185	3,879
Capital leases payable	10,656	-	(2,402)	8,254	2,818
Compensated absences	607,045	326,412	(323,278)	610,179	47,403
Pension liability (Note 12)	2,626,604	472,664	(17,222)	3,082,046	18,738
Net OPEB liability (Note 14)	6,041,526	-	(690,600)	5,350,926	-
Workers' compensation	717,417	88,466	(112,417)	693,466	136,703
Death benefit payable	37	-	-	37	-
Pollution remediation payable	7,946	-	(290)	7,656	438
Claims and judgments payable	731,703	-	-	731,703	-
Governmental activity					
long-term liabilities	<u>\$ 16,679,814</u>	<u>\$ 2,186,579</u>	<u>\$ (1,903,590)</u>	<u>\$ 16,962,803</u>	<u>\$ 845,099</u>
Business-type activities					
Bonds payable:					
Revenue bonds	\$ 1,917,358	\$ 573,445	\$ (124,865)	\$ 2,365,938	\$ 42,122
Issuance premium	122,565	88,317	(31,593)	179,289	-
Total bonds payable	2,039,923	661,762	(156,458)	2,545,227	42,122
Notes from direct borrowings	177,925	9,933	(1,867)	185,991	780
Capital leases payable	94	-	(28)	66	31
Annuity and life income payable	80,728	17,155	(9,724)	88,159	7,371
Compensated absences	12,305	8,689	(8,101)	12,893	1,775
Net pension liability (Note 12)	33,619	6,509	-	40,128	-
Net OPEB liability (Note 14)	88,532	-	(9,493)	79,039	-
Workers' compensation	88	55	(56)	87	55
Business-type activity					
long-term liabilities	<u>\$ 2,433,214</u>	<u>\$ 704,103</u>	<u>\$ (185,727)</u>	<u>\$ 2,951,590</u>	<u>\$ 52,134</u>

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 \$18.862 million, net pension liability of \$59.699 million, net OPEB liability of \$114.388 million, and workers' compensation liability of \$1.663 million. 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.

NOTES TO THE FINANCIAL STATEMENTS**Governmental Activities**

The Master Trust Indenture of the State's outstanding limited obligation bonds of \$2.276 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 \$40.185 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 \$10.74 million.

Component Unit (University of North Carolina System). Long-term liability activity for the year ended June 30, 2021, was as follows (dollars in thousands):

	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021	Due Within One Year
University of North Carolina System					
Bonds payable:					
Revenue bonds	\$ 4,529,349	\$ 767,095	\$ (708,817)	\$ 4,587,627	\$ 156,369
Direct placements	163,057	52,387	(15,062)	200,382	76,600
Certificates of participation	3,854	-	(336)	3,518	346
Limited obligation bonds	216,715	14,975	(36,400)	195,290	8,355
Issuance premium	277,852	73,922	(40,396)	311,378	-
Issuance discount	(4,774)	-	1,162	(3,612)	-
Total bonds payable	5,186,053	908,379	(799,849)	5,294,583	241,670
Notes from direct borrowings	300,821	125,511	(47,960)	378,372	27,608
Capital leases payable	13,644	1,973	(4,935)	10,682	2,420
Annuity and life income payable	51,793	11,816	(4,935)	58,674	880
Compensated absences	532,199	433,331	(411,510)	554,020	95,819
Net pension liability (Note 12)	1,662,645	281,273	-	1,943,918	-
Net OPEB liability (Note 14)	7,946,586	-	(920,633)	7,025,953	-
Workers' compensation	61,440	6,787	(9,938)	58,289	13,139
Pollution remediation payable	4,609	601	(289)	4,921	705
Asset retirement obligation	13,846	492	-	14,338	-
Liability insurance trust fund payable	23,414	7,485	(8,268)	22,631	5,393
Total long-term liabilities	<u>\$ 15,797,050</u>	<u>\$ 1,777,648</u>	<u>\$ (2,208,317)</u>	<u>\$ 15,366,381</u>	<u>\$ 387,634</u>

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 \$227.796 million, of which \$4.579 million was due within one year and \$223.217 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 \$8.7 million and \$900 thousand, respectively.

NOTES TO THE FINANCIAL STATEMENTS*Revenue Bonds*

Various universities within the University of North Carolina System (UNC System) have outstanding revenue bonds totaling \$1.911 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. Fayetteville State University has pledged buildings, improvements, and additions as collateral for outstanding revenue bonds of \$8.58 million.

Various universities within the UNC System have outstanding revenue bonds totaling \$1.829 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 \$427.485 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, 2021, the amount pledged as collateral is \$401.98 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 \$107.797 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 \$92.585 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 (\$84.125 million) or a period of 60 days after written notice (\$8.46 million).

Special Indebtedness

The University of North Carolina at Wilmington has outstanding limited obligation bonds (LOBs) of \$106.365 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 \$46.815 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 \$27.135 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.

NOTES TO THE FINANCIAL STATEMENTS

Fayetteville State University has outstanding limited obligation bonds totaling \$14.975 million and the University of North Carolina School of the Arts has outstanding certificates of participation totaling \$3.518 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 \$3.518 million.

Notes from Direct Borrowings

Various universities within the UNC System have outstanding notes from direct borrowings totaling \$111.333 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 \$109.446 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 \$19.75 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 \$18.195 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 (\$2.72 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 \$18.401 million secured with collateral of real estate and a vehicle.

Rex Healthcare has outstanding notes from direct borrowings of \$16.317 million collateralized by certain property of Rex Wakefield Enterprises.

NOTES TO THE FINANCIAL STATEMENTS**B. Bonds, Special Indebtedness, Direct Placements, and Notes from Direct Borrowings**

Bonds, special indebtedness, direct placements and notes from direct borrowings at June 30, 2021 were as follows (dollars in thousands):

	Interest Rates	Maturing Through Fiscal Year	Original Borrowing	Outstanding Balance
Primary Government				
<u>Governmental activities</u>				
General obligation bonds	1.50% - 5.00%	2040	\$3,763,353	\$2,648,385
Special indebtedness:				
Limited obligation bonds	2.00% - 5.00%	2035	3,134,355	2,275,750
GARVEE bonds	4.00% - 5.00%	2034	1,089,570	875,865
Notes from direct borrowings	2.10% - 2.53%	2033	54,808	40,185
<u>Business-type activities</u>				
Revenue bonds**	2.82% - 7.10%	2055	\$2,732,773	\$2,365,938
Notes from direct borrowings	2.95% - 4.50%	2054	190,558	185,991
Component Units				
<u>University of North Carolina System</u>				
Revenue bonds**	0.01% - 6.52%*	2050	\$5,572,290	\$4,587,627
Direct Placements	1.29% - 5.00%*	2051	240,150	200,382
Certificates of participation	2.00% - 2.00%	2030	5,400	3,518
Limited obligation bonds	2.00% - 6.23%	2043	217,965	195,290
Notes from direct borrowings**	0.00% - 4.81%*	2057	507,361	378,372

* For variable rate debt, interest rates in effect at June 30, 2021 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 \$233.92 million for the primary government and \$34.24 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, 2021, the State had \$400 million in authorized but unissued general obligation bonds. At June 30, 2021, the State had no authorized but unissued special indebtedness supported by the General Fund. At June 30, 2021, the State had \$2 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, 2021, a total of \$271.3 million of such contracts have been entered into by the State and universities.

NOTES TO THE FINANCIAL STATEMENTS**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 London Interbank Offered Rate (LIBOR) Rate. “Adjusted LIBOR 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) the one month LIBOR plus (2) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR interest period; provided, however, for any particular LIBOR interest period, the Adjusted LIBOR Rate will not be less than 1.4% per annum. As of June 30, 2021, 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

NOTES TO THE FINANCIAL STATEMENTS

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 London Interbank Offered Rate (LIBOR) Rate. "Adjusted LIBOR 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) the one month LIBOR plus (2) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR interest period; provided, however, for any particular LIBOR interest period, the Adjusted LIBOR Rate will not be less than 1.4% per annum. As of June 30, 2021, 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 regard to the following demand bonds, the Hospitals has 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 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 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 Securities 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:

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<u>S&P</u>	<u>Moody's</u>	<u>Commitment Rate</u>
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 or Federal Funds Rate plus 0.5% or 3%) until 180 days after the initial purchase date and thereafter 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. At June 30, 2021, there were no Bank Bonds held by the 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 \$80.2 million of demand bonds was "put" and not resold, the Hospitals would be required to pay \$22.65 million, \$22.19 million, \$21.35 million, and \$20.51 million in years one, two, three, and four respectively, following the termination date under the installment loan agreement assuming a base rate of 3.25% (Prime Rate). The current 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 Stand By 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, N.A. 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 2021. 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:

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

NOTES TO THE FINANCIAL STATEMENTS

However, 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 Base Rate (equal to the greater of the Prime Rate plus 1.5% or the Federal Funds Rate plus 3%), 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. At June 30, 2021, 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 \$37.78 million of demand bonds was "put" and not resold, the Hospitals would be required to pay \$14.36 million, \$13.86 million, and \$13.14 million in years one, two and three respectively, following the termination date under the installment loan agreement assuming a base rate of 4.75% (Prime plus 1.5%). The current expiration 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 made quarterly in arrears, on the first business day of each February, May, August, and November, commencing November 2, 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+/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:

<u>S&P</u>	<u>Moody's</u>	<u>Commitment Rate</u>
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 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. At June 30, 2021, 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 \$20.32 million of demand bonds was "put" and not resold, the Hospitals would be required to pay \$5.74 million, \$5.62 million, \$5.41 million, and \$5.19 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 3.25% (Prime Rate). The expiration date of the agreement is July 8, 2027.

NOTES TO THE FINANCIAL STATEMENTS**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, 2021 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

Fiscal Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 338,595	\$ 112,196	\$ 208,685	\$ 104,271
2023	333,850	96,390	215,380	93,836
2024	310,880	80,742	221,455	83,549
2025	232,420	65,198	193,560	73,207
2026	173,320	53,577	189,095	63,731
2027-2031	603,060	159,952	866,865	184,859
2032-2036	446,260	62,298	380,710	29,772
2037-2041	210,000	11,175	-	-
Total	<u>\$ 2,648,385</u>	<u>\$ 641,528</u>	<u>\$ 2,275,750</u>	<u>\$ 633,225</u>

Fiscal Year Ending June 30	Governmental Activities			
	GARVEE Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 87,840	\$ 43,793	\$ 3,879	\$ 863
2023	92,235	39,401	4,011	774
2024	60,590	34,790	4,141	681
2025	63,620	31,760	4,276	585
2026	66,805	28,579	4,421	487
2027-2031	349,295	89,324	15,635	1,152
2032-2036	155,480	15,801	3,822	75
Total	<u>\$ 875,865</u>	<u>\$ 283,448</u>	<u>\$ 40,185</u>	<u>\$ 4,617</u>

Fiscal Year Ending June 30	Business-type Activities			
	Revenue Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 42,122	\$ 101,329	\$ 780	\$ 2,585
2023	36,994	100,749	1,034	3,501
2024	541,462	101,281	1,448	5,319
2025	44,361	72,456	1,989	6,133
2026	47,579	70,556	2,390	6,087
2027-2031	289,716	325,872	19,213	29,845
2032-2036	331,562	372,163	32,362	26,068
2037-2041	446,649	258,736	31,147	21,321
2042-2046	234,102	170,883	33,935	16,391
2047-2051	228,521	95,715	39,539	10,787
2052-2056	122,870	12,725	22,154	3,008
Total	<u>\$ 2,365,938</u>	<u>\$ 1,682,465</u>	<u>\$ 185,991</u>	<u>\$ 131,045</u>

NOTES TO THE FINANCIAL STATEMENTS**Component Unit****University of North Carolina System**

Fiscal Year Ending June 30	Revenue Bonds			Direct Placements		Certificates of Participation	
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Principal	Interest
2022	\$ 138,469	\$ 153,802	\$ 12,379	\$ 16,600	\$ 4,011	\$ 346	\$ 76
2023	152,029	149,741	11,940	18,641	3,613	357	63
2024	155,769	145,010	11,479	17,658	3,199	368	56
2025	160,902	139,917	11,061	14,619	2,845	378	49
2026	168,310	134,699	10,709	14,608	2,527	390	41
2027-2031	930,004	588,470	49,859	39,637	9,002	1,679	85
2032-2036	1,127,289	409,949	44,698	14,669	5,428	-	-
2037-2041	731,215	233,667	32,307	3,950	4,313	-	-
2042-2046	753,045	109,851	2,692	30,000	2,485	-	-
2047-2051	270,595	23,055	-	30,000	1,960	-	-
Total	<u>\$ 4,587,627</u>	<u>\$ 2,088,161</u>	<u>\$ 187,124</u>	<u>\$ 200,382</u>	<u>\$ 39,383</u>	<u>\$ 3,518</u>	<u>\$ 370</u>

Fiscal Year Ending June 30	Limited Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 8,355	\$ 7,892	\$ 27,608	\$ 10,581
2023	8,885	7,633	31,096	9,817
2024	9,180	7,325	39,921	8,692
2025	9,605	6,891	25,001	7,838
2026	10,030	6,473	23,994	7,062
2037-2031	56,895	25,590	159,113	18,793
2032-2036	62,665	13,167	30,156	9,455
2037-2041	27,585	2,789	31,119	2,012
2042-2046	2,090	158	3,076	931
2047-2051	-	-	3,438	608
2052-2056	-	-	3,843	264
2057-2061	-	-	7	-
Total	<u>\$ 195,290</u>	<u>\$ 77,918</u>	<u>\$ 378,372</u>	<u>\$ 76,053</u>

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**Business-type Activities**

On April 6, 2021, the North Carolina Turnpike Authority issued \$73.99 million in Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021, with an average interest rate of 5%. The bonds were issued to advance refund \$95.01 million of outstanding Monroe Connector System State Appropriation Revenue Bonds, Series 2011, with an average interest rate of 4.88%. The net proceeds of the refunding bonds along with other resources were used to purchase U.S. government securities. 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 \$33.45 million over the next 21 years and resulted in an economic gain of \$29.27 million. At June 30, 2021, the outstanding balance was \$9.85 million for the defeased Monroe Connector System State Appropriation Revenue Bonds, Series 2011.

NOTES TO THE FINANCIAL STATEMENTS**Component Unit****University of North Carolina System**

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

North Carolina State University

On July 7, 2020, N.C. State University issued \$82.34 million in General Revenue Bonds, Series 2020A, with an average interest rate of 3.82%. A portion of the proceeds was used for a current refunding of \$59.57 million of outstanding General Revenue Bonds, Series 2010B (Build America Bonds), with an average interest rate of 5.93%. The refunding was undertaken to reduce total debt service payments by \$14.33 million over the next 15 years and resulted in an economic gain of \$12.58 million.

On July 7, 2020, N.C. State University issued \$184.45 million in Taxable General Revenue Bonds, Series 2020B, with an average interest rate of 2.31%. A portion of the proceeds were used to advance refund \$113.95 million of outstanding General Revenue Bonds, Series 2013A, with an average interest rate of 4.67%. The net proceeds of the refunding bonds were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service payments 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 \$16.22 million over the next 22 years and resulted in an economic gain of \$13.7 million. At June 30, 2021, the outstanding balance was \$113.95 million for the defeased General Revenue Bonds, Series 2013A.

The University of North Carolina at Charlotte

On March 17, 2021, the University of North Carolina at Charlotte issued \$95.25 million in The University of North Carolina at Charlotte Taxable General Revenue Refunding Bonds, Series 2021, with an average interest rate of 2.71%. The bonds were issued to advance refund \$85.06 million of outstanding bonds (Taxable General Revenue Bonds, Series 2013B, \$26.74 million; General Revenue Bonds, Series 2014, \$47.85 million; and Taxable Limited Obligation Bonds, Series 2015, \$10.47 million) with an average interest rate of 4.42%. 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 \$8.31 million over the next 24 years and resulted in an economic gain of \$6.23 million. At June 30, 2021, the outstanding balance of the defeased bonds was \$85.06 million.

The University of North Carolina at Chapel Hill

On June 17, 2021, the University of North Carolina at Chapel Hill issued \$103.53 million in General Revenue Bonds, Series 2021B, with an average interest rate of 5%. A portion of the bonds were issued for a current refunding of \$112.81 million of outstanding General Revenue bonds, Series 2009B, with an average interest rate of 5.78%. The refunding was undertaken to reduce total debt service payments by \$30.60 million over the next 19 years and resulted in an economic gain of \$26.57 million.

East Carolina University

On June 17, 2021, East Carolina University issued \$50.1 million in Taxable General Revenue Bonds, Series 2021, with an average interest rate of 2.64%. The bonds were issued to advance refund \$44.73 million of outstanding General Revenue Bonds, Series 2014A, with an average interest rate of 4.66%. The net proceeds of the refunding bonds along with other resources were used to purchase U.S. government securities. 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 \$7.71 million over the next 23 years and resulted in an economic gain of \$5.78 million. At June 30, 2021, the outstanding balance was \$44.73 million for the defeased General Revenue Bonds, Series 2014A bonds.

University of North Carolina Health Care System - Rex Healthcare

On July 22, 2020, Rex Healthcare issued \$70.54 million in Health Care Facilities Revenue Refunding Bonds, Series 2020B, with an average interest rate of 1.64%. The bonds were issued for a current refunding of \$70.54 million of outstanding Health Care Facilities Revenue and Revenue Refunding Bonds, Series 2010A, with an average interest rate of 3%. The refunding was undertaken to reduce total debt service payments by \$11.26 million over the next 10 years and resulted in an economic gain of \$9.92 million.

NOTES TO THE FINANCIAL STATEMENTS**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, 2021, the outstanding balance of prior year defeased bonds was \$14.24 million for the primary government and \$210.6 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 \$121.33 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 28 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 \$7.656 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 \$4.291 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 \$630 thousand for underground storage tank and asbestos 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 42 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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LEASE OBLIGATIONS—OPERATING AND CAPITAL

The State and its component units have entered into various operating and capital leases for office space and for communications, computer, and other equipment. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when incurred. For the year ended June 30, 2021, total operating lease expenditures were \$87.40 million for Primary Government, \$188.82 million for the University of North Carolina System, and \$10.01 million for Community Colleges. Capital leases of nongovernmental component units of the University of North Carolina System are excluded from the amounts below. Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 2021 are as follows (dollars in thousands):

Fiscal Year	Operating Leases				Capital Leases			
	Primary Government		Component Units		Primary Government		Component Units	
	Governmental Activities	Business-type Activities	University of North Carolina System	Community Colleges	Governmental Activities	Business-type Activities	University of North Carolina System	Community Colleges
2022	\$ 53,585	\$ 4,732	\$ 126,308	\$ 8,661	\$ 3,128	\$ 31	\$ 2,710	\$ 4,073
2023	42,784	3,998	114,566	6,970	2,460	28	2,236	3,995
2024	35,786	3,717	103,503	6,150	1,958	10	1,704	3,825
2025	29,257	3,581	90,552	5,073	1,967	-	841	3,647
2026	20,156	2,834	73,466	4,632	1,977	-	605	3,457
2027 - 2031	35,178	2,484	174,190	19,235	-	-	1,541	13,238
2032 - 2036	8,655	-	11,055	10,425	-	-	1,996	5,505
2037 - 2041	8,072	-	783	1,075	-	-	-	5,216
2042 - 2046	8,072	-	816	46	-	-	-	3,185
2047 - 2051	8,072	-	711	-	-	-	-	-
2052 - 2056	1,614	-	736	-	-	-	-	-
2057 - Beyond	-	-	-	-	-	-	-	-
Total Future Minimum Lease Payments	\$ 251,231	\$ 21,346	\$ 696,686	\$ 62,267	11,490	69	11,633	46,141
Less: Amount Representing Interest					(3,236)	(3)	(951)	(13,008)
Present Value of Future Minimum Lease Payments					\$ 8,254	\$ 66	\$ 10,682	\$ 33,133

At June 30, 2021 capital assets acquired under capital leases are as follows (dollars in thousands):

	Primary Government		Component Units	
	Governmental Activities	Business-type Activities	University of North Carolina System	Community Colleges
Buildings	\$ 25,487	\$ -	\$ 5,630	\$ 40,967
Machinery and Equipment	3,459	136	11,869	1,151
Other	-	-	-	-
Total Capital Assets	\$ 28,946	\$ 136	\$ 17,499	\$ 42,118

Depreciation for capital assets acquired under capital leases is included as part of depreciation expense (see Note 5).

NOTES TO THE FINANCIAL STATEMENTS**NOTE 10: INTERFUND BALANCES AND TRANSFERS****A. Interfund Balances****Due To/From Fiduciary Funds**

The General Fund balance of \$124.38 million due to fiduciary funds is composed of \$32.66 million related to local sales taxes collected in the General Fund and due to the custodial fund, as well as \$91.72 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, 2021, 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	\$ —	\$ 6,309	\$ —	\$ 24,758	\$ 23,149	\$ 1,557	\$ —	\$ 2,717	\$ 11,386	\$ 69,876
Highway Fund	10,502	—	200,000	1,876	—	—	170	—	2,474	215,022
Highway Trust Fund	—	16,152	—	—	—	—	93	—	—	16,245
Other Governmental Funds	899	—	—	3	—	—	—	—	397	1,299
Unemployment Compensation Fund	859	—	—	—	—	—	—	—	—	859
N.C. State Lottery Fund	235,072	—	—	—	—	—	—	—	—	235,072
N.C. Turnpike Authority	9,876	42,012	2,188	—	—	—	—	—	—	54,076
Other Enterprise Funds	—	—	—	1	—	—	—	—	—	1
Internal Service Funds	1,358	1,052	—	—	—	—	—	—	86	2,496
Total	\$ 258,566	\$ 65,525	\$ 202,188	\$ 26,638	\$ 23,149	\$ 1,557	\$ 263	\$ 2,717	\$ 14,343	\$ 594,946

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 Highway Fund was advanced \$400.3 million from the Highway Trust Fund. This advance to the Highway Fund is to comply with cash management directives and also assist with disaster recovery relief expenditures.

The advance of \$30.4 million to the N.C. Turnpike Authority from the Highway Trust Fund is related to operating costs.

NOTES TO THE FINANCIAL STATEMENTS**B. Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2021 consisted of the following (dollars in thousands):

	Transfers In									Total
	General Fund	Highway Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority Fund	Other Enterprise Funds	Internal Service Funds	
Transfers Out										
General Fund	\$ —	\$11,339	\$ 205,576	\$ 39,963	\$12,558	\$ 4,000	\$ —	\$16,797	\$ 48	\$290,281
Highway Fund	28,641	—	15,301	—	—	—	—	—	—	43,942
Highway Trust Fund	219	32,742	—	—	—	—	49,922	—	—	82,883
Other Governmental Funds	158,986	—	19,827	—	—	—	—	8	—	178,821
EPA Revolving Loan Fund	137	—	—	—	—	—	—	—	—	137
N.C. State Lottery Fund	938,919	—	1,000	—	—	—	—	—	—	939,919
N.C. Turnpike Authority	—	13,891	—	—	—	—	—	—	—	13,891
Other Enterprise Funds	1,416	—	1,398	—	—	—	—	—	—	2,814
Internal Service Funds	68	—	—	—	—	—	—	—	8,405	8,473
Total	<u>\$1,128,386</u>	<u>\$57,972</u>	<u>\$ 243,102</u>	<u>\$ 39,963</u>	<u>\$12,558</u>	<u>\$ 4,000</u>	<u>\$49,922</u>	<u>\$16,805</u>	<u>\$ 8,453</u>	<u>\$1,561,161</u>

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 \$936.8 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 \$49 million was transferred to the NCTA during fiscal year 2021. Transfers from NCTA of \$13.9 million were made to the Highway Fund as repayment for project participation incurred with proceeds from the sale of bonds for the Complete 540 Project.

House Bill 1105 [Session Law 2020-97] appropriated up to \$87 million from the General Fund to the Department of Commerce’s Unemployment Compensation Fund to be used to provide enhanced unemployment benefits for individuals who are eligible for the COVID-19 Increased Benefit Amount of \$50 weekly from September 2020 through December 2020. Of this amount, \$39 million was transferred to the Unemployment Compensation Fund during the year from the General Fund.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 11: FUND BALANCE**

Fund Balance. The details of the fund balance classifications for governmental funds at June 30, 2021 are as follows (dollars in thousands):

Fund Balance	Governmental Funds				
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 118,676	\$ 88,439	\$ -	\$ 21,955	\$ 229,070
Permanent corpus	-	-	-	145,625	145,625
Long-term portion of notes receivable	97	-	-	-	97
Restricted for:					
General government	31,166	-	-	2,608	33,774
Primary and secondary education	5,984	-	-	-	5,984
Higher education	9,557	-	-	-	9,557
Higher education student aid	-	-	-	1,021,163	1,021,163
Health and human services	80,404	-	-	1,492	81,896
Economic development	30,632	-	-	-	30,632
Environment and natural resources	16,627	-	-	55,654	72,281
Public safety, corrections, and regulation	57,597	-	-	68,325	125,922
Transportation	-	4,029	-	-	4,029
Highway construction/preservation	-	175,204	316,296	-	491,500
Agriculture	-	-	-	83,485	83,485
Debt service	-	-	109,037	52,851	161,888
Capital projects/repairs and renovations	-	-	-	457,518	457,518
Committed to:					
General government	456,013	-	-	33,085	489,098
Primary and secondary education	522,032	-	-	-	522,032
Public school capital projects/repairs and renovations	381,956	-	-	-	381,956
Higher education	111,545	-	-	-	111,545
Health and human services	384,030	-	-	69,357	453,387
Economic development	278,283	-	-	8,400	286,683
Environment and natural resources	109,997	-	-	335,825	445,822
Public safety, corrections, and regulation	133,788	-	-	274,242	408,030
Transportation	-	108,012	-	191	108,203
Highway construction/preservation	-	317,141	1,412,873	-	1,730,014
Agriculture	39,009	-	-	39,351	78,360
Disaster relief	167,969	-	-	-	167,969
Capital projects/repairs and renovations	-	-	-	386,347	386,347
Assigned to:					
General government	13,993	-	-	116	14,109
Primary and secondary education	16,157	-	-	-	16,157
Higher education	2,456	-	-	-	2,456
Health and human services	459,863	-	-	1,141	461,004
Economic development	820	-	-	-	820
Environment and natural resources	12,869	-	-	1,567	14,436
Public safety, corrections, and regulation	19,650	-	-	210	19,860
Agriculture	5,541	-	-	-	5,541
Capital projects/repairs and renovations	-	-	-	528	528
Unassigned	8,412,582	-	-	-	8,412,582
Total fund balance	\$ 11,879,293	\$ 692,825	\$ 1,838,206	\$ 3,061,036	\$ 17,471,360

NOTES TO THE FINANCIAL STATEMENTS**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, the 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, 2021, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	57
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	<u>256</u>

NOTES TO THE FINANCIAL STATEMENTS

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 or a return of the member’s contributions. 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 or a return of the member’s contributions.

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, 2021 was 14.78% of covered payroll. This was equal to the actuarially determined contribution. 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 (LERS) 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, 2021, the number of participating local governments was as follows:

Cities	427
Counties	100
Special Districts	<u>366</u>
	<u><u>893</u></u>

Management of the plan is vested in the LERS 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.

NOTES TO THE FINANCIAL STATEMENTS

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 or a return of the member's contributions. 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 or a return of the member's contributions.

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, 2021, all employers made contributions of 10.90% of covered payroll for law enforcement officers and 10.15% 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 11.92%. The employer contribution rate for general employees and firefighters was less than the actuarially determined contribution of 10.24%. 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, 2021, there were 1,669 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, there were 103 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 2021 is zero. Registers of Deeds do not contribute.

NOTES TO THE FINANCIAL STATEMENTS***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, 2021 was 36.44% of covered payroll. This was equal to the actuarially determined contribution. 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

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, the State's contractually required contribution was 27.30% of covered payroll. This was equal to the actuarially determined contribution. 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.

NOTES TO THE FINANCIAL STATEMENTS***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, 2021, there were 101 sheriffs and one beneficiary enrolled in the plan with 79 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, 2021, the Clerks remitted \$580 thousand and \$1.54 million was invoiced to the county governments, with \$1.23 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.

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 Statutes 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, 2020, there were approximately 264,100 employees enrolled with 1,039 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, 2020, 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

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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, 2020, 51 state agencies and component units along with 447 local governmental units outside the reporting entity contributed the required 5%. In addition, four state agencies and 487 local government employers contributed to the 401(k) Plan on a voluntary basis. There were approximately 14,500 LEOs actively contributing to the 401(k) Plan and approximately 25,300 LEOs receiving employer contributions as of December 31, 2020.

The 401(k) Plan reported total member contributions of \$393.664 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2020, amounted to \$300.19 million for the State, \$30.66 million for universities, and \$8.18 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for \$15.01 million, by universities for \$1.53 million, and by the remaining component units, public schools and community colleges for \$409 thousand. In addition, the State contributed \$227 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, 2021, the plan had 21,960 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 \$142.19 million for the fiscal year ended June 30, 2021. Annual covered payroll was \$2.08 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 \$124.73 million for the fiscal year ended June 30, 2021. The amount of pension expense recognized in the current fiscal year related to ORP was \$131.18 million. Forfeitures reduced the universities' pension expense by \$11.01 million for the fiscal year ended June 30, 2021. 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 Governmental	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	233,751	77,556	14,922	98	761	286	4,739	983
Inactive plan members entitled to but not yet receiving benefits	185,465	84,914	122	4	52	110	4,777	-
Active plan members	<u>308,181</u>	<u>132,397</u>	<u>41,120</u>	<u>101</u>	<u>558</u>	<u>170</u>	<u>5,056</u>	<u>5,004</u>
	<u>727,397</u>	<u>294,867</u>	<u>56,164</u>	<u>203</u>	<u>1,371</u>	<u>566</u>	<u>14,572</u>	<u>5,987</u>
Valuation date	12-31-20	12-31-20	12-31-20	12-31-20	12-31-20	12-31-20	12-31-20	12-31-19

NOTES TO THE FINANCIAL STATEMENTS**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, 2021:

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, 2021, 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 Governmental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Money-weighted Rate of Return	19.13%	19.10%	19.10%	(0.43%)	19.13%	18.81%	18.40%

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, 2021, were as follows (dollars in thousands):

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Governmental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Total pension liability	\$ 91,073,632	\$ 34,180,463	\$ 500,196	\$ 33,990	\$ 802,893	\$ 29,974	\$ 174,571
Plan fiduciary net position	86,391,031	32,646,867	528,127	53,203	731,320	31,895	175,765
Net pension liability (asset)	<u>\$ 4,682,601</u>	<u>\$ 1,533,596</u>	<u>\$ (27,931)</u>	<u>\$ (19,213)</u>	<u>\$ 71,573</u>	<u>\$ (1,921)</u>	<u>\$ (1,194)</u>
Plan fiduciary net position as a percentage of the total pension liability	94.86%	95.51%	105.58%	156.53%	91.09%	106.41%	100.68%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2020 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, 2019 valuation for the Special Separation Allowance were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees' (1)	Local Governmental (1)	Firefighters' and Rescue Squad (1)	Registers of Deeds' (1)	Consolidated Judicial (1)	Legislative (1)	North Carolina National Guard
Valuation date	12/31/20	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%	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

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, 2021 (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	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30 year expectations developed with the consulting actuary as part of a study conducted in 2016, 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 3.05%. 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, 2021 is 1.3%.

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, 2020 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021 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%)
<u>Cost-Sharing, Multiple-Employer</u>			
TSERS' net pension liability (asset)	\$ 15,707,208	\$ 4,682,601	\$ (4,481,611)
LGERS' net pension liability (asset)	5,953,292	1,533,596	(2,103,557)
FRSWPF's net pension liability (asset)	35,655	(27,931)	(79,941)
<u>Single-Employer</u>			
CJRS' net pension liability (asset)	\$ 156,118	\$ 71,573	\$ (543)
LRS' net pension liability (asset)	905	(1,921)	(4,336)
NCNG's net pension liability (asset)	19,977	(1,194)	(18,590)
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
<u>Cost-Sharing, Multiple-Employer</u>			
ROD's net pension asset	\$ (15,261)	\$ (19,213)	\$ (22,534)

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, 2021 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government	\$ 589,308	\$ 19,002	\$ 29,259	\$ 987	\$ 11,032	\$ 649,588
Component Units						
University of North Carolina System	\$ 359,987	\$ —	\$ —	\$ —	\$ —	\$ 359,987
Community Colleges	134,459	—	—	—	—	134,459
Other Component Units	4,614	—	—	—	—	4,614
Total Contributions	<u>\$ 1,088,368</u>	<u>\$ 19,002</u>	<u>\$ 29,259</u>	<u>\$ 987</u>	<u>\$ 11,032</u>	<u>\$ 1,148,648</u>

NOTES TO THE FINANCIAL STATEMENTS**2. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

As of June 30, 2021, 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):

	Primary Government	Component Units		
		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	\$ 2,689,921	\$ 1,826,248	\$ 671,817	\$ 21,667
Net Pension Liability				
Firefighters' and Rescue Squad	36,185	—	—	—
Consolidated Judicial	106,837	—	—	—
Legislative Retirement	2,549	—	—	—
North Carolina National Guard	16,537	—	—	—
Pension Liability				
Special Separation Allowance	270,145	—	—	—
Total Pension Liability	<u>\$ 3,122,174</u>	<u>\$ 1,826,248</u>	<u>\$ 671,817</u>	<u>\$ 21,667</u>

(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, 2021, 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, 2021, Centennial Authority had a net pension liability of \$119 thousand.

Each net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate each net pension liability was determined by an actuarial valuation as of December 31, 2019. Update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2020. The total pension liability was determined by an actuarial valuation as of December 31, 2019. Update procedures were used to roll forward the total pension liability to June 30, 2020. The discount rate used to measure the total pension liability was 2.21% at June 30, 2020. 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2020 and 2019 were as follows:

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Teachers' and State Employees' Retirement System				
Proportion – June 30, 2020	22.26%	15.12%	5.56%	0.18%
Proportion – June 30, 2019	21.83%	15.05%	5.68%	0.17%
Change – Increase (Decrease)	0.43	0.07	(0.12)	0.01

For the year ended June 30, 2021, 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):

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Pension Expense				
Teachers' and State Employees' Retirement System	\$ 821,874	\$ 545,989	\$ 192,144	\$ 6,908
Consolidated Judicial	36,896	–	–	–
Legislative	702	–	–	–
Special Separation Allowance	27,876	–	–	–
Total Pension Expense	<u>\$ 887,348</u>	<u>\$ 545,989</u>	<u>\$ 192,144</u>	<u>\$ 6,908</u>

As a result of its requirement to contribute, the primary government recognized expense of \$14.5 million for FRSWPF and \$3.7 million for NGPF for the year ended June 30, 2021. 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, 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2021, 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						Total
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	
Primary Government:							
Difference between actual and expected experience	\$ 148,237	\$ 922	\$ 7,674	\$ —	\$ —	\$ 35,070	\$ 191,903
Changes of assumptions	91,173	2,649	5,901	—	—	12,963	112,686
Net difference between projected and actual earnings on pension plan investments	297,455	8,052	11,402	534	2,745	—	320,188
Change in proportion and differences between agency's contributions and proportionate share of contributions	92,019	—	—	—	—	—	92,019
Contributions subsequent to the measurement date	589,308	19,002	29,259	987	11,032	—	649,588
Transactions subsequent to the measurement date	—	—	—	—	—	18,738	18,738
Total	\$ 1,218,192	\$ 30,625	\$ 54,236	\$ 1,521	\$ 13,777	\$ 66,771	\$ 1,385,122
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	\$ 100,636						
Changes of assumptions	61,886						
Net difference between projected and actual earnings on pension plan investments	201,964						
Change in proportion and differences between agency's contributions and proportionate share of contributions	26,887						
Contributions subsequent to the measurement date	359,987						
Total ⁽¹⁾	\$ 751,360						
Community Colleges							
Difference between actual and expected experience	\$ 37,021						
Changes of assumptions	22,766						
Net difference between projected and actual earnings on pension plan investments	74,296						
Change in proportion and differences between agency's contributions and proportionate share of contributions	5,855						
Contributions subsequent to the measurement date	134,459						
Total	\$ 274,397						
Other Component Units							
Difference between actual and expected experience	\$ 1,194						
Changes of assumptions	734						
Net difference between projected and actual earnings on pension plan investments	2,396						
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,196						
Contributions subsequent to the measurement date	4,614						
Total ⁽²⁾	\$ 10,134						

(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, 2021, Rex Healthcare had deferred outflows of resources of \$28.818 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, 2021, Centennial Authority had deferred outflows of resources of \$66 thousand.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2021, 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						Total
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	
Primary Government:							
Difference between actual and expected experience	\$ —	\$ 4,534	\$ 25	\$ 308	\$ 12,476	\$ —	\$ 17,343
Changes of assumptions	—	5,677	—	—	—	1,639	7,316
Change in proportion and differences between agency's contributions and proportionate share of contributions	2,299	—	—	—	—	—	2,299
Total	<u>\$ 2,299</u>	<u>\$ 10,211</u>	<u>\$ 25</u>	<u>\$ 308</u>	<u>\$ 12,476</u>	<u>\$ 1,639</u>	<u>\$ 26,958</u>
Component Units:							
University of North Carolina System							
Change in proportion and differences between agency's contributions and proportionate share of contributions	4,724						
Total ⁽¹⁾	<u>\$ 4,724</u>						
Community Colleges							
Change in proportion and differences between agency's contributions and proportionate share of contributions	13,145						
Total	<u>\$ 13,145</u>						
Other Component Units							
Change in proportion and differences between agency's contributions and proportionate share of contributions	90						
Total ⁽²⁾	<u>\$ 90</u>						

(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, 2021, 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, 2021, Centennial Authority had deferred inflows of resources of \$7 thousand.

NOTES TO THE FINANCIAL STATEMENTS

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, 2022. 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'

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
2022	\$ 224,434	\$ 137,531	\$ 42,588	\$ 2,033
2023	175,271	105,359	33,722	1,533
2024	138,264	83,593	28,350	1,150
2025	88,616	60,166	22,133	714

Other Plans

Year Ending June 30	Primary Government				
	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
2022	\$ (457)	\$ 6,602	\$ (300)	\$ (8,193)	\$ 12,263
2023	(485)	9,023	185	(3,224)	11,566
2024	864	5,048	189	905	10,714
2025	1,490	4,279	152	781	8,627
2026	—	—	—	—	3,224

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, 2021, 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	\$ 2,066,305	\$ 4,948,223	\$ 7,014,528	\$ (435,728)
Effect on unrestricted net position				
TSERS	\$ (2,650,944)	\$ (41,275)	\$ (2,692,219)	\$ (2,537,691)
Other Plans	(456,911)	—	(456,911)	—
Total effect on unrestricted net position	\$ (3,107,855)	\$ (41,275)	\$ (3,149,130)	\$ (2,537,691)

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability in the December 31, 2019 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	12/31/19	12/31/19	12/31/19	12/31/19	12/31/19	12/31/19
Inflation	3%	3%	3%	3%	3%	2.5%
Salary Increases	3.5% - 8.1%	N/A	3.5% - 5.5%	5.5%	N/A	3.5% - 8.1%
Investment Rate of Return (2)	7%	7%	7%	7%	7%	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, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

NOTES TO THE FINANCIAL STATEMENTS

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 7%, 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 (6%) or 1-percentage-point higher (8%) than the current rate (dollars in thousands):

	<u>Net Pension Liability (Asset)</u>		
	<u>1% Decrease (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
Teachers' and State Employees' Proportionate Share			
Primary Government	\$ 4,841,223	\$ 2,689,921	\$ 885,421
University of North Carolina System	3,286,818	1,826,248	601,133
Community Colleges	1,209,113	671,817	221,137
Other Component Units	38,995	21,667	7,132
Firefighters' and Rescue Squad	\$ 96,953	\$ 36,185	\$ (13,675)
Consolidated Judicial	\$ 180,784	\$ 106,837	\$ 43,514
Legislative	\$ 5,315	\$ 2,549	\$ 168
North Carolina National Guard	\$ 36,456	\$ 16,537	\$ 180

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 2.21%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (2.21%) than the current rate (dollars in thousands):

	<u>Total Pension Liability</u>		
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Special Separation Allowance	\$ 289,914	\$ 270,145	\$ 251,955

NOTES TO THE FINANCIAL STATEMENTS**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, 2021 (dollars in thousands):

	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>Special Separation Allowance</u>
Total pension liability			
Service Cost	\$ 18,869	\$ 1,058	\$ 9,303
Interest	48,149	2,051	6,217
Differences between expected and actual experience	4,583	(617)	29,972
Changes of assumptions	-	-	10,736
Benefit payments, including refunds of member contributions	(48,920)	(2,388)	(17,820)
Net change in total pension liability	<u>22,681</u>	<u>104</u>	<u>38,408</u>
Total pension liability - beginning (a)	<u>711,895</u>	<u>30,467</u>	<u>231,737</u>
Total pension liability - ending (c)	<u>\$ 734,576</u>	<u>\$ 30,571</u>	<u>\$ 270,145</u>
Plan fiduciary net position			
Contributions-employer	\$ 26,637	\$ 956	\$ —
Contributions-member	5,224	253	—
Net investment income	25,923	1,151	—
Benefit payments, including refunds of member contributions	(48,920)	(2,388)	—
Administrative expense	(27)	(13)	—
Other	-	6	—
Net change in plan fiduciary net position	<u>8,837</u>	<u>(35)</u>	<u>—</u>
Plan fiduciary net position - beginning (b)	<u>618,902</u>	<u>28,057</u>	<u>—</u>
Plan fiduciary net position - ending (d)	<u>\$ 627,739</u>	<u>\$ 28,022</u>	<u>\$ —</u>
Net pension liability - beginning (a) - (b)	<u>92,993</u>	<u>2,410</u>	<u>—</u>
Net pension liability - ending (c) - (d)	<u>\$ 106,837</u>	<u>\$ 2,549</u>	<u>\$ —</u>

NOTES TO THE FINANCIAL STATEMENTS

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 have entered into an agreement with Prudential Retirement Insurance and Annuity Company (Prudential) to perform recordkeeping, administration, and education services. At December 31, 2020, there were approximately 56,700 plan members with 558 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, 2020 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, 2020, there were 15,670 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 have entered into an agreement with Prudential to perform recordkeeping, administration and education services. At June 30, 2021, there were 94 school districts enrolled in the NC 403(b) Program with 1,411 employees participating.

NOTES TO THE FINANCIAL STATEMENTS**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, 2021, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	57
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
Local governments	<u>11</u>
	<u>267</u>

NOTES TO THE FINANCIAL STATEMENTS

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 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System 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 Bill. For the fiscal year ended June 30, 2021, the State and the other employers contributed the legislatively mandated 6.68% 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.

NOTES TO THE FINANCIAL STATEMENTS**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, 2021, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	57
Community Colleges	58
University of North Carolina System	19
Other Component Units	<u>5</u>
	<u>256</u>

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, for as long as an employee is disabled. 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 the end of the short-term disability period 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. An 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.

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 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 Teachers' and State Employees' Retirement System 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, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

NOTES TO THE FINANCIAL STATEMENTS

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 Bill by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2021, 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	237,033	N/A
Retired members and survivors of deceased members currently receiving benefits	N/A	5,328
Terminated members entitled to but not yet receiving benefits	47,306	-
Active members	<u>344,085</u>	<u>324,037</u>
Total	<u><u>628,424</u></u>	<u><u>329,365</u></u>
Date of valuation	<i>12/31/20</i>	<i>12/31/20</i>
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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021 as described in Note 3. The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
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, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was:

	<u>Cost-Sharing, Multiple-Employer</u>	
	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Money-weighted Rate of Return	10.96%	(0.41%)

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

E. Net OPEB Liability (Asset) of Participating Employers

The components of the net OPEB liability (asset) of the participating employers at June 30, 2021, were as follows (dollars in thousands):

	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Total OPEB liability	\$ 33,500,219	\$ 315,388
Plan fiduciary net position	<u>2,584,626</u>	<u>331,722</u>
Net OPEB liability (asset)	<u>\$ 30,915,593</u>	<u>\$ (16,334)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	105.18%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions. The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.

	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%	3.00%
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 3.25% inflation and productivity factor

(2) - Investment rate of return is net of OPEB plan investment expense, including inflation.

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, 2021.

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2021 (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	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

NOTES TO THE FINANCIAL STATEMENTS

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, 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 3.05%. 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, 2021 is 1.3%.

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.

The actuarial assumptions used in the December 31, 2020 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 the long-term investment return, 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 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. 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 projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF net OPEB liability	\$ 36,773,649	\$ 30,915,593	\$ 26,171,227
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC net OPEB asset	\$ (10,313)	\$ (16,334)	\$ (21,904)

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 - 4%, Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF net OPEB liability	\$ 25,036,417	\$ 30,915,593	\$ 38,714,862
	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%)
DIPNC net OPEB asset	\$ (17,192)	\$ (16,334)	\$ (15,265)

NOTES TO THE FINANCIAL STATEMENTS**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, 2021 (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government	\$ 271,833	\$ 3,588	\$ 275,421
Component Units			
University of North Carolina System	\$ 302,715	\$ 4,079	\$ 306,794
Community Colleges	60,847	847	61,694
Other Component Units	2,156	29	2,185
Total Contributions	<u>\$ 637,551</u>	<u>\$ 8,543</u>	<u>\$ 646,094</u>

In fiscal year 2020, the State Health Plan (the Plan) transferred \$475.2 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, 2021, 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 \$	93,004	\$ 119,629	\$ 22,339	\$ 1,472

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

As of June 30, 2021, 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):

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Liability				
Retiree Health Benefit Fund	<u>\$ 5,429,965</u>	<u>\$ 7,025,953</u>	<u>\$ 1,304,098</u>	<u>\$ 43,564</u>
Proportionate Share of the Net OPEB Asset				
Disability Income Plan of N.C.	<u>\$ 9,458</u>	<u>\$ 12,715</u>	<u>\$ 2,356</u>	<u>\$ 80</u>

NOTES TO THE FINANCIAL STATEMENTS

Each net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate each net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2019. Update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020 and 2019 were as follows:

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Retiree Health Benefit Fund				
Proportion – June 30, 2020	19.57%	25.33%	4.70%	0.16%
Proportion – June 30, 2019	19.38%	25.12%	4.86%	0.15%
Change – Increase (Decrease)	0.19	0.21	(0.16)	0.01
Disability Income Plan of N.C.				
Proportion – June 30, 2020	19.23%	25.85%	4.79%	0.16%
Proportion – June 30, 2019	18.85%	25.35%	4.92%	0.15%
Change – Increase (Decrease)	0.38	0.50	(0.13)	0.01

For the fiscal year ended June 30, 2021, the primary government and component units recognized OPEB expense for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
OPEB Expense				
Retiree Health Benefit Fund	\$ (67,074)	\$ (211,165)	\$ (66,405)	\$ 1,281
Disability Income Plan of N.C.	7,704	9,315	1,896	64
Total OPEB Expense	<u>\$ (59,370)</u>	<u>\$ (201,850)</u>	<u>\$ (64,509)</u>	<u>\$ 1,345</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2021, 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	\$ 4,919	\$ 6,853	\$ 11,772
Changes of assumptions	238,138	736	238,874
Net difference between projected and actual earnings on OPEB plan investments	11,438	—	11,438
Change in proportion and differences between agency's contributions and proportionate share of contributions	413,087	1,304	414,391
Contributions subsequent to the measurement date	271,833	3,588	275,421
Total	<u>\$ 939,415</u>	<u>\$ 12,481</u>	<u>\$ 951,896</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ 6,365	\$ 9,211	\$ 15,576
Changes of assumptions	308,128	989	309,117
Net difference between projected and actual earnings on OPEB plan investments	14,801	—	14,801
Change in proportion and differences between agency's contributions and proportionate share of contributions	610,461	190	610,651
Contributions subsequent to the measurement date	302,715	4,079	306,794
Total	<u>\$ 1,242,470</u>	<u>\$ 14,469</u>	<u>\$ 1,256,939</u>
Community Colleges			
Difference between actual and expected experience	\$ 1,181	\$ 1,707	\$ 2,888
Changes of assumptions	57,192	183	57,375
Net difference between projected and actual earnings on OPEB plan investments	2,747	—	2,747
Change in proportion and differences between agency's contributions and proportionate share of contributions	41,332	484	41,816
Contributions subsequent to the measurement date	60,847	847	61,694
Total	<u>\$ 163,299</u>	<u>\$ 3,221</u>	<u>\$ 166,520</u>
Other Component Units			
Difference between actual and expected experience	\$ 39	\$ 57	\$ 96
Changes of assumptions	1,911	6	1,917
Net difference between projected and actual earnings on OPEB plan investments	92	—	92
Change in proportion and differences between agency's contributions and proportionate share of contributions	9,760	11	9,771
Contributions subsequent to the measurement date	2,156	29	2,185
Total	<u>\$ 13,958</u>	<u>\$ 103</u>	<u>\$ 14,061</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2021, 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):

	<u>Deferred Inflows of Resources</u>		
	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>	<u>Total</u>
Primary Government:			
Difference between actual and expected experience	\$ 212,434	\$ —	\$ 212,434
Changes of assumptions	2,203,499	745	2,204,244
Net difference between projected and actual earnings on OPEB plan investments	—	1,602	1,602
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>144,334</u>	<u>475</u>	<u>144,809</u>
Total	<u>\$ 2,560,267</u>	<u>\$ 2,822</u>	<u>\$ 2,563,089</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ 274,864	\$ —	\$ 274,864
Changes of assumptions	2,851,243	1,001	2,852,244
Net difference between projected and actual earnings on OPEB plan investments	—	2,154	2,154
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>385,753</u>	<u>1,140</u>	<u>386,893</u>
Total	<u>\$ 3,511,860</u>	<u>\$ 4,295</u>	<u>\$ 3,516,155</u>
Community Colleges			
Difference between actual and expected experience	\$ 51,018	\$ 186	\$ 51,204
Changes of assumptions	529,224	—	529,224
Net difference between projected and actual earnings on OPEB plan investments	—	399	399
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>145,658</u>	<u>49</u>	<u>145,707</u>
Total	<u>\$ 725,900</u>	<u>\$ 634</u>	<u>\$ 726,534</u>
Other Component Units			
Difference between actual and expected experience	\$ 1,704	\$ —	\$ 1,704
Changes of assumptions	17,679	6	17,685
Net difference between projected and actual earnings on OPEB plan investments	—	13	13
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>880</u>	<u>15</u>	<u>895</u>
Total	<u>\$ 20,263</u>	<u>\$ 34</u>	<u>\$ 20,297</u>

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, 2022. 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):

Year Ending June 30	Retiree Health Benefit Fund			
	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
2022	\$ (683,070)	\$ (1,008,242)	\$ (214,352)	\$ (3,661)
2023	(682,474)	(1,007,471)	(214,209)	(3,657)
2024	(289,935)	(254,483)	(92,027)	(805)
2025	(77,075)	(85,580)	(50,153)	170
2026	(160,131)	(216,329)	(52,707)	(508)

Year Ending June 30	Disability Income Plan of N.C.			
	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
2022	\$ 2,084	\$ 2,438	\$ 550	\$ 16
2023	1,441	1,573	390	10
2024	787	694	227	5
2025	1,203	1,254	331	8
2026	147	17	65	—
Thereafter	409	119	177	1

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	\$ 2,066,305	\$ 4,948,223	\$ 7,014,528	\$ (435,728)
Effect on unrestricted net position				
RHBF	\$ (7,863,844)	\$ (126,387)	\$ (7,990,231)	\$ (12,631,636)
Restricted net position	\$ 1,811,362	\$ 255,800	\$ 2,067,162	\$ 7,907,269
Effect on restricted net position				
DIPNC	\$ 6,572	\$ 66	\$ 6,638	\$ 10,187

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total OPEB liability in the December 31, 2019 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	12/31/20219	12/31/2019
Inflation	3%	3%
Salary Increases	3.5% - 8.1%	3.5% -8.1%
Investment Rate of Return (2)	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
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, 2020:

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	<u>100%</u>	

NOTES TO THE FINANCIAL STATEMENTS

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):

	<u>Net OPEB Liability</u>		
	Current		
	1% Decrease <u>(1.21%)</u>	Discount Rate (2.21%)	1% Increase <u>(3.21%)</u>
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 6,439,594	\$ 5,429,965	\$ 4,616,539
University of North Carolina System	8,332,336	7,025,953	5,973,444
Community Colleges	1,546,578	1,304,098	1,108,740
Other Component Units	51,664	43,564	37,038
 <u>Net OPEB Asset</u>			
Current			
	1% Decrease <u>(2.75%)</u>	Discount Rate (3.75%)	1% Increase <u>(4.75%)</u>
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	\$ (8,169)	\$ (9,458)	\$ (10,712)
University of North Carolina System	(10,982)	(12,715)	(14,399)
Community Colleges	(2,035)	(2,356)	(2,668)
Other Component Units	(68)	(80)	(89)

NOTES TO THE FINANCIAL STATEMENTS

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% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4% - 5.5%, Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5% - 6.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6% - 7.5%, Administrative - 4%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 4,377,533	\$ 5,429,965	\$ 6,836,680
University of North Carolina System	5,664,189	7,025,953	8,846,135
Community Colleges	1,051,339	1,304,098	1,641,945
Other Component Units	35,120	43,564	54,850

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%)	Current Healthcare Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%)
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	\$ (9,474)	\$ (9,458)	\$ (9,446)
University of North Carolina System	(12,736)	(12,715)	(12,697)
Community Colleges	(2,360)	(2,356)	(2,353)
Other Component Units	(79)	(80)	(79)

NOTES TO THE FINANCIAL STATEMENTS

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 76 out of 115 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):

	<u>Fiscal Year</u>	
	<u>2021</u>	<u>2020</u>
Unpaid claims at beginning of year (as restated)	\$ 8,667	\$ 6,226
Incurred claims:		
Provision for insured events		
of the current year	4,976	2,867
Increases (decreases) in provision		
for insured events of prior years	1,492	32,691
Total incurred claims	<u>6,468</u>	<u>35,558</u>
Payments:		
Claims attributable to insured		
events of the current year	2,914	2,861
Claims attributable to insured		
events of the prior years	8,047	30,256
Total payments	<u>10,961</u>	<u>33,117</u>
Total unpaid claims at end		
of the year	<u>\$ 4,174</u>	<u>\$ 8,667</u>

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, 2021, there were no claims for reinsurance. There were no premium deficiencies in fiscal year 2021. Investment income was not considered in the determination of premium deficiencies.

NOTES TO THE FINANCIAL STATEMENTS**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 2020 and in Calendar Year 2021. 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
2019-20	\$ 286,387	\$ 3,178,647	\$ (3,231,772)	\$ 233,262
2020-21	233,262	3,637,393	(3,570,871)	299,784

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, 2020 to June 30, 2021, 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 2020 to June 2021.

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).

NOTES TO THE FINANCIAL STATEMENTS

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
2019-20	\$ 3,603	\$ 55,438	\$ (54,059)	\$ 4,982
2020-21	4,982	63,333	(64,047)	4,268

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 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 for a period of up to 365 days following the waiting period. The first six months of benefits are payable by the employer outside of DIPNC. The remaining six months are paid by the employer outside of DIPNC, but the employer is reimbursed by DIPNC. Effective for disabilities that began on or after July 1, 2019, DIPNC will not reimburse employers for the second six months of costs to provide the benefit. 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, for as long as an employee is disabled. 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.

NOTES TO THE FINANCIAL STATEMENTS

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
2019-20	\$ 53,044	\$ 15,355	\$ (23,641)	\$ 44,758
2020-21	44,758	7,414	(18,068)	34,104

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.

NOTES TO THE FINANCIAL STATEMENTS

For the periods ending June 30, 2020 and June 30, 2021, 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, 2020 and June 30, 2021, 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, 2021, 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 \$23.413 million and \$22.631 million are the present values of the aggregate actuarially determined claims liabilities of \$23.629 million and \$22.842 million, discounted at 2.5% at June 30, 2020 and 2.5% at June 30, 2021.

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
2019-20	\$ 22,594	\$ 6,750	\$ (5,931)	\$ 23,413
2020-21	23,413	6,280	(7,062)	22,631

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

NOTES TO THE FINANCIAL STATEMENTS

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 under the State's Workers' Compensation Act, Chapter 97, if it is caused by an injury by accident as defined by the North Carolina Workers' Compensation Act or specific traumatic incident that arose out of and in the course and scope of employment. 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
2019-20	\$ 810,833	\$ 122,660	\$ (154,548)	\$ 778,945
2020-21	778,945	95,308	(122,411)	751,842

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, 2021, the Fund consisted of 1,130 eligible units representing approximately 44,562 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, 2021, there was no reduction for subrogation.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, the amount of claims recoverable from reinsurers was \$6,252. 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
2019-20	\$ 21,729	\$ 7,876	\$ (7,588)	\$ 22,017
2020-21	22,408	8,552	(6,983)	23,977

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NOTES TO THE FINANCIAL STATEMENTS**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, 2021 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2021

(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	\$ 139,367	\$ 963	\$ 537	\$ 324	\$ 6,335	\$ 35,910
Investments:						
Collective investment funds	-	-	-	-	-	-
Unallocated insurance contracts	-	-	-	-	-	-
Synthetic guaranteed investment contracts	-	-	-	-	-	-
State Treasurer investment pool	86,054,443	727,576	31,258	527,805	169,429	32,537,577
Non-State Treasurer pooled investments	-	-	-	-	-	-
Securities lending collateral	576,856	4,877	210	3,538	1,136	218,112
Receivables:						
Accounts receivable	5,707	-	-	1	-	2,681
Intergovernmental receivable	-	-	-	-	-	-
Interest receivable	72	1	-	-	2	20
Contributions receivable	111,615	-	103	-	-	71,237
Due from other funds	66,659	2,833	-	-	-	-
Due from component units	19,984	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	<u>86,974,703</u>	<u>736,250</u>	<u>32,108</u>	<u>531,668</u>	<u>176,902</u>	<u>32,865,537</u>
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	-	-	-	-	-	-
Benefits payable	967	6	1	3	-	512
Obligations under securities lending	576,856	4,877	210	3,538	1,136	218,112
Unearned revenue	69	1	-	-	1	19
Funds held for others	5,780	46	2	-	-	27
Total Liabilities	<u>583,672</u>	<u>4,930</u>	<u>213</u>	<u>3,541</u>	<u>1,137</u>	<u>218,670</u>
Net Position						
Restricted for:						
Pension benefits	86,391,031	731,320	31,895	528,127	175,765	32,646,867
Other postemployment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Total Net Position	<u>\$ 86,391,031</u>	<u>\$ 731,320</u>	<u>\$ 31,895</u>	<u>\$ 528,127</u>	<u>\$ 175,765</u>	<u>\$ 32,646,867</u>

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
\$ -	\$ -	\$ 8,738	\$ 1,163,493	\$ 3,325	\$ 1,113	\$ 68	\$ 1,360,173
40,137	7,989	-	-	-	-	-	48,126
204,176	40,640	-	-	-	-	-	244,816
1,725,595	343,463	-	-	-	-	-	2,069,058
-	-	494,819	1,355,036	304,615	-	53,028	122,255,586
10,839,205	1,381,533	-	-	-	-	-	12,220,738
-	-	-	9,096	-	-	-	813,825
4	-	-	262	23,243	-	-	31,898
-	-	-	-	-	304	-	304
-	-	2	184	1	-	-	282
9,806	1,061	878	33,007	442	-	107	228,256
-	-	417	21,908	289	-	-	92,106
-	-	125	10,912	147	-	-	31,168
277,903	21,589	-	-	-	-	-	299,492
<u>13,096,826</u>	<u>1,796,275</u>	<u>504,979</u>	<u>2,593,898</u>	<u>332,062</u>	<u>1,417</u>	<u>53,203</u>	<u>139,695,828</u>
1,248	248	78	-	-	-	-	1,574
-	-	4,268	-	202	-	-	5,959
-	-	-	9,096	-	-	-	813,825
-	-	2	176	1	-	-	269
-	-	-	-	137	-	-	5,992
<u>1,248</u>	<u>248</u>	<u>4,348</u>	<u>9,272</u>	<u>340</u>	<u>-</u>	<u>-</u>	<u>827,619</u>
13,095,578	-	-	-	-	1,417	53,203	133,655,203
-	-	-	2,584,626	331,722	-	-	2,916,348
-	1,796,027	500,631	-	-	-	-	2,296,658
<u>\$ 13,095,578</u>	<u>\$ 1,796,027</u>	<u>\$ 500,631</u>	<u>\$ 2,584,626</u>	<u>\$ 331,722</u>	<u>\$ 1,417</u>	<u>\$ 53,203</u>	<u>\$ 138,868,209</u>

NOTES TO THE FINANCIAL STATEMENTS**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For Fiscal Year Ended June 30, 2021

(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	\$ 2,373,252	\$ 29,259	\$ 987	\$ -	\$ -	\$ 745,308
Members	981,051	5,585	253	2,569	-	453,112
Other contributions	-	-	-	19,002	11,032	-
Total contributions	<u>3,354,303</u>	<u>34,844</u>	<u>1,240</u>	<u>21,571</u>	<u>11,032</u>	<u>1,198,420</u>
Investment income:						
Investment earnings (loss)	14,300,265	121,115	5,263	87,647	27,907	5,387,690
Less investment expenses	(276,580)	(2,342)	(101)	(1,695)	(542)	(104,389)
Net investment income (loss)	<u>14,023,685</u>	<u>118,773</u>	<u>5,162</u>	<u>85,952</u>	<u>27,365</u>	<u>5,283,301</u>
Other additions:						
Fees, licenses, and fines	-	-	-	-	-	2,089
Interest earnings on loans	-	-	-	-	-	-
Miscellaneous	417	-	-	15	1	149
Total other additions	<u>417</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>1</u>	<u>2,238</u>
Total additions	<u>17,378,405</u>	<u>153,617</u>	<u>6,402</u>	<u>107,538</u>	<u>38,398</u>	<u>6,483,959</u>
Deductions						
Claims and benefits	4,955,309	49,970	2,309	29,911	8,915	1,569,391
Medical insurance premiums	-	-	-	-	-	-
Refund of contributions	99,766	32	207	236	-	60,757
Administrative expenses	13,870	34	13	987	94	5,295
Other deductions	443	-	-	-	-	283
Total deductions	<u>5,069,388</u>	<u>50,036</u>	<u>2,529</u>	<u>31,134</u>	<u>9,009</u>	<u>1,635,726</u>
Change in net position	<u>12,309,017</u>	<u>103,581</u>	<u>3,873</u>	<u>76,404</u>	<u>29,389</u>	<u>4,848,233</u>
Net position — July 1	<u>74,082,014</u>	<u>627,739</u>	<u>28,022</u>	<u>451,723</u>	<u>146,376</u>	<u>27,798,634</u>
Net position — June 30	<u>\$ 86,391,031</u>	<u>\$ 731,320</u>	<u>\$ 31,895</u>	<u>\$ 528,127</u>	<u>\$ 175,765</u>	<u>\$ 32,646,867</u>

NOTES TO THE FINANCIAL STATE

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
\$ 238,387	\$ 4,301	\$ 25,138	\$ 1,214,750	\$ 16,226	\$ 1,535	\$ 1,200	\$ 4,650,343
393,664	79,969	-	-	-	-	-	1,916,203
-	-	28,166	187,000	-	-	-	245,200
<u>632,051</u>	<u>84,270</u>	<u>53,304</u>	<u>1,401,750</u>	<u>16,226</u>	<u>1,535</u>	<u>1,200</u>	<u>6,811,746</u>
1,557,850	207,404	(1,960)	226,743	(1,227)	4	(217)	21,918,484
-	-	(102)	(4,366)	(65)	-	(11)	(390,193)
<u>1,557,850</u>	<u>207,404</u>	<u>(2,062)</u>	<u>222,377</u>	<u>(1,292)</u>	<u>4</u>	<u>(228)</u>	<u>21,528,291</u>
-	-	-	-	-	580	-	2,669
16,100	1,248	-	-	-	-	-	17,348
159	24	-	-	-	-	-	765
<u>16,259</u>	<u>1,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580</u>	<u>-</u>	<u>20,782</u>
<u>2,206,160</u>	<u>292,946</u>	<u>51,242</u>	<u>1,624,127</u>	<u>14,934</u>	<u>2,119</u>	<u>972</u>	<u>28,360,819</u>
803,787	81,117	63,333	-	47,453	1,538	1,802	7,614,835
-	-	169	1,100,633	-	-	-	1,100,802
-	-	-	-	-	-	-	160,998
10,337	2,120	372	175	879	106	14	34,296
-	-	-	-	113	-	-	839
<u>814,124</u>	<u>83,237</u>	<u>63,874</u>	<u>1,100,808</u>	<u>48,445</u>	<u>1,644</u>	<u>1,816</u>	<u>8,911,770</u>
1,392,036	209,709	(12,632)	523,319	(33,511)	475	(844)	19,449,049
<u>11,703,542</u>	<u>1,586,318</u>	<u>513,263</u>	<u>2,061,307</u>	<u>365,233</u>	<u>942</u>	<u>54,047</u>	<u>119,419,160</u>
<u>\$ 13,095,578</u>	<u>\$ 1,796,027</u>	<u>\$ 500,631</u>	<u>\$ 2,584,626</u>	<u>\$ 331,722</u>	<u>\$ 1,417</u>	<u>\$ 53,203</u>	<u>\$ 138,868,209</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PLEDGED REVENUES

Primary Government**Governmental Activities**

The State has pledged future federal transportation revenues to repay \$875.865 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2021. These bonds were issued in May 2015, August 2017 and June 2019. 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 \$1.159 billion, payable through fiscal year 2034. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$131.636 million and \$1.255 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, 2021, the Triangle Expressway had \$1.911 billion of Appropriation and Revenue bonds payable and the Monroe Expressway had \$455 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 \$4.048 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, federal transportation funds and investment revenues) were \$115.817 million and \$57.235 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):

Purpose	Revenue Source	Future Revenues Pledged		Current Year		Final Maturity Date	Payable as of 6/30/2021
		(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments		
Revenue Bonds							
Millennial Campus (2)	University Charges to Athletics and Auxiliary Services	\$ 73,688	100%	\$ 2,472	\$ 2,530	2049	\$ 39,090
Health Care Facilities	Patient Service Revenues	638,263	5.9%	354,441	20,819	2050	420,260
Total		<u>\$ 711,951</u>		<u>\$ 356,913</u>	<u>\$ 23,349</u>		<u>\$ 459,350</u>
Direct Placements							
Utilities	Utilities Revenues	\$ 9,780	23%	\$ 5,989	\$ 739	2026	\$ 8,460
Student Housing System	Housing Revenues	23,341	52.5%	2,012	1,329	2035	18,012
Total		<u>\$ 33,121</u>		<u>\$ 8,001</u>	<u>\$ 2,068</u>		<u>\$ 26,472</u>
Special Indebtedness							
Student Housing System	Housing Revenues	\$ 87,580	41% - 130%	\$ 7,058	\$ 6,722	2041	\$ 77,468
Notes from Direct Borrowings							
Student Housing System	Housing Revenues	\$ 4,598	11%	\$ 2,279	\$ 215	2057	\$ 19,750

(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 is currently under construction. Revenues will be earned once the facility is placed into service. Bond proceeds totaling \$3.3 million were deposited into a University fund to pay all of the debt service requirements during the construction period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: COMPONENT UNITS – FINANCIAL INFORMATION

Financial statements as of and for the fiscal year ended June 30, 2021 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	\$ 2,965,891	\$ 427,590	\$ 765,907	\$ 101,058	\$ 4,260,446
Investments	4,497,920	143,638	-	1,433,540	6,075,098
Securities lending collateral	44	3	9	7	63
Receivables, net	1,422,820	109,227	104,088	94,679	1,730,814
Due from component units	5,361	2,568	-	3,012	10,941
Due from primary government	34,216	-	-	1,094	35,310
Inventories	178,397	15,932	-	656	194,985
Prepaid items	155,937	15,452	-	8,363	179,752
Notes receivable, net	104,422	1,133	-	1,427,596	1,533,151
Investment in joint venture	199,635	-	-	-	199,635
Restricted/designated cash and cash equivalents	1,882,965	122,687	-	1,364,101	3,369,753
Restricted investments	7,126,893	383,082	-	4,856,078	12,366,053
Restricted due from primary government	-	8,140	-	-	8,140
Restricted due from component units	-	3,729	-	3,299	7,028
Advances to outside entities	206	-	-	4	210
Beneficial interest in assets held by others	3,467	-	-	-	3,467
Net OPEB asset	12,715	2,356	10	70	15,151
Capital assets-nondepreciable	2,266,383	558,140	-	178,655	3,003,178
Capital assets-depreciable, net	13,103,478	3,312,410	-	828,039	17,243,927
Total Assets	33,960,750	5,106,087	870,014	10,300,251	50,237,102
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	128,607	-	-	1,850	130,457
Deferred loss on refunding	55,454	-	-	303	55,757
Deferred outflows for asset retirement obligation	13,406	-	-	-	13,406
Deferred outflows for pensions	780,178	274,397	1,269	8,931	1,064,775
Deferred outflows for OPEB	1,256,939	166,520	2,960	11,101	1,437,520
Other deferred outflows	-	1,746	-	-	1,746
Total Deferred Outflows of Resources	2,234,584	442,663	4,229	22,185	2,703,661
Liabilities					
Accounts payable and accrued liabilities	1,379,262	86,646	32,308	203,043	1,701,259
Medical claims payable	-	-	299,784	-	299,784
Interest payable	40,196	6	-	21,808	62,010
Obligations under securities lending	44	3	9	7	63
Due to component units	-	-	-	17,969	17,969
Due to primary government	2,726	-	-	30,678	33,404
Unearned revenue	809,990	29,073	30,810	35,967	905,840
Advance from primary government	-	-	-	2,191	2,191
Deposits payable	27,236	-	-	3,774	31,010
Funds held for others	36,635	8,357	-	3,518,707	3,563,699
Hedging derivatives liability	128,607	-	-	1,999	130,606
Long-term liabilities:					
Due within one year	392,213	15,692	44	126,263	534,212
Due in more than one year	15,201,964	2,103,209	8,777	2,334,959	19,648,909
Total Liabilities	18,018,873	2,242,986	371,732	6,297,365	26,930,956

NOTES TO THE FINANCIAL STATEMENTS**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	184,620	-	-	-	184,620
Deferred state aid	74,840	-	-	125,930	200,770
Deferred inflows for pensions	6,827	13,145	35	62	20,069
Deferred inflows for OPEB	3,516,155	726,534	3,003	17,294	4,262,986
Deferred inflows for irrevocable split-interest agreements	23,808	-	-	-	23,808
Other deferred inflows	2,335	-	-	4	2,339
Total Deferred Inflows of Resources	3,808,585	739,679	3,038	143,290	4,694,592
Net Position					
Net investment in capital assets	9,425,391	3,790,419	-	892,093	14,107,903
Restricted for:					
Nonexpendable:					
Higher education	3,129,298	274,695	-	-	3,403,993
Health and human services	402	-	-	-	402
Expendable:					
Higher education	5,519,561	339,433	-	531,752	6,390,746
Health and human services	428,564	-	-	75	428,639
Economic development	-	-	-	1,033,216	1,033,216
Other purposes	-	-	2	-	2
Unrestricted	(4,135,340)	(1,838,462)	499,471	1,424,645	(4,049,686)
Total Net Position	\$ 14,367,876	\$ 2,566,085	\$ 499,473	\$ 3,881,781	\$ 21,315,215

Statement of Activities

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Total expenses	\$ 13,664,751	\$ 2,402,415	\$ 4,063,819	\$ 1,101,482	\$ 21,232,467
Program revenues:					
Charges for services [1]	9,419,032	283,898	3,752,449	444,534	13,899,913
Operating grants and contributions:					
Federal aid - COVID-19	392,699	193,109	-	1,099	586,907
State aid - program	-	-	-	207,283	207,283
Other operating grants and contributions	4,319,883	898,627	15,820	253,533	5,487,863
Capital grants and contributions:					
State capital aid	316,933	95,931	-	-	412,864
Other capital grants and contributions	197,106	263,615	-	5,282	466,003
Net program (expense) revenue	980,902	(667,235)	(295,550)	(189,751)	(171,634)
Non-tax general revenues:					
Unrestricted investment earnings	-	-	-	316,634	316,634
State aid - coronavirus	183,664	51,380	-	95,688	330,732
State aid - general	3,078,368	1,068,766	-	137,498	4,284,632
Noncapital contributions	119,627	23,149	93	1,378	144,247
Miscellaneous	830	101	-	2,235	3,166
Total non-tax general revenues	3,382,489	1,143,396	93	553,433	5,079,411
Contributions to endowments	187,100	11,389	-	-	198,489
Change in net position	4,550,491	487,550	(295,457)	363,682	5,106,266
Net position — July 1, as restated	9,817,385	2,078,535	794,930	3,518,099	16,208,949
Net position — June 30	\$ 14,367,876	\$ 2,566,085	\$ 499,473	\$ 3,881,781	\$ 21,315,215

[1] The State Health Plan's charges for services include \$1.5 billion from the primary government.

NOTES TO THE FINANCIAL STATEMENTS**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)	\$ (350,103)	\$ (95,044)	\$ 447,731	\$ (2,584)	\$ -

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	Total	University of North Carolina System	Community Colleges	Other Component Units	Total
Due To Component Units:						
General Fund	\$ —	\$ —	\$ 5,712	\$ —	\$ —	\$ 5,712
Other Governmental Funds			—	8,140	—	8,140
Other Funds	—	—	28,504	—	1,094	29,598
Due To Primary Government:						
University of North Carolina System	2,726	2,726	—	—	—	—
Other Component Units	30,678	30,678	—	—	—	—
Total	\$ 33,404	\$ 33,404	\$ 34,216	\$ 8,140	\$ 1,094	\$ 43,450

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 have entered into an agreement with Prudential Financial, Inc. to perform recordkeeping, administration, and investment management services for both Plans.

The Plans contract with Galliard Capital Management, Inc. (Galliard), a subsidiary of Wells Fargo Bank N.A., to act as a delegated fiduciary investment manager for the North Carolina Stable Value Fund. Wells Fargo 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 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 revisions to the investment structure and guidelines and to lower participant fees.

Prudential Retirement, 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. These fees are deducted from the participants' account balances. 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, 2021, this support totaled \$179.96 million for the UNC System and \$2.50 million for community colleges.

The receivables from related parties as of June 30, 2021 were \$12.49 million for the University of North Carolina System and \$31 thousand for community colleges. The payables to related parties as of June 30, 2021 were \$22 thousand for the University of North Carolina System. The community colleges did not have any payables to related parties as of June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, was \$5.45 billion with interest rates varying from .75% to 6.25%.

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, 2021, was \$1.5 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 will provide additional direct funds of \$119.3 million. The PABs are not an obligation of the Department or the State. The NCDOT has a contingent obligation up to a maximum of \$75 million over the life of the project 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 2019-2020 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. That 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 Responses to those Reports. The Court has scheduled a hearing on September 8, 2021, to "address issues raised in the reports and responses."

The Court entered an Order on November 10, 2021, following a hearing held on October 18, 2021. Among other things, the November 10, 2021 Order directs the Office of State Budget and Management and the current State Budget Director, the Office of the State Controller and the current Controller, and the Office of the State Treasurer and the current State Treasurer to "take the necessary actions to transfer the total amount of funds necessary to effectuate years two & three of the Comprehensive Remedial Plan, from the unappropriated balance within the General Fund to the state agents and state actors with fiscal responsibility for implementing the Comprehensive Remedial Plan as follows:

- (a) Department of Health and Human Services (DHHS): \$189,800,000;
- (b) Department of Public Instruction (DPI): \$1,522,053,000.; and
- (c) University of North Carolina System: \$41,300,000."

The November 10, 2021 Order included a provision staying the order for 30 days (i.e., until December 10, 2021) "to permit the other branches of government to take further action consistent with the findings and conclusions" of the Order. On November 24, 2021, the State Controller petitioned the Court of Appeals to issue a writ of prohibition, temporary stay and writ of supersedeas. On November 29,

NOTES TO THE FINANCIAL STATEMENTS

2021, the Court of Appeals set a deadline of November 30, 2021, for the parties to respond to the petition for writ of prohibition, temporary stay and writ of supersedeas.

On November 30, 2021, the Court of Appeals (JJ, Dillon and Griffin) allowed the petition and issued a writ of prohibition restraining the trial court from enforcing the portion of its order requiring the Controller “to treat the \$1.7 billion in unappropriated school funding identified by the court ‘as an appropriation from the General Fund as contemplated within N.C. Gen. Stat. s. 143C-6-4(b)(2)(a) and to carry out all action necessary to effectuate those transfers.’” Judge Arrowood dissented.

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. 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 AGO 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 \$100,000,000.

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 on 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. By order dated March 25, 2021, the trial court granted in part our motions to dismiss, but many claims remain. Discovery was extended until November 1, 2021 and we anticipate filing Motions for Summary Judgment on behalf of DHHS and the DHHS employees on December 1, 2021. This matter is dealing with more than \$20 million in controversy and it is possible that we may lose on the merits and have to issue refunds of that amount.

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. The case was briefed and oral arguments were held on October 4, 2021. The parties are awaiting a ruling from the 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.

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, under 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.

NCDOT completed 15 road projects involving approximately 3,500 of these parcels more than two years ago, which should bar any claims for damages due to the statute of limitations. Of the 5,000 parcels that remained vulnerable to an inverse condemnation claim due to Map Act restrictions, NCDOT has acquired approximately 3,990 parcels through either direct acquisition of the property or settlement

NOTES TO THE FINANCIAL STATEMENTS

of inverse condemnation lawsuits at a total cost of approximately \$915 million. Of the remaining Map Act parcels, approximately 68 parcels have pending lawsuits. At this time, it is not possible to project the amount of the total Map Act liability; however, NCDOT currently estimates that it will cost approximately \$50 million to settle the remaining filed claims. The acquisition of additional parcels through the normal right of way process and the settlement of any additional claims that may be filed are not accounted for within that estimate. To date, Map Act acquisitions have been paid from the Highway Trust Fund.

Recently, landowners' attorneys have moved for, and been granted, "enhanced" attorney's fees on cases which are still in litigation. They have proceeded on the theory that they spearheaded the Map Act litigation and deserved more compensation.

Landowners' attorneys have also filed inverse condemnation suits raising a new theory of recovery for Map Act damages where NCDOT has previously acquired right of way or other interests from properties in a Map Act corridor. In these cases, the landowners have asserted that a claim for Map Act damages survives either a voluntary purchase or condemnation and is not extinguished by entry of a judgment by a prior condemnation. In the first of these cases to be heard by a trial court, the court has indicated in open court that it will order NCDOT to pay certain additional damages for areas within the corridor but not previously acquired by NCDOT. The general ruling has not been reduced to a written order, and the particulars are not entirely clear at this time. Depending on the details of the order and potential subsequent appellate rulings, 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 under \$1 million.

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 also is separately defending a claim involving the murder of a correctional officer by an inmate at a different state prison (Bertie).

Tetra Tech Construction, Inc. v. NCDOT. On September 14, 2021, Tetra Tech filed a Complaint against NCDOT for a claim of approximately \$28 million. Tetra Tech is a highway contractor which was awarded a contract to construct approximately 13 miles of US-220 in Guilford and Rockingham Counties. The total project cost was approximately \$100 million. Tetra Tech alleges that it incurred a loss of \$28 million due to a delay of approximately 53 months in completion of the Project. The delays were allegedly caused by, but not limited to, changes in the scope of work, delays to access of the Project site, changes in sequencing of the work, and other alleged delays caused by NCDOT. NCDOT has denied these allegations and will vigorously defend the lawsuit. The matter is currently pending in the N.C. Business Court. NCDOT has filed an Answer and Motion to Dismiss. A Case Management Order is expected in the near future. Potential exposure to the State is approximately \$28 million plus possible interest and other costs should the Plaintiff prevail in whole.

Vidant Hospital, UNC Hospitals, DHB/Provider Audit. Vidant filed annual cost reports for fiscal years 2010 through 2016. Provider Audit 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.

NOTES TO THE FINANCIAL STATEMENTS

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 DHB have both submitted position papers to the hearing officer. 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 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 DHHS leadership has participated in several high-level discussions with UNC. UNC estimates the value of these claims as about \$13 million. The situation with UNC is complicated as UNC may have received some overpayments from DHB. This matter is dealing with more than \$20 million in controversy and it is possible that we may lose on the merits and have to issue refunds of that amount.

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 and intends to 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, 2021, 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, 2021, 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, 2021, the amount due to CMS was \$160 million.

D. Highway Construction

The State has placed on deposit in court \$208.73 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 \$63.01 million in these proceedings. Also, the State is contingently liable for outstanding contractors’ claims in the amount of \$28.79 million. These costs have not been included in project-to-date costs.

E. Construction and Other Commitments

At June 30, 2021, the State had commitments of \$4.703 billion for construction of highway infrastructure. Of this amount, \$2.84 billion relates to the Highway Fund, \$319 million relates to the N.C. Turnpike Authority, and \$1.544 billion relates to the Highway Trust Fund. The other commitments for construction and improvements of state government facilities totaled \$137.21 million, including \$54.4 million for the Department of Environmental Quality, \$33.31 million for the Department of Natural and Cultural Resources, \$14.39 million for the Department of Public Safety, \$6.57 million for the Department of Justice, \$6.12 million for the Department of Agriculture, and \$5.62 million for the Department of Military and Veterans Affairs.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2021, the University of North Carolina System (component unit) had outstanding construction commitments of \$814.51 million (including \$327.23 million for UNC Health Care System, \$89.19 million for Western Carolina University, \$86.29 million for the University of North Carolina at Chapel Hill, \$78.83 million for North Carolina State University, \$53.64 million for North Carolina Central University, and \$53.63 million for Appalachian State University).

At June 30, 2021, community colleges (component units) had outstanding construction commitments of \$126.07 million (including \$29 million for Central Piedmont Community College, \$25.29 million for Wake Technical Community College, \$23.2 million for Fayetteville Technical Community College, \$13.43 million for Sandhills Community College, \$9.43 million for Cleveland Community College, \$4.28 million for Sampson Community College, and \$3 million for Durham Technical Community College).

The Department of Environmental Quality has other significant commitments of \$450.06 million for clean water and other cost reimbursement grants. At June 30, 2021, the Department of Natural and Cultural Resources had outstanding commitments of \$45.23 million for clean water grants to nongovernmental organizations and local and state government. The Department of Public Instruction has other significant commitments of \$304.17 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, 2021, the 911 Fund (special revenue fund) had outstanding commitments on these cost-reimbursement grants and contracts to the PSAPs totaling \$26.84 million.

At June 30, 2021, the Administrative Office of the Courts had outstanding software in development contract commitments of \$34.94 million.

The State Treasurer has entered into 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, 2021, the UNC Investment Fund had approximately \$1.55 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 actually 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 \$3.62 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

NOTES TO THE FINANCIAL STATEMENTS

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. As of June 30, 2021, the total amount of the liability cannot be reasonably estimated.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: TAX ABATEMENTS

As of June 30, 2021, 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, 2021 on an accrual basis as a result of the agreements with the State is \$38.99 million. The State has made no other commitments other than to abate taxes.

NOTES TO THE FINANCIAL STATEMENTS**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 84 Implementation" column are due to the State's adoption of GASB Statement No. 84, *Fiduciary Activities*, as discussed in Note 2. These adjustments include fund reclassifications due to the implementation of GASB 84. Amounts in the "Adjustments" column are primarily due to the correction of errors related to prior periods.

	July 1, 2020 Fund Equity as Previously Reported	GASB 84 Implementation	Adjustments	July 1, 2020 Fund Equity as Restated
Primary Government				
Major Governmental Funds:				
General Fund	\$ 6,431,886	\$ 114,645	\$ 39,077	\$ 6,585,608
Highway Fund	(330,185)	—	—	(330,185)
Highway Trust Fund	1,222,626	—	—	1,222,626
Other Governmental Funds:				
Special Revenue Funds	1,711,125	—	—	1,711,125
Capital Projects Funds	890,361	—	47	890,408
Permanent Funds	155,673	—	—	155,673
Total Governmental Funds	<u>10,081,486</u>	<u>114,645</u>	<u>39,124</u>	<u>10,235,255</u>
Internal Service Funds	140,819	—	43,215	184,034
Government-wide adjustments:				
Equity interest in component unit	372,174	—	—	372,174
Capital assets	57,355,233	—	55,479	57,410,712
Deferred losses on refundings	64,762	—	—	64,762
Deferred outflows for pensions	1,105,577	—	—	1,105,577
Deferred inflows for pensions	(35,901)	—	—	(35,901)
Deferred outflows for OPEB	864,378	—	—	864,378
Deferred inflows for OPEB	(2,221,236)	—	—	(2,221,236)
Unavailable revenue	223,973	—	(2,282)	221,691
Long-term liabilities	(16,488,616)	—	—	(16,488,616)
Accrued interest payable	(37,077)	—	—	(37,077)
OPEB assets	7,849	—	—	7,849
Total Government-wide adjustments	<u>41,211,116</u>	<u>—</u>	<u>53,197</u>	<u>41,264,313</u>
Total Governmental Activities	<u>\$ 51,433,421</u>	<u>\$ 114,645</u>	<u>\$ 135,536</u>	<u>\$ 51,683,602</u>
Business-type Activities - Enterprise Funds:				
Unemployment Compensation Fund	3,024,196	—	—	3,024,196
EPA Revolving Loan Fund	1,942,373	—	(47)	1,942,326
N.C. State Lottery Fund	(44,697)	—	—	(44,697)
N.C. Turnpike Authority	352,399	—	—	352,399
Other enterprise funds	277,080	—	4,187	281,267
Total Business-type Activities - Enterprise Funds	<u>\$ 5,551,351</u>	<u>\$ —</u>	<u>\$ 4,140</u>	<u>\$ 5,555,491</u>
Fiduciary Funds				
Pension and Other Employee Benefit Trust Funds	119,419,160	—	—	119,419,160
Investment Trust Funds	1,543,143	(1,543,143)	—	—
Private Purpose Trust Funds	1,040,515	(53,433)	—	987,082
Custodial Funds				
External Investment Pools and Investment Account	—	1,543,143	—	1,543,143
Other Custodial Funds	—	516,647	—	516,647
Total Fiduciary Funds	<u>\$122,002,818</u>	<u>\$ 463,214</u>	<u>\$ —</u>	<u>\$122,466,032</u>
Total Primary Government	<u>\$178,987,590</u>	<u>\$ 577,859</u>	<u>\$ 139,676</u>	<u>\$179,705,125</u>

NOTES TO THE FINANCIAL STATEMENTS

	July 1, 2020			July 1, 2020
	Fund Equity as Previously Reported	GASB 84 Implementation	Adjustments	Fund Equity as Restated
Component Units				
University of North Carolina System	\$ 9,833,792	\$ —	\$ (16,407)	\$ 9,817,385
Community Colleges	2,064,324	—	14,211	2,078,535
State Health Plan	794,930	—	—	794,930
Other component units	3,517,671	—	428	3,518,099
Total Component Units	<u>\$ 16,210,717</u>	<u>\$ —</u>	<u>\$ (1,768)</u>	<u>\$ 16,208,949</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity Deficit**Primary Government**

At June 30, 2021, the following internal service funds reported a net position deficit: Mail Service Center, \$1.6 million; Computing Services, \$38.29 million; Surplus Property, \$392 thousand.

At June 30, 2021, the following nonmajor enterprise funds reported a net position deficit: State Banking Commission, \$9.25 million; Utilities Commission, \$12.79 million.

At June 30, 2021, the following fiduciary fund reported a net position deficit: Vehicle Property Tax Collections, \$74 thousand.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: SUBSEQUENT EVENTS

Primary Government*Grant Anticipation Revenue Vehicle Bonds, Series 2021*

On September 16, 2021, the State issued \$252.6 million of Grant Anticipation Revenue Vehicle Bonds (GARVEE), Series 2021. The bonds are dated September 16, 2021 and will bear interest from that date. Interest will be payable semiannually on each March 1 and September 1, commencing March 1, 2022. The bonds will mature, subject to redemption provisions, from March 1, 2022 to March 1, 2036 inclusive, and were issued at coupon rates ranging from 2% to 5%. The bonds maturing on or after March 1, 2031 are subject to early redemption. The bonds have an all-in true interest cost of 1.53%. The bonds are being issued pursuant to Section 136-18(12b) of the North Carolina General Statutes as amended (“The GARVEE Act”), the State and Local Government Revenue Bond Act, Section 159-80 of the North Carolina General Statutes, and under a Master Trust Indenture dated as of October 1, 2007. A resolution was duly adopted by the Council of State and the Local Government Commission on August 3, 2021. The bonds were issued to provide financing for eligible highway projects across the State as authorized in the Act and to pay the costs incurred in the issuance and delivery of the bonds. GARVEE bonds are payable solely from certain federal aid revenues received on behalf of the State that are legally available for payment. The Series 2021 GARVEE bonds was the eighth series issued under the GARVEE Act, with the first series (2007) being issued on October 17, 2007.



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 Eight Fiscal Years

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Teachers' and State Employees'					
Total pension liability					
Service Cost	\$ 1,906,954	\$ 1,851,058	\$ 1,782,475	\$ 1,630,323	\$ 1,469,395
Interest	5,857,546	5,663,045	5,460,427	5,281,004	5,195,104
Changes of benefit terms	-	-	-	44,339	449,563
Differences between expected and actual experience	(141,796)	258,502	535,860	815,911	229,339
Changes of assumptions	2,341,992	-	-	1,637,700	381,934
Benefit payments, including refunds of member contributions	(5,055,075)	(4,934,999)	(4,835,144)	(4,666,391)	(4,545,296)
Net change in total pension liability	4,909,621	2,837,606	2,943,618	4,742,886	3,180,039
Total pension liability - beginning	86,164,011	83,326,405	80,382,787	75,639,901	72,459,862
Total pension liability - ending (a)	\$ 91,073,632	\$ 86,164,011	\$ 83,326,405	\$ 80,382,787	\$ 75,639,901
Plan fiduciary net position					
Contributions-employer	\$ 2,373,252	\$ 2,055,075	\$ 1,915,146	\$ 1,602,901	\$ 1,441,194
Contributions-member	981,051	964,544	951,566	910,797	894,538
Net investment income	14,023,684	3,050,585	4,514,117	4,885,354	6,656,652
Benefit payments, including refunds of member contributions	(5,055,075)	(4,934,999)	(4,835,144)	(4,666,391)	(4,545,296)
Administrative expense	(13,870)	(12,910)	(11,815)	(11,604)	(11,265)
Other	(25)	271	(1,120)	181	808
Net change in plan fiduciary net position	12,309,017	1,122,566	2,532,750	2,721,238	4,436,631
Plan fiduciary net position - beginning	74,082,014	72,959,448	70,426,698	67,705,460	63,268,829
Plan fiduciary net position - ending (b)	\$ 86,391,031	\$ 74,082,014	\$ 72,959,448	\$ 70,426,698	\$ 67,705,460
TSERS's net pension liability - ending (a) - (b)	\$ 4,682,601	\$ 12,081,997	\$ 10,366,957	\$ 9,956,089	\$ 7,934,441
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%
Covered payroll	\$ 16,057,185	\$ 15,844,834	\$ 15,582,963	\$ 14,869,212	\$ 14,440,822
Net pension liability as a percentage of covered payroll	29.16%	76.25%	66.53%	66.96%	54.94%
Local Governmental Employees'					
Total pension liability					
Service Cost	\$ 876,765	\$ 841,148	\$ 798,120	\$ 713,227	\$ 656,231
Interest	2,139,954	2,037,306	1,934,144	1,838,989	1,803,590
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	296,054	177,954	252,859	378,665	73,083
Changes of assumptions	1,125,778	-	-	595,781	138,096
Benefit payments, including refunds of member contributions	(1,630,148)	(1,551,217)	(1,472,856)	(1,402,793)	(1,322,277)
Net change in total pension liability	2,808,403	1,505,191	1,512,267	2,123,869	1,348,723
Total pension liability - beginning	31,372,060	29,866,869	28,354,602	26,230,733	24,882,010
Total pension liability - ending (a)	\$ 34,180,463	\$ 31,372,060	\$ 29,866,869	\$ 28,354,602	\$ 26,230,733
Plan fiduciary net position					
Contributions-employer	\$ 745,308	\$ 640,969	\$ 534,107	\$ 492,317	\$ 461,329
Contributions-member	453,112	436,754	420,437	401,632	391,459
Net investment income	5,283,300	1,139,009	1,675,331	1,789,337	2,413,758
Benefit payments, including refunds of member contributions	(1,630,148)	(1,551,217)	(1,472,856)	(1,402,793)	(1,322,277)
Administrative expense	(5,295)	(4,889)	(4,634)	(4,324)	(4,264)
Other	1,956	2,061	1,302	3,081	3,330
Net change in plan fiduciary net position	4,848,233	662,687	1,153,687	1,279,250	1,943,335
Plan fiduciary net position - beginning	27,798,634	27,135,947	25,982,260	24,703,010	22,759,675
Plan fiduciary net position - ending (b)	\$ 32,646,867	\$ 27,798,634	\$ 27,135,947	\$ 25,982,260	\$ 24,703,010
LGERS's net pension liability (asset) - ending (a) - (b)	\$ 1,533,596	\$ 3,573,426	\$ 2,730,922	\$ 2,372,342	\$ 1,527,723
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	94.18%
Covered payroll	\$ 7,166,423	\$ 6,914,444	\$ 6,665,378	\$ 6,368,275	\$ 6,192,808
Net pension liability (asset) as a percentage of covered payroll	21.40%	51.68%	40.97%	37.25%	24.67%

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,580,544	\$ 1,562,846	\$ 1,556,027
4,937,464	4,803,766	4,648,995
35,605	-	355,224
(190,178)	(278,170)	(345,392)
1,743,836	-	-
<u>(4,339,637)</u>	<u>(4,184,410)</u>	<u>(3,989,397)</u>
3,767,634	1,904,032	2,225,457
68,692,228	66,788,196	64,562,739
<u>\$ 72,459,862</u>	<u>\$ 68,692,228</u>	<u>\$ 66,788,196</u>

\$ 1,275,003	\$ 1,262,988	\$ 1,177,341
864,151	854,306	825,548
472,174	1,468,624	9,121,005
(4,339,637)	(4,184,410)	(3,989,397)
(10,217)	(10,646)	(10,762)
325	393	320
<u>(1,738,201)</u>	<u>(608,745)</u>	<u>7,124,055</u>
65,007,030	65,615,775	58,491,720
<u>\$ 63,268,829</u>	<u>\$ 65,007,030</u>	<u>\$ 65,615,775</u>
<u>\$ 9,191,033</u>	<u>\$ 3,685,198</u>	<u>\$ 1,172,421</u>

87.32%	94.64%	98.24%
\$ 13,934,459	\$ 13,803,148	\$ 13,548,227
65.96%	26.70%	8.65%

\$ 684,288	\$ 670,936	\$ 654,735
1,707,699	1,628,373	1,555,958
12,581	65,914	(7,790)
50,205	(72,177)	(80,590)
183,019	-	-
<u>(1,251,918)</u>	<u>(1,172,578)</u>	<u>(1,106,799)</u>
1,385,874	1,120,468	1,015,514
23,496,136	22,375,668	21,360,154
<u>\$ 24,882,010</u>	<u>\$ 23,496,136</u>	<u>\$ 22,375,668</u>

\$ 414,168	\$ 408,694	\$ 413,175
375,572	363,863	346,961
175,189	520,578	3,161,964
(1,251,918)	(1,172,578)	(1,106,799)
(3,926)	(4,086)	(3,974)
3,248	3,285	3,297
<u>(287,667)</u>	<u>119,756</u>	<u>2,814,624</u>
23,047,342	22,927,586	20,112,962
<u>\$ 22,759,675</u>	<u>\$ 23,047,342</u>	<u>\$ 22,927,586</u>
<u>\$ 2,122,335</u>	<u>\$ 448,794</u>	<u>\$ (551,918)</u>

91.47%	98.09%	102.47%
\$ 5,860,574	\$ 5,650,694	\$ 5,553,383
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 Eight Fiscal Years

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Firefighters' and Rescue Squad Workers'					
Total pension liability					
Service Cost	\$ 7,675	\$ 7,733	\$ 7,640	\$ 7,542	\$ 4,841
Interest	33,116	32,500	32,140	31,686	31,475
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(4,881)	(1,376)	(4,922)	(121)	2,048
Changes of assumptions	6,525	-	-	10,593	2,549
Benefit payments, including refunds of member contributions	(30,147)	(29,953)	(29,502)	(31,727)	(29,070)
Net change in total pension liability	<u>12,288</u>	<u>8,904</u>	<u>5,356</u>	<u>17,973</u>	<u>11,843</u>
Total pension liability - beginning	<u>487,908</u>	<u>479,004</u>	<u>473,648</u>	<u>455,675</u>	<u>443,832</u>
Total pension liability - ending (a)	<u>\$ 500,196</u>	<u>\$ 487,908</u>	<u>\$ 479,004</u>	<u>\$ 473,648</u>	<u>\$ 455,675</u>
Plan fiduciary net position					
Contributions-member	\$ 2,569	\$ 2,581	\$ 2,770	\$ 2,790	\$ 2,594
Contributions-nonemployer	19,002	18,652	18,302	17,952	17,602
Net investment income	85,952	18,593	27,363	29,505	39,928
Benefit payments, including refunds of member contributions	(30,147)	(29,953)	(29,502)	(31,727)	(29,070)
Administrative expense	(987)	(885)	(1,002)	(885)	(919)
Other	15	14	(18)	10	15
Net change in plan fiduciary net position	<u>76,404</u>	<u>9,002</u>	<u>17,913</u>	<u>17,645</u>	<u>30,150</u>
Plan fiduciary net position - beginning	<u>451,723</u>	<u>442,721</u>	<u>424,808</u>	<u>407,163</u>	<u>377,013</u>
Plan fiduciary net position - ending (b)	<u>\$ 528,127</u>	<u>\$ 451,723</u>	<u>\$ 442,721</u>	<u>\$ 424,808</u>	<u>\$ 407,163</u>
FRSWPF's's net pension liability (asset) - ending (a) - (b)	<u>\$ (27,931)</u>	<u>\$ 36,185</u>	<u>\$ 36,283</u>	<u>\$ 48,840</u>	<u>\$ 48,512</u>
Plan fiduciary net position as a percentage of the total pension liability	105.58%	92.58%	92.43%	89.69%	89.35%
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
Registers of Deeds'					
Total pension liability					
Service Cost	\$ 1,120	\$ 1,125	\$ 1,117	\$ 1,086	\$ 860
Interest	1,134	1,122	1,133	1,157	1,164
Differences between expected and actual experience	308	(124)	(770)	(1,125)	440
Changes of assumptions	2,101	-	-	-	-
Benefit payments, including refunds of member contributions	(1,802)	(1,788)	(1,754)	(1,793)	(1,793)
Net change in total pension liability	<u>2,861</u>	<u>335</u>	<u>(274)</u>	<u>(675)</u>	<u>671</u>
Total pension liability - beginning	<u>31,129</u>	<u>30,794</u>	<u>31,068</u>	<u>31,743</u>	<u>31,072</u>
Total pension liability - ending (a)	<u>\$ 33,990</u>	<u>\$ 31,129</u>	<u>\$ 30,794</u>	<u>\$ 31,068</u>	<u>\$ 31,743</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,200	\$ 958	\$ 950	\$ 856	\$ 869
Net investment income	(228)	4,353	3,721	(230)	(13)
Benefit payments, including refunds of member contributions	(1,802)	(1,788)	(1,754)	(1,793)	(1,793)
Administrative expense	(14)	(12)	(12)	(14)	(19)
Net change in plan fiduciary net position	<u>(844)</u>	<u>3,511</u>	<u>2,905</u>	<u>(1,181)</u>	<u>(956)</u>
Plan fiduciary net position - beginning	<u>54,047</u>	<u>50,536</u>	<u>47,631</u>	<u>48,812</u>	<u>49,768</u>
Plan fiduciary net position - ending (b)	<u>\$ 53,203</u>	<u>\$ 54,047</u>	<u>\$ 50,536</u>	<u>\$ 47,631</u>	<u>\$ 48,812</u>
RODSPF's net pension asset - ending (a) - (b)	<u>\$ (19,213)</u>	<u>\$ (22,918)</u>	<u>\$ (19,742)</u>	<u>\$ (16,563)</u>	<u>\$ (17,069)</u>
Plan fiduciary net position as a percentage of the total pension liability	156.53%	173.62%	164.11%	153.31%	153.77%
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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 5,610	\$ 5,884	\$ 5,710
30,035	29,671	29,394
118	-	8,770
(2,177)	(2,799)	2,714
15,577	-	(16,688)
<u>(27,998)</u>	<u>(26,912)</u>	<u>(25,614)</u>
21,165	5,844	4,286
<u>422,667</u>	<u>416,823</u>	<u>412,537</u>
<u>\$ 443,832</u>	<u>\$ 422,667</u>	<u>\$ 416,823</u>
\$ 2,778	\$ 2,822	\$ 2,781
13,900	13,900	14,627
2,867	8,711	53,842
(27,998)	(26,912)	(25,614)
(860)	(1,622)	(1,045)
18	4	2
<u>(9,295)</u>	<u>(3,097)</u>	<u>44,593</u>
386,308	389,405	344,812
<u>\$ 377,013</u>	<u>\$ 386,308</u>	<u>\$ 389,405</u>
<u>\$ 66,819</u>	<u>\$ 36,359</u>	<u>\$ 27,418</u>
84.94%	91.40%	93.42%
N/A	N/A	N/A
N/A	N/A	N/A

\$ 579	\$ 578	\$ 563
1,354	1,372	1,342
(45)	(558)	302
7,082	-	-
<u>(1,718)</u>	<u>(1,715)</u>	<u>(1,666)</u>
7,252	(323)	541
<u>23,820</u>	<u>24,143</u>	<u>23,602</u>
<u>\$ 31,072</u>	<u>\$ 23,820</u>	<u>\$ 24,143</u>
\$ 817	\$ 802	\$ 817
3,722	1,114	2,714
(1,718)	(1,715)	(1,666)
<u>(47)</u>	<u>(16)</u>	<u>(18)</u>
2,774	185	1,847
<u>46,994</u>	<u>46,809</u>	<u>44,962</u>
<u>\$ 49,768</u>	<u>\$ 46,994</u>	<u>\$ 46,809</u>
<u>\$ (18,696)</u>	<u>\$ (23,174)</u>	<u>\$ (22,666)</u>
160.17%	197.29%	193.88%
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 Eight Fiscal Years

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Consolidated Judicial					
Total pension liability					
Service Cost	\$ 19,545	\$ 18,869	\$ 18,710	\$ 17,192	\$ 15,630
Interest	49,700	48,149	46,838	45,397	44,837
Changes of benefit terms	-	-	-	430	4,349
Differences between expected and actual experience	2,451	4,583	845	7,660	2,193
Changes of assumptions	46,622	-	-	12,836	3,032
Benefit payments, including refunds of member contributions	(50,001)	(48,920)	(46,451)	(43,392)	(42,053)
Net change in total pension liability	<u>68,317</u>	<u>22,681</u>	<u>19,942</u>	<u>40,123</u>	<u>27,988</u>
Total pension liability - beginning	734,576	711,895	691,953	651,830	623,842
Total pension liability - ending (a)	<u>\$ 802,893</u>	<u>\$ 734,576</u>	<u>\$ 711,895</u>	<u>\$ 691,953</u>	<u>\$ 651,830</u>
Plan fiduciary net position					
Contributions-employer	\$ 29,259	\$ 26,637	\$ 25,636	\$ 23,988	\$ 19,592
Contributions-member	5,585	5,224	5,151	5,706	7,399
Net investment income	118,772	25,923	38,211	41,123	55,762
Benefit payments, including refunds of member contributions	(50,001)	(48,920)	(46,451)	(43,392)	(42,053)
Administrative expense	(34)	(27)	(30)	(24)	(37)
Other	-	-	(119)	-	-
Net change in plan fiduciary net position	<u>103,581</u>	<u>8,837</u>	<u>22,398</u>	<u>27,401</u>	<u>40,663</u>
Plan fiduciary net position - beginning	627,739	618,902	596,504	569,103	528,440
Plan fiduciary net position - ending (b)	<u>\$ 731,320</u>	<u>\$ 627,739</u>	<u>\$ 618,902</u>	<u>\$ 596,504</u>	<u>\$ 569,103</u>
CJRS's net pension liability - ending (a) - (b)	<u>\$ 71,573</u>	<u>\$ 106,837</u>	<u>\$ 92,993</u>	<u>\$ 95,449</u>	<u>\$ 82,727</u>
Plan fiduciary net position as a percentage of the total pension liability	91.09%	85.46%	86.94%	86.21%	87.31%
Covered payroll	\$ 80,294	\$ 79,277	\$ 75,712	\$ 77,255	\$ 66,504
Net pension liability as a percentage of covered payroll	89.14%	134.76%	122.82%	123.55%	124.39%
Legislative					
Total pension liability					
Service Cost	\$ 1,034	\$ 1,058	\$ 1,088	\$ 1,006	\$ 872
Interest	2,053	2,051	2,052	2,028	2,056
Changes of benefit terms	-	-	-	24	215
Differences between expected and actual experience	(815)	(617)	(596)	207	(122)
Changes of assumptions	(353)	-	-	511	121
Benefit payments, including refunds of member contributions	(2,516)	(2,388)	(2,732)	(2,531)	(2,437)
Net change in total pension liability	<u>(597)</u>	<u>104</u>	<u>(188)</u>	<u>1,245</u>	<u>705</u>
Total pension liability - beginning	30,571	30,467	30,655	29,410	28,705
Total pension liability - ending (a)	<u>\$ 29,974</u>	<u>\$ 30,571</u>	<u>\$ 30,467</u>	<u>\$ 30,655</u>	<u>\$ 29,410</u>
Plan fiduciary net position					
Contributions-employer	\$ 987	\$ 956	\$ 809	\$ 689	\$ 675
Contributions-member	253	253	257	253	253
Net investment income	5,162	1,151	1,726	1,975	2,744
Benefit payments, including refunds of member contributions	(2,516)	(2,388)	(2,732)	(2,531)	(2,437)
Administrative expense	(13)	(13)	(14)	(14)	(18)
Other	-	6	(50)	-	-
Net change in plan fiduciary net position	<u>3,873</u>	<u>(35)</u>	<u>(4)</u>	<u>372</u>	<u>1,217</u>
Plan fiduciary net position - beginning	28,022	28,057	28,061	27,689	26,472
Plan fiduciary net position - ending (b)	<u>\$ 31,895</u>	<u>\$ 28,022</u>	<u>\$ 28,057</u>	<u>\$ 28,061</u>	<u>\$ 27,689</u>
LRS's net pension liability (asset) - ending (a) - (b)	<u>\$ (1,921)</u>	<u>\$ 2,549</u>	<u>\$ 2,410</u>	<u>\$ 2,594</u>	<u>\$ 1,721</u>
Plan fiduciary net position as a percentage of the total pension liability	106.41%	91.66%	92.09%	91.54%	94.15%
Covered payroll	\$ 3,615	\$ 3,613	\$ 3,611	\$ 3,618	\$ 3,705
Net pension liability (asset) as a percentage of covered payroll	(53.14%)	70.55%	66.74%	71.70%	46.45%

2016	2015	2014
\$ 16,904	\$ 16,812	\$ 16,637
42,009	40,846	39,405
332	-	3,031
(4,295)	(2,289)	(2,484)
26,588	-	-
<u>(40,462)</u>	<u>(38,364)</u>	<u>(35,428)</u>
41,076	17,005	21,161
582,766	565,761	544,600
<u>\$ 623,842</u>	<u>\$ 582,766</u>	<u>\$ 565,761</u>
\$ 18,908	\$ 18,949	\$ 21,390
7,561	6,238	5,598
3,972	12,176	74,294
(40,462)	(38,364)	(35,428)
(73)	(30)	(48)
-	1	3
<u>(10,094)</u>	<u>(1,030)</u>	<u>65,809</u>
538,534	539,564	473,755
<u>\$ 528,440</u>	<u>\$ 538,534</u>	<u>\$ 539,564</u>
<u>\$ 95,402</u>	<u>\$ 44,232</u>	<u>\$ 26,197</u>
84.71%	92.41%	95.37%
\$ 69,489	\$ 69,638	\$ 76,367
137.29%	63.52%	34.30%
\$ 822	\$ 844	\$ 747
1,708	1,742	1,678
22	-	146
(520)	(579)	762
5,151	-	-
<u>(2,430)</u>	<u>(2,473)</u>	<u>(2,614)</u>
4,753	(466)	719
23,952	24,418	23,699
<u>\$ 28,705</u>	<u>\$ 23,952</u>	<u>\$ 24,418</u>
\$ 65	\$ -	\$ -
253	253	253
181	642	4,293
(2,430)	(2,473)	(2,614)
(53)	(17)	(37)
-	-	-
<u>(1,984)</u>	<u>(1,595)</u>	<u>1,895</u>
28,456	30,051	28,156
<u>\$ 26,472</u>	<u>\$ 28,456</u>	<u>\$ 30,051</u>
<u>\$ 2,233</u>	<u>\$ (4,504)</u>	<u>\$ (5,633)</u>
92.22%	118.80%	123.07%
\$ 3,616	\$ 3,611	\$ 3,608
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 Eight Fiscal Years

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
North Carolina					
National Guard					
Total pension liability					
Service Cost	\$ 276	\$ 315	\$ 327	\$ 304	\$ 305
Interest	11,097	11,746	12,368	12,288	11,975
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	4,599	(12,364)	(12,701)	(1,748)	1,204
Changes of assumptions	4,601	-	-	3,926	955
Benefit payments, including refunds of member contributions	(8,915)	(9,018)	(8,736)	(8,766)	(8,677)
Net change in total pension liability	<u>11,658</u>	<u>(9,321)</u>	<u>(8,742)</u>	<u>6,004</u>	<u>5,762</u>
Total pension liability - beginning	<u>162,913</u>	<u>172,234</u>	<u>180,976</u>	<u>174,972</u>	<u>169,210</u>
Total pension liability - ending (a)	<u>\$ 174,571</u>	<u>\$ 162,913</u>	<u>\$ 172,234</u>	<u>\$ 180,976</u>	<u>\$ 174,972</u>
Plan fiduciary net position					
Contributions-nonemployer	\$ 11,032	\$ 11,032	\$ 9,072	\$ 8,923	\$ 8,517
Net investment income	27,365	5,871	8,463	8,766	11,626
Benefit payments, including refunds of member contributions	(8,915)	(9,018)	(8,736)	(8,766)	(8,677)
Administrative expense	(94)	(83)	(13)	(249)	(168)
Other	1	1	(16)	2	-
Net change in plan fiduciary net position	<u>29,389</u>	<u>7,803</u>	<u>8,770</u>	<u>8,676</u>	<u>11,298</u>
Plan fiduciary net position - beginning	<u>146,376</u>	<u>138,573</u>	<u>129,803</u>	<u>121,127</u>	<u>109,829</u>
Plan fiduciary net position - ending (b)	<u>\$ 175,765</u>	<u>\$ 146,376</u>	<u>\$ 138,573</u>	<u>\$ 129,803</u>	<u>\$ 121,127</u>
NGPF's net pension liability (asset) - ending (a) - (b)	<u>\$ (1,194)</u>	<u>\$ 16,537</u>	<u>\$ 33,661</u>	<u>\$ 51,173</u>	<u>\$ 53,845</u>
Plan fiduciary net position as a percentage of the total pension liability	100.68%	89.85%	80.46%	71.72%	69.23%
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

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 593	\$ 550	\$ 512
10,700	9,916	9,330
-	8,734	5,752
30	(198)	192
15,149	-	-
<u>(8,512)</u>	<u>(7,958)</u>	<u>(7,502)</u>
17,960	11,044	8,284
151,250	140,206	131,922
<u>\$ 169,210</u>	<u>\$ 151,250</u>	<u>\$ 140,206</u>
\$ 7,066	\$ 6,039	\$ 7,007
842	2,493	14,942
(8,512)	(7,958)	(7,502)
(97)	(75)	(73)
1	-	1
<u>(700)</u>	<u>499</u>	<u>14,375</u>
110,529	110,030	95,655
<u>\$ 109,829</u>	<u>\$ 110,529</u>	<u>\$ 110,030</u>
<u>\$ 59,381</u>	<u>\$ 40,721</u>	<u>\$ 30,176</u>
64.91%	73.08%	78.48%
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'	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,373,252	\$ 2,055,075	\$ 1,915,146	\$ 1,565,728	\$ 1,438,306
Contributions in relation to the actuarially determined contribution (1)	2,373,252	2,055,075	1,915,146	1,602,901	1,441,194
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,173)</u>	<u>\$ (2,888)</u>
Covered payroll	\$ 16,057,185	\$ 15,844,834	\$ 15,582,963	\$ 14,869,212	\$ 14,440,822
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%
Local Governmental Employees'					
Actuarially determined contribution	\$ 763,653	\$ 625,511	\$ 512,287	\$ 483,559	\$ 453,193
Contributions in relation to the actuarially determined contribution (1)	745,308	640,969	534,107	492,317	461,329
Contribution excess	<u>\$ 18,345</u>	<u>\$ (15,458)</u>	<u>\$ (21,820)</u>	<u>\$ (8,758)</u>	<u>\$ (8,136)</u>
Covered payroll	\$ 7,166,423	\$ 6,914,444	\$ 6,665,378	\$ 6,368,275	\$ 6,192,808
Contributions as a percentage of covered payroll	10.40%	9.27%	8.01%	7.73%	7.45%
Firefighters' and Rescue Squad Workers' (2)					
Actuarially determined contribution	\$ 14,846	\$ 14,324	\$ 14,544	\$ 14,287	\$ 17,705
Contributions in relation to the actuarially determined contribution (1)	19,002	18,652	18,302	17,952	17,602
Contribution deficiency (excess)	<u>\$ (4,156)</u>	<u>\$ (4,328)</u>	<u>\$ (3,758)</u>	<u>\$ (3,665)</u>	<u>\$ 103</u>
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)	1,200	958	950	856	869
Contribution excess	<u>\$ (1,200)</u>	<u>\$ (958)</u>	<u>\$ (950)</u>	<u>\$ (856)</u>	<u>\$ (869)</u>
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.

2016	2015	2014	2013	2012
\$ 1,210,904	\$ 1,262,988	\$ 1,177,341	\$ 1,078,783	\$ 1,015,762
1,275,003	1,262,988	1,177,341	1,120,482	1,015,762
<u>\$ (64,099)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,699)</u>	<u>\$ -</u>
\$ 13,934,459	\$ 13,803,148	\$ 13,548,227	\$ 13,451,164	\$ 13,652,715
9.15%	9.15%	8.69%	8.33%	7.44%

\$ 393,920	\$ 402,429	\$ 397,462	\$ 370,152	\$ 376,340
414,168	408,694	413,175	383,889	389,399
<u>\$ (20,248)</u>	<u>\$ (6,265)</u>	<u>\$ (15,713)</u>	<u>\$ (13,737)</u>	<u>\$ (13,059)</u>
\$ 5,860,574	\$ 5,650,694	\$ 5,553,383	\$ 5,421,364	\$ 5,402,147
7.07%	7.23%	7.44%	7.08%	7.21%

\$ 13,241	\$ 13,900	\$ 14,620	\$ 14,074	\$ 14,389
13,900	13,900	14,627	15,447	14,398
<u>\$ (659)</u>	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ (1,373)</u>	<u>\$ (9)</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

\$ -	\$ -	\$ -	\$ -	\$ -
817	802	817	937	843
<u>\$ (817)</u>	<u>\$ (802)</u>	<u>\$ (817)</u>	<u>\$ (937)</u>	<u>\$ (843)</u>
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)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Consolidated Judicial					
Actuarially determined contribution	\$ 29,259	\$ 26,637	\$ 24,947	\$ 23,988	\$ 19,592
Contributions in relation to the actuarially determined contribution	29,259	26,637	25,636	23,988	19,592
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (689)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 80,294	\$ 79,277	\$ 75,712	\$ 77,255	\$ 66,504
Contributions as a percentage of covered payroll	36.44%	33.60%	33.86%	31.05%	29.46%
Legislative					
Actuarially determined contribution	\$ 987	\$ 956	\$ 809	\$ 689	\$ 675
Contributions in relation to the actuarially determined contribution	987	956	809	689	675
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,615	\$ 3,613	\$ 3,611	\$ 3,618	\$ 3,705
Contributions as a percentage of covered payroll	27.30%	26.46%	22.40%	19.04%	18.22%
North Carolina National Guard *					
Actuarially determined contribution	\$ 11,032	\$ 11,032	\$ 9,072	\$ 8,923	\$ 8,517
Contributions in relation to the actuarially determined contribution	11,032	11,032	9,072	8,923	8,517
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 18,324	\$ 18,949	\$ 21,390	\$ 18,992	\$ 18,956
18,908	18,949	21,390	18,992	18,956
<u>\$ (584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 69,489	\$ 69,638	\$ 76,367	\$ 71,533	\$ 75,673
27.21%	27.21%	28.01%	26.55%	25.05%

\$ 65	\$ -	\$ -	\$ -	\$ -
65	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,616	\$ 3,611	\$ 3,608	\$ 3,600	\$ 3,314
1.80%	0.00%	0.00%	0.00%	0.00%

\$ 7,066	\$ 6,039	\$ 5,349	\$ 5,667	\$ 6,075
7,066	6,039	7,007	7,007	7,007
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,658)</u>	<u>\$ (1,340)</u>	<u>\$ (932)</u>
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 Eight Fiscal Years

Annual money-weighted rate of return, net of investment expense	2021	2020	2019	2018	2017
<i>Cost-Sharing, Multiple Employer</i>					
Teachers' and State Employees'	19.13%	4.35%	6.57%	7.61%	10.75%
Local Governmental Employees'	19.10%	4.34%	6.58%	7.59%	10.74%
Firefighters' and Rescue Squad Workers'	19.10%	4.33%	6.55%	7.59%	10.76%
Registers of Deeds'	(0.43%)	8.72%	7.91%	(0.47%)	(0.03%)
<i>Single-Employer</i>					
Consolidated Judicial	19.13%	4.36%	6.57%	7.60%	10.75%
Legislative	18.81%	4.30%	6.43%	7.64%	10.72%
North Carolina National Guard	18.40%	4.28%	6.52%	7.44%	10.63%

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.74%	2.27%	15.88%
0.77%	2.27%	15.86%
0.75%	2.26%	15.62%
8.04%	2.26%	6.04%
0.75%	2.27%	15.87%
0.66%	2.25%	15.91%
0.77%	2.25%	15.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2021

Changes of benefit terms.

	<u>Cost of Living Increase</u>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Cost-Sharing, Multiple-Employer</u>										
Teachers' and State Employees'	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A
Local Governmental Employees'	N/A	N/A	N/A	N/A	0.11%	0.63%	N/A	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
<u>Single-Employer</u>										
Consolidated Judicial	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A
Legislative	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	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.

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 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

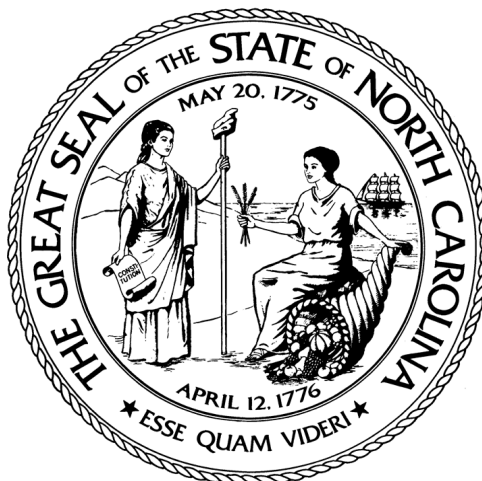
For the Fiscal Year Ended June 30, 2021

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, 2021. The net pension liabilities of employers were measured as of June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS'
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Eight Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Teachers' and State Employees'	2021	2020	2019	2018	2017
Primary Government					
Proportion of the net pension liability	22.26%	21.83%	21.75%	21.74%	21.93%
Proportionate share of the net pension liability	\$ 2,689,921	\$ 2,263,139	\$ 2,165,010	\$ 1,725,012	\$ 2,015,413
Covered payroll	\$ 3,778,103	\$ 3,542,384	\$ 3,499,295	\$ 3,264,890	\$ 3,311,814
Proportionate share of the net pension liability as a percentage of covered payroll	71.20%	63.89%	61.87%	52.84%	60.86%
Component Units					
University of North Carolina System					
Proportion of the net pension liability	15.12%	15.05%	14.90%	14.72%	14.43%
Proportionate share of the net pension liability	\$ 1,826,248	\$ 1,559,975	\$ 1,482,962	\$ 1,167,833	\$ 1,325,896
Covered payroll	\$ 2,431,573	\$ 2,374,044	\$ 2,280,501	\$ 2,202,204	\$ 2,117,672
Proportionate share of the net pension liability as a percentage of covered payroll	75.11%	65.71%	65.03%	53.03%	62.61%
Community Colleges					
Proportion of the net pension liability	5.56%	5.68%	5.80%	5.96%	5.92%
Proportionate share of the net pension liability	\$ 671,817	\$ 588,482	\$ 577,687	\$ 472,532	\$ 543,846
Covered payroll	\$ 927,386	\$ 873,702	\$ 876,939	\$ 895,962	\$ 871,399
Proportionate share of the net pension liability as a percentage of covered payroll	72.44%	67.36%	65.88%	52.74%	62.41%
Other Component Units					
Proportion of the net pension liability	0.18%	0.17%	0.17%	0.16%	0.16%
Proportionate share of the net pension liability	\$ 21,667	\$ 18,087	\$ 16,760	\$ 12,763	\$ 14,653
Covered payroll	\$ 30,285	\$ 28,153	\$ 27,263	\$ 27,154	\$ 25,454
Proportionate share of the net pension liability as a percentage of covered payroll	71.54%	64.25%	61.48%	47.00%	57.57%
Plan fiduciary net position as a percentage of the total pension liability	85.98%	87.56%	87.61%	89.51%	87.32%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

<u>2016</u>	<u>2015</u>	<u>2014</u>
22.47%	22.78%	22.95%
\$ 828,018	\$ 267,119	\$ 1,393,385
\$ 3,498,284	\$ 3,255,443	\$ 3,203,001
23.67%	8.21%	43.50%
14.45%	14.79%	14.48%
\$ 532,624	\$ 173,441	\$ 878,936
\$ 2,053,148	\$ 2,089,885	\$ 1,987,497
25.94%	8.30%	44.22%
5.89%	5.87%	5.80%
\$ 216,890	\$ 68,803	\$ 352,004
\$ 861,639	\$ 853,383	\$ 1,165,333
25.17%	8.06%	30.21%
0.17%	0.17%	0.17%
\$ 6,224	\$ 2,049	\$ 10,605
\$ 25,574	\$ 25,673	\$ 39,228
24.34%	7.98%	27.03%
94.64%	98.24%	90.60%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S (NONEMPLOYER)
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Eight Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Firefighters' and Rescue Squad Workers'	2021	2020	2019	2018	2017
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	\$ 36,185	\$ 36,283	\$ 48,840	\$ 48,512	\$ 66,819
Plan fiduciary net position as a percentage of the total pension liability	92.58%	92.43%	89.69%	89.35%	84.94%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard

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	\$ 16,537	\$ 33,661	\$ 51,173	\$ 53,845	\$ 59,381
Plan fiduciary net position as a percentage of the total pension liability	89.85%	80.46%	71.72%	69.23%	64.91%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

<u>2016</u>	<u>2015</u>	<u>2014</u>
100.00%	100.00%	100.00%
\$ 36,359	\$ 27,418	\$ 67,725
91.40%	93.42%	83.58%

100.00%	100.00%	100.00%
\$ 40,721	\$ 30,176	\$ 36,267
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 Eight Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2021	2020	2019	2018	2017
Primary Government					
Contractually required contribution	\$ 589,308	\$ 490,020	\$ 435,359	\$ 377,224	\$ 325,836
Contributions in relation to the contractually required contribution	589,308	490,020	435,359	377,224	325,836
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,987,199	\$ 3,778,103	\$ 3,542,384	\$ 3,499,295	\$ 3,264,890
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 359,987	\$ 315,375	\$ 291,770	\$ 245,838	\$ 219,780
Contributions in relation to the contractually required contribution	359,987	315,375	291,770	245,838	219,780
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,435,636	\$ 2,431,573	\$ 2,374,044	\$ 2,280,501	\$ 2,202,204
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%
Community Colleges					
Contractually required contribution	\$ 134,459	\$ 120,282	\$ 107,378	\$ 94,534	\$ 89,417
Contributions in relation to the contractually required contribution	134,459	120,282	107,378	94,534	89,417
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 909,736	\$ 927,386	\$ 873,702	\$ 876,939	\$ 895,962
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%
Other Component Units					
Contractually required contribution	\$ 4,614	\$ 3,928	\$ 3,460	\$ 2,939	\$ 2,710
Contributions in relation to the contractually required contribution	4,614	3,928	3,460	2,939	2,710
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 31,218	\$ 30,285	\$ 28,153	\$ 27,263	\$ 27,154
Contributions as a percentage of covered payroll	14.78%	12.97%	12.29%	10.78%	9.98%

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 303,031	\$ 320,093	\$ 282,898
<u>303,031</u>	<u>320,093</u>	<u>282,898</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,311,814	\$ 3,498,284	\$ 3,255,443
9.15%	9.15%	8.69%
<hr/>		
\$ 193,767	\$ 187,863	\$ 181,611
<u>193,767</u>	<u>187,863</u>	<u>181,611</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,117,672	\$ 2,053,148	\$ 2,089,885
9.15%	9.15%	8.69%
<hr/>		
\$ 79,733	\$ 78,840	\$ 74,159
<u>79,733</u>	<u>78,840</u>	<u>74,159</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 871,399	\$ 861,639	\$ 853,383
9.15%	9.15%	8.69%
<hr/>		
\$ 2,329	\$ 2,340	\$ 2,231
<u>2,329</u>	<u>2,340</u>	<u>2,231</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,454	\$ 25,574	\$ 25,673
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 Five Fiscal Years

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Special Separation Allowance					
Total pension liability					
Service Cost	\$ 9,303	\$ 7,842	\$ 7,090	\$ 5,779	\$ 6,112
Interest	6,217	6,519	6,721	5,328	7,314
Changes of benefit terms	-	-	-	18,621	-
Differences between expected and actual experience	29,972	11,825	894	8,582	3,927
Changes of assumptions	10,736	3,091	5,051	(5,675)	(1,216)
Benefit payments, including refunds of member contributions	(17,820)	(16,922)	(16,031)	(15,631)	(14,895)
Net change in total pension liability	<u>38,408</u>	<u>12,355</u>	<u>3,725</u>	<u>17,004</u>	<u>1,242</u>
Total pension liability - beginning	<u>231,737</u>	<u>219,382</u>	<u>215,657</u>	<u>198,653</u>	<u>197,411</u>
Total pension liability - ending	<u>\$ 270,145</u>	<u>\$ 231,737</u>	<u>\$ 219,382</u>	<u>\$ 215,657</u>	<u>\$ 198,653</u>
Covered-employee payroll	\$ 286,465	\$ 265,387	\$ 258,472	\$ 243,663	\$ 161,416
Total pension liability as a percentage of covered-employee payroll	94.30%	87.32%	84.88%	88.51%	123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2021

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 2.79% at June 30, 2019 to 2.21% at June 30, 2020 due to a change in the Municipal Bond Index Rate.

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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

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Five Fiscal Years

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Retiree Health Benefit					
Total OPEB liability					
Service Cost	\$ 1,974,212	\$ 1,824,174	\$ 1,539,092	\$ 1,753,384	\$ 2,650,984
Interest	690,162	1,203,196	1,192,810	1,261,878	1,332,874
Changes of benefit terms	-	224,085	(72,358)	-	-
Differences between expected and actual experience	194,899	30,157	(156,655)	(80,951)	(2,821,033)
Changes of assumptions	1,939,421	(5,489,969)	1,824,892	(6,141,972)	(10,835,144)
Benefit payments, including refunds of member contributions	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)	(922,021)
Net change in total OPEB liability	<u>3,698,061</u>	<u>(3,293,025)</u>	<u>3,296,825</u>	<u>(4,184,837)</u>	<u>(10,594,340)</u>
Total OPEB liability - beginning	29,802,158	33,095,183	29,798,358	33,983,195	44,577,535
Total OPEB liability - ending (a)	<u>\$ 33,500,219</u>	<u>\$ 29,802,158</u>	<u>\$ 33,095,183</u>	<u>\$ 29,798,358</u>	<u>\$ 33,983,195</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,214,750	\$ 1,162,967	\$ 1,104,902	\$ 1,018,693	\$ 950,813
Contributions-other	187,000	475,200	-	-	-
Net investment income	222,377	52,286	71,780	72,384	94,132
Benefit payments, including refunds of member contributions	(1,100,633)	(1,084,668)	(1,030,956)	(977,176)	(922,021)
Administrative expense	(175)	(162)	(215)	(298)	(490)
Net change in plan fiduciary net position	<u>523,319</u>	<u>605,623</u>	<u>145,511</u>	<u>113,603</u>	<u>122,434</u>
Plan fiduciary net position - beginning	2,061,307	1,455,684	1,310,173	1,196,570	1,074,136
Plan fiduciary net position - ending (b)	<u>\$ 2,584,626</u>	<u>\$ 2,061,307</u>	<u>\$ 1,455,684</u>	<u>\$ 1,310,173</u>	<u>\$ 1,196,570</u>
Retiree Health Benefit net OPEB liability - ending (a) - (b)	<u>\$ 30,915,593</u>	<u>\$ 27,740,851</u>	<u>\$ 31,639,499</u>	<u>\$ 28,488,185</u>	<u>\$ 32,786,625</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%
Covered payroll	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
Net OPEB liability as a percentage of covered payroll	170.01%	154.33%	179.55%	169.19%	200.34%
Disability Income					
Total OPEB liability					
Service Cost	\$ 23,010	\$ 22,708	\$ 22,567	\$ 25,919	\$ 25,441
Interest	10,969	11,424	13,800	14,654	14,111
Changes of benefit terms	-	-	-	(44,158)	(403)
Differences between expected and actual experience	15,758	5,137	4,106	48,787	22,345
Changes of assumptions	(2,935)	2	(4,980)	6,692	-
Benefit payments, including refunds of member contributions	(47,453)	(55,210)	(61,946)	(69,949)	(71,728)
Net change in total OPEB liability	<u>(651)</u>	<u>(15,939)</u>	<u>(26,453)</u>	<u>(18,055)</u>	<u>(10,234)</u>
Total OPEB liability - beginning	316,039	331,978	358,431	376,486	386,720
Total OPEB liability - ending (a)	<u>\$ 315,388</u>	<u>\$ 316,039</u>	<u>\$ 331,978</u>	<u>\$ 358,431</u>	<u>\$ 376,486</u>
Plan fiduciary net position					
Contributions-employer	\$ 16,226	\$ 17,848	\$ 24,468	\$ 23,385	\$ 61,654
Net investment income	(1,292)	28,322	24,725	(1,481)	(122)
Benefit payments, including refunds of member contributions	(47,453)	(55,210)	(61,946)	(69,949)	(71,728)
Administrative expense	(879)	(835)	(926)	(777)	(1,050)
Other	(113)	(20)	-	23	32
Net change in plan fiduciary net position	<u>(33,511)</u>	<u>(9,895)</u>	<u>(13,679)</u>	<u>(48,799)</u>	<u>(11,214)</u>
Plan fiduciary net position - beginning	365,233	375,128	388,807	437,606	448,820
Plan fiduciary net position - ending (b)	<u>\$ 331,722</u>	<u>\$ 365,233</u>	<u>\$ 375,128</u>	<u>\$ 388,807</u>	<u>\$ 437,606</u>
Disability Income's net OPEB asset - ending (a) - (b)	<u>\$ (16,334)</u>	<u>\$ (49,194)</u>	<u>\$ (43,150)</u>	<u>\$ (30,376)</u>	<u>\$ (61,120)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	105.18%	115.57%	113.00%	108.47%	116.23%
Covered payroll	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
Net OPEB asset as a percentage of covered payroll	(0.09%)	(0.28%)	(0.25%)	(0.18%)	(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	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,049,625	\$ 2,823,873	\$ 2,971,069	\$ 2,613,258	\$ 2,728,064
Contributions in relation to the actuarially determined contribution (1)	1,214,750	1,162,967	1,104,902	1,018,693	950,813
Contribution deficiency	<u>\$ 1,834,875</u>	<u>\$ 1,660,906</u>	<u>\$ 1,866,167</u>	<u>\$ 1,594,565</u>	<u>\$ 1,777,251</u>
Covered payroll	\$ 18,184,883	\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%	5.81%
Disability Income					
Actuarially determined contribution	\$ 16,226	\$ 17,848	\$ 22,720	\$ 23,385	\$ 24,337
Contributions in relation to the actuarially determined contribution (1)	16,226	17,848	24,468	23,385	61,654
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,748)</u>	<u>\$ -</u>	<u>\$ (37,317)</u>
Covered payroll	\$ 18,028,883	\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%	0.38%

(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.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 2,516,706	\$ 2,211,436	\$ 2,226,586	\$ 2,072,951	\$ 2,371,490
880,847	854,383	815,157	813,223	710,027
<u>\$ 1,635,859</u>	<u>\$ 1,357,053</u>	<u>\$ 1,411,429</u>	<u>\$ 1,259,728</u>	<u>\$ 1,661,463</u>
\$ 15,729,411	\$ 15,562,532	\$ 15,095,500	\$ 15,343,830	\$ 14,200,540
5.60%	5.49%	5.40%	5.30%	5.00%

\$ 63,963	\$ 63,267	\$ 65,878	\$ 64,969	\$ 71,244
63,963	63,267	65,878	64,969	80,537
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,293)</u>
\$ 15,600,732	\$ 15,430,976	\$ 14,972,273	\$ 14,765,682	\$ 15,487,885
0.41%	0.41%	0.44%	0.44%	0.52%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT OPEB PLANS
Last Five Fiscal Years

Annual money-weighted rate of return, net of investment expense	2021	2020	2019	2018	2017
Retiree Health Benefit	10.96%	3.80%	5.73%	6.58%	9.31%
Disability Income	(0.41)%	8.68%	7.74%	(0.42)%	(0.06%)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2021

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.

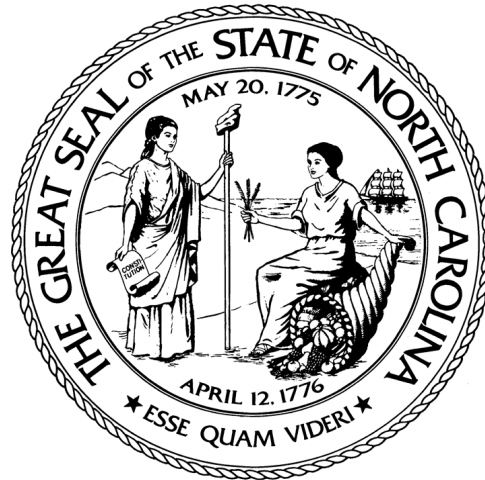
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

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. 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 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.

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. 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. 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 four years. 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 Four Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Retiree Health Benefit	2021	2020	2019	2018
Primary Government				
Proportion of the net OPEB liability	19.57%	19.38%	19.06%	19.24%
Proportionate share of the net OPEB liability	\$ 5,429,964	\$ 6,130,058	\$ 5,428,301	\$ 6,308,532
Covered payroll	\$ 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	140.74%	169.12%	151.84%	192.78%
Component Units				
University of North Carolina System				
Proportion of the net OPEB liability	25.33%	25.12%	24.31%	23.06%
Proportionate share of the net OPEB liability	\$ 7,025,953	\$ 7,946,586	\$ 6,924,221	\$ 7,560,701
Covered payroll	\$ 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	156.90%	180.55%	170.20%	163.21%
Community Colleges				
Proportion of the net OPEB liability	4.70%	4.86%	5.02%	4.93%
Proportionate share of the net OPEB liability	\$ 1,304,098	\$ 1,536,342	\$ 1,429,417	\$ 1,617,372
Covered payroll	\$ 918,872	\$ 980,064	\$ 889,736	\$ 853,363
Proportionate share of the net OPEB liability as a percentage of covered payroll	141.92%	156.76%	160.66%	189.53%
Other Component Units				
Proportion of the net OPEB liability	0.16%	0.15%	0.14%	0.14%
Proportionate share of the net OPEB liability	\$ 43,564	\$ 46,204	\$ 40,997	\$ 44,486
Covered payroll	\$ 31,376	\$ 29,330	\$ 28,298	\$ 26,235
Proportionate share of the net OPEB liability as a percentage of covered payroll	138.84%	157.53%	144.88%	169.57%
Plan fiduciary net position as a percentage of the total OPEB liability	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 Four Fiscal Years*

(Dollars in Thousands)

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Disability Income	2021	2020	2019	2018
Primary Government				
Proportion of the net OPEB asset	19.23%	18.85%	18.78%	19.02%
Proportionate share of the net OPEB asset	\$ (9,458)	\$ (8,135)	\$ (5,707)	\$ (11,624)
Covered payroll	\$ 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	(0.25%)	(0.23%)	(0.16%)	(0.36%)
Component Units				
University of North Carolina System				
Proportion of the net OPEB asset	25.85%	25.35%	25.03%	24.73%
Proportionate share of the net OPEB asset	\$ (12,715)	\$ (10,937)	\$ (7,603)	\$ (15,118)
Covered payroll	\$ 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	(0.16%)	(0.25%)	(0.19%)	(0.33%)
Community Colleges				
Proportion of the net OPEB asset	4.79%	4.92%	5.04%	5.20%
Proportionate share of the net OPEB asset	\$ (2,356)	\$ (2,124)	\$ (1,520)	\$ (3,177)
Covered payroll	\$ 1,560,000	\$ 981,429	\$ 890,000	\$ 853,848
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.15%)	(0.22%)	(0.17%)	(0.37%)
Other Component Units				
Proportion of the net OPEB asset	0.16%	0.15%	0.14%	0.14%
Proportionate share of the net OPEB asset	\$ (80)	\$ (65)	\$ (43)	\$ (83)
Covered payroll	\$ 32,000	\$ 27,143	\$ 27,857	\$ 26,235
Proportionate share of the net OPEB asset as a percentage of covered payroll	(0.25%)	(0.24%)	(0.15%)	(0.32%)
Plan fiduciary net position as a percentage of the total OPEB liability	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 Four Fiscal Years

(Dollars in Thousands)

Retiree Health	2021	2020	2019	2018
Primary Government				
Contractually required contribution	\$ 271,833	\$ 249,620	\$ 227,266	\$ 216,292
Contributions in relation to the contractually required contribution	271,833	249,620	227,266	216,292
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,069,356	\$ 3,858,114	\$ 3,624,657	\$ 3,575,074
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%
Component Units				
University of North Carolina System				
Contractually required contribution	\$ 302,715	\$ 289,718	\$ 275,962	\$ 246,133
Contributions in relation to the contractually required contribution	302,715	289,718	275,962	246,133
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,531,662	\$ 4,477,867	\$ 4,401,308	\$ 4,068,314
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%
Community Colleges				
Contractually required contribution	\$ 60,847	\$ 59,451	\$ 61,450	\$ 53,829
Contributions in relation to the contractually required contribution	60,847	59,451	61,450	53,829
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 910,883	\$ 918,872	\$ 980,064	\$ 889,736
Contributions as a percentage of covered payroll	6.68%	6.47%	6.27%	6.05%
Other Component Units				
Contractually required contribution	\$ 2,156	\$ 2,030	\$ 1,839	\$ 1,712
Contributions in relation to the contractually required contribution	2,156	2,030	1,839	1,712
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 32,275	\$ 31,376	\$ 29,330	\$ 28,298
Contributions as a percentage of covered payroll	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 Four Fiscal Years

(Dollars in Thousands)

Disability Income	2021	2020	2019	2018
Primary Government				
Contractually required contribution	\$ 3,588	\$ 3,779	\$ 4,967	\$ 4,898
Contributions in relation to the contractually required contribution	3,588	3,779	4,967	4,898
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,986,667	\$ 3,779,000	\$ 3,547,857	\$ 3,498,571
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%
Component Units				
University of North Carolina System				
Contractually required contribution	\$ 4,079	\$ 7,853	\$ 6,163	\$ 5,750
Contributions in relation to the contractually required contribution	4,079	7,853	6,163	5,750
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,532,222	\$ 7,853,000	\$ 4,402,143	\$ 4,107,143
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%
Community Colleges				
Contractually required contribution	\$ 847	\$ 1,560	\$ 1,374	\$ 1,246
Contributions in relation to the contractually required contribution	847	1,560	1,374	1,246
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 941,111	\$ 1,560,000	\$ 981,429	\$ 890,000
Contributions as a percentage of covered payroll	0.09%	0.10%	0.14%	0.14%
Other Component Units				
Contractually required contribution	\$ 29	\$ 32	\$ 38	\$ 39
Contributions in relation to the contractually required contribution	29	32	38	39
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 32,222	\$ 32,000	\$ 27,143	\$ 27,857
Contributions as a percentage of covered payroll	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, 2021

(Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Individual income	\$ 14,821,600	\$ 14,821,600	\$ 15,822,561	\$ 1,000,961
Corporate income	1,037,200	1,037,200	1,511,456	474,256
Sales and use	8,623,700	8,623,700	9,023,591	399,891
Franchise	808,200	808,200	869,826	61,626
Insurance	640,000	640,000	692,648	52,648
Beverage	498,200	498,200	492,592	(5,608)
Inheritance	-	-	32	32
Tobacco products	255,700	255,700	265,174	9,474
Other	145,700	145,700	169,271	23,571
Non-Tax:				
Fees, licenses and fines	150,600	225,300	936,673	711,373
Investment income	24,300	24,300	23,278	(1,022)
Disproportionate share receipts	177,600	177,600	177,606	6
Other	290,300	207,200	320,860	113,660
Tobacco settlement	129,500	129,500	167,234	37,734
Departmental:				
Federal funds	20,807,558	18,988,579	16,174,295	(2,814,284)
Federal COVID-19 funds	-	6,163,183	5,684,435	(478,748)
Local funds	783,101	887,276	831,985	(55,291)
Inter-agency grants and allocations	23,901	137,145	77,259	(59,886)
Intra-governmental transactions	5,406,782	11,024,160	8,805,343	(2,218,817)
Sales and services	206,954	226,176	184,001	(42,175)
Rental and lease of property	17,141	22,499	19,634	(2,865)
Fees, licenses and fines	1,501,512	703,632	635,711	(67,921)
Contributions, gifts and grants	278,949	896,113	907,184	11,071
Miscellaneous	563,481	212,495	300,669	88,174
Total Revenues	<u>57,191,979</u>	<u>66,855,458</u>	<u>64,093,318</u>	<u>(2,762,140)</u>
Expenditures				
Current:				
General government	3,378,786	8,723,593	5,084,866	3,638,727
Primary and secondary education	12,880,976	17,573,530	13,388,716	4,184,814
Higher education	5,636,061	5,866,155	5,776,948	89,207
Health and human services	24,981,096	26,966,367	26,048,943	917,424
Environment and natural resources	662,467	889,558	706,815	182,743
Economic development	1,059,932	1,401,175	1,209,323	191,852
Public safety, corrections, and regulation	3,694,065	6,313,085	4,699,789	1,613,296
Agriculture	238,487	323,249	308,147	15,102
Debt service	739,594	740,592	712,173	28,419
Total Expenditures	<u>53,271,464</u>	<u>68,797,304</u>	<u>57,935,720</u>	<u>10,861,584</u>
Excess (deficiency) of revenues over expenditures	3,920,515	(1,941,846)	6,157,598	8,099,444
Total Fund Balance at July 1	8,741,737	8,741,737	8,741,737	-
Total Fund Balance at June 30	<u>\$ 12,662,252</u>	<u>\$ 6,799,891</u>	<u>\$ 14,899,335</u>	<u>\$ 8,099,444</u>
Fund balance reserved:				
Statutory			\$ 5,897,642	
Non-reverting purposes			2,688,640	
Fund balance unreserved			6,313,053	
Total Fund Balance at June 30			<u>\$ 14,899,335</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 3512 Bush Street, Raleigh, NC 27609-7509 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 2021 to the fund balances on a modified accrual basis (GAAP). Amounts are expressed in thousands.

	<u>General Fund</u>
Fund balance (budgetary basis)	
June 30, 2021.....	\$ 14,899,335
<u>Reconciling Adjustments</u>	
Basis Differences	
Accrued revenues	
Taxes receivable.....	2,481,369
Less tax refunds payable.....	(1,170,642)
Accounts receivable and other receivables.....	371,814
Federal funds, net.....	398,762
Unearned revenue.....	(3,533,850)
Total accrued revenues.....	<u>(1,452,547)</u>
Accrued expenditures	
Medical claims payable.....	(1,044,109)
Accounts payable, accrued liabilities, and other payables.....	(1,227,478)
Total accrued expenditures.....	<u>(2,271,587)</u>
Other Adjustments	
Notes receivable.....	14,424
Inventories.....	118,676
Advances to outside entities.....	54,817
Local government ARPA funds.....	352,692
Timing Differences	
Forward funded state aid.....	<u>163,483</u>
Fund balance (GAAP basis)	
June 30, 2021.....	<u>\$ 11,879,293</u>

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. At the beginning of fiscal year 2020-21, the balance of the Savings Reserve was \$1.169 billion. Session Law 2020-97 authorized the transfer of \$877.717 million from the Unreserved Fund Balance to the Savings Reserve. It also authorized OSC to transfer \$13.203 million to the State Emergency Response/Disaster Relief Reserve, \$27.797 million to the Hurricane Florence Disaster Recovery Reserve and \$24.0 million to the Earthquake Disaster Recovery Reserve. At the end of fiscal year 2020-21, the balance of this reserve was \$1.982 billion.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Repairs and Renovations Reserve Account (General Statute 143C-4-3). The Repairs and Renovations Reserve Account was established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year. The funds in the Repairs and Renovations Reserve Account shall be used only for the repair and renovation of State facilities and related infrastructure that are supported from the General Fund. Funds reserved to the Repairs and Renovations Reserve Account shall be available for expenditure only upon an act of appropriation by the General Assembly. Session Law 2020-33 authorized the transfer of \$11.585 million from the Repairs and Renovations Reserve to Western Carolina University. At the end of fiscal year 2020-21, the balance of this reserve was zero.

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 2020-21, the balance was \$64.742 million. In accordance with Session Law 2020-97, the Office of State Controller was authorized to transfer \$13.203 million from the Savings Reserve to the Disaster Relief Reserve for the fiscal year. During the fiscal year, \$17.333 million was transferred out of the reserve. At the end of the fiscal year 2020-21, the balance of this reserve was \$60.612 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 2020-21, the balance was \$186.373 million. Session Law 2020-88 authorized the transfer of \$136.0 million from the Medicaid Contingency Reserve to the Department of Health and Human Services, Division of Health Benefits. At the end of fiscal year 2020-21, the balance of this reserve was \$50.373 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 2020-21, the balance was \$425.301 million. Session Law 2020-88 authorized the transfer of \$155.339 million from the reserve to the Department of Health and Human Services during the fiscal year. In addition, \$8.899 million was transferred from the Department of Health and Human Services to the Medicaid Transformation Reserve for the unexpended NC FAST operations and maintenance dollars. At the end of fiscal year 2020-21, the balance of this reserve was \$278.861 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 2020-21 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 2020-21, the balance of this reserve was \$698.798 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 2020-21, the balance was \$127.373 million. In accordance with Session Law 2020-97, the Office of State Controller was authorized to transfer \$27.797 million from the Savings Reserve to the Hurricane Florence Disaster Recovery Reserve for the fiscal year. Funds in the amount of \$63.158 million were transferred out of the reserve during the fiscal year. In addition, \$9.575 thousand was transferred from the Department of Commerce to the Hurricane Florence Disaster Recovery Reserve during the fiscal year. At the end of fiscal year 2020-21, the balance of this reserve was \$92.022 million.

Coronavirus Relief Reserve (Session Law 2020-4). The Coronavirus Relief Reserve was established in accordance with Session Law 2020-4 as a reserve in the General Fund. The purpose is to maintain federal funds received from 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. At the beginning of fiscal year 2020-21, the balance was \$1.492 billion. Funds in the amount of \$1.487 billion were transferred to OSBM during the fiscal year per several mini-bills passed during the 2020 Session of the General Assembly. Interest in the amount of \$4.8 million was earned on the principal during the fiscal year. The interest funds earned during fiscal year 2020-21 along with the interest funds remaining in the reserve at the end of fiscal year 2019-20 were also transferred to OSBM per several mini-bills passed during the 2020 Session of the General Assembly. At the end of fiscal year 2020-21, the balance of this reserve was zero.

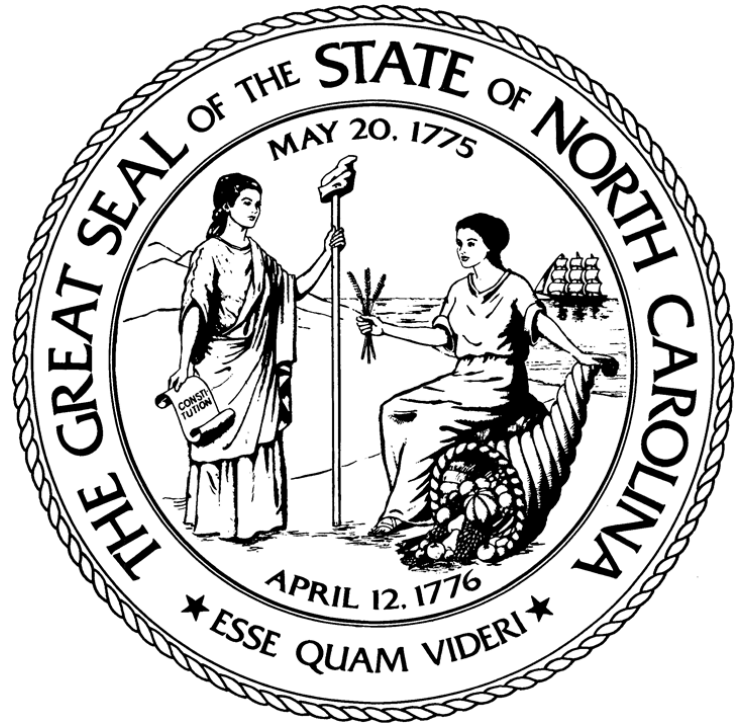
Local Government Coronavirus Relief Reserve (Session Law 2020-4). The Local Government Coronavirus Relief Reserve was established in accordance with Session Law 2020-4 as a reserve in the General Fund. The purpose is to maintain federal funds received from the Coronavirus Relief Fund created under the CARES Act, P.L. 116-136, to mitigate the impact of the COVID-19 outbreak on local governments in North Carolina. At the beginning of fiscal year 2020-21, the balance was \$133.160 thousand. Interest in the amount of \$178.619 thousand was earned on the principal during the fiscal year. The balance of \$311.779 thousand was transferred to OSBM per

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

several mini-bills passed during the 2020 Session of the General Assembly. At the end of fiscal year 2020-21, the balance of this reserve was zero.

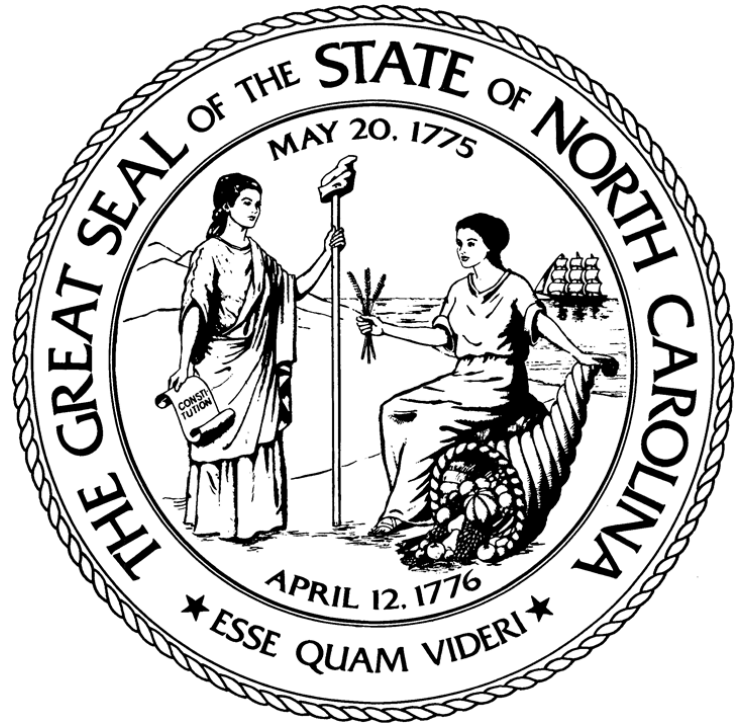
Earthquake Disaster Recovery Reserve (Session Law 2020-97). The Earthquake Disaster Recovery Reserve was established in accordance with Session Law 2020-97 as a reserve in the General Fund. The purpose is to maintain funds reserved for disaster recovery in relation to the M5.1 earthquake that occurred on August 9, 2020 in Alleghany County, North Carolina. In accordance with Session Law 2020-97, the Office of State Controller was authorized to transfer \$24.0 million from the Savings Reserve to the Earthquake Disaster Recovery Reserve for the fiscal year. Funds in the amount of \$8.665 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 2020-21, the balance of this reserve was \$15.335 million.

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. Federal funds in the amount of \$2.720 billion were received to establish the reserve. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2020-21, the balance of this reserve was \$2.720 billion.



*COMBINING FUND
STATEMENTS
AND
SCHEDULES*

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*NONMAJOR
GOVERNMENTAL FUNDS*

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2021

Exhibit C-1

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,640,021	\$ -	\$ 51	\$ 1,640,072
Investments	360,641	-	-	360,641
Securities lending collateral	13	1	-	14
Receivables, net:				
Taxes receivable	6,445	-	-	6,445
Accounts receivable	18,179	15	142	18,336
Intergovernmental receivable	1,329	359	-	1,688
Interest receivable	168	17	1,791	1,976
Due from other funds	26,638	-	-	26,638
Inventories	21,955	-	-	21,955
Notes receivable, net	762	57,471	-	58,233
Securities held in trust	55,863	-	-	55,863
Restricted/designated cash and cash equivalents	-	385,329	20,463	405,792
Restricted investments	-	487,128	161,433	648,561
Total Assets	<u>2,132,014</u>	<u>930,320</u>	<u>183,880</u>	<u>3,246,214</u>
Deferred Outflows of Resources				
Forward funded state aid	37,287	-	-	37,287
Total Assets and Deferred Outflows	<u>\$ 2,169,301</u>	<u>\$ 930,320</u>	<u>\$ 183,880</u>	<u>\$ 3,283,501</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 18,606	\$ 19,088	\$ -	\$ 37,694
Accrued payroll	87	-	-	87
Intergovernmental payable	6,258	5,080	-	11,338
Claims payable	100,000	-	-	100,000
Obligations under securities lending	13	1	-	14
Due to other funds	532	767	-	1,299
Due to component units	-	8,140	-	8,140
Unearned revenue	575	-	-	575
Deposits payable	8	-	-	8
Funds held for others	55,953	-	-	55,953
Total Liabilities	<u>182,032</u>	<u>33,076</u>	<u>-</u>	<u>215,108</u>
Deferred Inflows of Resources				
Unavailable revenue	7,357	-	-	7,357
Fund Balances				
Nonspendable	21,955	-	145,625	167,580
Restricted	1,196,302	510,369	36,425	1,743,096
Committed	758,621	386,347	1,830	1,146,798
Assigned	3,034	528	-	3,562
Total Fund Balances	<u>1,979,912</u>	<u>897,244</u>	<u>183,880</u>	<u>3,061,036</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,169,301</u>	<u>\$ 930,320</u>	<u>\$ 183,880</u>	<u>\$ 3,283,501</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

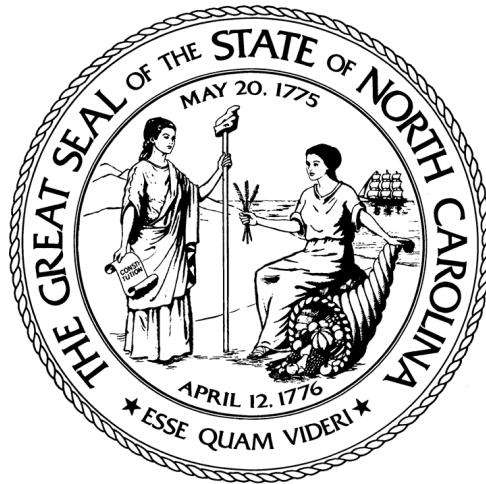
For the Fiscal Year Ended June 30, 2021

Exhibit C-2

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Sales and use tax	\$ 8,539	\$ -	\$ -	\$ 8,539
Motor fuels tax	25,668	-	-	25,668
Other taxes	126,652	-	-	126,652
Federal funds	165,820	23,941	-	189,761
Local funds	10,733	5	-	10,738
Investment earnings	22,928	713	25,665	49,306
Interest earnings on loans	-	626	-	626
Sales and services	139,824	2,583	-	142,407
Rental and lease of property	1,517	-	-	1,517
Fees, licenses, and fines	235,110	484	7,441	243,035
Contributions, gifts, and grants	41,771	14,041	31	55,843
Funds escheated	151,474	-	-	151,474
Federal COVID-19 funds	19,088	-	-	19,088
Miscellaneous	34,490	224	-	34,714
Total revenues	<u>983,614</u>	<u>42,617</u>	<u>33,137</u>	<u>1,059,368</u>
Expenditures				
Current:				
General government	64,311	99	-	64,410
Higher education	47,949	338,329	-	386,278
Health and human services	76,965	-	-	76,965
Economic development	2,615	-	-	2,615
Environment and natural resources	164,745	91,392	41	256,178
Public safety, corrections, and regulation	283,009	-	-	283,009
Agriculture	22,729	-	-	22,729
Capital Outlay	-	177,741	-	177,741
Debt service:				
Interest and fees	-	32	-	32
Debt issuance costs	-	600	-	600
Total expenditures	<u>662,323</u>	<u>608,193</u>	<u>41</u>	<u>1,270,557</u>
Excess revenues over (under) expenditures	<u>321,291</u>	<u>(565,576)</u>	<u>33,096</u>	<u>(211,189)</u>
Other Financing Sources (Uses)				
General obligation bonds issued	-	400,000	-	400,000
Premium on debt issued	-	50,350	-	50,350
Sale of capital assets	104	104	-	208
Insurance recoveries	-	180	-	180
Transfers in	106,807	136,295	-	243,102
Transfers out	(159,415)	(14,517)	(4,889)	(178,821)
Total other financing sources (uses)	<u>(52,504)</u>	<u>572,412</u>	<u>(4,889)</u>	<u>515,019</u>
Net change in fund balances	268,787	6,836	28,207	303,830
Fund balances — July 1, as restated	1,711,125	890,408	155,673	2,757,206
Fund balances — June 30	<u>\$ 1,979,912</u>	<u>\$ 897,244</u>	<u>\$ 183,880</u>	<u>\$ 3,061,036</u>

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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, 2021

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Assets				
Cash and cash equivalents	\$ 738,335	\$ 14,886	\$ 86,982	\$ 136,291
Investments	345,154	-	-	-
Securities lending collateral	8	-	-	2
Receivables, net:				
Taxes receivable	-	-	1,778	-
Accounts receivable	-	1,717	546	7,070
Intergovernmental receivable	-	233	-	-
Interest receivable	137	-	-	25
Due from other funds	-	2,530	-	2,615
Inventories	-	15,633	-	-
Notes receivable, net	-	-	648	-
Securities held in trust	-	-	-	-
Total Assets	<u>1,083,634</u>	<u>34,999</u>	<u>89,954</u>	<u>146,003</u>
Deferred Outflows of Resources				
Forward funded state aid	37,287	-	-	-
Total Assets and Deferred Outflows	<u>\$ 1,120,921</u>	<u>\$ 34,999</u>	<u>\$ 89,954</u>	<u>\$ 146,003</u>
Liabilities				
Accounts payable and accrued liabilities:				
Account pay	\$ 298	\$ 2,359	\$ 791	\$ 3,935
Accrued payroll	-	23	-	-
Intergovernmental payable	-	-	-	4,832
Claims payable	100,000	-	-	-
Obligations under securities lending	8	-	-	2
Due to other funds	-	-	-	338
Unearned revenue	130	-	-	24
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	<u>100,436</u>	<u>2,382</u>	<u>791</u>	<u>9,131</u>
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Nonspendable	-	15,633	-	-
Restricted	1,020,485	-	-	-
Committed	-	16,984	89,163	136,872
Assigned	-	-	-	-
Total Fund Balances	<u>1,020,485</u>	<u>32,617</u>	<u>89,163</u>	<u>136,872</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,120,921</u>	<u>\$ 34,999</u>	<u>\$ 89,954</u>	<u>\$ 146,003</u>

Exhibit C-3

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 241,810	\$ 421,717	\$ 1,640,021
14,946	541	360,641
1	2	13
444	4,223	6,445
4,037	4,809	18,179
-	1,096	1,329
3	3	168
5,295	16,198	26,638
-	6,322	21,955
3	111	762
55,863	-	55,863
<u>322,402</u>	<u>455,022</u>	<u>2,132,014</u>
-	-	37,287
<u>\$ 322,402</u>	<u>\$ 455,022</u>	<u>\$ 2,169,301</u>
\$ 4,707	\$ 6,516	\$ 18,606
-	64	87
139	1,287	6,258
-	-	100,000
1	2	13
-	194	532
-	421	575
-	8	8
55,863	90	55,953
<u>60,710</u>	<u>8,582</u>	<u>182,032</u>
2,105	5,252	7,357
-	6,322	21,955
18,806	157,011	1,196,302
239,215	276,387	758,621
1,566	1,468	3,034
<u>259,587</u>	<u>441,188</u>	<u>1,979,912</u>
<u>\$ 322,402</u>	<u>\$ 455,022</u>	<u>\$ 2,169,301</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	<u>Escheat Fund</u>	<u>Correction Enterprises Fund</u>	<u>Leaking Petroleum Underground Storage Tank Cleanup Fund</u>	<u>911 Fund</u>
Revenues				
Taxes:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Motor fuels tax	-	-	17,584	-
Other taxes	-	-	-	96,496
Federal funds	-	-	-	-
Local funds	-	-	-	-
Investment earnings	18,346	-	-	541
Sales and services	-	79,046	-	906
Rental and lease of property	-	7	-	-
Fees, licenses, and fines	-	-	9,703	-
Contributions, gifts, and grants	-	-	-	-
Funds escheated	151,474	-	-	-
Federal COVID-19 funds	-	-	-	-
Miscellaneous	-	44	-	-
Total revenues	<u>169,820</u>	<u>79,097</u>	<u>27,287</u>	<u>97,943</u>
Expenditures				
Current:				
General government	-	-	-	-
Higher education	42,728	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Environment and natural resources	-	-	10,186	-
Public safety, corrections, and regulation	-	74,995	-	81,425
Agriculture	-	-	-	-
Total expenditures	<u>42,728</u>	<u>74,995</u>	<u>10,186</u>	<u>81,425</u>
Excess revenues over (under) expenditures	<u>127,092</u>	<u>4,102</u>	<u>17,101</u>	<u>16,518</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	44	-	-
Transfers in	-	702	-	-
Transfers out	<u>(25,256)</u>	<u>(3,122)</u>	<u>(4,460)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,256)</u>	<u>(2,376)</u>	<u>(4,460)</u>	<u>-</u>
Net change in fund balances	101,836	1,726	12,641	16,518
Fund balances — July 1	918,649	30,891	76,522	120,354
Fund balances — June 30	<u>\$ 1,020,485</u>	<u>\$ 32,617</u>	<u>\$ 89,163</u>	<u>\$ 136,872</u>

Exhibit C-4

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 8,539	\$ -	\$ 8,539
8,084	-	25,668
11,631	18,525	126,652
5,631	160,189	165,820
3,337	7,396	10,733
3,468	573	22,928
35	59,837	139,824
22	1,488	1,517
86,043	139,364	235,110
15,554	26,217	41,771
-	-	151,474
-	19,088	19,088
29,232	5,214	34,490
<u>171,576</u>	<u>437,891</u>	<u>983,614</u>
-	64,311	64,311
-	5,221	47,949
-	76,965	76,965
-	2,615	2,615
151,873	2,686	164,745
-	126,589	283,009
-	22,729	22,729
<u>151,873</u>	<u>301,116</u>	<u>662,323</u>
<u>19,703</u>	<u>136,775</u>	<u>321,291</u>
16	44	104
26,996	79,109	106,807
<u>(27,410)</u>	<u>(99,167)</u>	<u>(159,415)</u>
<u>(398)</u>	<u>(20,014)</u>	<u>(52,504)</u>
19,305	116,761	268,787
240,282	324,427	1,711,125
<u>\$ 259,587</u>	<u>\$ 441,188</u>	<u>\$ 1,979,912</u>

**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, 2021

(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	-	-	-	202	202	-	18,284	18,284	-
Sales and services	-	-	-	86,769	79,134	(7,635)	-	-	-
Sale, rental, and lease of property	-	-	-	269	104	(165)	-	-	-
Fees, licenses, and fines	-	-	-	-	-	-	9,774	9,672	(102)
Contributions, gifts, and grants	-	-	-	-	-	-	-	-	-
Miscellaneous	193,296	157,939	(35,357)	118	44	(74)	-	-	-
Total revenues	<u>193,296</u>	<u>157,939</u>	<u>(35,357)</u>	<u>87,358</u>	<u>79,484</u>	<u>(7,874)</u>	<u>28,058</u>	<u>27,956</u>	<u>(102)</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Higher education	68,831	67,793	1,038	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Environment and natural resources	-	-	-	-	-	-	31,202	14,258	16,944
Public safety, corrections, and regulation	-	-	-	87,447	74,998	12,449	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-
Total expenditures	<u>68,831</u>	<u>67,793</u>	<u>1,038</u>	<u>87,447</u>	<u>74,998</u>	<u>12,449</u>	<u>31,202</u>	<u>14,258</u>	<u>16,944</u>
Excess revenues over (under) expenditures	<u>\$ 124,465</u>	<u>90,146</u>	<u>\$ (34,319)</u>	<u>\$ (89)</u>	<u>4,486</u>	<u>\$ 4,575</u>	<u>\$ (3,144)</u>	<u>13,698</u>	<u>\$ 16,842</u>
Fund balances (budgetary basis) at July 1		947,996			10,401			73,284	
Fund balances (budgetary basis) at June 30		<u>\$ 1,038,142</u>			<u>\$ 14,887</u>			<u>\$ 86,982</u>	

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
\$ -	\$ -	\$ -	\$ 14,487	\$ 6,145	\$ (8,342)	\$ 172,374	\$ 160,067	\$ (12,307)	\$ 186,861	\$ 166,212	\$ (20,649)
-	-	-	-	-	-	19,088	19,088	-	19,088	19,088	-
-	-	-	3,490	3,338	(152)	8,588	7,506	(1,082)	12,078	10,844	(1,234)
-	-	-	20,331	15,554	(4,777)	23,140	18,505	(4,635)	43,471	34,059	(9,412)
-	14,000	14,000	68,989	61,776	(7,213)	109,661	113,913	4,252	197,136	208,175	11,039
879	899	20	36	36	-	60,885	58,593	(2,292)	148,569	138,662	(9,907)
-	-	-	38	38	-	2,382	1,538	(844)	2,689	1,680	(1,009)
94,170	97,379	3,209	100,385	92,988	(7,397)	98,150	147,059	48,909	302,479	347,098	44,619
-	-	-	100	-	(100)	9,002	7,881	(1,121)	9,102	7,881	(1,221)
2,156	657	(1,499)	31,575	30,981	(594)	23,528	22,885	(643)	250,673	212,506	(38,167)
97,205	112,935	15,730	239,431	210,856	(28,575)	526,798	557,035	30,237	1,172,146	1,146,205	(25,941)
-	-	-	-	-	-	175,093	95,549	79,544	175,093	95,549	79,544
-	-	-	-	-	-	2,076	1,565	511	70,907	69,358	1,549
-	-	-	-	-	-	141,136	98,617	42,519	141,136	98,617	42,519
-	-	-	-	-	-	5,416	3,608	1,808	5,416	3,608	1,808
-	-	-	292,741	183,580	109,161	5,538	2,730	2,808	329,481	200,568	128,913
142,594	95,317	47,277	-	-	-	232,892	210,012	22,880	462,933	380,327	82,606
-	-	-	-	-	-	31,439	25,148	6,291	31,439	25,148	6,291
142,594	95,317	47,277	292,741	183,580	109,161	593,590	437,229	156,361	1,216,405	873,175	343,230
<u>\$ (45,389)</u>	<u>17,618</u>	<u>\$ 63,007</u>	<u>\$ (53,310)</u>	<u>27,276</u>	<u>\$ 80,586</u>	<u>\$ (66,792)</u>	<u>119,806</u>	<u>\$ 186,598</u>	<u>\$ (44,259)</u>	<u>273,030</u>	<u>\$ 317,289</u>
	118,673			227,253			300,515			1,678,122	
	<u>\$ 136,291</u>			<u>\$ 254,529</u>			<u>\$ 420,321</u>			<u>\$ 1,951,152</u>	

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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, 2021

Exhibit C-6

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Assets			
Securities lending collateral	\$ 1	\$ -	\$ 1
Receivables, net:			
Accounts receivable	15	-	15
Intergovernmental receivable	359	-	359
Interest receivable	17	-	17
Notes receivable, net	25,866	31,605	57,471
Restricted/designated cash and cash equivalents	385,178	151	385,329
Restricted investments	3,376	483,752	487,128
Total Assets	\$ 414,812	\$ 515,508	\$ 930,320
Liabilities			
Accounts payable and accrued liabilities:			
Accounts payable	\$ 11,168	\$ 7,920	\$ 19,088
Intergovernmental payable	22	5,058	5,080
Obligations under securities lending	1	-	1
Due to other funds	767	-	767
Due to component units	8,140	-	8,140
Total Liabilities	\$ 20,098	\$ 12,978	\$ 33,076
Fund Balances			
Restricted	7,839	502,530	510,369
Committed	386,347	-	386,347
Assigned	528	-	528
Total Fund Balances	394,714	502,530	897,244
Total Liabilities and Fund Balances	\$ 414,812	\$ 515,508	\$ 930,320

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS**

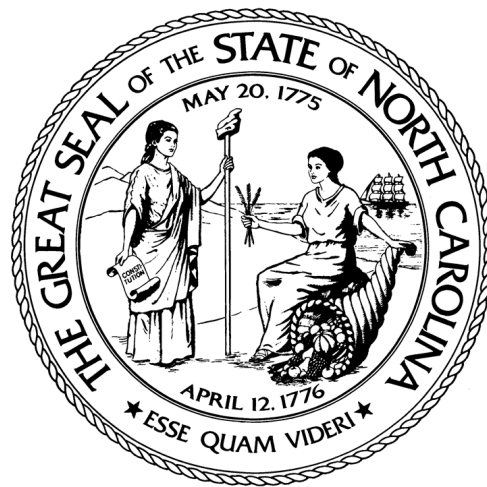
For the Fiscal Year Ended June 30, 2021

Exhibit C-7

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Revenues			
Federal funds	\$ 23,941	\$ -	\$ 23,941
Local funds	5	-	5
Investment earnings	390	323	713
Interest earnings on loans	626	-	626
Sales and services	2,583	-	2,583
Fees, licenses, and fines	484	-	484
Contributions, gifts, and grants	14,041	-	14,041
Miscellaneous	224	-	224
Total revenues	<u>42,294</u>	<u>323</u>	<u>42,617</u>
Expenditures			
Current:			
General government	-	99	99
Higher education	823	337,506	338,329
Environment and natural resources	21,381	70,011	91,392
Capital outlay	116,679	61,062	177,741
Debt service:			
Interest and fees	-	32	32
Debt issuance costs	-	600	600
Total expenditures	<u>138,883</u>	<u>469,310</u>	<u>608,193</u>
Excess revenues over (under) expenditures	<u>(96,589)</u>	<u>(468,987)</u>	<u>(565,576)</u>
Other Financing Sources (Uses)			
General obligation bonds issued	-	400,000	400,000
Premium on debt issued	-	50,350	50,350
Sale of capital assets	104	-	104
Insurance recoveries	180	-	180
Transfers in	136,295	-	136,295
Transfers out	(1,212)	(13,305)	(14,517)
Total other financing sources (uses)	<u>135,367</u>	<u>437,045</u>	<u>572,412</u>
Net change in fund balances	38,778	(31,942)	6,836
Fund balances — July 1 (as restated)	355,936	534,472	890,408
Fund balances — June 30	<u>\$ 394,714</u>	<u>\$ 502,530</u>	<u>\$ 897,244</u>

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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, 2021

Exhibit C-8

(Dollars In Thousands)

	<u>Wildlife Endowment Fund</u>	<u>Departmental Fund</u>	<u>Total Nonmajor Permanent Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ 51	\$ 51
Receivables, net:			
Accounts receivable	20	122	142
Interest receivable	1,791	-	1,791
Restricted/designated cash and cash equivalents	2,096	18,367	20,463
Restricted investments	161,433	-	161,433
Total Assets	<u>\$ 165,340</u>	<u>\$ 18,540</u>	<u>\$ 183,880</u>
Fund Balances			
Nonspendable	128,966	16,659	145,625
Restricted	36,374	51	36,425
Committed	-	1,830	1,830
Total Fund Balances	<u>165,340</u>	<u>18,540</u>	<u>183,880</u>
Total Liabilities and Fund Balances	<u>\$ 165,340</u>	<u>\$ 18,540</u>	<u>\$ 183,880</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS**

For the Fiscal Year Ended June 30, 2021

Exhibit C-9

(Dollars in Thousands)

	Wildlife Endowment Fund	Departmental Funds	Total Nonmajor Permanent Funds
Revenues			
Investment earnings	\$ 25,590	\$ 75	\$ 25,665
Fees, licenses, and fines	5,728	1,713	7,441
Contributions, gifts, and grants	31	-	31
Total revenues	<u>31,349</u>	<u>1,788</u>	<u>33,137</u>
Expenditures			
Current:			
Environment and natural resources	-	41	41
Total expenditures	<u>-</u>	<u>41</u>	<u>41</u>
Excess revenues over expenditures	<u>31,349</u>	<u>1,747</u>	<u>33,096</u>
Other Financing Sources (Uses)			
Transfers out	(4,889)	-	(4,889)
Net change in fund balances	26,460	1,747	28,207
Fund balances — July 1	138,880	16,793	155,673
Fund balances — June 30	<u>\$ 165,340</u>	<u>\$ 18,540</u>	<u>\$ 183,880</u>

**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, 2021

(Dollars in Thousands)

	Wildlife Endowment Fund			Departmental Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues						
Departmental:						
Fees, licenses, and fines	\$ 6,619	\$ 5,708	\$ (911)	\$ 1,963	\$ 1,592	\$ (371)
Contributions, gifts, and grants	31	31	-	-	-	-
Miscellaneous	27,948	26,977	(971)	304	91	(213)
Total revenues	<u>34,598</u>	<u>32,716</u>	<u>(1,882)</u>	<u>2,267</u>	<u>1,683</u>	<u>(584)</u>
Expenditures						
Current:						
Environment and natural resources	30,085	6,273	23,812	2,267	41	2,226
Total expenditures	<u>30,085</u>	<u>6,273</u>	<u>23,812</u>	<u>2,267</u>	<u>41</u>	<u>2,226</u>
Excess revenues over (under) expenditures	<u>\$ 4,513</u>	<u>26,443</u>	<u>\$ 21,930</u>	<u>\$ -</u>	<u>1,642</u>	<u>\$ 1,642</u>
Fund balances (budgetary basis) at July 1, as restated		<u>138,877</u>			<u>16,776</u>	
Fund balances (budgetary basis) at June 30		<u>\$ 165,320</u>			<u>\$ 18,418</u>	

Total Nonmajor Permanent Funds		
Final Budget	Actual	Variance with Final Budget
\$ 8,582	\$ 7,300	\$ (1,282)
31	31	-
<u>28,252</u>	<u>27,068</u>	<u>(1,184)</u>
<u>36,865</u>	<u>34,399</u>	<u>(2,466)</u>
<u>32,352</u>	<u>6,314</u>	<u>26,038</u>
<u>32,352</u>	<u>6,314</u>	<u>26,038</u>
<u>\$ 4,513</u>	<u>28,085</u>	<u>\$ 23,572</u>
	<u>155,653</u>	
	<u>\$ 183,738</u>	

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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, 2021

(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	\$ 1,000	\$ 7,943	\$ 4,032	\$ 4,174
Investments	103,430	-	-	-
Securities lending collateral	-	-	-	-
Receivables:				
Accounts receivable, net	-	-	116	4
Intergovernmental receivable	-	-	-	-
Interest receivable	-	-	-	-
Premiums receivable	1,390	-	-	-
Due from other funds	-	-	-	-
Inventories	-	131	279	17
Prepaid items	4,372	-	190	-
Restricted cash and cash equivalents	-	-	2,699	-
Total current assets	<u>110,192</u>	<u>8,074</u>	<u>7,316</u>	<u>4,195</u>
Noncurrent Assets				
Investments	-	-	-	-
Notes receivable	-	-	-	-
Prepaid items	-	-	-	-
Restricted/designated cash and cash equivalents	-	-	-	-
Net OPEB asset	1	9	2	2
Capital assets-nondepreciable	-	1,345	169	3,740
Capital assets-depreciable, net	-	10,576	5,640	5,038
Total noncurrent assets	<u>1</u>	<u>11,930</u>	<u>5,811</u>	<u>8,780</u>
Total Assets	<u>110,193</u>	<u>20,004</u>	<u>13,127</u>	<u>12,975</u>
Deferred Outflows of Resources				
Deferred outflows for pensions	108	858	382	301
Deferred outflows for OPEB	112	1,006	635	175
Total Deferred Outflows of Resources	<u>220</u>	<u>1,864</u>	<u>1,017</u>	<u>476</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	3	180	75	51
Accrued payroll	-	10	14	6
Intergovernmental payable	13	-	-	-
Claims payable	4,174	-	-	-
Obligations under securities lending	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	5,960	3,035	42	-
Notes from direct borrowings	-	-	-	-
Capital leases payable	-	-	-	-
Compensated absences	4	34	7	15
Total current liabilities	<u>10,154</u>	<u>3,259</u>	<u>138</u>	<u>72</u>

Exhibit D-1

<u>Workers' Compensation</u>	<u>Utilities Commission</u>	<u>State Banking Commission</u>	<u>ABC Commission</u>	<u>Occupational Licensing Boards</u>	<u>Departmental Funds</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 53,142	\$ 6,507	\$ 8,860	\$ 19,147	\$ 66,785	\$ 6,602	\$ 178,192
15,361	-	-	-	43,692	-	162,483
1	-	-	-	-	-	1
6	3,411	20	148	619	71	4,395
-	5	-	2,333	-	-	2,338
1	1	-	-	625	1	628
-	-	-	-	-	-	1,390
2,100	617	-	-	-	-	2,717
-	32	-	3	82	85	629
-	-	-	-	964	-	5,526
-	-	-	-	1,953	-	4,652
<u>70,611</u>	<u>10,573</u>	<u>8,880</u>	<u>21,631</u>	<u>114,720</u>	<u>6,759</u>	<u>362,951</u>
-	-	-	-	22,763	-	22,763
-	-	-	-	250	-	250
-	-	-	-	83	-	83
-	-	-	-	71	-	71
-	26	18	7	4	7	76
-	-	-	550	17,255	1,867	24,926
-	129	29	1,446	34,581	10,092	67,531
-	155	47	2,003	75,007	11,966	115,700
<u>70,611</u>	<u>10,728</u>	<u>8,927</u>	<u>23,634</u>	<u>189,727</u>	<u>18,725</u>	<u>478,651</u>
-	4,178	2,757	833	435	989	10,841
-	6,208	2,843	922	637	1,642	14,180
-	10,386	5,600	1,755	1,072	2,631	25,021
-	60	56	482	9,371	133	10,411
-	-	-	1	103	7	141
-	-	-	12	-	2	27
23,977	-	-	-	3	-	28,154
1	-	-	-	-	-	1
-	-	-	1	-	-	1
3,982	1	-	-	34,756	268	48,044
-	-	-	-	780	-	780
-	-	-	-	31	-	31
-	127	96	34	1,047	40	1,404
<u>27,960</u>	<u>188</u>	<u>152</u>	<u>530</u>	<u>46,091</u>	<u>450</u>	<u>88,994</u>

Continued

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS (Continued)**

June 30, 2021

(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	-	-	-	-
Capital leases payable	-	-	-	-
Compensated absences	55	500	163	222
Workers' compensation	-	20	-	12
Net pension liability	255	2,452	862	669
Net OPEB liability	495	4,894	2,054	1,336
Total noncurrent liabilities	<u>805</u>	<u>7,866</u>	<u>3,079</u>	<u>2,239</u>
Total Liabilities	<u>10,959</u>	<u>11,125</u>	<u>3,217</u>	<u>2,311</u>
Deferred Inflows of Resources				
Deferred inflows for pensions	3	99	188	25
Deferred inflows for OPEB	348	2,994	1,093	793
Total Deferred Inflows of Resources	<u>351</u>	<u>3,093</u>	<u>1,281</u>	<u>818</u>
Net Position				
Net investment in capital assets	-	11,921	5,810	8,777
Restricted for:				
Expendable:				
Economic development	-	-	2,702	-
Environment and natural resources	-	-	-	-
Public safety, corrections, and regulation	1	-	-	-
Agriculture	-	5	-	2
Other purposes	-	-	-	-
Unrestricted	99,102	(4,276)	1,134	1,543
Total Net Position	<u>\$ 99,103</u>	<u>\$ 7,650</u>	<u>\$ 9,646</u>	<u>\$ 10,322</u>

Exhibit D-1

<u>Workers' Compensation</u>	<u>Utilities Commission</u>	<u>State Banking Commission</u>	<u>ABC Commission</u>	<u>Occupational Licensing Boards</u>	<u>Departmental Funds</u>	<u>Total Nonmajor Enterprise Funds</u>
-	-	-	-	1,975	-	1,975
-	-	-	-	18,711	-	18,711
-	-	-	-	35	-	35
-	2,006	1,518	428	1,967	571	7,430
-	-	-	-	-	-	32
-	7,588	5,323	1,881	1,016	2,078	22,124
-	14,549	10,206	3,782	2,179	4,075	43,570
-	24,143	17,047	6,091	25,883	6,724	93,877
27,960	24,331	17,199	6,621	71,974	7,174	182,871
-	69	48	29	33	76	570
-	9,505	6,528	2,093	1,413	2,779	27,546
-	9,574	6,576	2,122	1,446	2,855	28,116
-	129	29	1,996	41,095	11,805	81,562
-	6	9	-	-	-	2,717
-	-	-	-	-	2	2
-	-	-	4	1	-	6
-	-	-	-	-	1	8
-	-	-	-	2,166	-	2,166
42,651	(12,926)	(9,286)	14,646	74,117	(481)	206,224
<u>\$ 42,651</u>	<u>\$ (12,791)</u>	<u>\$ (9,248)</u>	<u>\$ 16,646</u>	<u>\$ 117,379</u>	<u>\$ 11,327</u>	<u>\$ 292,685</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS**

For Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Operating Revenues				
Sales and services	\$ -	\$ 117	\$ 545	\$ 26
Student tuition and fees, net	-	-	-	-
Rental and lease earnings	-	3,091	65	1,116
Fees, licenses, and fines	-	-	1,097	2,070
Insurance premiums	10,935	-	-	-
Miscellaneous	-	4	123	-
Total operating revenues	<u>10,935</u>	<u>3,212</u>	<u>1,830</u>	<u>3,212</u>
Operating Expenses				
Personal services	389	3,285	2,075	1,566
Supplies and materials	4	644	71	269
Services	37	1,438	639	784
Cost of goods sold	-	-	217	-
Depreciation	-	1,033	178	463
Claims	6,468	-	-	-
Insurance and bonding	18,750	185	23	94
Other	16	151	116	20
Total operating expenses	<u>25,664</u>	<u>6,736</u>	<u>3,319</u>	<u>3,196</u>
Operating income (loss)	<u>(14,729)</u>	<u>(3,524)</u>	<u>(1,489)</u>	<u>16</u>
Nonoperating Revenues (Expenses)				
Noncapital grants	-	886	-	-
Noncapital gifts, net	-	203	2,273	-
Noncapital contributions	9	84	-	23
Investment earnings	(415)	-	58	-
Interest and fees	-	-	-	-
Insurance recoveries	-	-	-	-
Grants, aid, and subsidies	-	(350)	-	-
Gain (loss) on sale of equipment	-	-	-	-
Miscellaneous	-	20	-	9
Total nonoperating revenues (expenses)	<u>(406)</u>	<u>843</u>	<u>2,331</u>	<u>32</u>
Income (loss) before contributions and transfers	<u>(15,135)</u>	<u>(2,681)</u>	<u>842</u>	<u>48</u>
Capital contributions	-	-	2	-
Transfers in	-	4,000	-	-
Transfers out	-	(328)	-	(3)
Change in net position	<u>(15,135)</u>	<u>991</u>	<u>844</u>	<u>45</u>
Net position — July 1, as restated	<u>114,238</u>	<u>6,659</u>	<u>8,802</u>	<u>10,277</u>
Net position — June 30	<u>\$ 99,103</u>	<u>\$ 7,650</u>	<u>\$ 9,646</u>	<u>\$ 10,322</u>

Exhibit D-2

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ -	\$ 89	\$ -	\$ 1	\$ 87	\$ 238	\$ 1,103
-	-	-	-	11	-	11
-	-	-	-	-	1,266	5,538
-	15,072	16,564	21,740	89,530	2,509	148,582
7,016	-	-	-	-	-	17,951
-	391	158	15	853	36	1,580
<u>7,016</u>	<u>15,552</u>	<u>16,722</u>	<u>21,756</u>	<u>90,481</u>	<u>4,049</u>	<u>174,765</u>
-	16,027	11,103	3,760	49,759	4,285	92,249
-	226	133	435	1,100	373	3,255
1,045	1,063	494	15,804	19,217	841	41,362
-	-	-	-	-	56	273
-	9	4	147	2,389	292	4,515
8,552	-	-	-	377	-	15,397
-	2	1	-	470	194	19,719
-	749	542	214	5,477	159	7,444
<u>9,597</u>	<u>18,076</u>	<u>12,277</u>	<u>20,360</u>	<u>78,789</u>	<u>6,200</u>	<u>184,214</u>
<u>(2,581)</u>	<u>(2,524)</u>	<u>4,445</u>	<u>1,396</u>	<u>11,692</u>	<u>(2,151)</u>	<u>(9,449)</u>
-	26	-	-	-	167	1,079
-	-	-	-	-	642	3,118
-	249	175	65	26	70	701
138	30	-	-	3,084	16	2,911
-	-	-	-	(345)	-	(345)
-	-	-	-	-	26	26
-	-	-	-	-	-	(350)
-	-	(1)	-	(219)	(65)	(285)
(1)	3	-	-	(14)	2	19
<u>137</u>	<u>308</u>	<u>174</u>	<u>65</u>	<u>2,532</u>	<u>858</u>	<u>6,874</u>
(2,444)	(2,216)	4,619	1,461	14,224	(1,293)	(2,575)
-	-	-	-	-	-	2
9,128	1,940	-	-	-	1,737	16,805
-	(880)	(154)	(1,398)	-	(51)	(2,814)
<u>6,684</u>	<u>(1,156)</u>	<u>4,465</u>	<u>63</u>	<u>14,224</u>	<u>393</u>	<u>11,418</u>
<u>35,967</u>	<u>(11,635)</u>	<u>(13,713)</u>	<u>16,583</u>	<u>103,155</u>	<u>10,934</u>	<u>281,267</u>
<u>\$ 42,651</u>	<u>\$ (12,791)</u>	<u>\$ (9,248)</u>	<u>\$ 16,646</u>	<u>\$ 117,379</u>	<u>\$ 11,327</u>	<u>\$ 292,685</u>

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 2021

(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	\$ 16,381	\$ 3,737	\$ 1,648	\$ 3,211
Receipts from other funds	2,234	-	-	-
Payments to suppliers	(12,352)	(2,313)	(1,180)	(1,137)
Payments to employees	(459)	(3,179)	(2,173)	(1,648)
Payments for prizes, benefits, and claims	(10,961)	-	-	-
Other receipts	-	18	-	10
Other payments	-	-	-	-
Net cash provided by (used for) operating activities	<u>(5,157)</u>	<u>(1,737)</u>	<u>(1,705)</u>	<u>436</u>
Cash Flows From Noncapital Financing Activities				
Grant receipts	-	887	-	-
Grants, aid, and subsidies	-	(374)	-	(13)
Transfers from other funds	-	4,000	-	-
Transfers to other funds	-	(328)	-	(3)
Gifts	-	203	2,273	-
Insurance recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>4,388</u>	<u>2,273</u>	<u>(16)</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(145)	-
Proceeds from the sale of capital assets	-	-	-	-
Proceeds from capital debt	-	-	-	-
Capital contributions	-	-	2	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(143)</u>	<u>-</u>
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	-
Purchase of non-State Treasurer investments	-	-	-	-
Investment earnings	46	-	59	-
Net cash provided by (used for) investment activities	<u>46</u>	<u>-</u>	<u>59</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(5,111)	2,651	484	420
Cash and cash equivalents at July 1	6,111	5,292	6,247	3,754
Cash and cash equivalents at June 30	<u>\$ 1,000</u>	<u>\$ 7,943</u>	<u>\$ 6,731</u>	<u>\$ 4,174</u>

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ 7,085	\$ 15,207	\$ 16,565	\$ 21,188	\$ 90,327	\$ 4,065	\$ 179,414
-	-	-	-	-	-	2,234
(1,045)	(2,006)	(1,184)	(17,402)	(17,135)	(1,565)	(57,319)
-	(16,137)	(11,649)	(3,804)	(45,689)	(4,326)	(89,064)
(6,983)	-	-	-	-	-	(17,944)
-	273	72	-	1,232	24	1,629
-	-	-	-	(15,381)	-	(15,381)
(943)	(2,663)	3,804	(18)	13,354	(1,802)	3,569
-	21	-	-	-	167	1,075
-	-	-	-	-	(6)	(393)
9,365	1,940	-	-	-	1,737	17,042
-	(880)	(154)	(1,398)	-	(51)	(2,814)
-	1	-	-	-	643	3,120
-	-	-	-	-	26	26
9,365	1,082	(154)	(1,398)	-	2,516	18,056
-	-	-	-	(7,089)	-	(7,234)
-	-	-	-	19	-	19
-	-	-	-	9,931	-	9,931
-	-	-	-	-	-	2
-	-	-	-	(5,993)	-	(5,993)
-	-	-	-	(345)	-	(345)
-	-	-	-	(3,477)	-	(3,620)
-	-	-	-	16,276	-	16,276
-	-	-	-	(19,514)	-	(19,514)
241	36	-	-	1,401	18	1,801
241	36	-	-	(1,837)	18	(1,437)
8,663	(1,545)	3,650	(1,416)	8,040	732	16,568
44,479	8,052	5,210	20,563	60,769	5,870	166,347
\$ 53,142	\$ 6,507	\$ 8,860	\$ 19,147	\$ 68,809	\$ 6,602	\$ 182,915

Continued

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)**

For the Fiscal Year Ended June 30, 2021

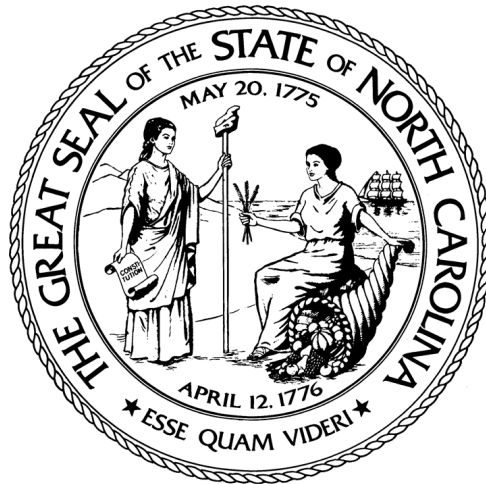
(Dollars in Thousands)

	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)	\$ (14,729)	\$ (3,524)	\$ (1,489)	\$ 16
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	1,033	178	463
Nonoperating miscellaneous and other income (expense)	9	104	-	32
Change in assets and deferred outflows:				
Receivables	4,677	36	(67)	(1)
Inventories	-	1	(10)	-
Prepaid items	6,461	-	63	-
Net OPEB asset	-	(1)	(1)	-
Deferred outflows for pensions	-	178	18	(44)
Deferred outflows for OPEB	28	389	(181)	26
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(4,497)	98	(490)	29
Due to other funds	(2)	-	-	-
Compensated absences	(41)	(78)	29	27
Workers' compensation	-	(5)	-	(6)
Unearned revenue	3,003	492	(13)	-
Net pension liability	40	255	19	83
Net OPEB liability	(71)	(972)	175	(229)
Deferred inflows for pensions	(8)	14	(1)	(4)
Deferred inflows for OPEB	(27)	243	65	44
Deposits payable	-	-	-	-
Net cash provided by (used for) operations	<u>\$ (5,157)</u>	<u>\$ (1,737)</u>	<u>\$ (1,705)</u>	<u>\$ 436</u>
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	\$ 2,561	\$ -	\$ -	\$ -
Capital asset writeoff	-	-	-	-
Assets acquired through the assumption of a liability	-	-	-	-
Change in fair value of investments	(3,008)	-	-	-
Increase in receivables related to nonoperating income	-	-	-	-
Change in securities lending collateral	(134)	-	(95)	-

Exhibit D-3

<u>Workers' Compensation</u>	<u>Utilities Commission</u>	<u>State Banking Commission</u>	<u>ABC Commission</u>	<u>Occupational Licensing Boards</u>	<u>Departmental Funds</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ (2,581)	\$ (2,524)	\$ 4,445	\$ 1,396	\$ 11,692	\$ (2,151)	\$ (9,449)
-	9	4	147	2,389	292	4,515
-	252	174	65	102	72	810
(6)	46	-	(553)	23	(11)	4,144
-	-	-	1	1	34	27
-	-	-	-	75	-	6,599
-	(5)	(3)	(1)	(1)	(1)	(13)
-	(916)	(580)	(106)	46	(44)	(1,448)
-	(1,689)	(811)	221	153	253	(1,611)
1,568	34	(14)	(943)	(1,692)	28	(5,879)
-	-	-	(6)	(25)	-	(33)
-	50	31	23	242	(21)	262
-	-	-	-	-	(23)	(34)
76	-	-	-	591	64	4,213
-	1,744	1,025	274	116	314	3,870
-	(580)	(920)	(560)	(174)	(566)	(3,897)
-	(109)	(66)	(33)	(40)	(46)	(293)
-	1,025	519	57	(144)	98	1,880
-	-	-	-	-	(94)	(94)
<u>\$ (943)</u>	<u>\$ (2,663)</u>	<u>\$ 3,804</u>	<u>\$ (18)</u>	<u>\$ 13,354</u>	<u>\$ (1,802)</u>	<u>\$ 3,569</u>
\$ 345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,906
-	-	-	-	(18)	-	(18)
-	-	-	-	11	-	11
(411)	-	-	-	351	-	(3,068)
-	5	-	-	-	-	5
(910)	(149)	-	-	(408)	(81)	(1,777)

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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, 2021

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Assets					
Current Assets					
Cash and cash equivalents	\$ 15,669	\$ 19,182	\$ 1,501	\$ 17,675	\$ 22,786
Investments	32,325	-	-	-	-
Receivables:					
Accounts receivable, net	24,805	2,617	563	9,944	6,778
Premiums receivable	93	-	-	-	-
Due from other funds	-	75	-	5,121	7,977
Inventories	1	74	65	-	-
Prepaid items	14,854	-	-	-	-
Total current assets	<u>87,747</u>	<u>21,948</u>	<u>2,129</u>	<u>32,740</u>	<u>37,541</u>
Noncurrent Assets					
Net OPEB asset	3	3	3	2	178
Capital assets-nondepreciable	-	288	-	-	3,089
Capital assets-depreciable, net	-	114,318	30	5	28,332
Total noncurrent assets	<u>3</u>	<u>114,609</u>	<u>33</u>	<u>7</u>	<u>31,599</u>
Total Assets	<u>87,750</u>	<u>136,557</u>	<u>2,162</u>	<u>32,747</u>	<u>69,140</u>
Deferred Outflows of Resources:					
Deferred outflows for pensions	489	392	416	424	34,333
Deferred outflows for OPEB	769	290	203	678	77,209
Total Deferred Outflows of Resources	<u>1,258</u>	<u>682</u>	<u>619</u>	<u>1,102</u>	<u>111,542</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	2,951	2,069	23	34	2,257
Accrued payroll	-	-	-	6,100	17
Claims payable	2,096	-	-	-	-
Due to other funds	2,410	2	83	1	-
Due to component units	29,598	-	-	-	-
Unearned revenue	10,774	-	-	-	-
Compensated absences	21	15	23	7	740
Workers' compensation	73	-	-	-	160
Total current liabilities	<u>47,923</u>	<u>2,086</u>	<u>129</u>	<u>6,142</u>	<u>3,174</u>
Noncurrent Liabilities					
Compensated absences	303	155	244	257	15,719
Workers' compensation	169	-	267	-	994
Net pension liability	949	757	833	713	52,209
Net OPEB liability	1,882	1,438	1,584	1,355	100,020
Total noncurrent liabilities	<u>3,303</u>	<u>2,350</u>	<u>2,928</u>	<u>2,325</u>	<u>168,942</u>
Total Liabilities	<u>51,226</u>	<u>4,436</u>	<u>3,057</u>	<u>8,467</u>	<u>172,116</u>
Deferred Inflows of Resources:					
Deferred inflows for pensions	40	12	45	24	27
Deferred inflows for OPEB	1,275	1,203	1,283	900	46,832
Total Deferred Inflows of Resources	<u>1,315</u>	<u>1,215</u>	<u>1,328</u>	<u>924</u>	<u>46,859</u>
Net Position					
Net investment in capital assets	-	114,606	30	5	31,421
Restricted for:					
Public safety, corrections, and regulation	2	-	-	-	-
Other purposes	-	2	2	1	-
Unrestricted	36,465	16,980	(1,636)	24,452	(69,714)
Total Net Position	<u>\$ 36,467</u>	<u>\$ 131,588</u>	<u>\$ (1,604)</u>	<u>\$ 24,458</u>	<u>\$ (38,293)</u>

Exhibit E-1

State Telecommunications Services	Surplus Property	Total
\$ 11,550	\$ 3,756	\$ 92,119
-	-	32,325
14,834	57	59,598
-	-	93
1,170	-	14,343
-	-	140
-	-	14,854
<u>27,554</u>	<u>3,813</u>	<u>213,472</u>
12	2	203
-	19	3,396
<u>4,181</u>	<u>107</u>	<u>146,973</u>
<u>4,193</u>	<u>128</u>	<u>150,572</u>
<u>31,747</u>	<u>3,941</u>	<u>364,044</u>
2,292	364	38,710
<u>4,651</u>	<u>582</u>	<u>84,382</u>
<u>6,943</u>	<u>946</u>	<u>123,092</u>
1,242	2,076	10,652
-	-	6,117
-	-	2,096
-	-	2,496
-	-	29,598
-	-	10,774
58	10	874
-	-	233
<u>1,300</u>	<u>2,086</u>	<u>62,840</u>
1,210	100	17,988
-	-	1,430
3,590	648	59,699
<u>6,878</u>	<u>1,231</u>	<u>114,388</u>
<u>11,678</u>	<u>1,979</u>	<u>193,505</u>
<u>12,978</u>	<u>4,065</u>	<u>256,345</u>
671	72	891
<u>8,830</u>	<u>1,142</u>	<u>61,465</u>
<u>9,501</u>	<u>1,214</u>	<u>62,356</u>
4,181	126	150,369
-	-	2
1	-	6
<u>12,029</u>	<u>(518)</u>	<u>18,058</u>
<u>\$ 16,211</u>	<u>\$ (392)</u>	<u>\$ 168,435</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Operating Revenues					
Sales and services	\$ -	\$ 33,344	\$ 4,144	\$ 116,826	\$ 176,883
Fees, licenses, and fines	-	-	-	-	4,460
Insurance premiums	28,003	-	-	-	-
Miscellaneous	-	79	94	4	11
Total operating revenues	<u>28,003</u>	<u>33,423</u>	<u>4,238</u>	<u>116,830</u>	<u>181,354</u>
Operating Expenses					
Personal services	2,014	1,950	1,906	114,908	134,116
Supplies and materials	62	10,492	34	17	3,333
Services	130	7,003	714	802	37,615
Cost of goods sold	-	215	-	-	-
Depreciation	-	14,471	20	1	4,214
Claims	7,414	-	-	-	-
Insurance and bonding	26,250	1,199	-	-	169
Other	119	60	702	175	21,626
Total operating expenses	<u>35,989</u>	<u>35,390</u>	<u>3,376</u>	<u>115,903</u>	<u>201,073</u>
Operating income (loss)	<u>(7,986)</u>	<u>(1,967)</u>	<u>862</u>	<u>927</u>	<u>(19,719)</u>
Nonoperating Revenues (Expenses)					
Noncapital contributions	32	25	27	23	1,713
Investment earnings	(24)	-	-	-	-
Insurance recoveries	-	13	-	-	-
Gain on sale of equipment	-	2,763	-	-	-
Miscellaneous	-	551	-	-	-
Total nonoperating revenues (expenses)	<u>8</u>	<u>3,352</u>	<u>27</u>	<u>23</u>	<u>1,713</u>
Income (loss) before contributions and transfers	(7,978)	1,385	889	950	(18,006)
Capital contributions	-	-	-	-	8
Transfers in	-	-	48	-	6,716
Transfers out	-	-	-	-	(1,757)
Change in net position	<u>(7,978)</u>	<u>1,385</u>	<u>937</u>	<u>950</u>	<u>(13,039)</u>
Net position — July 1, as restated	44,445	130,203	(2,541)	23,508	(25,254)
Net position — June 30	<u>\$ 36,467</u>	<u>\$ 131,588</u>	<u>\$ (1,604)</u>	<u>\$ 24,458</u>	<u>\$ (38,293)</u>

Exhibit E-2

State Telecommunications Services	Surplus Property	Total
\$ 98,963	\$ 2,030	\$ 432,190
-	-	4,460
-	-	28,003
-	144	332
<u>98,963</u>	<u>2,174</u>	<u>464,985</u>
6,995	1,662	263,551
3,424	28	17,390
72,497	517	119,278
-	-	215
2,573	25	21,304
-	-	7,414
48	13	27,679
6,196	131	29,009
<u>91,733</u>	<u>2,376</u>	<u>485,840</u>
<u>7,230</u>	<u>(202)</u>	<u>(20,855)</u>
118	21	1,959
-	-	(24)
-	-	13
-	-	2,763
-	6	557
<u>118</u>	<u>27</u>	<u>5,268</u>
7,348	(175)	(15,587)
-	-	8
1,689	-	8,453
<u>(6,716)</u>	<u>-</u>	<u>(8,473)</u>
2,321	(175)	(15,599)
13,890	(217)	184,034
<u>\$ 16,211</u>	<u>\$ (392)</u>	<u>\$ 168,435</u>

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2021

(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	\$ -	\$ 7,009	\$ 1,150	\$ 1,156	\$ 7,033
Receipts from other funds	36,662	28,047	2,957	110,657	167,460
Payments to suppliers	(28,572)	(15,238)	(1,139)	(966)	(59,069)
Payments to employees	(2,238)	(2,247)	(2,202)	(112,971)	(116,767)
Payments to other funds	(13,384)	(2,687)	(339)	-	(3,109)
Other receipts	-	628	92	1	11
Net cash provided by (used for) operating activities	(7,532)	15,512	519	(2,123)	(4,441)
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	-	48	-	6,716
Transfers to other funds	-	-	-	-	(1,757)
Net cash provided by (used for) noncapital financing activities	-	-	48	-	4,959
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(23,225)	-	-	(1,386)
Proceeds from the sale of capital assets	-	5,342	-	-	-
Insurance Recoveries	-	13	-	-	-
Net cash used for capital and related financing activities	-	(17,870)	-	-	(1,386)
Cash Flows From Investing Activities					
Investment earnings	140	-	-	-	-
Net cash provided by investment activities	140	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(7,392)	(2,358)	567	(2,123)	(868)
Cash and cash equivalents at July 1	23,061	21,540	934	19,798	23,654
Cash and cash equivalents at June 30	\$ 15,669	\$ 19,182	\$ 1,501	\$ 17,675	\$ 22,786
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income (loss)	\$ (7,986)	\$ (1,967)	\$ 862	\$ 927	\$ (19,719)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	14,471	20	1	4,214
Nonoperating miscellaneous and other income (expense)	31	576	27	22	1,713
Change in assets and deferred outflows:					
Receivables	7,467	1,701	(38)	(1,256)	(4,232)
Due from other funds	-	12	-	(3,757)	(2,619)
Inventories	(1)	(7)	24	-	1
Prepaid items	2,637	-	-	-	-
Net OPEB asset	-	-	-	-	(34)
Deferred outflows for pensions	(21)	(63)	(51)	(37)	(3,313)
Deferred outflows for OPEB	176	(30)	26	175	7,167
Change in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	124	1,048	(33)	1,903	568
Due to other funds	(6,069)	2	(18)	-	-
Due to component units	(4,683)	-	-	-	-
Compensated absences	(38)	(6)	36	57	1,259
Workers' compensation	(155)	-	(65)	-	(61)
Unearned revenue	1,191	-	-	-	-
Net pension liability	118	129	91	72	11,337
Net OPEB liability	(292)	(181)	(331)	(298)	(7,008)
Deferred inflows for pensions	(22)	(38)	(9)	10	(90)
Deferred inflows for OPEB	(9)	(135)	(22)	58	6,376
Net cash provided by (used for) operations	\$ (7,532)	\$ 15,512	\$ 519	\$ (2,123)	\$ (4,441)
Noncash Investing, Capital, and Financing Activities					
Noncash distributions from the State Treasurer					
Bond Index External Investment Pool and/or other agents	\$ 726	\$ -	\$ -	\$ -	\$ -
Donated or transferred assets	-	-	-	-	8
Change in fair value of investments	(865)	-	-	-	-
Change in securities lending collateral	502	-	-	-	-

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
\$ 2,869	\$ 535	\$ 19,752
92,705	1,396	439,884
(80,939)	(145)	(186,068)
(8,091)	(1,756)	(246,272)
(818)	(113)	(20,450)
-	147	879
<u>5,726</u>	<u>64</u>	<u>7,725</u>
1,689	-	8,453
(6,715)	-	(8,472)
<u>(5,026)</u>	<u>-</u>	<u>(19)</u>
(548)	-	(25,159)
-	-	5,342
-	-	13
<u>(548)</u>	<u>-</u>	<u>(19,804)</u>
-	-	140
-	-	140
152	64	(11,958)
11,398	3,692	104,077
<u>\$ 11,550</u>	<u>\$ 3,756</u>	<u>\$ 92,119</u>

\$ 7,230	\$ (202)	\$ (20,855)
2,573	25	21,304
118	28	2,515
(3,321)	(53)	268
(67)	-	(6,431)
-	-	17
22	-	2,659
(1)	-	(35)
(151)	16	(3,620)
768	154	8,436
385	383	4,378
-	-	(6,085)
-	-	(4,683)
3	(2)	1,309
-	-	(281)
-	-	1,191
493	(21)	12,219
(1,231)	(493)	(9,834)
(246)	51	(344)
(849)	178	5,597
<u>\$ 5,726</u>	<u>\$ 64</u>	<u>\$ 7,725</u>

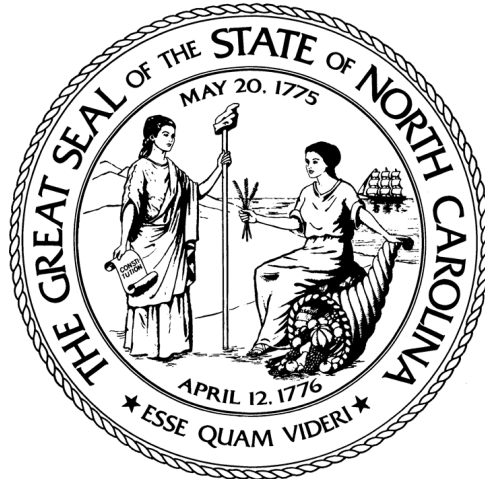
\$ -	\$ -	\$ 726
-	-	8
-	-	(865)
-	-	502

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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, 2021

*Exhibit F-1**(Dollars In Thousands)*

	<u>Deposits of Insurance Carriers Fund</u>	<u>Administrative Office of the Courts Trust Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 83	\$ 139,320	\$ 139,403
Investments:			
Certificates of deposit	-	34,658	34,658
Sureties	804,942	-	804,942
Total Assets	<u>805,025</u>	<u>173,978</u>	<u>979,003</u>
Net Position			
Restricted for:			
Individuals, organizations, and other governments	805,025	173,978	979,003
Total Net Position	<u>\$ 805,025</u>	<u>\$ 173,978</u>	<u>\$ 979,003</u>

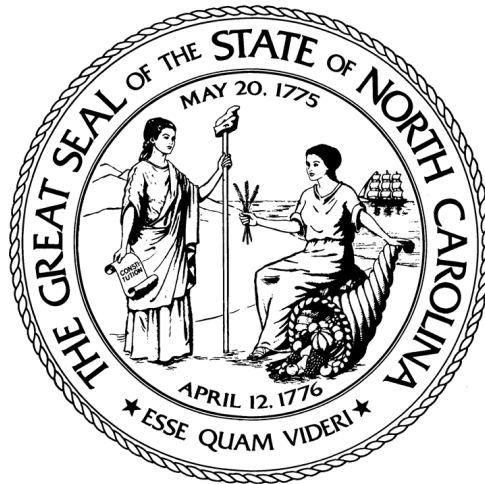
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2021

*Exhibit F-2**(Dollars In Thousands)*

	<u>Deposits of Insurance Carriers Fund</u>	<u>Administrative Office of the Courts Trust Fund</u>	<u>Total</u>
Additions			
Contributions:			
Trustee deposits	\$ 44,746	\$ 125,910	\$ 170,656
Total Additions	<u>44,746</u>	<u>125,910</u>	<u>170,656</u>
Deductions			
Payments in accordance with trust arrangements	<u>38,764</u>	<u>139,971</u>	<u>178,735</u>
Change in net position	5,982	(14,061)	(8,079)
Net position — July 1, as restated (Note 23)	<u>799,043</u>	<u>188,039</u>	<u>987,082</u>
Net position — June 30	<u>\$ 805,025</u>	<u>\$ 173,978</u>	<u>\$ 979,003</u>

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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 Reserve
- Departmental Funds

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

June 30, 2021

(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	\$ -	\$ 4,036	\$ -	\$ 4,036
Investments:				
Corporate bonds	-	-	-	-
Corporate stocks	-	-	-	-
Certificates of deposit	-	-	-	-
State Treasurer investment pool	388,499	948,467	126,624	1,463,590
Securities lending collateral	-	10	-	10
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Interest receivable	-	1,146	-	1,146
Due from other funds	-	-	-	-
Sureties	-	-	-	-
Capital assets-nondepreciable	-	-	-	-
Total Assets	\$ 388,499	\$ 953,659	\$ 126,624	\$ 1,468,782
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ -	\$ 10,140	\$ -	\$ 10,140
Intergovernmental payable	-	-	-	-
Obligations under securities lending	-	10	-	10
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	\$ -	\$ 10,150	\$ -	\$ 10,150
Net Position				
Restricted for:				
Pool participants	-	943,509	126,624	1,070,133
Individuals, organizations, and other governments	388,499	-	-	388,499
Total Net Position	\$ 388,499	\$ 943,509	\$ 126,624	\$ 1,458,632

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

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 Reserve	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ 764,184	\$ 114,905	\$ 78,342	\$ 103,828	\$ 52,028	\$ 352,692	\$ 54,123	\$ 1,520,102	\$ 1,524,138
-	-	130,825	-	-	-	-	130,825	130,825
-	-	51,683	-	-	-	-	51,683	51,683
-	-	-	-	-	-	400	400	400
-	-	-	-	-	-	-	-	1,463,590
-	-	-	1	1	-	-	2	12
286,200	-	-	-	-	-	-	286,200	286,200
-	242	69,174	-	-	-	74	69,490	69,490
-	-	-	2	-	-	-	2	2
-	-	5,328	1	9	-	-	5,338	6,484
32,524	-	-	-	-	-	131	32,655	32,655
-	40,013	-	-	-	-	-	40,013	40,013
-	-	68	-	-	-	-	68	68
<u>\$ 1,082,908</u>	<u>\$ 155,160</u>	<u>\$ 335,420</u>	<u>\$ 103,832</u>	<u>\$ 52,038</u>	<u>\$ 352,692</u>	<u>\$ 54,728</u>	<u>\$ 2,136,778</u>	<u>\$ 3,605,560</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	12	12	10,152
1,082,908	3,909	-	103,905	-	-	248	1,190,970	1,190,970
-	-	-	1	1	-	-	2	12
-	-	-	-	9	-	-	9	9
-	-	-	-	-	-	405	405	405
-	-	-	-	-	-	748	748	748
<u>\$ 1,082,908</u>	<u>\$ 3,909</u>	<u>\$ -</u>	<u>\$ 103,906</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 1,413</u>	<u>\$ 1,192,146</u>	<u>\$ 1,202,296</u>
-	-	-	-	-	-	-	-	1,070,133
-	151,251	335,420	(74)	52,028	352,692	53,315	944,632	1,333,131
<u>\$ -</u>	<u>\$ 151,251</u>	<u>\$ 335,420</u>	<u>\$ (74)</u>	<u>\$ 52,028</u>	<u>\$ 352,692</u>	<u>\$ 53,315</u>	<u>\$ 944,632</u>	<u>\$ 2,403,264</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

For the Fiscal Year Ended June 30, 2021

(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)	\$ 124,136	\$ 4,327	\$ (770)	\$ 127,693
Less investment expenses	(89)	(8)	(25)	(122)
Net investment income (loss)	124,047	4,319	(795)	127,571
Pool share transactions:				
Reinvestment of distributions	124,047	4,319	(795)	127,571
Net share purchases/(redemptions)	(365,082)	130,045	22,955	(212,082)
Net pool share transactions	(241,035)	134,364	22,160	(84,511)
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	(116,988)	138,683	21,365	43,060
Deductions				
Distributions paid and payable	124,047	4,319	(795)	127,571
Payments in accordance with trust arrangements	-	-	-	-
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	-	-	-	-
Administrative expenses	-	-	-	-
Other deductions	-	-	-	-
Total deductions	124,047	4,319	(795)	127,571
Change in net position	(241,035)	134,364	22,160	(84,511)
Net position — July 1, as restated (Note 23)	629,534	809,145	104,464	1,543,143
Net position — June 30	\$ 388,499	\$ 943,509	\$ 126,624	\$ 1,458,632

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

Exhibit F-4

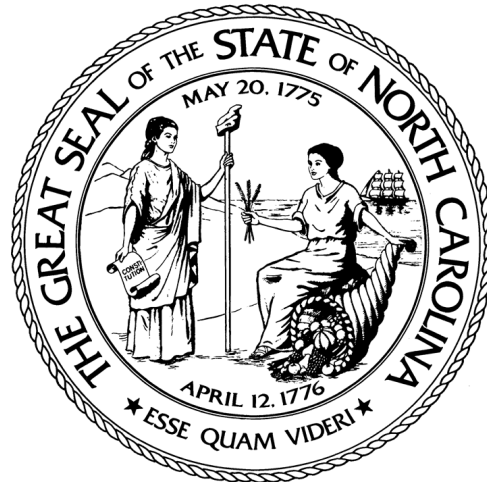
Other Custodial Funds								
Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery Reserve	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ -	\$ -	\$ -	\$ 1	\$ 228	\$ -	\$ 34	\$ 263	\$ 127,956
-	-	-	(1)	(1)	-	-	(2)	(124)
-	-	-	-	227	-	34	261	127,832
-	-	-	-	-	-	-	-	127,571
-	-	-	-	-	-	-	-	(212,082)
-	-	-	-	-	-	-	-	(84,511)
-	-	-	1,138,379	-	-	-	1,138,379	1,138,379
4,631,843	-	-	-	-	-	-	4,631,843	4,631,843
-	616,619	114,750	-	-	-	96,792	828,161	828,161
-	-	-	-	-	-	771,097	771,097	771,097
-	-	-	-	-	352,692	-	352,692	352,692
-	-	-	-	-	-	1,296	1,296	1,296
4,631,843	616,619	114,750	1,138,379	227	352,692	869,219	7,723,729	7,766,789
-	-	-	-	-	-	-	-	127,571
-	-	-	-	932	-	-	932	932
-	-	-	1,138,453	-	-	-	1,138,453	1,138,453
4,631,843	-	-	-	-	-	-	4,631,843	4,631,843
-	589,626	84,200	-	-	-	90,001	763,827	763,827
-	-	-	-	-	-	760,672	760,672	760,672
-	-	-	-	-	-	16	16	16
-	-	-	-	-	-	1	1	1
4,631,843	589,626	84,200	1,138,453	932	-	850,690	7,295,744	7,423,315
-	26,993	30,550	(74)	(705)	352,692	18,529	427,985	343,474
-	124,258	304,870	-	52,733	-	34,786	516,647	2,059,790
\$ -	\$ 151,251	\$ 335,420	\$ (74)	\$ 52,028	\$ 352,692	\$ 53,315	\$ 944,632	\$ 2,403,264

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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, 2021

(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	\$ -	\$ 40,028	\$ 998	\$ 3,236	\$ 7,953
Investments	-	-	1,364,212	55,735	-
Securities lending collateral	-	7	-	-	-
Receivables, net	56,132	12,711	-	7,956	3,556
Due from primary government	-	-	-	1,094	-
Due from component units	2,600	-	412	-	-
Inventories	-	-	-	656	-
Prepaid items	13	-	128	3,562	3,200
Advances to outside entities	-	-	-	-	-
Notes receivable, net	1,007,264	411,317	30	-	-
Restricted/designated cash and cash equivalents	577,644	762,842	-	303	-
Restricted investments	3,473,359	1,250,508	5	22,929	-
Restricted due from component units	-	-	3,299	-	-
Net OPEB asset	8	24	-	35	3
Capital assets-nondepreciable	-	-	904	99,505	23,594
Capital assets-depreciable, net	2,088	2,399	2,232	388,827	129,591
Total Assets	5,119,108	2,479,836	1,372,220	583,838	167,897
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	-	1,850	-	-	-
Deferred loss on refunding	-	-	-	303	-
Deferred outflows for pensions	700	3,147	-	4,775	243
Deferred outflows for OPEB	2,306	2,800	-	5,511	484
Total Deferred Outflows of Resources	3,006	7,797	-	10,589	727
Liabilities					
Accounts payable and accrued liabilities	22,663	3,583	139,965	10,117	1,214
Obligations under securities lending	-	7	-	-	-
Interest payable	1,055	20,076	-	664	13
Due to component units	-	-	14,258	-	3,711
Due to primary government	-	28,625	-	-	-
Unearned revenue	23	21,146	-	349	111
Advance from primary government	-	-	-	-	2,191
Deposits payable	-	3,716	-	-	-
Funds held for others	3,518,637	-	-	-	70
Hedging derivatives liability	-	1,850	-	149	-
Long-term liabilities:					
Due within one year	75,466	43,501	30	6,349	461
Due in more than one year	735,900	1,461,934	10	126,758	9,977
Total Liabilities	4,353,744	1,584,438	154,263	144,386	17,748
Deferred Inflows of Resources					
Deferred state aid	125,930	-	-	-	-
Deferred inflows for pensions	33	-	-	-	22
Deferred inflows for OPEB	1,956	5,945	-	8,934	459
Other deferred inflows	-	-	-	-	4
Total Deferred Inflows of Resources	127,919	5,945	-	8,934	485
Net Position					
Net investment in capital assets	2,088	2,399	3,136	385,745	141,522
Restricted for:					
Expendable:					
Higher education	531,752	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	875,081	1,075	23,444	479
Unrestricted	106,611	19,770	1,213,746	31,918	8,390
Total Net Position	\$ 640,451	\$ 897,250	\$ 1,217,957	\$ 441,107	\$ 150,391

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
\$ 18,964	\$ 5,384	\$ 5,024	\$ 12,475	\$ 6,996	\$ 101,058
-	13,593	-	-	-	1,433,540
-	-	-	-	-	7
4,306	303	6,819	2,629	267	94,679
-	-	-	-	-	1,094
-	-	-	-	-	3,012
-	-	-	-	-	656
185	193	100	-	982	8,363
-	-	-	-	4	4
-	8,985	-	-	-	1,427,596
6	-	24	23,282	-	1,364,101
108,457	-	-	820	-	4,856,078
-	-	-	-	-	3,299
-	-	-	-	-	70
54,652	-	-	-	-	178,655
198,913	7,983	11	95,646	349	828,039
<u>385,483</u>	<u>36,441</u>	<u>11,978</u>	<u>134,852</u>	<u>8,598</u>	<u>10,300,251</u>
-	-	-	-	-	1,850
-	-	-	-	-	303
-	-	-	66	-	8,931
-	-	-	-	-	11,101
-	-	-	66	-	22,185
8,875	346	6,114	9,053	1,113	203,043
-	-	-	-	-	7
-	-	-	-	-	21,808
-	-	-	-	-	17,969
-	-	-	-	2,053	30,678
10,050	-	4,067	200	21	35,967
-	-	-	-	-	2,191
58	-	-	-	-	3,774
-	-	-	-	-	3,518,707
-	-	-	-	-	1,999
-	4	40	-	412	126,263
-	-	135	119	126	2,334,959
<u>18,983</u>	<u>350</u>	<u>10,356</u>	<u>9,372</u>	<u>3,725</u>	<u>6,297,365</u>
-	-	-	-	-	125,930
-	-	-	7	-	62
-	-	-	-	-	17,294
-	-	-	-	-	4
-	-	-	7	-	143,290
253,566	7,980	11	95,646	-	892,093
-	-	-	-	-	531,752
-	-	75	-	-	75
108,457	700	-	23,980	-	1,033,216
4,477	27,411	1,536	5,913	4,873	1,424,645
<u>\$ 366,500</u>	<u>\$ 36,091</u>	<u>\$ 1,622</u>	<u>\$ 125,539</u>	<u>\$ 4,873</u>	<u>\$ 3,881,781</u>

COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS

For the Fiscal Year Ended June 30, 2021

(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	\$ 303,132	\$ 368,848	\$ 133,679	\$ 61,292	\$ 10,950
Program revenues:					
Charges for services	46,134	312,891	258	56,992	2,574
Operating grants and contributions:					
Federal Aid - COVID-19	-	-	-	-	-
State aid - program	78,482	38,418	-	-	-
Other operating grants and contributions	177,898	44,024	4	932	3,233
Capital grants and contributions:					
Other capital grants and contributions	-	-	-	2,647	62
Net program (expense) revenue	(618)	26,485	(133,417)	(721)	(5,081)
Non-tax general revenues:					
Unrestricted investment earnings	23,606	-	279,410	-	272
State aid - coronavirus	-	-	77,952	-	-
State aid - general	-	30,660	17,500	50,500	863
Noncapital contributions	797	228	-	344	9
Miscellaneous	-	-	-	-	-
Total non-tax general revenues	24,403	30,888	374,862	50,844	1,144
Change in net position	23,785	57,373	241,445	50,123	(3,937)
Net position — July 1, as restated	616,666	839,877	976,512	390,984	154,328
Net position — June 30	\$ 640,451	\$ 897,250	\$ 1,217,957	\$ 441,107	\$ 150,391

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
\$ 41,273	\$ 16,539	\$ 109,462	\$ 17,777	\$ 38,530	\$ 1,101,482
22,862	187	-	2,295	341	444,534
-	-	-	-	1,099	1,099
-	-	90,383	-	-	207,283
-	-	13,850	11,715	1,877	253,533
-	-	-	2,573	-	5,282
(18,411)	(16,352)	(5,229)	(1,194)	(35,213)	(189,751)
11,883	1,342	2	119	-	316,634
-	-	-	-	17,736	95,688
-	13,600	5,539	-	18,836	137,498
-	-	-	-	-	1,378
854	1,312	69	-	-	2,235
12,737	16,254	5,610	119	36,572	553,433
(5,674)	(98)	381	(1,075)	1,359	363,682
372,174	36,189	1,241	126,614	3,514	3,518,099
\$ 366,500	\$ 36,091	\$ 1,622	\$ 125,539	\$ 4,873	\$ 3,881,781

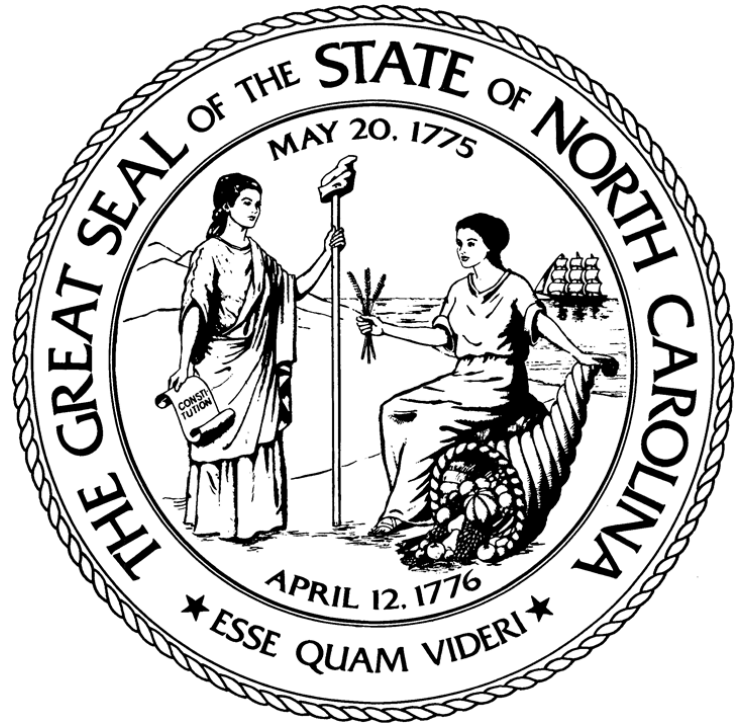
STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNIT

June 30, 2021

Exhibit G-3

(Dollars in Thousands)

	<u>State Health Plan</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,729,062
Payments to suppliers	(249,804)
Payments to employees	(4,957)
Payments for claims	(3,571,057)
Net cash provided by (used for) operating activities	<u>(96,756)</u>
Cash Flows From Noncapital Financing Activities	
Grant receipts	11,156
Grants, aid, and subsidies	(187,000)
Net cash provided by (used for) noncapital financing activities	<u>(175,844)</u>
Cash Flows From Investing Activities	
Investment earnings	6,087
Net increase (decrease) in cash and cash equivalents	(266,513)
Cash and cash equivalents at July 1	1,032,420
Cash and cash equivalents at June 30	<u>\$ 765,907</u>
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities	
Operating income (loss)	\$ (124,359)
Nonoperating miscellaneous and other income (expense)	93
Change in assets and deferred outflows:	
Receivables	(19,982)
Net OPEB asset	(1)
Deferred outflows for pensions	(12)
Deferred outflows for OPEB	(1,487)
Change in liabilities and deferred inflows:	
Accounts payable and accrued liabilities	(15,893)
Compensated absences	58
Unearned revenue	(3,591)
Medical claims payable	66,522
Net pension liability	447
Net OPEB liability	868
Deferred inflows for pensions	(44)
Deferred inflows for OPEB	625
Net cash provided by (used for) operations	<u>\$ (96,756)</u>
Noncash Investing, Capital, and Financing Activities	
Changes in securities lending collateral	(22,505)



STATISTICAL SECTION

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Index to Statistical Section

This part of the State of North Carolina's Comprehensive Annual 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.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

NET POSITION BY COMPONENT

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental Activities					
Net investment in capital assets	\$ 56,803,432	\$ 55,581,833	\$ 52,846,067	\$ 49,966,225	\$ 47,274,373
Restricted	1,868,783	1,458,418	1,248,281	1,187,465	1,122,895
Unrestricted	2,008,884	(5,356,649)	(5,899,285)	(5,831,775)	(6,518,107)
Total Governmental Activities Net Position	<u>\$ 60,681,099</u>	<u>\$ 51,683,602</u>	<u>\$ 48,195,063</u>	<u>\$ 45,321,915</u>	<u>\$ 41,879,161</u>
Business-type Activities					
Net investment in capital assets	\$ 516,526	\$ 513,378	\$ 562,921	\$ 606,649	\$ 532,834
Restricted	255,800	178,212	114,803	16,963	15,785
Unrestricted	4,948,223	4,863,901	5,640,685	5,096,931	4,592,444
Total Business-type Activities Net Position	<u>\$ 5,720,549</u>	<u>\$ 5,555,491</u>	<u>\$ 6,318,409</u>	<u>\$ 5,720,543</u>	<u>\$ 5,141,063</u>
Primary Government					
Net investment in capital assets	\$ 57,319,958	\$ 56,095,211	\$ 53,408,988	\$ 50,572,874	\$ 47,807,207
Restricted	2,124,583	1,636,630	1,363,084	1,204,428	1,138,680
Unrestricted	6,957,107	(492,748)	(258,600)	(734,844)	(1,925,663)
Total Primary Government Net Position	<u>\$ 66,401,648</u>	<u>\$ 57,239,093</u>	<u>\$ 54,513,472</u>	<u>\$ 51,042,458</u>	<u>\$ 47,020,224</u>

Table 1

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$45,313,618	\$43,589,998	\$42,139,297	\$40,394,260	\$38,705,712
1,039,216	1,061,817	861,988	852,901	703,781
376,874	(1,829,718)	(3,398,663)	(3,042,454)	(3,594,082)
<u>\$46,729,708</u>	<u>\$42,822,097</u>	<u>\$39,602,622</u>	<u>\$38,204,707</u>	<u>\$35,815,411</u>
\$ 653,235	\$ 535,344	\$ 442,100	\$ 410,031	\$ 391,831
7,043	1,256	1,940	995	1,468
3,831,415	2,638,877	1,032,581	(250,294)	(661,669)
<u>\$ 4,491,693</u>	<u>\$ 3,175,477</u>	<u>\$ 1,476,621</u>	<u>\$ 160,732</u>	<u>\$ (268,370)</u>
\$45,966,853	\$44,125,342	\$42,581,397	\$40,804,291	\$39,097,543
1,046,259	1,063,073	863,928	853,896	705,249
4,208,289	809,159	(2,366,082)	(3,292,748)	(4,255,751)
<u>\$51,221,401</u>	<u>\$45,997,574</u>	<u>\$41,079,243</u>	<u>\$38,365,439</u>	<u>\$35,547,041</u>

CHANGES IN NET POSITION

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses					
Governmental Activities					
General government	\$ 2,500,096	\$ 1,441,776	\$ 1,392,293	\$ 1,284,612	\$ 1,220,572
Primary and secondary education	12,936,328	11,971,116	11,697,451	11,026,473	10,721,373
Higher education	5,142,660	4,815,552	4,788,720	4,390,938	4,137,922
Health and human services	25,629,768	21,594,958	19,567,645	19,076,459	18,871,497
Economic development	665,102	525,242	505,806	518,717	475,172
Environment and natural resources	821,398	708,815	666,594	603,594	549,838
Public safety, corrections, and regulation	4,536,568	4,228,118	3,792,606	3,564,262	3,355,432
Transportation	2,793,445	2,979,441	3,907,427	3,154,210	2,953,576
Agriculture	286,217	313,068	392,214	204,253	196,538
Interest on long-term debt	170,435	171,372	163,799	138,513	194,559
Total Governmental Activities Expenses	<u>55,482,017</u>	<u>48,749,458</u>	<u>46,874,555</u>	<u>43,962,031</u>	<u>42,676,479</u>
Business-type Activities					
Unemployment Compensation	7,317,289	5,707,104	169,967	196,572	238,193
N.C. State Lottery	2,875,899	2,290,926	2,154,116	1,938,395	1,808,537
EPA Revolving Loan	17,458	13,785	23,657	13,974	14,648
N.C. Turnpike Authority	193,813	186,369	132,456	88,703	108,845
Regulatory programs	130,081	131,503	121,652	118,917	113,780
Insurance programs	35,262	51,815	22,362	14,646	23,828
North Carolina State Fair	7,086	15,981	18,197	19,006	17,459
Other business-type activities	12,780	15,421	17,015	16,065	23,293
Total Business-type Activities Expenses	<u>10,589,668</u>	<u>8,412,904</u>	<u>2,659,422</u>	<u>2,406,278</u>	<u>2,348,583</u>
Total Primary Government Expenses	<u>\$ 66,071,685</u>	<u>\$ 57,162,362</u>	<u>\$ 49,533,977</u>	<u>\$ 46,368,309</u>	<u>\$ 45,025,062</u>
Program Revenues					
Governmental Activities					
Charges for Services:					
Transportation	\$ 1,102,786	\$ 967,438	\$ 992,925	\$ 978,504	\$ 973,237
Public safety, corrections, and regulation	565,774	577,517	633,050	652,818	614,165
General government	335,269	297,451	293,563	264,692	275,983
Health and human services	338,172	352,364	355,483	343,247	374,624
Other activities	609,087	530,640	356,404	328,341	333,437
Operating grants and contributions	23,540,962	19,246,548	16,980,579	16,324,807	16,197,394
Capital grants and contributions	1,281,167	1,328,260	1,317,197	994,934	1,064,722
Total Governmental Activities Program Revenues	<u>27,773,217</u>	<u>23,300,218</u>	<u>20,929,201</u>	<u>19,887,343</u>	<u>19,833,562</u>
Business-type Activities					
Charges for services:					
Unemployment Compensation	599,309	246,021	505,379	585,552	933,147
N.C. State Lottery	3,810,995	3,021,992	2,864,962	2,610,475	2,433,036
EPA Revolving Loan	15,956	19,487	20,888	21,918	19,217
N.C. Turnpike Authority	57,186	82,613	65,155	49,647	45,520
Regulatory programs	144,511	139,927	132,263	130,375	135,783
Insurance programs	17,951	18,999	9,142	19,455	18,425
North Carolina State Fair	3,212	16,504	15,694	16,416	16,102
Other business-type activities	9,091	12,022	12,394	12,987	12,658
Operating grants and contributions	6,907,326	4,737,551	203,779	142,370	136,200
Capital grants and contributions	21,393	3,681	27,578	5,249	10,317
Total Business-type Activities Program Revenues	<u>11,586,930</u>	<u>8,298,797</u>	<u>3,857,234</u>	<u>3,594,444</u>	<u>3,760,405</u>
Total Primary Government Program Revenues	<u>\$ 39,360,147</u>	<u>\$ 31,599,015</u>	<u>\$ 24,786,435</u>	<u>\$ 23,481,787</u>	<u>\$ 23,593,967</u>
Net (Expense) Revenue					
Governmental Activities	\$ (27,708,800)	\$ (25,449,240)	\$ (25,945,354)	\$ (24,074,688)	\$ (22,842,917)
Business-type Activities	997,262	(114,107)	1,197,812	1,188,166	1,411,822
Total Primary Government Net Expense	<u>\$ (26,711,538)</u>	<u>\$ (25,563,347)</u>	<u>\$ (24,747,542)</u>	<u>\$ (22,886,522)</u>	<u>\$ (21,431,095)</u>

Table 2

2016	2015	2014	2013	2012
\$ 1,064,299	\$ 1,158,892	\$ 1,080,982	\$ 1,034,277	\$ 937,353
10,372,787	10,224,967	9,772,994	9,830,464	9,760,909
4,003,154	3,859,549	3,901,543	3,986,465	4,238,695
18,422,804	18,705,192	17,812,888	18,313,335	17,752,493
402,773	408,289	420,464	595,248	667,106
547,540	490,185	484,718	515,496	470,965
2,960,451	2,896,088	2,911,146	2,907,980	2,976,448
2,767,006	2,673,649	2,607,663	2,490,991	2,400,599
179,152	165,735	191,242	187,608	188,985
199,516	216,519	216,521	233,606	282,542
<u>40,919,482</u>	<u>40,799,065</u>	<u>39,400,161</u>	<u>40,095,470</u>	<u>39,676,095</u>
255,851	349,069	700,190	2,496,445	3,283,900
1,752,837	1,450,494	1,341,219	1,215,944	1,141,941
19,047	22,965	27,789	23,711	14,026
87,467	89,004	88,278	95,897	17,565
94,857	90,397	86,253	76,447	69,980
12,502	21,632	18,427	17,591	38,701
16,183	14,975	13,957	13,441	13,030
20,903	16,269	12,917	13,400	12,084
<u>2,259,647</u>	<u>2,054,805</u>	<u>2,289,030</u>	<u>3,952,876</u>	<u>4,591,227</u>
<u>\$ 43,179,129</u>	<u>\$ 42,853,870</u>	<u>\$ 41,689,191</u>	<u>\$ 44,048,346</u>	<u>\$ 44,267,322</u>
\$ 875,603	\$ 742,586	\$ 730,048	\$ 706,231	\$ 685,596
622,044	601,407	580,817	604,447	594,377
264,708	253,506	242,809	228,054	218,011
357,597	320,100	324,689	331,559	308,986
299,269	385,081	323,722	330,613	289,293
15,924,934	16,152,680	15,261,306	15,767,596	15,605,227
940,448	942,238	1,260,306	1,010,889	977,961
<u>19,284,603</u>	<u>19,397,598</u>	<u>18,723,697</u>	<u>18,979,389</u>	<u>18,679,451</u>
1,309,907	1,552,934	1,651,108	1,535,068	1,473,576
2,388,977	1,977,486	1,844,636	1,695,009	1,601,837
21,908	23,955	22,603	19,490	23,366
39,147	30,710	24,725	13,499	664
112,525	96,155	90,938	78,557	70,732
18,628	18,641	10,780	19,275	17,547
15,539	14,985	14,828	14,506	14,470
12,042	11,239	10,781	10,681	10,578
156,515	409,351	347,108	1,423,525	1,966,023
14,932	21,251	11,942	21,109	15,436
<u>4,090,120</u>	<u>4,156,707</u>	<u>4,029,449</u>	<u>4,830,719</u>	<u>5,194,229</u>
<u>\$ 23,374,723</u>	<u>\$ 23,554,305</u>	<u>\$ 22,753,146</u>	<u>\$ 23,810,108</u>	<u>\$ 23,873,680</u>
\$ (21,634,879)	\$ (21,401,467)	\$ (20,676,464)	\$ (21,116,081)	\$ (20,996,644)
1,830,473	2,101,902	1,740,419	877,843	603,002
<u>\$ (19,804,406)</u>	<u>\$ (19,299,565)</u>	<u>\$ (18,936,045)</u>	<u>\$ (20,238,238)</u>	<u>\$ (20,393,642)</u>

Continued

CHANGES IN NET POSITION (Continued)

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes:					
Individual income tax	\$ 15,368,872	\$ 13,121,892	\$ 13,242,924	\$ 12,607,563	\$ 11,950,085
Corporate income tax	1,327,813	726,186	779,886	750,381	805,062
Sales and use tax	9,826,411	8,556,460	8,436,190	7,951,984	7,646,658
Motor fuels tax	2,067,262	2,054,235	2,118,180	2,013,961	1,945,769
Franchise tax	882,332	640,865	754,936	676,309	749,408
Highway use tax	1,003,310	847,919	838,571	798,314	784,549
Insurance tax	722,958	661,881	577,430	588,042	517,781
Beverage tax	533,088	462,401	435,471	411,071	394,883
Inheritance tax	—	—	—	—	—
Tobacco products tax	303,060	288,933	294,030	296,064	284,531
Other taxes	334,913	290,178	276,828	315,429	298,367
Tobacco settlement	167,417	148,929	155,818	162,108	140,569
Federal COVID-19	3,117,857	173,448	—	—	—
Unrestricted investment earnings (loss)	15,662	133,251	153,490	97,346	62,683
Noncapital Contributions	91,696	-	—	—	—
Miscellaneous	102,661	76,395	84,549	60,840	50,650
Contributions to permanent funds	7,472	5,919	4,916	4,845	4,561
Transfers	833,513	652,776	613,895	607,892	665,199
Total Governmental Activities	<u>36,706,297</u>	<u>28,841,668</u>	<u>28,767,114</u>	<u>27,342,149</u>	<u>26,300,755</u>
Business-type Activities					
Noncapital Contributions	1,309	—	—	—	—
Miscellaneous	—	—	2,879	—	535
Transfers	(833,513)	(652,776)	(613,895)	(607,892)	(665,199)
Total Business-type Activities	<u>(832,204)</u>	<u>(652,776)</u>	<u>(611,016)</u>	<u>(607,892)</u>	<u>(664,664)</u>
Total Primary Government	<u>\$ 35,874,093</u>	<u>\$ 28,188,892</u>	<u>\$ 28,156,098</u>	<u>\$ 26,734,257</u>	<u>\$ 25,636,091</u>
Change in Net Position					
Governmental Activities	\$ 8,997,497	\$ 3,392,428	\$ 2,821,760	\$ 3,267,461	\$ 3,457,838
Business-type Activities	165,058	(766,883)	586,796	580,274	747,158
Total Primary Government	<u>\$ 9,162,555</u>	<u>\$ 2,625,545</u>	<u>\$ 3,408,556</u>	<u>\$ 3,847,735</u>	<u>\$ 4,204,996</u>

Table 2

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 11,980,791	\$ 11,288,542	\$ 10,576,575	\$ 11,113,597	\$ 10,459,307
1,120,553	1,272,879	1,318,091	1,194,850	1,233,989
7,184,788	6,869,090	5,839,362	5,556,484	5,530,046
1,938,849	1,945,462	1,907,803	1,889,439	1,892,163
521,628	556,786	888,815	845,130	804,973
728,580	653,931	596,801	555,581	506,211
503,621	529,927	476,402	540,844	479,755
380,065	360,280	342,784	330,918	322,190
—	—	—	113,721	57,839
291,841	279,795	273,426	287,340	293,597
296,595	292,535	348,938	305,726	294,516
136,561	137,910	139,169	213,078	146,135
—	—	—	—	—
43,551	20,139	19,452	13,621	(56,055)
—	—	—	—	—
35,246	42,167	192,002	44,837	41,960
4,718	4,382	3,861	2,834	3,297
518,461	416,483	429,810	448,733	401,740
<u>25,685,848</u>	<u>24,670,308</u>	<u>23,353,291</u>	<u>23,456,733</u>	<u>22,411,663</u>
—	—	—	—	—
42	4	3	7	—
<u>(518,461)</u>	<u>(416,483)</u>	<u>(429,810)</u>	<u>(448,733)</u>	<u>(401,740)</u>
<u>(518,419)</u>	<u>(416,479)</u>	<u>(429,807)</u>	<u>(448,726)</u>	<u>(401,740)</u>
<u>\$ 25,167,429</u>	<u>\$ 24,253,829</u>	<u>\$ 22,923,484</u>	<u>\$ 23,008,007</u>	<u>\$ 22,009,923</u>
\$ 4,050,969	\$ 3,268,841	\$ 2,676,827	\$ 2,340,652	\$ 1,415,019
1,312,054	1,685,423	1,310,612	429,117	201,262
<u>\$ 5,363,023</u>	<u>\$ 4,954,264</u>	<u>\$ 3,987,439</u>	<u>\$ 2,769,769</u>	<u>\$ 1,616,281</u>

FUND BALANCES OF GOVERNMENTAL FUNDS ⁽¹⁾

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund						
Nonspendable.....	118,773	83,763	160,906	70,193	72,345	84,122
Restricted.....	231,967	226,008	162,836	137,695	112,346	162,568
Committed.....	2,584,622	2,855,654	2,683,751	2,329,651	2,021,250	1,518,439
Assigned.....	531,349	1,725,771	554,243	517,815	217,747	376,677
Unassigned.....	8,412,582	1,694,412	2,396,667	2,335,267	1,977,982	1,619,055
Total General Fund.....	<u>\$ 11,879,293</u>	<u>\$ 6,585,608</u>	<u>\$ 5,958,403</u>	<u>\$ 5,390,621</u>	<u>\$ 4,401,670</u>	<u>\$ 3,760,861</u>
All Other Governmental Funds						
Nonspendable.....	256,019	228,646	231,482	224,714	215,690	218,575
Restricted.....	2,347,662	2,199,737	2,225,062	1,012,887	1,176,441	1,067,534
Committed.....	2,984,824	2,110,466	2,505,415	2,622,022	2,754,107	2,308,077
Assigned.....	3,562	3,763	3,027	3,449	929	1,166
Unassigned.....	-	(892,965)	(1,345,891)	(495,336)	-	-
Total All Other Governmental Funds.....	<u>\$ 5,592,067</u>	<u>\$ 3,649,647</u>	<u>\$ 3,619,095</u>	<u>\$ 3,367,736</u>	<u>\$ 4,147,167</u>	<u>\$ 3,595,352</u>

Table 3

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
83,079	81,458	75,153	81,395
173,575	83,885	130,411	140,032
1,447,011	911,720	910,629	889,584
116,705	283,280	30,957	—
686,453	193,482	150,713	(62,042)
<u>\$ 2,506,823</u>	<u>\$ 1,553,825</u>	<u>\$ 1,297,863</u>	<u>\$ 1,048,969</u>
211,883	216,528	210,307	218,674
1,252,733	768,448	923,253	807,205
1,870,499	1,713,790	1,409,097	1,402,286
1,011	—	778	496
—	—	—	(1,311)
<u>\$ 3,336,126</u>	<u>\$ 2,698,766</u>	<u>\$ 2,543,435</u>	<u>\$ 2,427,350</u>

(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 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues					
Taxes.....	\$ 32,335,305	\$ 27,654,005	\$ 27,743,450	\$ 26,401,176	\$ 25,376,794
Federal funds.....	21,856,916	19,218,083	17,878,544	16,987,521	16,896,580
Local funds.....	153,530	170,937	171,986	172,815	180,725
Investment earnings.....	87,980	216,341	241,587	148,974	116,006
Interest earnings on loans.....	1,128	933	994	975	900
Sales and services.....	327,404	308,687	326,316	336,952	323,677
Rental and lease of property.....	20,801	23,413	40,218	21,921	25,682
Fees, licenses, and fines.....	2,281,719	2,050,179	1,969,177	1,947,486	1,894,212
Tobacco settlement.....	167,234	149,194	155,926	160,653	141,054
Contributions, gifts, and grants.....	231,085	115,001	151,950	110,742	104,856
Funds escheated.....	151,474	168,851	129,913	105,127	126,701
Federal recovery funds.....	5,602,489	1,156,776	—	—	—
Miscellaneous.....	219,670	167,997	167,298	157,480	195,388
Total revenues.....	<u>63,436,735</u>	<u>51,400,397</u>	<u>48,977,359</u>	<u>46,551,822</u>	<u>45,382,575</u>
Expenditures					
Current:					
General government.....	2,484,419	1,343,940	1,247,648	1,195,086	1,169,676
Primary and secondary education.....	12,947,489	11,978,624	11,696,298	11,022,159	10,699,781
Higher education.....	5,144,492	4,816,610	4,790,041	4,390,338	4,136,832
Health and human services.....	25,705,449	21,612,473	19,674,618	19,121,283	18,930,282
Economic development.....	675,416	529,115	509,626	505,695	472,037
Environment and natural resources.....	779,112	692,030	639,449	568,828	518,631
Public safety, corrections, and regulation.....	4,504,476	4,097,966	3,785,440	3,382,199	3,288,609
Transportation.....	4,780,981	5,637,600	6,534,522	5,669,605	4,839,716
Agriculture.....	286,038	295,349	400,471	202,592	195,562
Capital outlay.....	177,741	205,341	152,880	129,798	158,793
Debt service:					
Principal retirement (2).....	646,004	684,065	633,309	966,248	595,300
Interest and fees (2).....	272,026	262,181	240,896	240,013	279,631
Debt issuance costs.....	1,591	2,582	1,653	1,986	1,009
Total expenditures.....	<u>58,405,234</u>	<u>52,157,876</u>	<u>50,306,851</u>	<u>47,395,830</u>	<u>45,285,859</u>
Excess revenues over (under) expenditures.....	<u>5,031,501</u>	<u>(757,479)</u>	<u>(1,329,492)</u>	<u>(844,008)</u>	<u>96,716</u>
Other Financing Sources (Uses)					
Bonds issued.....	400,000	600,000	400,000	—	200,000
Special indebtedness issued.....	700,000	—	300,000	—	—
GARVEE bonds issued.....	—	—	600,000	—	—
Refunding bonds issued.....	—	—	—	949,200	—
Other debt issued.....	—	—	2,765	32,945	630
Premium on debt issued.....	199,037	82,392	215,733	180,865	30,018
Discount on debt issued.....	—	—	—	—	—
Payments to refunded bond escrow agent.....	—	—	—	(774,195)	—
Sale of capital assets.....	15,721	12,887	18,501	21,867	33,289
Insurance recoveries.....	56,313	29,082	19,308	34,842	12,125
Transfers in.....	1,429,460	1,403,813	1,397,089	1,047,384	1,253,047
Transfers out.....	(595,927)	(752,027)	(784,123)	(439,966)	(441,561)
Total other financing sources (uses).....	<u>2,204,604</u>	<u>1,376,147</u>	<u>2,169,273</u>	<u>1,052,942</u>	<u>1,087,548</u>
Net change in fund balances.....	<u>\$ 7,236,105</u>	<u>\$ 618,668</u>	<u>\$ 839,781</u>	<u>\$ 208,934</u>	<u>\$ 1,184,264</u>
Debt service as a percentage of noncapital expenditures...	1.66%	1.96%	1.88%	2.74%	2.06%

Table 4

2016	2015	2014	2013	2012
\$ 24,942,287	\$ 24,032,552	\$ 22,605,977	\$ 22,769,317	\$ 21,816,945
16,325,844	16,509,242	15,967,504	16,161,532	15,626,696
189,786	195,962	173,727	186,327	188,405
88,114	43,574	76,144	41,259	50,612
1,094	2,864	1,797	3,684	3,347
325,883	318,411	312,872	304,179	292,705
20,906	22,400	23,791	27,559	26,574
1,813,402	1,644,450	1,597,517	1,574,727	1,547,973
137,230	138,622	139,937	211,162	140,979
102,217	121,750	99,672	74,857	65,954
75,105	165,062	106,760	112,671	68,207
196,752	209,492	236,869	273,192	658,570
176,847	182,507	328,781	184,763	146,204
<u>44,395,467</u>	<u>43,586,888</u>	<u>41,671,348</u>	<u>41,925,229</u>	<u>40,633,171</u>
1,136,781	1,142,043	1,036,518	986,897	901,654
10,381,474	10,213,160	9,749,844	9,818,572	9,738,102
4,002,167	3,850,111	3,900,386	3,986,575	4,237,649
18,501,376	18,781,793	17,901,879	18,416,229	17,854,993
407,575	412,783	442,364	571,037	667,057
527,448	454,602	456,099	455,894	429,882
3,029,405	2,932,540	2,896,879	2,899,287	2,937,742
4,313,225	4,044,532	4,152,663	3,992,200	3,801,196
183,389	178,282	179,848	171,196	181,387
144,674	113,689	127,634	182,107	231,688
587,628	562,820	553,016	1,261,685	514,195
293,503	303,433	331,451	461,739	346,540
1,398	3,048	1,193	6,605	7,074
<u>43,510,043</u>	<u>42,992,836</u>	<u>41,729,774</u>	<u>43,210,023</u>	<u>41,849,159</u>
<u>885,424</u>	<u>594,052</u>	<u>(58,426)</u>	<u>(1,284,794)</u>	<u>(1,215,988)</u>
—	231,360	—	—	—
—	—	—	250,000	400,000
—	264,930	—	—	179,540
329,360	299,020	506,255	1,320,970	367,350
1,875	1,622	6,733	9,380	15,825
88,066	117,506	98,789	284,428	131,892
—	—	—	—	—
(416,509)	(349,828)	(603,550)	(748,022)	(428,830)
70,263	13,432	14,939	12,939	12,889
8,881	9,039	15,975	9,925	16,444
1,036,161	1,044,348	1,233,471	1,112,704	1,115,417
<u>(515,965)</u>	<u>(632,660)</u>	<u>(805,682)</u>	<u>(651,195)</u>	<u>(715,002)</u>
<u>602,132</u>	<u>998,769</u>	<u>466,930</u>	<u>1,601,129</u>	<u>1,095,525</u>
<u>\$ 1,487,556</u>	<u>\$ 1,592,821</u>	<u>\$ 408,504</u>	<u>\$ 316,335</u>	<u>\$ (120,463)</u>
2.15%	2.13%	2.25%	4.24%	2.18%

(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 2012-2021

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Tax Revenues					
Individual income tax.....	15,368,872	13,121,892	\$ 13,242,924	\$ 12,607,563	\$ 11,950,085
Corporate income tax.....	1,304,274	728,989	774,121	749,488	807,208
Sales and use tax.....	9,811,208	8,546,796	8,428,539	7,940,757	7,634,608
Franchise tax.....	870,914	646,414	750,674	669,598	748,018
Beverage tax.....	533,261	462,403	435,328	411,161	394,995
Insurance tax.....	722,936	660,905	577,506	588,907	516,970
Tobacco products tax.....	307,333	289,317	292,614	292,284	291,671
License tax.....	43,458	35,033	35,128	33,869	30,470
Real estate conveyance tax.....	118,861	87,542	80,103	72,933	68,793
Manufacturing tax..... (3)	1,271	980	1,120	46,699	46,922
Other taxes..... (1)	45,229	43,552	41,760	53,097	39,188
Total tax revenues.....	<u>29,127,617</u>	<u>24,623,823</u>	<u>24,659,817</u>	<u>23,466,356</u>	<u>22,528,928</u>
Non-tax Revenues					
Federal Funds.....					
Departmental revenues.....	20,363,937	17,584,656	16,260,190	15,626,073	15,497,006
Federal COVID-19 funds..... (4)	5,410,439	1,156,776	—	—	—
Federal recovery funds..... (2)	—	—	—	—	—
	<u>25,774,376</u>	<u>18,741,432</u>	<u>16,260,190</u>	<u>15,626,073</u>	<u>15,497,006</u>
Local Funds:					
Departmental revenues.....	108,692	128,634	138,775	139,422	143,580
Investment Earnings:					
Income from General Fund investments.....	14,821	130,042	150,073	96,968	62,315
Income from securities lending.....	52	5,130	5,765	297	925
Departmental revenues.....	19,481	16,935	13,651	10,052	6,010
	<u>34,354</u>	<u>152,107</u>	<u>169,489</u>	<u>107,317</u>	<u>69,250</u>
Interest Earnings on Loans:					
Departmental revenues.....	143	94	287	332	259
Sales and Services:					
Departmental revenues.....	181,018	161,579	169,206	179,553	171,534
Other non-tax revenues.....	113	118	83	88	105
	<u>181,131</u>	<u>161,697</u>	<u>169,289</u>	<u>179,641</u>	<u>171,639</u>
Rental and Lease of Property:					
Proceeds from rental and lease of property.....	584	5,002	21,031	943	5,718
Departmental revenues.....	13,849	11,140	12,013	12,914	10,711
	<u>14,433</u>	<u>16,142</u>	<u>33,044</u>	<u>13,857</u>	<u>16,429</u>
Fees, Licenses and Fines:					
Court fines and fees.....	178,537	203,244	231,286	239,613	242,013
Secretary of State service fees.....	158,970	141,261	125,521	123,891	112,479
Banking and investment fees.....	3,909	3,938	3,771	3,911	4,101
Permits (ABC Commission).....	4,531	23,157	26,524	25,829	24,682
Probation supervision fees.....	9,926	10,753	12,001	12,082	12,669
Department of Insurance fees.....	58,873	51,182	48,094	48,209	45,897
DWI service and restoration fees.....	3,316	3,744	4,782	5,104	5,672
Civil penalties, fines, and forfeitures..... (5)	221,391	114,645	—	—	—
Departmental revenues.....	296,528	314,553	328,980	334,539	302,396
Other non-tax revenues.....	12,538	10,161	9,619	8,824	9,417
	<u>948,519</u>	<u>876,638</u>	<u>790,578</u>	<u>802,002</u>	<u>759,326</u>
Tobacco Settlement:					
Tobacco settlement.....	167,234	149,194	155,926	160,653	141,054
Contributions, Gifts and Grants:					
Departmental revenues.....	62,609	49,517	45,582	44,088	43,996
Miscellaneous:					
Local sales and use tax administration.....	16,676	14,677	14,421	13,711	13,038
Sales tax refunds.....	2,201	1,929	2,545	1,734	1,876
Departmental revenues.....	155,466	128,938	139,229	127,723	165,645
Other non-tax revenue.....	625	252	277	342	237
	<u>174,968</u>	<u>145,796</u>	<u>156,472</u>	<u>143,510</u>	<u>180,796</u>
Total non-tax revenues.....	<u>27,466,459</u>	<u>20,421,251</u>	<u>17,919,632</u>	<u>17,216,895</u>	<u>17,023,335</u>
Total Revenues.....	<u>\$ 56,594,076</u>	<u>\$ 45,045,074</u>	<u>\$ 42,579,449</u>	<u>\$ 40,683,251</u>	<u>\$ 39,552,263</u>

Table 5

2016	2015	2014	2013	2012
\$ 11,980,791	\$ 11,288,542	\$ 10,576,575	\$ 11,111,462	\$ 10,457,217
1,117,999	1,270,985	1,331,934	1,224,702	1,194,865
7,177,819	6,858,523	5,838,079	5,554,065	5,516,304
524,967	552,221	890,692	857,867	797,596
379,986	360,138	342,955	330,711	322,194
503,413	529,927	476,402	521,510	463,574
286,968	277,830	277,736	283,629	293,286
30,785	46,265	47,612	44,378	45,577
62,250	56,028	50,424	—	—
47,435	40,611	36,743	36,447	36,321
41,523	37,919	111,873	187,482	128,865
<u>22,153,936</u>	<u>21,318,989</u>	<u>19,981,025</u>	<u>20,152,253</u>	<u>19,255,799</u>
15,138,975	15,293,459	14,526,468	14,878,307	14,433,383
—	—	—	—	—
<u>45,220</u>	<u>84,429</u>	<u>151,757</u>	<u>182,756</u>	<u>421,815</u>
<u>15,184,195</u>	<u>15,377,888</u>	<u>14,678,225</u>	<u>15,061,063</u>	<u>14,855,198</u>
155,486	161,514	144,826	158,413	164,679
40,795	19,282	17,458	12,991	13,533
1,354	554	6,853	9,125	(1,590)
3,684	2,045	2,481	2,597	4,014
<u>45,833</u>	<u>21,881</u>	<u>26,792</u>	<u>24,713</u>	<u>15,957</u>
442	2,192	1,098	2,883	2,445
171,318	164,521	158,684	140,603	137,527
109	75	87	80	92
<u>171,427</u>	<u>164,596</u>	<u>158,771</u>	<u>140,683</u>	<u>137,619</u>
51	103	117	94	85
11,161	10,383	9,966	10,210	10,348
<u>11,212</u>	<u>10,486</u>	<u>10,083</u>	<u>10,304</u>	<u>10,433</u>
244,724	234,510	236,790	250,789	258,968
108,208	101,792	94,923	89,994	85,062
4,595	7,684	7,568	6,107	6,690
24,025	24,065	15,151	15,138	15,169
13,626	14,231	14,579	15,566	16,134
44,461	43,392	40,603	39,224	39,100
6,490	7,594	8,033	8,590	8,946
—	—	—	—	—
307,282	304,463	287,233	288,922	252,398
8,667	7,940	8,895	9,696	8,086
<u>762,078</u>	<u>745,671</u>	<u>713,775</u>	<u>724,026</u>	<u>690,553</u>
137,230	138,622	139,937	211,162	140,979
39,755	39,088	26,441	21,487	20,452
11,374	10,519	9,388	8,942	12,177
2,189	2,452	3,716	2,826	3,555
143,840	112,647	214,371	104,432	103,317
236	3,072	66,643	9,865	306
<u>157,639</u>	<u>128,690</u>	<u>294,118</u>	<u>126,065</u>	<u>119,355</u>
<u>16,665,297</u>	<u>16,790,628</u>	<u>16,194,066</u>	<u>16,480,799</u>	<u>16,157,670</u>
<u>\$ 38,819,233</u>	<u>\$ 38,109,617</u>	<u>\$ 36,175,091</u>	<u>\$ 36,633,052</u>	<u>\$ 35,413,469</u>

(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.

(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 2010-2019

(Dollars in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Manufacturing.....	\$ 37,579,844	\$ 36,525,917	\$ 35,564,443	\$ 34,507,827	\$ 33,917,464
Retail trade.....	20,866,956	19,815,447	18,944,925	18,510,139	17,859,725
Services.....	130,560,691	124,034,289	117,007,229	111,478,703	106,697,163
Agricultural, forestry, fishing, etc.....	772,457	744,448	770,007	815,718	839,379
Government.....	64,305,356	62,042,581	59,232,781	57,313,775	55,985,541
Construction.....	22,635,267	21,079,472	19,720,095	18,381,983	17,173,746
Wholesale trade.....	18,025,487	17,146,253	16,998,015	16,031,839	15,666,100
Transportation and warehousing.....	11,069,487	10,249,874	9,459,056	8,839,374	8,660,303
Finance and insurance.....	24,530,012	22,633,497	21,316,823	19,594,544	17,965,913
Mining.....	265,432	248,851	297,858	193,506	175,080
Utilities.....	2,827,893	2,725,436	2,332,393	2,042,281	2,029,592
Information.....	8,514,780	8,645,787	8,128,297	8,031,168	7,786,806
Real estate and rental and leasing.....	7,603,790	7,252,835	6,462,266	6,504,922	5,771,969
Other.....	151,416,381	146,647,157	139,762,923	132,543,220	129,188,660
Total.....	<u>\$ 500,973,833</u>	<u>\$ 479,791,844</u>	<u>\$ 455,997,111</u>	<u>\$ 434,788,999</u>	<u>\$ 419,717,441</u>
Average Effective Rate (1):					
Individual Income Tax.....	2.6%	2.6%	2.6%	2.8%	2.7%

Source: United States Department of Commerce - Bureau of Economic Analysis (Data for 2020 & 2021 is not available)

Table 6

2014	2013	2012	2011	2010
\$ 32,663,058	\$ 31,396,324	\$ 30,665,848	\$ 29,862,927	\$ 29,312,247
17,227,306	16,363,209	15,714,199	14,966,515	14,919,571
101,512,938	94,155,224	92,630,810	86,373,005	81,868,883
810,293	770,044	749,827	632,718	661,227
53,827,305	53,810,584	53,184,884	52,765,707	52,490,261
15,887,282	14,695,182	13,984,141	12,462,615	12,097,385
14,994,989	13,995,352	13,497,515	12,666,822	11,970,852
8,036,618	7,482,287	7,246,264	6,940,013	6,494,938
17,639,760	18,283,201	25,073,812	18,500,449	21,467,170
168,758	195,625	211,604	232,048	247,311
1,809,498	1,569,505	1,850,950	2,190,305	2,258,749
7,302,160	6,389,957	6,105,228	5,768,439	5,632,762
5,062,430	4,240,605	3,266,757	2,040,127	1,941,685
121,053,562	112,676,839	115,743,449	109,650,577	100,264,561
<u>\$ 397,995,957</u>	<u>\$ 376,023,938</u>	<u>\$ 379,925,288</u>	<u>\$ 355,052,267</u>	<u>\$ 341,627,602</u>
2.7%	3.0%	2.8%	2.8%	2.7%

(1) Average effective tax rate equals individual income tax revenues divided by personal income.

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2010 AND 2019
INDIVIDUAL INCOME TAX RATES- TAX YEARS 2011-2020

North Carolina Taxable Income	Individual Income Tax Filers and Liability by Income Level							
	Tax Year 2019				Tax Year 2010			
	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
0 to \$15,000.....	2,294,748	46.4%	\$ 411,353,202	3.4%	2,111,562	50.6%	\$ 410,148,735	4.5%
\$15,001 to \$25,000.....	553,234	11.1%	567,963,410	4.7%	544,097	13.0%	605,913,782	6.6%
\$25,001 to \$50,000.....	854,380	17.3%	1,590,215,526	13.1%	742,948	17.8%	1,650,402,270	17.9%
\$50,001 to \$75,000.....	439,952	8.9%	1,385,879,215	11.5%	347,180	8.3%	1,365,424,661	14.8%
\$75,001 to \$100,000.....	258,592	5.2%	1,146,239,036	9.5%	171,734	4.1%	981,297,519	10.7%
\$100,001 to \$200,000.....	369,866	7.5%	2,579,302,986	21.4%	186,466	4.5%	1,744,578,565	18.9%
\$200,001 and up.....	176,881	3.6%	4,396,279,781	36.4%	67,516	1.7%	2,451,647,298	26.6%
	<u>4,947,653</u>	<u>100.0%</u>	<u>\$ 12,077,233,156</u>	<u>100.0%</u>	<u>4,171,503</u>	<u>100.0%</u>	<u>\$ 9,209,412,830</u>	<u>100.0%</u>

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 2019 is the most recent year for which data is available.

Individual Income Tax Rates - Last 10 Years

Tax Years 2011-2013			
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."

Income Tax Surtax Expired

- Effective from the tax year beginning on or after January 1, 2011 North Carolina no longer has an income tax surtax.

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 2019-2020				
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 2012-2021

(Dollars in Thousands)

	2021	2020	2019	2018	2017
General merchandise.....	\$ 56,410,899	\$ 45,601,205	\$ 41,960,513	\$ 38,965,273	\$ 38,193,321
Food.....	30,564,158	29,256,742	29,981,154	28,318,061	27,164,722
Lumber & building material.....	22,441,929	19,048,555	18,383,205	16,500,032	15,426,794
Automotive.....	11,018,415	9,837,130	9,691,420	9,098,884	9,058,317
3% and 4.75% tax group (1).....	839,260	705,394	647,756	588,128	541,143
Furniture.....	5,757,054	5,050,850	5,182,589	4,914,916	4,778,592
Apparel.....	7,025,959	5,620,937	6,018,989	5,700,497	5,648,766
Unclassified.....	50,815,780	44,629,147	44,693,250	41,113,549	38,358,149
Total.....	<u>\$ 184,873,454</u>	<u>\$ 159,749,960</u>	<u>\$ 156,558,876</u>	<u>\$ 145,199,340</u>	<u>\$ 139,169,804</u>
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

Source: North Carolina Department of Revenue

Table 8

2016	2015	2014	2013	2012
\$ 35,258,344	\$ 33,018,301	\$ 30,122,560	\$ 29,092,064	\$ 28,488,712
26,204,343	24,663,183	22,892,242	21,961,810	21,188,038
13,635,227	12,711,938	11,754,511	11,034,483	10,936,526
7,667,914	6,920,644	6,272,460	5,855,515	5,798,630
479,938	448,267	456,127	460,461	447,963
4,372,666	4,160,558	3,887,077	3,739,815	3,599,804
5,414,102	5,140,968	4,707,181	4,554,679	4,343,728
35,124,312	33,241,081	30,258,424	28,668,485	28,026,651
<u>\$ 128,156,846</u>	<u>\$ 120,304,940</u>	<u>\$ 110,350,582</u>	<u>\$ 105,367,312</u>	<u>\$ 102,830,052</u>
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 2012 & 2021

(Dollars in Thousands)

	2021		2012	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
General merchandise.....	\$ 2,684,322	26.42%	\$ 1,382,987	23.48%
Food.....	1,459,851	14.37%	1,032,533	17.53%
Utilities.....	1,357,609	13.36%	899,994	15.28%
Lumber & building material.....	1,067,420	10.51%	532,014	9.03%
Automotive.....	557,018	5.48%	293,295	4.98%
Furniture.....	274,491	2.70%	175,005	2.97%
Apparel.....	334,854	3.30%	210,572	3.57%
Unclassified.....	2,424,098	23.86%	1,364,250	23.16%
Total.....	<u>\$ 10,159,663</u>	<u>100.00%</u>	<u>\$ 5,890,650</u>	<u>100.00%</u>
General State Sales Tax Rate.....	4.75%		4.75%	

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2011-12	<p>Effective <u>July 1, 2011</u>, additional 1% State general sales and use tax rate expired. This also has the effect of reducing the State combined general rate from 8% to 7%.</p> <p>Effective <u>June 20, 2012</u>, refund provision to Interstate Passenger Air Carriers was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision for aviation fuel for motorsports events to professional motorsports racing teams was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision to taxpayers engaged in analytical services (the greater of 50% of eligible amount of tax paid on tangible personal property consumed or transformed in analytical services or 50% of the amount of tax paid on medical reagents) was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013). Refund provision to certain industrial facilities for tax paid on building materials, building supplies, fixtures, and equipment installed in the construction of the facility was extended to repeal for purchases made on or after January 1, 2014 (previously January 1, 2013).</p>
Fiscal Year 2013-14	<p>Effective <u>January 1, 2014</u>, 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.</p> <p>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.</p> <p>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).</p> <p>Effective <u>June 1, 2014</u>, 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).</p>

Source: North Carolina Department of Revenue

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2014-15</p>	<p>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).</p> <p>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.</p> <p><i>Nonprofit refund limit provision:</i> 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).</p> <p>Effective <u>September 1, 2014</u>, 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.</p> <p>Effective <u>October 1, 2014</u>, 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).</p> <p>Effective <u>January 1, 2015</u>, 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.</p> <p><i>New application for real property contracts (designates the real property contractor as the consumer):</i> 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.</p>
<p>Fiscal Year 2015-16</p>	<p>Effective <u>July 1, 2015</u>, 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.</p> <p><i>Refunds authorized for certain governmental entities:</i> 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.</p> <p>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.</p>

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16 continued</p>	<p>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 <u>September 24, 2015</u>, 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 to the distillery with certain restrictions for consumption off the premises. Effective <u>September 30, 2015</u>, 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).</p> <p><i>Refund provisions for economic incentive funds:</i> 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).</p> <p>Effective <u>October 1, 2015</u>, 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.</p> <p>Effective <u>January 1, 2016</u>, 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).]</p> <p>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.</p> <p>Effective <u>March 1, 2016</u>, 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.</p>
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Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16 continued</p>	<p>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.</p> <p>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.</p>
<p>Fiscal Year 2016-17</p>	<p>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.</p> <p>Effective January 1, 2017 (for transactions occurring on or after such date)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 <i>only</i> 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).</p> <p>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).</p>

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2017-18</p>	<p><i>Effective July 1, 2017 (for transactions occurring on or after such date)</i> 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. <i>Special Provisions (Effective August 11, 2017)</i> 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)</p>
<p>Fiscal Year 2018-19</p>	<p><i>Special Provision (Effective June 12, 2018)</i> 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 <u>November 1, 2018</u>, as a result of the US Supreme Court decision rendered on June 21, 2018 in <i>South Dakota v. Wayfair, Inc.</i>, 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.</p>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2019-20</p>	<p><u>Effective July 26, 2019</u> An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract.</p> <p><u>Effective October 1, 2019 Exemptions from sales and use tax:</u> -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.</p> <p><u>Effective November 1, 2019</u> <i>The sunset of the following provisions was extended to January 1, 2024 (from January 1, 2020)</i> -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.</p> <p><u>Effective February 1, 2020</u> 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.</p>
<p>Fiscal Year 2020-21</p>	<p>The 2020 General Assembly enacted the following provisions: <u>Retroactively effective October 1, 2019</u> -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</p> <p><u>Effective July 1, 2020</u> -exemption for sales of livestock to qualifying or conditional farmers</p>

RATIOS OF OUTSTANDING DEBT BY TYPE

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental Activities					
General obligation bonds	\$ 2,648,385	\$ 2,605,380	\$ 2,424,075	\$ 2,441,685	\$ 2,851,695
Lease-purchase revenue bonds	—	—	—	—	—
Certificates of participation	—	—	—	—	102,405
Limited obligation bonds	2,275,750	1,774,945	1,946,915	1,783,975	1,888,370
GARVEE bonds	875,865	959,525	1,046,580	516,820	607,685
Issuance premium	638,351	553,093	581,316	468,508	434,721
Notes payable	—	—	—	50,623	22,089
Notes from direct borrowings (3)	40,185	43,937	47,676	—	—
Capital leases payable	8,254	10,656	13,347	16,080	20,118
Total Governmental Activities	<u>6,486,790</u>	<u>5,947,536</u>	<u>6,059,909</u>	<u>5,277,691</u>	<u>5,927,083</u>
Business-type Activities					
Revenue bonds	2,365,938	1,917,358	1,456,614	1,077,275	1,096,395
GARVEE bonds	—	—	—	—	—
Issuance discount	—	—	—	(410)	(498)
Issuance premium	179,289	122,565	72,420	48,620	45,254
Notes payable	—	—	—	385,960	387,146
Notes from direct borrowings (3)	185,991	177,925	132,087	—	—
Capital leases payable	66	94	106	38	—
Total Business-type Activities	<u>2,731,284</u>	<u>2,217,942</u>	<u>1,661,227</u>	<u>1,511,483</u>	<u>1,528,297</u>
Total Primary Government	<u>\$ 9,218,074</u>	<u>\$ 8,165,478</u>	<u>\$ 7,721,136</u>	<u>\$ 6,789,174</u>	<u>\$ 7,455,380</u>
Debt as a Percentage of Personal Income (1)	1.73%	1.61%	1.52%	1.43%	1.64%
Amount of Debt Per Capita (1), (2)	\$ 870	\$ 771	\$ 736	\$ 653	\$ 726

Table 10

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$	3,038,665	\$ 3,469,220	\$ 3,607,100	\$ 3,999,580	\$ 4,470,500
	—	2,000	4,125	20,915	30,915
	124,820	151,745	247,615	508,500	557,895
	1,997,070	2,095,550	2,132,085	1,993,740	1,795,090
	529,755	598,165	395,275	454,820	512,085
	505,737	550,393	558,928	623,105	485,615
	27,196	34,095	39,738	39,312	35,691
	—	—	—	—	—
	24,037	20,712	17,869	19,375	21,282
	<u>6,247,280</u>	<u>6,921,880</u>	<u>7,002,735</u>	<u>7,659,347</u>	<u>7,909,073</u>
	1,011,388	1,019,588	1,039,308	1,058,458	1,081,183
	145,535	145,535	145,535	145,535	145,535
	(1,548)	(1,664)	(1,780)	(1,896)	(2,012)
	20,753	23,326	25,932	28,661	31,507
	388,827	390,818	376,869	377,466	286,818
	—	—	—	—	—
	—	—	—	—	—
	<u>1,564,955</u>	<u>1,577,603</u>	<u>1,585,864</u>	<u>1,608,224</u>	<u>1,543,031</u>
\$	<u>7,812,235</u>	<u>8,499,483</u>	<u>8,588,599</u>	<u>9,267,571</u>	<u>9,452,104</u>
	1.82%	2.08%	2.19%	2.49%	2.51%
\$	770	\$ 846	\$ 864	\$ 941	\$ 970

(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.

RATIOS OF GENERAL BONDED AND SIMILAR DEBT OUTSTANDING

For the Fiscal Years 2012-2021

(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
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
2012	4,470,500	30,915	557,895	1,795,090	512,085	485,615

Table 11

<u>Total</u>	<u>Per Capita</u> (1), (2)
\$ 6,438,351	\$ 608
5,892,943	556
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
7,852,100	805

(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, 2021

*(Dollars in Thousands)**Payable from General Fund Revenues*

	Total General Obligation Bonds	<i>Total General Fund</i>	Refunding Series 2010C 10-12-10 5%	Refunding Series 2013B 2-20-13 5%	Refunding Series 2013C 2-28-13 3.5%-5%	Refunding Series 2013D 2-28-13 3%-4%
Bonds Authorized and Issued:						
2004 session law	\$ 2,163,353	\$ 2,163,353	\$ 236,095	\$ 271,373	\$ 351,970	\$ 349,955
2015 session law	1,600,000	1,600,000	—	—	—	—
Total bonds authorized and issued	3,763,353	3,763,353	236,095	271,373	351,970	349,955
Bonds retired	1,114,968	1,114,968	164,235	59,763	216,750	219,460
Bonds outstanding— June 30, 2021	<u>\$ 2,648,385</u>	<u>\$ 2,648,385</u>	<u>\$ 71,860</u>	<u>\$ 211,610</u>	<u>\$ 135,220</u>	<u>\$ 130,495</u>
Bond Maturity as Follows:						
2021-22	\$ 338,595	\$ 338,595	\$ 71,860	\$ 400	\$ 46,870	\$ 65,560
2022-23	333,850	333,850	—	13,595	39,470	64,935
2023-24	310,880	310,880	—	143,180	16,225	—
2024-25	232,420	232,420	—	54,435	16,290	—
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	<u>\$ 2,648,385</u>	<u>\$ 2,648,385</u>	<u>\$ 71,860</u>	<u>\$ 211,610</u>	<u>\$ 135,220</u>	<u>\$ 130,495</u>

Source: Compiled by North Carolina Department of State Treasurer

Table 12

Payable from General Fund Revenues

Refunding Series 2014A 4-30-14 5%	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%
\$ 287,095	\$ 231,360	\$ 329,360	\$ —	\$ 106,145	\$ —	\$ —	\$ —
—	—	—	200,000	—	400,000	600,000	400,000
287,095	231,360	329,360	200,000	106,145	400,000	600,000	400,000
167,960	69,420	1,565	50,000	25,815	60,000	60,000	20,000
<u>\$ 119,135</u>	<u>\$ 161,940</u>	<u>\$ 327,795</u>	<u>\$ 150,000</u>	<u>\$ 80,330</u>	<u>\$ 340,000</u>	<u>\$ 540,000</u>	<u>\$ 380,000</u>
\$ 40,310	\$ 11,570	\$ 18,825	\$ 10,000	\$ 3,200	\$ 20,000	\$ 30,000	\$ 20,000
22,540	11,570	24,610	10,000	77,130	20,000	30,000	20,000
35,450	11,570	24,455	10,000	—	20,000	30,000	20,000
20,835	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
—	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
<u>\$ 119,135</u>	<u>\$ 161,940</u>	<u>\$ 327,795</u>	<u>\$ 150,000</u>	<u>\$ 80,330</u>	<u>\$ 340,000</u>	<u>\$ 540,000</u>	<u>\$ 380,000</u>

SCHEDULE OF SPECIAL INDEBTEDNESS DEBT

June 30, 2021

(Dollars in Thousands)

	<i>Limited Obligation Bonds</i>				
	Total Special Indebtedness Debt	<i>Total Limited Obligation Bonds</i>	Capital Improvements Refunding Series 2011B 10-26-11 4%-5%	Capital Improvements Series 2011C 11-29-11 3%-5%	Capital Improvements Series 2013A 1-30-13 2.25%-5%
Bonds Authorized and Issued:					
Ch. 284, 2003 session law	\$ 2,134,355	\$ 2,134,355	\$ 367,350	\$ 400,000	\$ 250,000
Ch. 142, 2018 session law	1,000,000	1,000,000	—	—	—
Total bonds authorized and issued	3,134,355	3,134,355	367,350	400,000	250,000
Bonds retired	657,835	657,835	241,125	136,215	75,095
Partial defeasances	200,770	200,770	—	186,535	14,235
Bonds outstanding— June 30, 2021	<u>\$ 2,275,750</u>	<u>\$ 2,275,750</u>	<u>\$ 126,225</u>	<u>\$ 77,250</u>	<u>\$ 160,670</u>
Bond Maturity as Follows:					
2021-22	\$ 208,685	\$ 208,685	\$ 48,480	\$ 19,165	\$ 11,620
2022-23	215,380	215,380	48,510	—	12,200
2023-24	221,455	221,455	29,235	—	12,810
2024-25	193,560	193,560	—	—	13,450
2025-26	189,095	189,095	—	—	13,920
2026-27	188,860	188,860	—	—	—
2027-28	190,765	190,765	—	—	14,945
2028-29	182,690	182,690	—	—	15,395
2029-30	147,500	147,500	—	—	15,855
2030-31	157,050	157,050	—	28,475	16,330
2031-32	127,545	127,545	—	29,610	16,820
2032-33	101,995	101,995	—	—	17,325
2033-34	87,970	87,970	—	—	—
2034-35	63,200	63,200	—	—	—
Total Bonds Outstanding	<u>\$ 2,275,750</u>	<u>\$ 2,275,750</u>	<u>\$ 126,225</u>	<u>\$ 77,250</u>	<u>\$ 160,670</u>

Source: Compiled by the North Carolina Department of State Treasurer and the North Carolina Department of Transportation

Table 13

Limited Obligation Bonds

Capital Improvements Refunding Series 2014B 5-21-14 5%	Limited Obligation Refunding Series 2014C 11-19-14 3%-5%	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%
\$ 199,570	\$ 299,020	\$ 618,415	\$ —	\$ —
—	—	—	300,000	700,000
199,570	299,020	618,415	300,000	700,000
40,250	80,550	27,895	30,465	26,240
—	—	—	—	—
<u>\$ 159,320</u>	<u>\$ 218,470</u>	<u>\$ 590,520</u>	<u>\$ 269,535</u>	<u>\$ 673,760</u>
\$ 24,810	\$ 27,615	\$ 27,200	\$ 15,230	\$ 34,565
25,425	32,925	44,030	15,995	36,295
43,800	34,655	46,050	16,795	38,110
37,785	36,480	48,200	17,630	40,015
27,500	27,230	59,915	18,515	42,015
—	30,165	95,140	19,440	44,115
—	29,400	79,690	20,410	46,320
—	—	97,230	21,430	48,635
—	—	58,070	22,505	51,070
—	—	34,995	23,630	53,620
—	—	—	24,810	56,305
—	—	—	26,050	58,620
—	—	—	27,095	60,875
—	—	—	—	63,200
<u>\$ 159,320</u>	<u>\$ 218,470</u>	<u>\$ 590,520</u>	<u>\$ 269,535</u>	<u>\$ 673,760</u>

PLEDGED REVENUE COVERAGE

For the Fiscal Years 2012-2021
(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Department of Transportation					
Grant Anticipation Revenue Vehicle Bonds (GARVEE)					
Pledged revenue:					
Federal transportation revenues.....	\$ 1,255,035	\$ 1,459,841	\$ 1,456,615	\$ 1,147,920	\$ 1,142,699
Net available revenue.....	<u>\$ 1,255,035</u>	<u>\$ 1,459,841</u>	<u>\$ 1,456,615</u>	<u>\$ 1,147,920</u>	<u>\$ 1,142,699</u>
Debt service:					
Principal.....	\$ 83,660	\$ 87,055	\$ 70,240	\$ 71,940	\$ 67,605
Interest.....	47,976	44,579	25,697	23,996	31,783
Coverage ratio.....	9.53	11.09	15.18	11.97	11.50
North Carolina Turnpike Authority					
Revenue Bonds					
Pledged revenue:					
Toll revenues (1).....	\$ 42,423	\$ 66,576	\$ 57,937	\$ 43,940	\$ 39,199
Fees, licenses and fines (2).....	7,363	10,615	6,038	5,055	5,505
Federal transportation revenues.....	—	—	—	—	—
Federal interest subsidy on debt.....	4,147	4,324	6,177	10,834	11,348
Interest on investments.....	3,302	9,053	4,084	2,654	2,735
Net available revenue.....	<u>\$ 57,235</u>	<u>\$ 90,568</u>	<u>\$ 74,236</u>	<u>\$ 62,483</u>	<u>\$ 58,787</u>
Debt service:					
Principal.....	\$ 29,860	\$ 26,210	\$ 22,060	\$ 18,395	\$ 11,960
Interest.....	85,957	65,048	50,150	54,400	55,178
Coverage ratio (3).....	0.49	0.99	1.03	0.86	0.88

Table 14

2016	2015	2014	2013	2012
\$ 1,031,454	\$ 1,064,575	\$ 1,311,264	\$ 1,137,807	\$ 1,139,303
<u>\$ 1,031,454</u>	<u>\$ 1,064,575</u>	<u>\$ 1,311,264</u>	<u>\$ 1,137,807</u>	<u>\$ 1,139,303</u>
\$ 68,410	\$ 62,040	\$ 59,545	\$ 57,265	\$ 40,535
25,816	18,574	21,006	23,288	18,298
10.95	13.21	16.28	14.12	19.37
\$ 33,999	\$ 26,265	\$ 18,980	\$ 10,416	\$ 398
4,460	3,922	5,203	2,557	97
14,807	9,733	11,677	12,365	12,400
11,387	11,375	11,338	11,686	12,218
2,143	1,768	1,272	2,372	2,911
<u>\$ 66,796</u>	<u>\$ 53,063</u>	<u>\$ 48,470</u>	<u>\$ 39,396</u>	<u>\$ 28,024</u>
\$ 8,200	\$ 19,720	\$ 19,150	\$ 22,725	\$ —
61,328	61,912	62,585	63,076	49,753
0.96	0.65	0.59	0.46	0.56

(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

PLEGGED REVENUE COVERAGE (Continued)

For the Fiscal Years 2012-2021

(Dollars in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
University of North Carolina System					
Revenue Bonds					
Pledged revenue:					
Sales and services.....	\$ 65,922	\$ 189,752	\$ 193,640	\$ 207,349	\$ 193,570
Student tuition and fees.....	—	4,579	3,468	4,014	4,344
Patient services.....	1,208,853	1,116,673	1,105,697	1,060,817	1,017,713
Fees, licenses and fines.....	—	—	—	—	—
Rental lease earnings.....	13	—	123	2,002	1,815
Investment income.....	—	566	1,013	1,194	1,018
Federal interest subsidy on debt.....	—	—	—	—	—
Other operating revenues.....	2	33,941	185,703	2,403	2,548
Net increase in fair value of investments.....	—	—	—	—	—
Non-operating revenues.....	128,006	—	—	42	1
Less: Operating expenses.....	<u>(1,045,883)</u>	<u>(1,228,550)</u>	<u>(1,233,620)</u>	<u>(1,177,224)</u>	<u>(1,110,601)</u>
Net available revenue.....	<u>\$ 356,913</u>	<u>\$ 116,961</u>	<u>\$ 256,024</u>	<u>\$ 100,597</u>	<u>\$ 110,408</u>
Debt service:					
Principal.....	\$ 9,560	\$ 14,695	\$ 15,675	\$ 16,415	\$ 16,915
Interest.....	13,789	14,125	10,456	9,779	10,700
Coverage ratio.....	15.29	4.06	9.80	3.84	4.00
Direct Placements (1)					
Pledged revenue:					
Sales and services.....	\$ 22,376	\$ 20,319	\$ 19,481	\$ —	\$ —
Rental lease earnings.....	27	25	23	—	—
Investment income.....	1,492	105	348	—	—
Non-operating revenues.....	16	18	3	—	—
Less: Operating expenses.....	<u>(15,910)</u>	<u>(17,971)</u>	<u>(18,669)</u>	<u>—</u>	<u>—</u>
Net available revenue.....	<u>\$ 8,001</u>	<u>\$ 2,496</u>	<u>\$ 1,186</u>	<u>\$ —</u>	<u>\$ —</u>
Debt service:					
Principal.....	\$ 1,324	\$ 1,183	\$ 635	\$ —	\$ —
Interest.....	744	735	93	—	—
Coverage ratio.....	3.87	1.30	1.63	—	—
Special Indebtedness					
Pledged revenue:					
Sales and services.....	\$ 8,580	\$ 9,369	\$ 11,217	\$ 8,859	\$ 8,914
Student tuition and fees.....	—	—	—	—	—
Rental lease earnings.....	—	—	—	1,986	2,206
Investment income (loss).....	21	74	64	37	23
Other operating revenues.....	307	29	45	48	53
Less: Operating expenses.....	<u>(1,850)</u>	<u>(2,229)</u>	<u>(2,336)</u>	<u>(2,389)</u>	<u>(2,410)</u>
Net available revenue.....	<u>\$ 7,058</u>	<u>\$ 7,243</u>	<u>\$ 8,990</u>	<u>\$ 8,541</u>	<u>\$ 8,786</u>
Debt service:					
Principal.....	\$ 3,631	\$ 3,082	\$ 3,447	\$ 3,268	\$ 3,099
Interest.....	3,091	3,784	3,838	3,956	4,304
Coverage ratio.....	1.05	1.05	1.23	1.18	1.19
Notes from Direct Borrowings					
Pledged revenue:					
Sales and services.....	\$ 4,598	\$ —	\$ —	\$ —	\$ —
Less: Operating expenses.....	<u>(2,319)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net available revenue.....	<u>\$ 2,279</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Debt service:					
Principal.....	\$ —	\$ —	\$ —	\$ —	\$ —
Interest.....	215	—	—	—	—
Coverage ratio.....	10.60	—	—	—	—

Table 14

2016	2015	2014	2013	2012
\$ 199,685	\$ 231,306	\$ 239,267	\$ 237,607	\$ 279,287
4,552	5,214	6,673	6,624	6,903
934,687	842,845	737,984	666,238	635,434
—	—	—	—	270
3,098	3,998	3,866	73	258
326	820	522	533	612
371	362	368	400	436
32,859	—	3	—	1,072
—	—	571	362	74
—	18	9,619	92	66
(1,038,199)	(1,035,252)	(915,827)	(797,205)	(744,162)
<u>\$ 137,379</u>	<u>\$ 49,311</u>	<u>\$ 83,046</u>	<u>\$ 114,724</u>	<u>\$ 180,250</u>
\$ 17,025	\$ 16,720	\$ 16,645	\$ 17,110	\$ 21,035
12,084	8,298	8,668	9,137	13,226
4.72	1.97	3.28	4.37	5.26
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
\$ 8,144	\$ 1,007	\$ 3,695	\$ 6,283	\$ 5,998
—	—	—	1,350	1,307
849	3,129	3,035	—	62
16	(1)	9	—	4
240	—	—	—	17
(2,375)	(2,021)	(2,560)	(2,127)	(2,144)
<u>\$ 6,874</u>	<u>\$ 2,114</u>	<u>\$ 4,179</u>	<u>\$ 5,506</u>	<u>\$ 5,244</u>
\$ 2,535	\$ 730	\$ 1,110	\$ 1,788	\$ 1,728
3,591	1,107	1,824	1,923	1,997
1.12	1.15	1.42	1.48	1.41
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—

(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

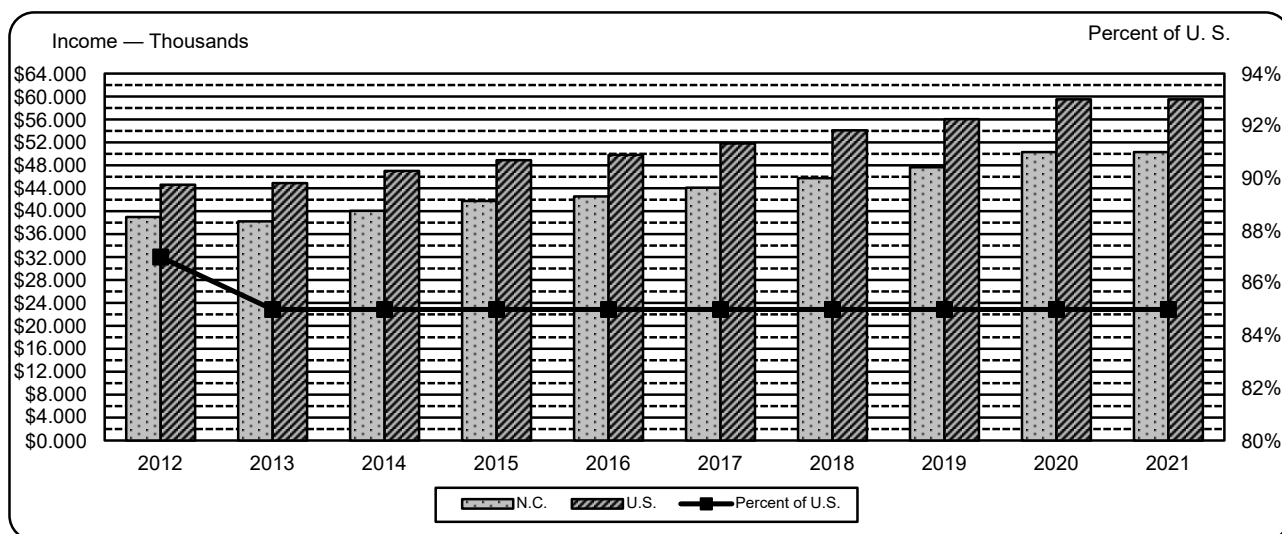
For the Years 2012-2021

Year	Population				Per Capita Income			Personal Income (millions)	
	(1) United States Population	U.S. Increase from Prior Period	(1) North Carolina Population	(3) N.C. Increase from Prior Period	(2) United States	(2) North Carolina	(4) N.C. as a Percentage of U.S.	(2) United States	(2) North Carolina
2021	329,798,917	0.00%	10,595,645	0.00%	\$ 59,511	50,306	84.53%	\$19,626,663	\$533,025
2020	329,798,917	0.48%	10,595,645	1.03%	59,510	50,305	84.53%	19,607,447	533,269
2019	328,239,523	0.48%	10,488,084	1.03%	56,047	47,660	85.04%	18,402,004	500,497
2018	326,687,501	0.52%	10,381,615	1.10%	54,098	45,758	84.58%	17,681,159	475,483
2017	324,985,539	0.63%	10,268,233	1.12%	51,811	44,094	85.11%	16,845,028	453,098
2016	322,941,311	0.72%	10,154,788	1.23%	49,812	42,574	85.47%	16,092,713	432,626
2015	320,635,163	0.73%	10,031,646	0.99%	48,891	41,778	85.45%	15,681,233	419,334
2014	318,301,008	0.73%	9,932,887	0.91%	47,017	40,061	85.21%	14,969,527	398,100
2013	315,993,715	0.69%	9,843,336	0.96%	44,894	38,225	85.15%	14,189,228	376,392
2012	313,830,990	0.73%	9,749,476	0.95%	44,614	38,984	87.38%	14,003,346	380,161

Sources:

(1) Census estimates based on 2010 census (July 1) for years 2012 - 2019. 2020 is an Office of the State Controller estimate based on 2019 and 2018. The Office of the State Controller chose to use 2020 estimates for 2021 as 2020 population numbers were not available due to the pandemic.
 (2) U.S. Department of Commerce Bureau of Economic Analysis used for years 2012 - 2020. Since the 2021 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 2021 U.S. Per Capita Income, and the previous year N.C. as a Percentage of U.S. was used to project the 2021 Per Capita Income for North Carolina. U.S. and N.C. Personal Income was not available, so year 2021 is calculated from sources 3 and 4.

**Per Capita Income
North Carolina Compared to United States
2012 to 2021**



Sources:

(3) Population

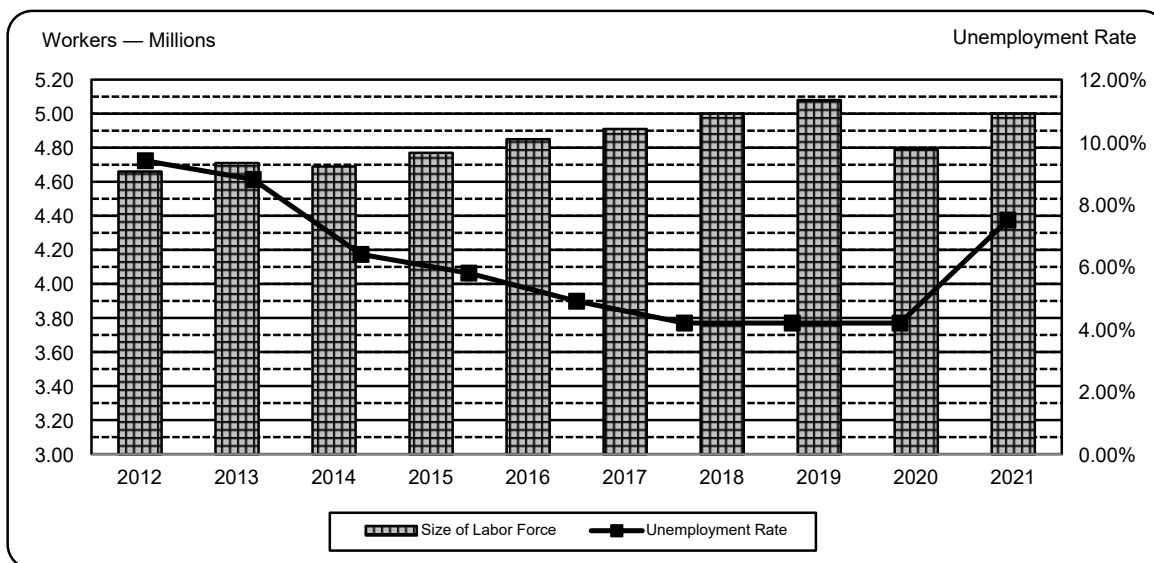
(4) Per Capita Income

U.S. Department of Commerce, Bureau of the Census
 U.S. Department of Commerce, Bureau of Economic Analysis

Table 15

Year	North Carolina Civilian Labor Force Data ⁽⁵⁾			North Carolina - Other Data		
	Total	Employed	Unemployed	Unemployed Percentage Rate	Motor Vehicles Registered ⁽⁶⁾	Residential Construction Authorized ⁽⁷⁾
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
2012	4,655,387	4,216,014	439,373	9.40%	8,740,382	23,894

**Civilian Labor Force Trends
With Unemployment Percentages
2012 to 2021**



Sources: (5) Seasonally Adjusted Labor Force Data - As of June 30
 (6) Motor Vehicle Registrations - For the Fiscal Year Ended June 30
 (7) Residential Housing Permits

N.C. Division of Employment Security
 N.C. Division of Motor Vehicles
 U.S. Department of Commerce, Bureau of the Census

PRINCIPAL EMPLOYERS

For the Fiscal Years 2012 & 2021

Table 16

	2021			2012		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina.....	175,000-179,999	1	3.72%	180,000-184,999	1	4.33%
Federal Government.....	75,000-79,999	2	1.62%	65,000-69,999	2	1.60%
Wal-Mart Associates, Inc.....	45,000-59,999	3	1.10%	50,000-54,999	3	1.25%
Food Lion LLC.....	40,000-44,999	4	0.89%	25,000-29,999	6	0.65%
Duke University.....	40,000-44,999	5	0.89%	25,000-29,999	4	0.65%
Atrium Health.....	35,000-39,999	6	0.79%	-	-	-
Wells Fargo Bank NA.....	30,000-34,999	7	0.68%	20,000-24,999	7	0.53%
Amazon Fulfillment Services, Inc.....	20,000-24,999	8	0.47%	-	-	-
Lowes Home Centers, Inc.....	20,000-24,999	9	0.47%	-	-	-
Harris Teeter LLC.....	20,000-24,999	10	0.47%	-	-	-
Charlotte-Mecklenburg Hospital.....	-	-	-	25,000-29,999	5	0.65%
Charlotte-Mecklenburg Board of Education..	-	-	-	15,000-19,999	8	0.42%
Wake County Public Schools.....	-	-	-	15,000-19,999	9	0.42%
Bank of America NA.....	-	-	-	15,000-19,999	10	0.42%
Total.....	<u>500,000-559,990</u>		<u>11.10%</u>	<u>435,000-484,990</u>		<u>10.92%</u>

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 2012-2021

	2021	2020	2019	2018	2017
	(4)	(4)	(4)	(4)	
General government (3).....	5,769	5,631	5,501	4,983	5,160
Primary and secondary education.....	156,712	156,693	155,755	151,263	153,236
Higher education:					
Universities.....	65,824	67,166	65,697	64,028	63,345
Community colleges.....	17,122	17,761	18,095	18,028	18,021
Health and human services (1).....	18,270	18,270	18,098	18,038	17,970
Economic development.....	2,236	2,554	2,141	2,136	2,340
Environment and natural resources (2), (3).....	4,222	4,157	4,140	4,128	4,112
Public safety, corrections and regulation (1).....	34,205	34,963	34,034	34,089	34,009
Transportation.....	11,624	11,669	11,666	12,141	12,578
Agriculture (2).....	2,136	2,159	2,088	2,082	2,077
Total.....	<u>318,120</u>	<u>321,023</u>	<u>317,215</u>	<u>310,916</u>	<u>312,848</u>

Source: North Carolina Office of State Budget and Management

Table 17

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
4,857	5,270	5,357	5,450	5,425
154,079	153,165	157,205	165,167	162,124
62,194	62,152	61,720	60,665	61,317
18,129	18,471	18,588	19,518	19,702
17,552	17,620	17,801	17,786	17,958
3,365	2,893	3,003	2,722	2,415
4,148	3,471	3,566	3,549	3,561
33,966	33,558	33,635	34,668	34,650
12,591	12,758	13,309	13,170	13,175
2,066	2,080	2,081	2,110	2,064
<u>312,947</u>	<u>311,438</u>	<u>316,265</u>	<u>324,805</u>	<u>322,391</u>

(1) 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 with the health and human services function.

(2) Starting in fiscal year 2012, 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, and 2021 are projected from prior year data.

OPERATING INDICATORS BY FUNCTION

For the Fiscal Years 2012-2021

	2021	2020	2019	2018	2017
General Government					
Department of Revenue					
Number of tax returns filed electronically	10,849,874	9,292,526	9,163,552	8,837,553	8,418,279
Number of tax returns processed	12,772,595	11,102,781	11,323,904	11,217,334	11,150,416
Number of individual refunds direct deposited	2,223,632	1,850,823	1,875,194	1,806,510	1,825,815
Number of individual refunds processed	2,963,570	2,539,044	2,717,162	2,683,039	2,753,655
Number of pieces of incoming mail	3,759,578	3,608,395	4,186,563	4,160,827	4,580,005
Number of pieces of outgoing mail	7,453,330	6,355,203	8,814,460	8,934,110	9,050,706
Department of Administration					
Construction projects administered	4	3	3	1	2
Construction value excluding design fee (thousands)	\$ 8,845	\$ 4,935	\$ 139	\$ -	\$ 33,309
USS North Carolina Battleship Commission					
Visitation to USS North Carolina Battleship	126,225	173,919	187,570	211,596	218,479
Primary and Secondary Education					
Public School (K-12)					
Public school enrollment	1,558,633	1,580,754	1,579,332	1,582,118	1,545,614
Total high school graduates	107,375	109,518	107,095	103,261	101,991
Graduate intention to pursue further education	75.4%	78.8%	81.0%	82.0%	85.9%
Higher Education					
Community Colleges					
Number of students (annualized FTE)	214,608	239,554	230,140	219,176	222,461
Number of certificates and degrees awarded	61,690	63,438	65,305	63,226	62,131
Universities					
Number of regular term students (FTE)	220,391	219,021	216,959	213,218	209,401
Number of certificates and degrees awarded	60,692	57,939	55,874	54,838	53,236
Health and Human Services (3)					
Department of Health and Human Services					
Medicaid recipients	2,423,504	2,097,451	2,073,052	2,247,663	2,200,011
Food stamp recipients	1,809,263	1,739,775	1,797,272	1,345,157	1,436,586
Clients served by mental health facilities	1,826	2,167	3,017	3,062	3,110
Clients served by developmental disabilities facilities	895	954	985	1,136	1,156
Clients served by substance abuse facilities	3,564	3,883	3,374	3,466	3,496
Clients served by neuro-meds facilities	436	502	515	612	644
Children served through subsidized child care	85,273	119,550	120,017	122,924	105,755
Participation in Special Supplemental Nutrition Program	252,719	220,455	221,206	230,071	240,691
Clients served through Work First	30,276	34,022	38,576	27,436	26,415
NC Health Choice annual enrollment	101,032	120,729	109,644	94,698	90,589

Source: Financial reporting entities listed in the table.

Table 18

2016	2015	2014	2013	2012
7,941,295	7,263,173	7,022,822	6,669,752	4,801,446
10,946,995	10,363,073	10,366,001	10,143,464	10,888,330
1,453,984	1,412,624	1,934,344	1,821,767	1,702,620
2,308,133	2,311,764	3,127,317	3,123,326	3,083,401
5,219,418	5,090,535	5,129,271	5,514,005	5,827,530
9,083,964	9,219,001	8,417,904	8,172,888	8,525,983
8	8	7	7	6
\$ 72,824	\$ 63,552	\$ 63,460	\$ 62,729	\$ 54,378
212,369	202,447	210,969	216,438	193,150
1,538,310	1,520,985	1,510,664	1,493,474	1,481,671
99,183	96,477	95,580	94,869	92,031
83.8%	83.8%	84.5%	85.0%	100.0%
220,312	225,135	229,924	238,092	240,338
58,960	49,592	45,392	40,224	56,140
205,119	202,447	200,716	201,251	200,386
51,799	51,850	51,086	49,791	48,045
2,198,496	2,054,975	2,073,166	1,781,096	1,872,279
1,609,669	1,649,754	1,620,115	1,670,428	2,113,648
3,146	3,301	3,593	3,463	4,102
1,161	1,199	1,212	1,289	1,283
3,512	3,698	4,047	4,181	3,901
683	721	744	567	830
112,545	120,471	121,112	121,303	129,752
244,652	248,575	257,582	265,616	268,872
31,015	33,598	37,256	45,201	102,367
81,897	78,407	98,537	192,044	154,927

Continued

OPERATING INDICATORS BY FUNCTION (Continued)

For the Fiscal Years 2012-2021

	2021	2020	2019	2018	2017
Economic Development					
Economic Development Partnership of North Carolina					
Jobs generated company recruitment/expansion	25,796	18,304	22,061	20,794	15,748
Capital investment (thousands)	\$ 9,275,000	\$ 5,630,000	\$ 3,325,257	\$ 3,580,000	\$ 3,831,981
Department of Commerce					
Total employed	4,769,039	4,430,134	4,868,076	4,787,584	4,700,760
Percentage of unemployment	4.6%	7.5%	4.2%	4.2%	4.2%
Environment and Natural Resources					
Department of Environmental Quality					
Public drinking water systems in compliance	99%	98%	98%	98%	99%
Department of Natural and Cultural Resources					
Visitation to state parks	23,459,561	17,391,643	17,866,517	19,153,780	19,038,513
Visitation to historical sites and museums	2,950,439	2,451,425	4,506,115	4,014,046	5,488,204
Visitation to state aquariums	862,418	801,738	690,809	1,376,820	1,347,641
Visitation to N.C. Zoo	636,448	490,829	864,138	839,963	870,882
Wildlife Resources Commission					
Hunting licenses sold	200,969	186,284	176,847	144,380	141,448
Fishing licenses sold (inland and coastal)	920,244	790,572	742,253	743,316	779,184
Combination hunting/fishing licenses sold	167,682	162,681	139,878	146,772	152,801
Vessels registered	188,883	186,594	173,732	173,740	176,585
Public Safety, Corrections and Regulation (3)					
Department of Public Safety					
Incarcerated adult offenders	29,113	31,506	36,053	37,104	37,487
Supervised adult offenders	77,463	94,937	100,348	97,798	99,313
Juvenile offenders	4,299	4,632	5,349	6,075	6,613
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)	5,061	81,907	117,459	116,709	106,614
Rejection rate	12.60%	6.10%	33.06%	27.70%	11.49%
Retail scales tested (2)	1,479	23,028	27,110	33,630	31,994
Rejection rate	12.90%	8.30%	7.60%	7.70%	8.70%

Table 18

2016	2015	2014	2013	2012
14,806	14,812	14,094	16,939	15,634
\$ 4,245,981	\$ 2,388,677	\$ 2,787,447	\$ 2,139,346	\$ 3,600,000
4,614,694	4,493,898	4,389,480	4,292,251	4,216,014
4.9%	5.8%	6.4%	8.8%	9.4%
97%	96%	96%	96%	95%
18,053,654	16,293,380	14,751,051	13,918,725	14,247,295
5,480,871	4,627,997	4,161,452	4,243,249	3,880,172
1,233,070	1,268,467	1,123,756	1,193,252	1,104,200
755,567	721,432	728,531	732,310	738,072
145,029	145,729	126,524	117,473	115,420
789,049	795,878	823,712	772,197	791,044
161,847	191,244	204,179	199,280	198,689
179,485	146,305	144,316	149,311	143,535
37,440	37,793	37,529	37,619	38,385
100,881	102,790	103,399	105,763	103,163
7,170	8,037	8,141	8,625	9,090
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
91,525	95,811	96,880	110,730	104,666
13.00%	16.00%	16.36%	12.84%	9.20%
33,270	26,091	30,220	27,995	28,074
9.40%	8.80%	8.96%	9.65%	8.14%

(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 2012-2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government					
General Government					
Department of Administration					
Buildings	65	67	71	74	82
Parking lots	24	24	24	24	24
Parking spaces	8,433	8,425	8,391	8,434	8,434
Motor Fleet vehicles	7,957	7,806	7,538	7,657	7,591
Health and Human Services (4)					
Mental Health Institutions	13	13	13	13	12
Number of certified beds	3,986	3,964	4,008	3,916	4,041
Environment and Natural Resources					
Department of Natural and Cultural Resources					
Number of state park lands	35	34	34	34	35
Acres of state park lands	172,759	165,168	165,168	163,159	162,294
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	24	24	24	28	24
Acres of state natural areas	33,259	29,830	28,328	28,024	26,114
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	1,270	1,326	1,672	1,393	1,533
Vehicles (6)	856	880	868	853	850
Boats/trailers (6)	333	336	351	352	341
Scientific equipment (6)	342	391	165	50	53
Department of Environmental Quality					
Vehicles (5),(7)	157	158	173	179	181
Boats/trailers (5),(7)	430	433	434	416	430
Aircraft (5)	2	2	2	4	2
Scientific equipment (7)	1,298	1,233	1,049	734	716
Wildlife Resources Commission					
Number of game lands	72	71	70	70	69
Acres of game lands	533,595	532,733	509,600	501,617	492,950
Vehicles	543	568	575	571	570
Boats/trailers	969	1,033	913	898	906
Aircraft	2	2	2	3	3
Public Safety, Corrections and Regulation (4)					
Department of Public Safety					
Close security prisons	13	19	15	14	14
Medium security prisons	19	17	19	19	18
Minimum security prisons	23	25	21	22	23
Youth facilities	11	11	10	10	10
Adult Correction Vehicles:					
Passenger/cargo vans	177	183	239	180	183
Inmate transfer vans/buses	595	555	616	347	536
Inmate work crew vans/buses (8)	—	—	—	148	191
Pickup trucks	143	124	348	425	450
Roving patrol pickups	111	105	109	106	123
One ton maintenance trucks	341	334	104	184	190
Specialty/other trucks (1)	346	358	71	152	160

Source: Financial reporting entities listed in the table.

Table 19

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
87	107	105	127	120
25	25	25	25	25
8,423	8,526	8,528	8,597	7,877
7,465	7,602	8,136	7,620	7,538
13	13	13	12	11
4,087	4,111	4,245	4,402	4,314
35	35	35	35	35
160,891	157,856	155,556	153,959	152,578
4	4	4	4	4
13,256	13,256	13,256	12,240	12,240
24	20	20	20	20
26,000	24,662	23,896	22,519	22,254
7	7	7	7	7
29,135	29,135	29,135	29,135	29,135
1,341	1,767	1,816	1,622	1,593
863	—	—	—	—
316	—	—	—	—
49	—	—	—	—
178	889	883	896	856
443	519	508	489	468
3	3	3	3	3
743	749	774	689	663
66	64	64	57	62
488,589	481,665	493,134	492,440	480,257
563	463	463	458	422
870	796	779	793	825
3	3	3	4	4
15	14	13	13	14
17	18	22	23	23
26	26	24	29	29
10	10	10	13	15
129	127	122	120	152
497	490	486	492	506
208	218	223	222	239
361	376	348	338	381
100	95	97	98	91
104	106	106	107	123
114	108	108	113	105

Continued

CAPITAL ASSET STATISTICS BY FUNCTION (Continued)

For the Fiscal Years 2012-2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Department of Public Safety					
Enterprise Vehicles:					
Passenger/cargo vans	18	18	16	16	17
Inmate workcrew buses	16	16	18	18	18
Pickup trucks	42	42	56	55	52
One ton maintenance trucks	64	64	20	20	20
Specialty/other trucks	95	95	112	116	113
Alcohol Law Enforcement Vehicles					
Cars/SUV's	167	171	175	156	175
State Highway Patrol Vehicles					
Cars	1,766	1,693	1,699	1,649	1,672
Trucks/vans	383	403	362	372	407
Motorcycles	36	35	38	37	38
State Bureau of Investigation Vehicles					
Cars/SUV's	271	266	292	275	284
Trucks/vans	145	141	115	90	93
State Highway Patrol Aircraft					
Helicopters	4	2	4	6	6
Transportation					
Department of Transportation					
Pavement in lane-miles:					
Primary subsystem (2)	—	15,176	15,164	15,142	15,125
Secondary subsystem (2)	—	65,066	64,995	64,901	64,830
Bridges:					
Number of bridges (2)	—	13,587	13,476	13,413	13,522
Number of culverts (2)	—	4,756	4,739	4,653	4,654
Vehicles	7,846	7,763	8,007	8,779	8,276
Heavy equipment	15,877	15,287	15,636	15,948	14,840
Component Units					
Higher Education					
Community Colleges					
Buildings	1,313	1,277	1,275	1,271	1,238
Universities					
Academic/administrative buildings	1,057	1,050	1,045	1,053	1,052
Dormitories/auxiliary buildings	800	792	790	789	786
Medical (3)	24	25	25	35	35
University System Hospitals					
Administration	17	16	12	16	16
Clinical	30	30	32	47	61
Facility services	9	9	9	10	10
Hospital	11	10	9	9	9

Table 19

2016	2015	2014	2013	2012
16	16	16	14	14
19	18	19	15	20
53	52	52	44	49
19	21	21	24	24
114	117	106	126	110
178	225	162	172	202
1,738	1,805	1,925	1,766	2,214
418	525	506	486	124
41	46	40	28	26
257	308	349	333	356
74	78	74	78	75
6	6	6	9	9
15,125	15,062	15,062	15,064	15,052
64,544	64,522	64,522	64,514	64,440
13,494	13,519	13,552	13,557	13,583
4,592	4,520	4,496	4,547	4,710
872	9,191	9,463	9,484	8,997
14,799	15,237	14,808	14,221	13,827
1,234	1,199	1,182	1,178	1,174
1,044	1,070	1,010	1,003	1,011
744	721	684	692	680
36	49	39	36	34
16	18	18	18	11
52	51	52	52	14
10	10	10	9	6
9	8	7	8	6

(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) 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 with the health and human services function.

(5) Starting in fiscal year 2012, vehicles, boats/trailers, and aircraft decreased because the Division of North Carolina Forest Service and Division of Soil and Water Conservation are now included in Department of Agriculture; whereas in prior years the divisions were included with Department of Environmental Quality, formerly Department of Environment and Natural Resources.

(6) Data reported with Department of Environmental Quality for years prior to 2016.

(7) 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.

(8) 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 2012-2021

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 2012-2021

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.

	2012	2013	2014	2015	2016	2017	2018	2019	Restated 2020	2021
1) Required contribution and investment revenue:										
Earned	\$ 20,699	\$16,380	\$17,583	\$14,563	\$19,099	\$12,518	\$12,585	\$19,931	\$ 20,473	\$10,521
Ceded	3,717	4,502	4,313	3,545	3,665	3,386	3,298	3,952	6,396	18,750
Net earned	16,982	11,878	13,270	11,018	15,434	9,132	9,287	15,979	14,077	(8,229)
2) Unallocated expenses	701	714	695	635	600	659	583	564	619	446
3) Estimated claims and expenses, end of policy year:										
Incurred	19,304	4,366	6,492	10,524	943	16,149	1,271	62,387	7,357	4,976
Ceded	—	—	—	—	—	—	—	(45,500)	—	—
Net incurred	19,304	4,366	6,492	10,524	943	16,149	1,271	16,887	7,357	4,976
4) Paid (cumulative) as of:										
End of policy year	6,992	1,975	1,845	1,448	872	4,188	1,015	10,969	2,861	2,914
One year later	9,389	3,465	4,053	5,389	1,078	10,169	1,735	40,580	8,461	
Two years later	9,389	3,465	4,053	5,389	1,078	12,381	1,735	45,887		
Three years later	9,389	3,465	4,053	5,389	1,078	12,381	1,735			
Four years later	9,389	3,465	4,053	5,389	1,078	12,381				
Five years later	9,389	3,465	4,053	5,389	1,078					
Six years later	9,389	3,465	4,053	5,389						
Seven years later	9,389	3,465	4,053							
Eight years later	9,389	3,465								
Nine years later	9,389									
5) Reestimated ceded claims and expenses	—	—	—	—	—	2,834	—	—	—	—
6) Reestimated net incurred claims and expenses:										
End of policy year	19,304	4,366	6,492	10,524	943	16,149	1,271	16,887	2,867	6,853
One year later	13,159	2,965	5,189	10,669	917	18,622	1,800	55,177	8,467	
Two years later	13,159	2,965	5,189	10,669	917	12,547	1,800	60,484		
Three years later	13,159	2,965	5,189	10,669	917	12,547	1,800			
Four years later	13,159	2,965	5,189	10,669	917	12,547				
Five years later	13,159	2,965	5,189	10,669	917					
Six years later	13,159	2,965	5,189	10,669						
Seven years later	13,159	2,965	5,189							
Eight years later	13,159	2,965								
Nine years later	13,159									
7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(6,145)	(1,401)	(1,303)	145	(26)	(3,602)	529	38,290	(4,490)	1,877

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