



OFFICE OF THE
STATE CONTROLLER



STATE OF NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2024

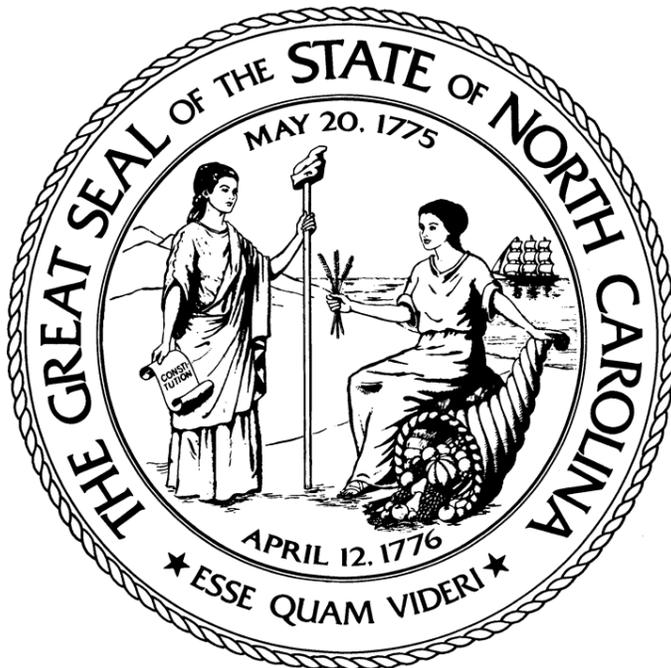
On the cover:

This year's Annual Comprehensive Financial Report is a tribute to the people of Western North Carolina and to the resilience of North Carolinians everywhere in the wake of Hurricane Helene, the deadliest storm in North Carolina history. With Chimney Rock in the foreground and Lake Lure in the distance, it is hard to imagine the devastation experienced by these and many other western communities because of this storm. Thousands of North Carolinians rallied support and supplies then found a way to help even in the most isolated areas. As of the publication of this document, many families and businesses are still recovering and will be for many months. The death toll is staggering, and the overall economic and property loss has been estimated to exceed \$50 billion dollars.

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2024



ROY COOPER
GOVERNOR

NELS C. ROSELAND
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

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

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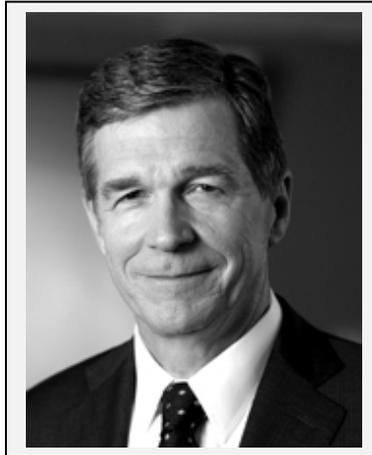
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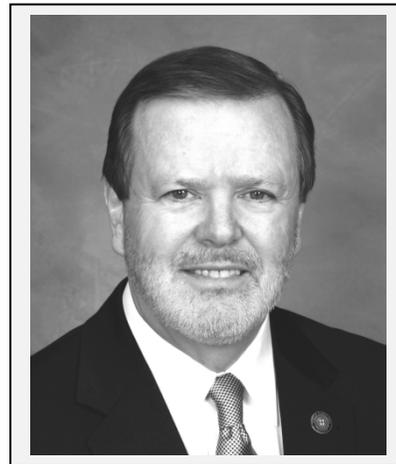
Special appreciation is given to the chief fiscal officers and the dedicated accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.



ROY COOPER
Governor of North Carolina



REPRESENTATIVE TIM MOORE
Speaker of the House
North Carolina General Assembly



SENATOR PHILIP BERGER
President Pro Tempore
North Carolina General Assembly



NELS C. ROSELAND
State Controller

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For the Fiscal Year Ended June 30, 2024*

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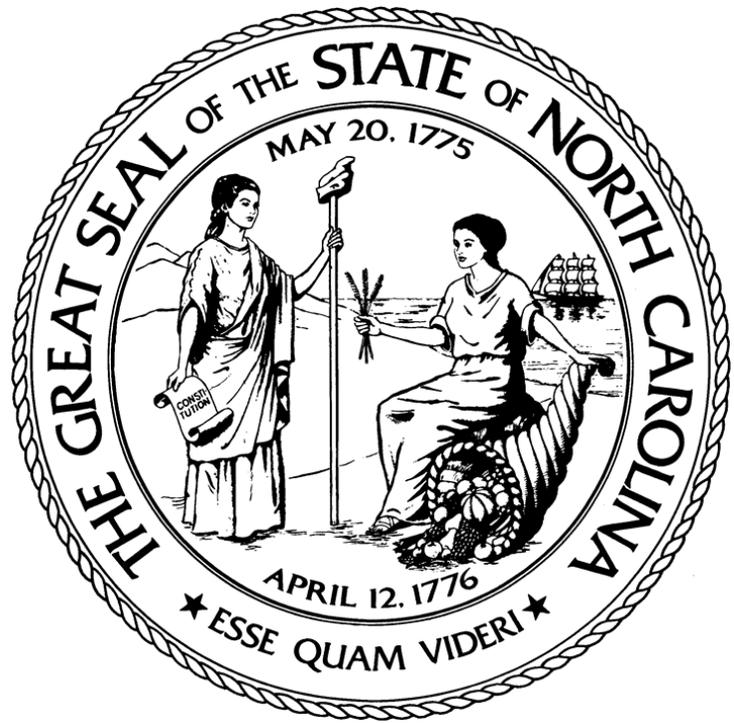
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INTRODUCTORY SECTION



State of North Carolina Office of the State Controller

NELS C. ROSELAND
STATE CONTROLLER

December 19, 2024

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 2024 Annual Comprehensive Financial Report (ACFR). This report has been prepared by the Office of the State Controller. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state government and this office. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. We believe all disclosures necessary to enable you to gain an understanding of the State's financial activities have been included.

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

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

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

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

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Profile of the State of North Carolina

The Old North State, The Tar Heel State

North Carolina became the 12th state of the union in 1789. North Carolina is located on the Atlantic coast and is bordered by Georgia, South Carolina, Tennessee, and Virginia. The State has a land area of approximately 50,000 square miles. The State's estimated population is 10.8 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 80,384 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 are 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 continues to be recognized as a top state for doing business and economic prosperity. In 2024, the State is ranked number two by *CNBC* magazine for doing business while *Chief Executive* and *Site Selection* magazines ranked North Carolina third and fifth for best state for doing business.

Government

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

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

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

North Carolina's economic indicators in FY 2023-24 continued to improve relative to the prior fiscal year, as the post-pandemic recovery continued without a recession. Over the previous period, inflation had been a key concern, and the Federal Reserve had acted to raise the federal funds rate, and thus interest rates across the economy, to levels which had not been seen since prior to the Great Recession. In the past, such actions have typically caused a recession, so economists widely predicted one for late in 2023. However, this did not come to pass. Real growth exceeded expectations and surpassed levels for the prior fiscal year in both the United States and in North Carolina.

With inflation moderating, the Federal Reserve stopped raising interest rates in August 2023, maintaining a federal funds effective rate of 5.33% for the duration of FY 2024-25. The rate "stuck" because inflation did not fall below its 2% target during the fiscal year. Additionally, the labor market remained strong; unusually, strong jobs reports were seen negatively by many market observers as indications of future wage growth and continued inflation. Labor force growth of 1.3% in North Carolina allowed more jobs to be added while the unemployment rate stayed steady, not rising above 4% within the fiscal year. As post-COVID supply-related issues worked themselves out around the world, the economy was able to experience a "soft landing" with low inflation and low unemployment.

During this period of positive economic performance for the nation, North Carolina was generally able to outperform national averages. North Carolina gross state product grew faster than gross domestic product, with growth in State personal income and retail sales outpacing national indicators as well. These changes allowed continued growth of the State's primary tax bases for the personal income tax and sales tax. North Carolina's average unemployment rate also was lower than the national average for the year. With the higher federal funds rate came higher mortgage interest rates for North Carolinian homebuyers. While home prices were expected to decline in the face of higher rates due to higher monthly payments, prices continued to rise, though at much slower rates. This made home affordability a key issue for many North Carolinians, especially first-time homebuyers.

Following the completion of the FY 2023-24 fiscal year, the Federal Reserve began lowering interest rates as labor market demand weakened, the unemployment rate ticked upwards, and lower inflation was expected to continue. This establishes the background for the projections of key economic indicators used to generate the forecast for the next fiscal year, FY 2024-25. Gross state product and personal income are expected to grow at slower rates when compared to the previous fiscal year, but this growth will continue to increase the size of the tax base across North Carolina's major tax categories. Strong corporate profits in calendar year 2024 should bolster corporate income tax collections. Lastly, falling interest rates are expected to lower nontax revenue derived from investment income, but otherwise encourage economic growth and keep unemployment low.

A major unanticipated event for FY 2024-25 so far has been Hurricane Helene. The storm devastated communities in the western part of the State, impacting property, infrastructure, and leading to loss of life. However, at this time it seems the storm will not have a major impact on the State’s fiscal health in terms of expected General Fund revenue collections. While initial unemployment claims surged immediately following the storm, they returned to pre-disaster levels three weeks later. Following major storms, initial reductions in consumer activity are often offset by increased work by contractors as residents rebuild. This offsetting effect could drive additional tax collection. While areas most directly impacted by the storm will likely face issues for years, the strong Statewide economy is likely to hold revenues near forecasted levels in FY 2024-25.

Economic Indicators

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Projected	FY 2025-26 Projected
<u>United States Indicators</u>				
Real Gross Domestic Product Growth	2.2%	3.1%	2.3%	2.2%
Personal Income Growth	6.2%	5.6%	5.0%	4.5%
Corporate Profit Growth	7.0%	8.6%	1.8%	0.0%
Retail Sales Growth	4.5%	2.3%	3.5%	3.7%
Average Unemployment Rate	3.5%	3.8%	4.2%	4.1%
Average Consumer Price Index Growth	6.3%	3.3%	2.4%	2.5%
Average 30-yr Fixed Mortgage Interest Rate	6.3%	7.0%	6.1%	5.8%
<u>North Carolina Indicators</u>				
Real Gross State Product Growth	2.4%	3.8%	3.1%	2.7%
Personal Income Growth	6.6%	6.7%	5.8%	5.0%
Wages and Salaries Growth	7.0%	6.6%	5.9%	4.7%
Retail Sales Growth	6.8%	3.1%	3.3%	3.8%
Average Unemployment Rate	3.6%	3.5%	3.9%	4.0%
Nonfarm Employment Growth	2.7%	1.3%	0.3%	0.7%

NC General Assembly Fiscal Research Division

Long-Term Financial Planning and Major Initiatives

*North
Carolina
Pension
Funds*

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

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

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

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

Retiree Health Benefits

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

Unfunded Liability Solvency Reserve

Session Law 2018-30 created the Unfunded Liability Solvency Reserve (Solvency Reserve) within the State's General Fund. The purpose is to accumulate funds during each fiscal year to be used in the following fiscal year to reduce the unfunded liabilities associated with TSERS and the Retiree Health Benefit Fund (RHBF). The Solvency Reserve will receive funds specifically designated by the General Assembly. To the extent the Savings Reserve has reached its statutory maximum, the Solvency Reserve will receive amounts with respect to the revenue growth transfer and debt refinancing savings that otherwise would have gone to the Savings Reserve. TSERS and RHBF will receive an annual share of the Solvency Reserve's balance, if any, in proportion to each plan's unfunded liability. At the beginning of fiscal year 2023-24, the balance was zero. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of \$565 thousand were transferred from the General Fund. During the fiscal year, \$10.565 million was transferred out of the Health Benefit and Retirement System during the year. In accordance with Section 39.28 of Session Law 2023-134, effective for this fiscal year, the Solvency Reserve's future distribution will be issued only to RHPF and not to TSERS. At the end of the fiscal year 2023-24, the balance of this reserve was zero.

Medicaid Expansion & Contingency Reserve

Session Law 2023-7, in conjunction with Session Law 2023-134, expanded Medicaid coverage, making North Carolina the 40th state to do so. Medicaid Expansion became effective December 1, 2023. This will generate an expected \$1.6 billion in General Fund savings through fiscal year 2025-26 as a result of an enhanced federal match rate for Medicaid expenses. At the beginning of fiscal year 2023-24, the balance of the Medicaid Contingency Reserve was \$326.513 million. In accordance with Session 2023-134, a transfer of \$400 million was made from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of the fiscal year 2023-24, the balance of this reserve was \$726.513 million.

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. As of October 2023, the State has implemented all three phases of the project; Release One, the replacement of the Cash Management Control System (CMCS), was implemented on April 5, 2021; Release Two, the implementation of new Oracle SmartView tools for compiling the State's ACFR, was implemented on July 28, 2021; and Release Three, the replacement of the North Carolina Accounting System (NCAS), was implemented on October 10, 2023.

Relevant Financial Policies

Savings Reserve

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

Each year the Office of State Budget and Management along with the Fiscal Research Division of the General Assembly shall jointly determine the adequacy of the Savings Reserve, based on the volatility of the State's tax structure and determine a target for the Savings Reserve, so as to be sufficient to cover two years of need for nine out of ten scenarios involving a decline in General Fund revenue from one fiscal year to the next. In 2024, the Office of State Budget and Management, along with the Fiscal Research Division of the General Assembly, recommended a target of 11.7% of the prior fiscal year's General Fund operating budget appropriations. At June 30, 2023, the Savings Reserve was \$4.75 billion, which represents 17.01% of the prior year's General Fund appropriation budget.

At the beginning of fiscal year 2022-23, the balance of the Savings Reserve Account was \$3.116 billion. Session Law 2022-74 authorized the transfer of \$1.634 billion from the Unreserved Fund Balance to the Savings Reserve leaving a balance in the Savings Reserve at fiscal year-end of \$4.75 billion.

State Capital and Infrastructure Fund

The 2017 General Assembly established the State Capital and Infrastructure Fund (SCIF), effective July 1, 2019. This replaces the Repairs and Renovations Reserve Account. The General Assembly recognized the need to establish and maintain a sufficient funding source to address the ongoing capital and infrastructure needs of the State. The Fund consists of a set appropriation by the General Assembly in G.S. 143C-4-3.1(b) of \$1.365 billion for fiscal year 2023, \$1.412 billion for fiscal year 2024, \$1.461 billion for fiscal year 2025, and \$1.12 billion for fiscal year 2026. The statutory appropriation will then grow by 3.5% a year after FY 2026. The Fund also receives all interest and investment earnings as well as any additional appropriations made by the General Assembly.

In accordance with Session Law 2023-134, the Office of the State Controller was authorized to transfer \$2.463 billion from the Unreserved Fund Balance to the SCIF Reserve for fiscal year 2024. During the fiscal year 2024, all \$2.463 billion was transferred out of the reserve to support state agency and university capital projects, community college projects, grants in aid to local governments, and grants in aid to non-profits.

Justification & Expected Long-term benefits of Tax Abatements

The Jobs Development Investment Grant (JDIG Program) is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to twelve years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. In adopting the JDIG Program in the 2001-2002 Session, the General Assembly intended "to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State." The long-term benefits to the State of North Carolina generated by the fiscal year 2023-24 grant payments include 1) the creation of 28,514 jobs, 2) capital investment of \$6.32 billion, and 3) \$12.57 million contributed to the Utility Fund for infrastructure grants to rural counties.

Hurricane Helene Disaster Recovery Fund

The 2024 General Assembly approved the Disaster Recovery Act of 2024 in response to Hurricane Helene, which struck Western North Carolina in September 2024. The hurricane brought high winds, widespread heavy rainfall in excess of 30 inches in some areas, resulting in record flooding, and significant loss of human life across the region. At its peak, Hurricane Helene was a Category 4 storm with winds reaching 140 mph. With record-breaking rainfall that created 1,000-year flood events in several counties, it devastated the people, infrastructure, businesses, and schools of entire communities. Countless homes, buildings, roads, bridges, and properties were destroyed or damaged, and entire communities lost power, water, sewer, communication, and other essential services due to devastation. In addition, tornadoes were generated across the State as Hurricane Helene passed, causing significant damage in areas outside of the storm's immediate path. Hurricane Helene resulted in 103 confirmed fatalities. On September 28, 2024, 25 counties in North Carolina were declared a major disaster by the President of the United States under the Stafford Act, approving individual and public assistance for affected counties. An initial assessment conducted by the State suggests that the overall impact of damage from Helene is likely to exceed \$53 billion.

On October 10, 2024, Session Law 2024-51 approved the transfer of \$273 million from the Savings Reserve to the Helene Fund to provide state matching funds for federal disaster assistance following Hurricane Helene. An additional \$604.15 million was approved on October 25, 2024, with Session Law 2024-53 to further support recovery efforts, including funding for education, health, agriculture, public safety, and other critical areas. On December 11, 2024, another \$227 million was approved with Session Law 2024-57, providing additional funding for the necessary relief and assistance from the effects of Hurricane Helene.

Stabilization and Inflation Reserve

The 2021 General Assembly established the Stabilization and Inflation Reserve in the General Fund. The purpose of the reserve is to make, only upon an act of appropriation by the General Assembly, funds available to be used for costs associated with inflation and other measures necessary to stabilize the State economy. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer \$1 billion from the Unreserved Fund Balance to the Stabilization and Inflation Reserve for the fiscal year. During the fiscal year, no funds were transferred out of the reserve and thus, the balance at year-end was \$1 billion.

Debt Affordability Guidelines

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

The Committee has adopted the ratio of debt service as a percentage of revenues as the controlling metric that determines the State's debt capacity. The 2024 study indicated over the ten-year planning horizon, the State's revenue projections show a positive growth trend not excessively impacted from earlier declines in economic activity or recent increases in interest rates. The study found that the State's General Fund has debt capacity of \$1.63 billion in each of the next ten years after incorporating the Committee's policy that directs continuing annual appropriations of \$100 million to the Unfunded Liability Solvency Reserve to begin addressing the unfunded pension and OPEB liabilities. The ratio of debt service to revenues was projected to peak at 1.82% in fiscal year 2024. This rate is below the 4% target.

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

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

North Carolina's debt is considered manageable at current levels when compared with its peer group composed of 13 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, 2023. This was the 30th consecutive year (1994 to 2023) the State has received the prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Acknowledgments

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

Respectfully submitted,



Nels C. Roseland
State Controller

CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of North Carolina

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

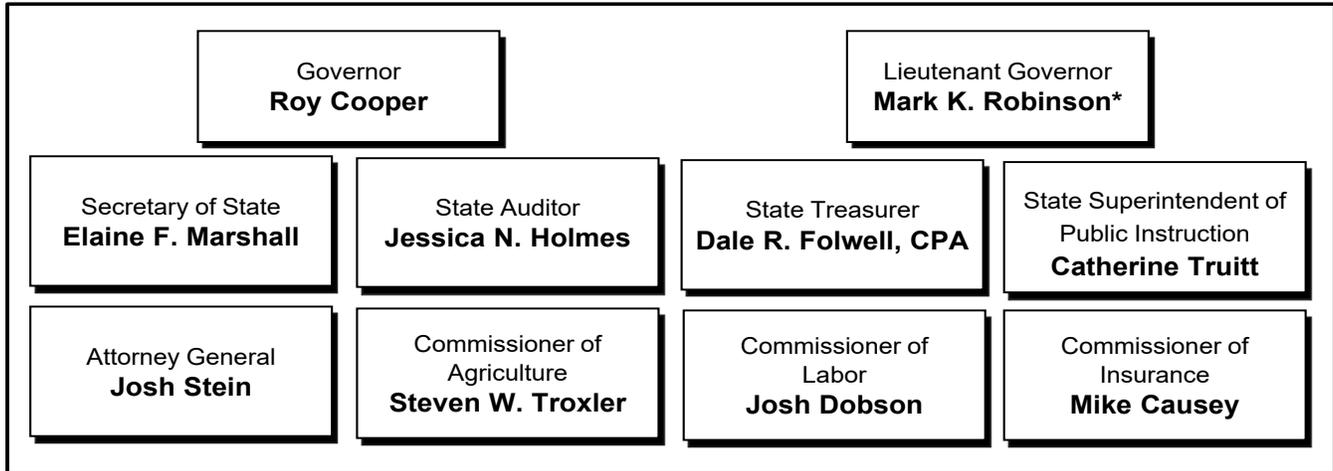
Christopher P. Morrill

Executive Director/CEO

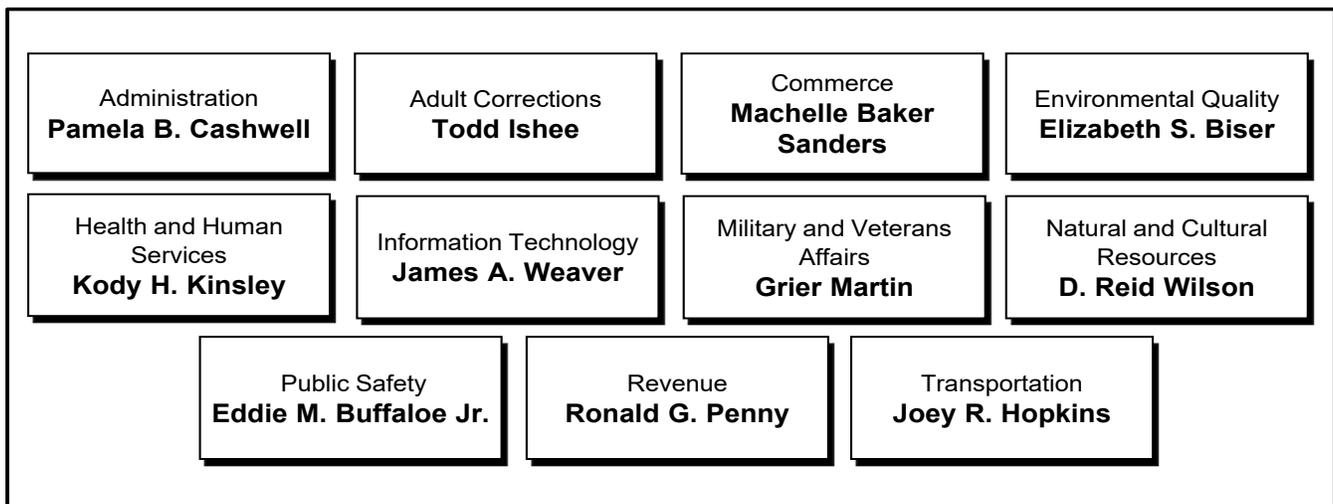
**ORGANIZATION OF NORTH CAROLINA STATE GOVERNMENT
INCLUDING PRINCIPAL STATE OFFICIALS**

EXECUTIVE BRANCH

Council of State



Cabinet Secretaries — Appointed by the Governor



**Appointed by Governor,
Confirmed by Legislature**

State Controller
Nels C. Roseland

**Appointed by State Board of
Community Colleges**

Community College System
Jeffrey A. Cox
President

**Appointed by University
Board of Governors**

University of North Carolina
System
Peter Hans
President

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 Paul Newton	Majority Leader John R. Bell, IV
Minority Leader Dan Blue	Minority Leader Robert T. Reives, II

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

North Carolina Supreme Court

Chief Justice
Paul Newby

Associate Justices
Anita Earls
Philip Berger Jr.
Tamara Barringer
Richard Dietz
Trey Allen
Allison Riggs

Administrative
Office of the Courts
Ryan S. Boyce
Director

Component Units

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

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FINANCIAL SECTION



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report

The Honorable Roy Cooper, Governor
Honorable Members of the North Carolina General Assembly
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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The North Carolina Education Lottery, a major enterprise fund, which represent 2 percent and 76 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Turnpike Authority, a major enterprise fund, which represent 30 percent and 4 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Housing Finance Agency, which represent 6 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 9 percent and 2 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 2 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 3 percent and 6 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 - University of North Carolina Hospitals at Chapel Hill, which represent 9 percent and 11 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 9 percent, respectively, of the assets and additions 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 additions of the aggregate remaining fund information.
- The North Carolina Department of State Treasurer Investment Programs, which represent 28 percent and 2 percent, respectively, of the assets and revenues of the governmental activities; 12 percent and 1 percent respectively of the assets and revenues of the business-type activities; 6 percent and 5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; and 88 percent and 33 percent, respectively, of the assets and additions of the aggregate remaining fund information.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The State of North Carolina's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and

Independent Auditor's Report

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 19, 2024, 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*.

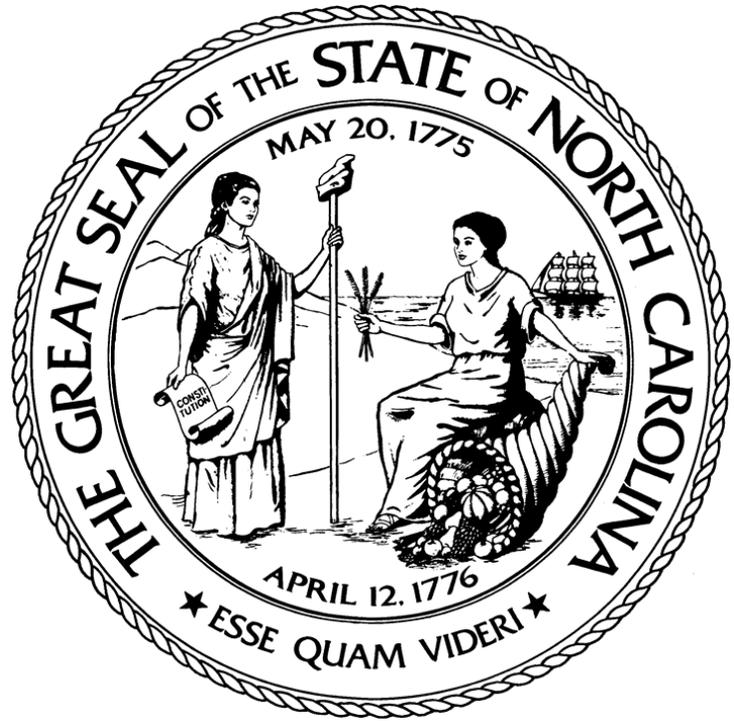


Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

December 19, 2024



*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, 2024. 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 \$4.89 billion or 5.61% as a result of this year's operations. Net position of governmental activities increased by \$3.79 billion (4.75%) and net position of business-type activities increased by \$1.1 billion (or 15%). At year-end, net position of governmental activities and business-type activities totaled \$83.68 billion and \$8.47 billion, respectively.
- Component units reported net position of \$29.66 billion, an increase of \$3.47 billion or 13.25% 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 decreased from \$22.4 billion at June 30, 2023 (as restated) to \$20.89 billion at June 30, 2024, a decrease of 6.73%. The decrease was mainly due to an increase of expenditures for Medicaid expansion, educational state aid to local education agencies, community colleges, and state universities, and economic development initiatives.
- The Highway Fund reported a fund balance of \$1.17 billion at June 30, 2024, a decrease of \$27.69 million from the previous year with a fund balance of \$1.2 billion at June 30, 2023. This decrease was mainly due to the expenditures for highway and other infrastructure maintenance as well as an increase in operating costs that surpassed revenues.
- The Highway Trust Fund reported a fund balance of \$844.46 million, a decrease of 21.46% from the previous year. The fund balance decrease is attributable to expenditures outpacing revenues.
- The Unemployment Compensation Fund reported net position of \$5.24 billion at June 30, 2024 compared to \$4.56 billion at June 30, 2023, as restated, an increase of \$681.23 million or 14.94%. The increase in net position is related to various fluctuations. Unemployment rates remained low during the 2023-24 fiscal year, with a rate of 3.6% reported in June 2024.
- The N.C. State Lottery Fund reported net ticket sales of \$5.38 billion, an increase of 23.78% from the previous year. As required by law, the Lottery transferred \$1.092 billion to the General Fund to support educational programs.
- The N.C. Turnpike Authority (NCTA) reported net position of \$588.3 million, an increase of \$262.86 million or 80.77% from the previous year. The NCTA reported operating income of \$34.31 million, which represents an increase of \$32 million from the prior year, related to a \$17.39 million increase in operating revenues, mostly related to toll revenues, and a \$14.61 million decrease in operating expenses, mostly related to a decrease in capital outlay. NCTA also had a \$31.48 million decrease in nonoperating expenses, mostly related to a decrease of \$30.82 million in debt interest and fees. NCTA also reported \$172.42 million in capital contributions, an increase of \$96.97 million, and \$130.35 million in transfers in, an increase of \$17.37 million, which contributed to the increase in net position.
- The EPA Revolving Loan Fund reported net position of \$2.37 billion, an increase of 6.83% from the previous year. Operating income was \$3.48 million, and net nonoperating revenues of \$124.53 million consisted primarily of federal capitalization grants.

Capital Assets

- The State's investment in capital assets (net of accumulated depreciation) was \$73.02 billion, an increase of 5.56% from the previous fiscal year-end.
- Significant year-end construction in progress amounts were for state highway projects (\$3 billion), an expressway project (\$981.02 million), a new system for managing and administering social service benefits (\$789.98 million), a relocation project for the DHHS campus (\$175.21 million), and a new education campus to house several educational system offices (\$39.15 million).

Long-term Debt

- The State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$7.19 billion, a decrease of 4.43% from the previous fiscal year-end.
- In connection with the limited obligation bonds, all three rating agencies affirmed the triple-A credit rating for the State. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 14 states with a triple-A rating from all three rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management 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 50 and 51) presents all 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 52 and 52) 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 76. 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 274 begins the individual fund data for the nonmajor funds. The State's funds are divided into three categories (governmental, proprietary, and fiduciary) and they use different accounting approaches.

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

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, which is the same method used by private sector businesses. Enterprise funds are used to report activities for which fees are charged to external users for goods and services. The Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority are the State's most significant enterprise funds. Internal service funds are used to report activities that provide goods and services to the State's other programs and activities on a cost-reimbursement basis,

such as the State Property Fire Insurance Fund, the Motor Fleet Management Fund, Computing Services Fund, and the State Telecommunications Services Fund. Because the State's internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 74 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 \$92.14 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, 2024 and 2023

(dollars in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>		<u>Percentage</u>
	<u>2024</u>	<u>2023**</u> <u>(as restated)</u>	<u>2024</u>	<u>2023</u> <u>(as restated)</u>	<u>2024</u>	<u>2023**</u> <u>(as restated)</u>	<u>Change</u> <u>2023-24</u>
Current and other non-current assets	\$43,884,547	\$40,500,527	\$9,410,173	\$8,279,370	\$53,294,720	\$48,779,897	9.26%
Capital assets, net	69,877,598	66,281,599	3,145,675	2,895,503	73,023,273	69,177,102	5.56%
Total assets	<u>113,762,145</u>	<u>106,782,126</u>	<u>12,555,848</u>	<u>11,174,873</u>	<u>126,317,993</u>	<u>117,956,999</u>	<u>7.09%</u>
Total deferred outflows of resources	5,935,478	4,056,216	123,333	88,278	6,058,811	4,144,494	46.19%
Long-term liabilities	16,789,003	16,519,539	3,131,638	2,824,384	19,920,641	19,343,923	2.98%
Other liabilities	15,903,561	11,823,700	978,808	1,002,019	16,882,369	12,825,719	31.63%
Total liabilities	<u>32,692,564</u>	<u>28,343,239</u>	<u>4,110,446</u>	<u>3,826,403</u>	<u>36,803,010</u>	<u>32,169,642</u>	<u>14.40%</u>
Total deferred inflows of resources	3,329,737	2,707,431	102,610	75,171	3,432,347	2,782,602	23.35%
Net position:							
Net investment in capital assets	66,300,651	62,491,254	810,927	598,198	67,111,578	63,089,452	6.38%
Restricted	2,050,249	1,788,260	181,140	166,230	2,231,389	1,954,490	14.17%
Unrestricted	<u>15,324,422</u>	<u>15,508,158</u>	<u>7,474,058</u>	<u>6,597,149</u>	<u>22,798,480</u>	<u>22,105,307</u>	<u>3.14%</u>
Total net position	<u>\$83,675,322</u>	<u>\$79,787,672</u>	<u>\$8,466,125</u>	<u>\$7,361,577</u>	<u>\$92,141,447</u>	<u>\$87,149,249</u>	<u>5.73%</u>

** Net position – ending as reported in the 2023 (as restated) columns for Governmental Activities and Total Primary Government in the table on the preceding page (Changes in Net Position for Fiscal Years Ending June 30, 2024 and 2023) is \$100.2 million less than the restated net position at July 1 reported on Exhibit A-2 and Note 23. This difference represents the amount of restated grouped assets in governmental funds related to the adoption of Implementation Guide 2021-1, Section 5.1. in the current fiscal year.

The largest component of the State's net position (72.84% for fiscal year 2024) 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 (\$2.23 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 \$15.32 billion at June 30, 2024, a decrease of \$183.74 million from the prior year or 1.18%. 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 \$4.81 billion bonds and special indebtedness outstanding for governmental activities at June 30, 2024, approximately \$1.9 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, 2024, the State's governmental activities have significant unfunded liabilities for compensated absences of \$625.04 million, pension liabilities of \$4.15 billion, net OPEB liabilities of \$5.22 billion, workers' compensation of \$608.12 million, and claims and judgments payable of \$731.7 million (see Note 8 to the financial statements).

The State's overall net position increased \$4.89 billion or 5.61% (total primary government) from the prior fiscal year. The net position of the governmental activities increased \$3.79 billion or 4.75% and business-type activities increased \$1.1 billion or 15%. The following financial information was derived from the government-wide Statement of Activities:

Changes in Net Position for the Fiscal Years Ended June 30, 2024 and 2023
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2023-24
	2024	2023** (as restated)	2024	2023 (as restated)	2024	2023** (as restated)	
Revenues:							
Program revenues							
Charges for services	\$ 3,688,248	\$ 3,275,585	\$ 6,565,265	\$ 5,436,216	\$ 10,253,513	\$ 8,711,801	17.70%
Operating grants and contributions	31,868,809	31,073,628	335,070	320,229	32,203,879	31,393,857	2.58%
Capital grants and contributions	1,264,471	1,266,732	172,643	75,564	1,437,114	1,342,296	7.06%
General revenues							
Taxes:							
Individual income tax	16,464,017	16,799,392	—	—	16,464,017	16,799,392	(2.00%)
Corporate income tax	1,501,535	1,728,595	—	—	1,501,535	1,728,595	(13.14%)
Sales and use tax	12,099,961	11,657,850	—	—	12,099,961	11,657,850	3.79%
Motor fuels tax	2,499,716	2,619,790	—	—	2,499,716	2,619,790	(4.58%)
Franchise tax	738,220	857,100	—	—	738,220	857,100	(13.87%)
Highway use tax	1,195,898	1,186,526	—	—	1,195,898	1,186,526	0.79%
Insurance tax	1,238,193	1,165,117	—	—	1,238,193	1,165,117	6.27%
Beverage tax	591,463	592,168	—	—	591,463	592,168	(0.12%)
Tobacco products tax	257,414	283,849	—	—	257,414	283,849	(9.31%)
Other taxes	386,324	339,835	—	—	386,324	339,835	13.68%
Tobacco settlement	119,212	156,549	—	—	119,212	156,549	(23.85%)
Federal COVID-19	470,171	673,203	—	—	470,171	673,203	(30.16%)
Unrestricted investment earnings	988,438	553,841	—	—	988,438	553,841	78.47%
Noncapital contributions	6,843	35,475	325	747	7,168	36,222	(80.21%)
Miscellaneous	75,960	79,241	748	—	76,708	79,241	(3.20%)
Total revenues	<u>75,454,893</u>	<u>74,344,476</u>	<u>7,074,051</u>	<u>5,832,756</u>	<u>82,528,944</u>	<u>80,177,232</u>	<u>2.93%</u>
Expenses:							
General government	3,086,211	2,751,093	—	—	3,086,211	2,751,093	12.18%
Primary and secondary education	16,203,270	15,512,806	—	—	16,203,270	15,512,806	4.45%
Higher education	6,546,740	5,665,180	—	—	6,546,740	5,665,180	15.56%
Health and human services	34,623,699	32,313,673	—	—	34,623,699	32,313,673	7.15%
Economic development	1,366,638	756,992	—	—	1,366,638	756,992	80.54%
Environment and natural resources	1,188,692	865,794	—	—	1,188,692	865,794	37.30%
Public safety, corrections and regulation	4,775,262	4,269,861	—	—	4,775,262	4,269,861	11.84%
Transportation	4,404,717	3,825,507	—	—	4,404,717	3,825,507	15.14%
Agriculture	302,166	396,929	—	—	302,166	396,929	(23.87%)
Interest on long-term debt	149,195	172,351	—	—	149,195	172,351	(13.44%)
Unemployment compensation	—	—	232,396	276,982	232,396	276,982	(16.10%)
N.C. State Lottery	—	—	4,291,544	3,332,492	4,291,544	3,332,492	28.78%
EPA Revolving Loan	—	—	55,403	21,005	55,403	21,005	163.76%
N.C. Turnpike Authority	—	—	187,270	224,730	187,270	224,730	(16.67%)
Regulatory programs	—	—	168,506	152,144	168,506	152,144	10.75%
Insurance programs	—	—	34,925	37,217	34,925	37,217	(6.16%)
North Carolina State Fair	—	—	14,757	16,728	14,757	16,728	(11.78%)
Other business-type activities	—	—	16,606	15,852	16,606	15,852	4.76%
Total expenses	<u>72,646,590</u>	<u>66,530,186</u>	<u>5,001,407</u>	<u>4,077,150</u>	<u>77,647,997</u>	<u>70,607,336</u>	<u>9.97%</u>
Increase in net position							
before contributions and transfers	2,808,303	7,814,290	2,072,644	1,755,606	4,880,947	9,569,896	(49.00%)
Contributions to permanent funds	11,048	9,925	—	—	11,048	9,925	11.31%
Transfers	968,096	888,056	(968,096)	(888,056)	—	—	—
Increase (decrease) in net position	3,787,447	8,712,271	1,104,548	867,550	4,891,995	9,579,821	(48.93%)
Net position - beginning - restated	79,887,875	71,075,401	7,361,577	6,494,027	87,249,452	77,569,428	12.48%
Net position - ending	<u>\$ 83,675,322</u>	<u>\$ 79,787,672</u>	<u>\$ 8,466,125</u>	<u>\$ 7,361,577</u>	<u>\$ 92,141,447</u>	<u>\$ 87,149,249</u>	<u>5.73%</u>

Governmental Activities. For fiscal year 2024, 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 \$3.79 billion (4.75%) resulted for governmental activities. Total revenues increased by \$1.11 billion (1.49%) while total expenses increased by \$6.12 billion (9.19%).

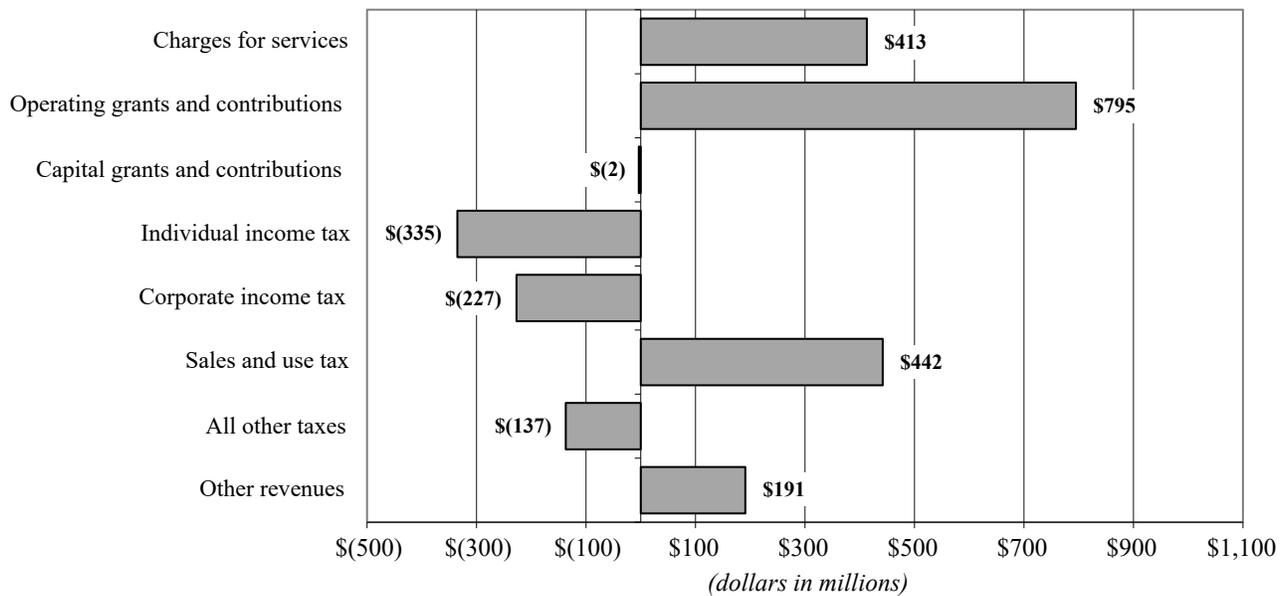
The following factors were the primary reasons for the increase in total revenues:

- Operating grants and contributions saw an increase of \$795.18 million or 2.56%, primarily due to the Medicaid Expansion that commenced on December 1, 2023. This initiative added nearly 500,000 new Medicaid members, with 90% of their costs being funded by federal receipts.
- Sales and use tax experienced an increase of \$442.11 million, representing a growth of 3.79%. This positive trend can be attributed to the sustained strength in consumer spending throughout the year.
- Charges for services rose by \$412.66 million or 12.6%. This increase is primarily attributed to the assessments collected from hospitals related to non-federal shares of the Medicaid expansion program, which encompasses both services and administrative costs.

The reduction in individual income tax partially offset the revenue increases, with a decrease of \$335.38 million (2%) resulting from Session Law 2021-180 that lowered the individual income tax rate from 4.99% to 4.75%, effective January 1, 2023.

The following chart reflects the dollar change in governmental activities revenues by source between fiscal years 2023 and 2024:

**Dollar Change in Governmental Activities Revenues by Source
Between Fiscal Years 2023 and 2024**



For fiscal year 2024, spending significantly increased in almost all of the State’s functional areas, except for agriculture and interest on Long-term debt. Activity within agriculture function experienced a decline, primarily driven by a decrease in disaster relief spending when comparing fiscal year 2024 to fiscal year 2023.

Total health and human services (HHS) spending increased by \$2.31 billion or 7.15%. These increases were driven primarily by three factors: 1) gradual continuing coverage of Medicaid eligibility redetermination since the end of the public health emergency, 2) the implementation of Medicaid Expansion, and 3) increased spending associated with the Healthcare Access and Stabilization Program (HASP). Medicaid Expansion and HASP did not require any increase in State funding, as the expansions were fully supported by federal funds.

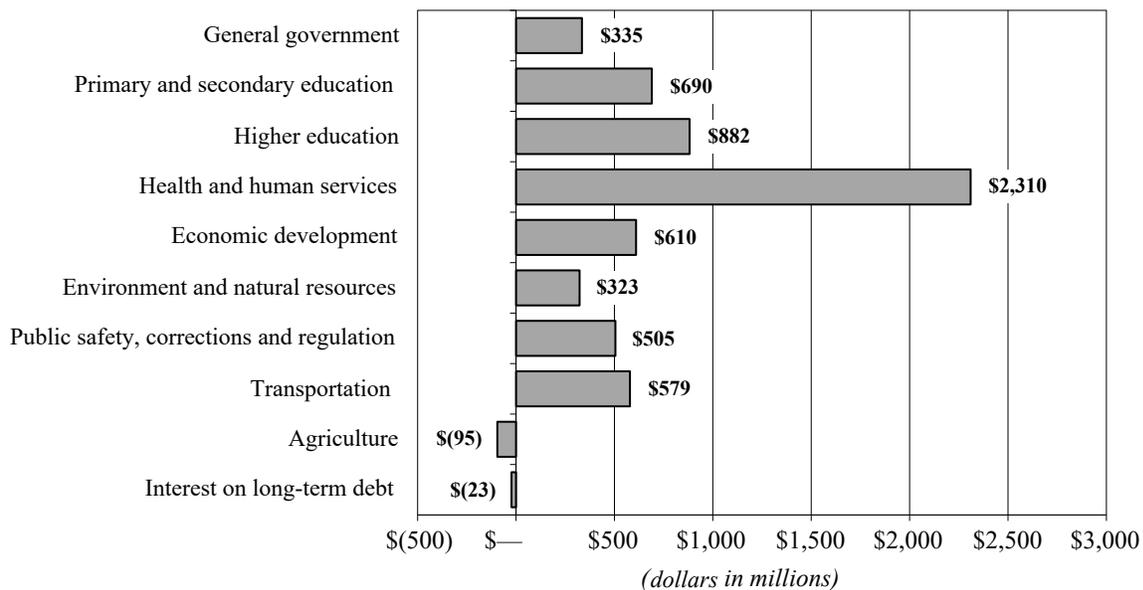
In fiscal year 2024, funding for higher education experienced a substantial increase of \$881.56 million, representing a growth of 15.56%. Similarly, primary and secondary education saw an increase of \$690.46 million, or 4.45%. This significant growth in educational funding is primarily attributed to the enhanced state aid allocated to local education agencies (LEAs), community colleges, and state universities, which has been bolstered by the availability of COVID-19 relief funds.

Economic development increased by \$609.65 million, or 80.54%. This significant growth can be attributed in part to increased spending on the recent Job Development Investment Grant (JDIG) initiative with Toyota for job creation, education investment, and workforce development. Additionally, a new state program awarded funding to NCInnovation, a new component unit of the State created to connect public university researchers with industry partners, private sector knowledge, and support services to accelerate effective commercialization strategies across the State.

Transportation spending increased by \$579.21 million, a growth of 15.14%. The primary factor for this increase is due to the authorization by Session Law 2023-134 to award grants from the Transportation Reserve Fund to various local county airports for improvements.

The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2023 and 2024:

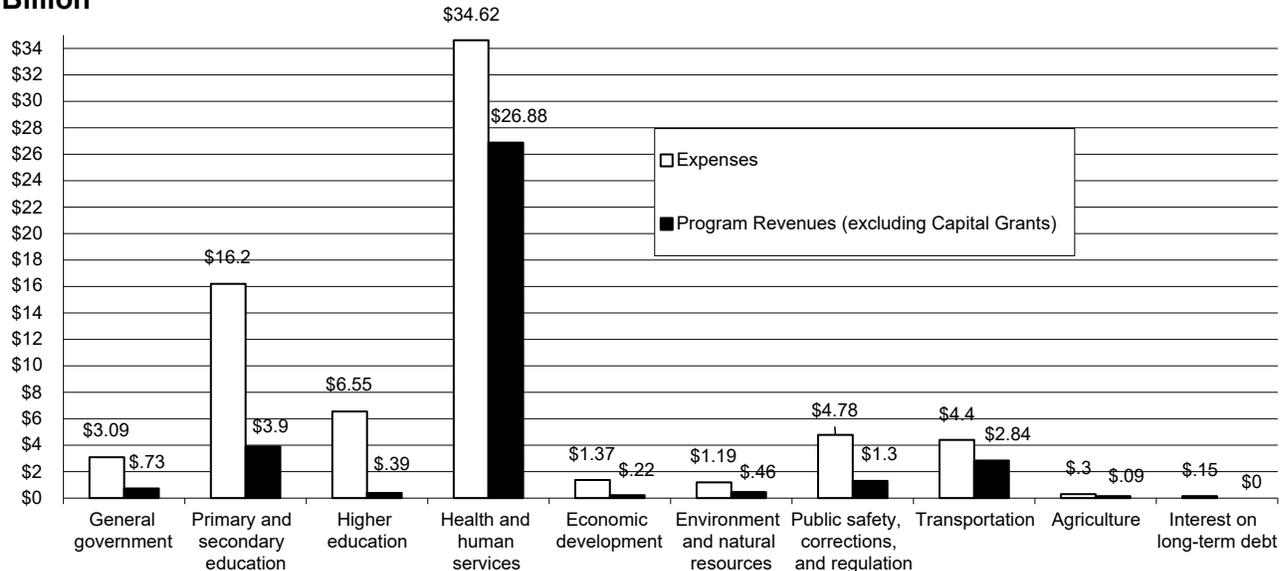
**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2023 and 2024**



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, 2024**

Billion



Business-type Activities. Business-type activities reflect an overall increase in net position of \$1.1 billion or 15%, primarily due to the increase in net position in the Unemployment Compensation Fund. The increase in net position of \$681.23 million or 14.94% in the Unemployment Compensation Fund (Trust Fund) related to various fluctuations. The Trust Fund reported operating income of \$581.12 million, an increase of \$113.06 million or 24.15%. The increase in operating income related to a \$73.63 million or 10.21% increase in employer unemployment contributions received and a \$46.34 million or 16.89% decrease in unemployment benefits paid. The Trust Fund also reported nonoperating revenues of \$117.28 million, which included \$121.13 million in investment earnings, noncapital grants of \$482 thousand, and miscellaneous expenses of \$4.33 million. The N.C. Turnpike Authority’s (NCTA) net position increased by \$262.86 million or 80.77% primarily due to receiving \$172.42 million in capital contributions, an increase of \$96.97 million or 128.51% from the prior year. NCTA also received \$130.35 million in transfers related to project participation from the Highway and Highway Trust Funds in the current fiscal year, which is an increase of \$17.37 million or 15.37% from the prior year. Along with the capital contributions and transfers, NCTA reported \$34.31 million in operating income and \$69.47 million in nonoperating expenses. The net position increase of \$151.74 million or 6.83% 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, 2024, the State's governmental funds reported combined fund balances of \$27.63 billion, a decrease of 1.94% from the prior fiscal year-end (as restated). Of this amount, \$5.36 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 serves as the primary operating fund for the State. As of June 30, 2024, the General Fund fund balance decreased by 6.73%, or \$1.51 billion, to \$20.89 billion. Although General Fund revenues grew slightly from \$66.64 billion to \$67.31 billion, a 1% increase, expenditures rose at a more significant rate, climbing by \$5.11 billion (8.12%) from \$62.98 billion to \$68.09 billion.

This increase in expenditures was observed across all general fund functions and was primarily driven by Medicaid Expansion, state aid to local education agencies (LEAs), community colleges, state universities, and various economic development initiatives. While revenues from federal funds and fees, licenses, and fines saw substantial gains of \$2.24 billion (8.79%) and \$424.57 million (34.77%), respectively, these were counterbalanced by declines in Federal COVID-19 funds (\$2.06 billion or 38.85%), as well as drops in individual (\$335.38 million or 2%) and corporate income taxes (\$216.22 million or 12.53%).

Historically, the Medicaid program has been a significant driver for the General Fund. In fiscal year 2024, Medicaid enrollment increased by 40,005 members (1.36%). This growth is attributed to the FFCRA requirement, which ensured that beneficiaries receiving enhanced FMAP coverage could not be dropped or downgraded during the COVID-19 public health emergency. Additionally, the State's Medicaid expansion, launched in December 2023, enrolled 479,150 members by the fiscal year-end. As a result, both federal fund receipts and expenditures significantly grew, with 90% of the costs covered by federal funding. Additionally, the Medicaid program concluded the fiscal year with \$4 million in unspent state appropriations, reverting these funds to the General Fund. This marks the 11th consecutive year that the Medicaid program has ended with cash reserves, a contrast to the nearly \$2 billion shortfall experienced over four years prior to fiscal year 2014.

While the increase in federal receipts for Medicaid expansion was significant, it was largely offset by a reduction in Federal COVID-19 relief funds, impacting programs for immunizations, testing, low-income heating subsidies, and childcare assistance. Moreover, overall tax revenues in the General Fund decreased by \$532.22 million (1.6%) in fiscal year 2024. The decline in individual income tax collections was largely due to legislative changes affecting withholding amounts for tax years 2023 and 2024. Specifically, Session Law 2021-180 reduced the individual income tax rate from 4.99% to 4.75%, effective January 1, 2023, while Session Law 2023-134 further lowered this rate to 4.5%, effective January 1, 2024. Corporate income tax revenues also fell by \$216.22 million (12.53%) compared to the previous year, primarily due to a reclassification of business tax collections, shifting from corporate to individual income tax. Although this change does not affect overall General Fund revenue, it results in a notable decrease in corporate income tax collections.

North Carolina's labor market has continued to grow through June 2024. The number of payroll jobs in North Carolina has increased steadily since the pandemic shutdown in 2020, according to data compiled by the Bureau of Labor Statistics. By March 2023, the seasonally adjusted unemployment rate had fallen to 3.3% and has been in the range of 3.3% to 3.6% through June 2024. The number of non-farm jobs was over 5 million in June 2024. In June 2024, there were 67,200 more jobs than in June 2023 and 211,400 more than in June 2022. The trend annualized growth rate for employment was 1.4% during the 2023-2024 fiscal year, which slowed from the prior year.

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.

Variance – Original and Final Budget

In general, the variances between original and final budget are attributable to the timing and length of the budget preparation process as well as budget adjustments that occurred during fiscal year 2023-24. In January 2023, the Office of State Budget and Management (OSBM) finalized the two-year base budget adopted by the General Assembly for the 2023-25 biennium. This was approximately 10 months prior to the adoption of the adjusted biennial budget which started on July 1, 2024. The amounts budgeted for a two-year budget cycle 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 fiscal year, the state was still recovering from the COVID-19 pandemic and expending related funding from the American Rescue Plan Act. The state also expanded Medicaid in the 2023 Appropriations Act, which led to additional payments beyond what was originally budgeted.

Additional factors leading to variances between the original and final budget in fiscal year 2023-24 include the following:

- 1) New unanticipated federal grants and/or increased or decreased amounts in long-standing federally supported programs.
- 2) Statewide encumbrance carry-forward budgeted amounts from fiscal year 2022-23 totaled \$917 million, which increased the budget for fiscal year 2023-24 through administrative action.
- 3) Allocation of hurricane disaster funds that were appropriated and authorized in prior years but not expended until fiscal year 2023-24. State functions agriculture, environment and natural resources, and public safety, corrections and regulation were the biggest recipients.
- 4) Budgeting of cash balance for economic development grants and awarded obligations such as the Economic Development Project Grants, and the Industrial Development Fund Utility Account.
- 5) Allocation of statewide reserves to agencies and universities, including salary pay plan reserve, Clean Water Drinking Reserve, and disaster relief funding from both the State Emergency Response and Disaster Relief Fund and the Hurricane Florence Disaster Reserve.
- 6) Budgeting unspent, but appropriated funds from the State Capital and Infrastructure Fund, which totaled approximately \$3 billion in adjustments in fiscal year 2023-24.
- 7) Budgeting unspent federal State Fiscal Recovery funds, which totaled approximately \$3 billion in fiscal year 2023-24.
- 8) Budgeting of cash balances, over-realized receipts, prior year earned revenue, or unanticipated donations and grants.

Variance - Final Budget and Actual Results

Actual total own-source General Fund revenue collected (both tax and non-tax) was 2.99% higher than budgeted revenue amounts in fiscal year 2024. Tax revenues were slightly higher than budgeted (3%), mostly related to higher-than-expected sales tax collections.

Collections for individual income taxes, which accounted for 50.42% of total General Fund tax revenue collections in fiscal year 2023-24, were \$35.36 million (0.21%) higher than budgeted (on a cash basis), although refunds were higher than expected. Refunds were \$562 million (32%) above target. Double payments from pass-through business entity elections beginning in fiscal year 2022-23 drove elevated refunds in fiscal year 2024. Combined non-withholding payments were \$66 million (1.2%) above the fiscal year target. Withholding payments from wage earnings were \$475 million (3.7%) above the fiscal year target. Rising business profits for pass-through business entities drove higher-than-expected collections in non-withholding payments, while strong wage and salary growth drove higher-than-expected withholding payments. Sales and use tax collections, which comprised 35.45% of total General Fund tax revenues in fiscal year 2023-24, were \$935.82 million (8.71%) above budgeted revenue (on a cash basis). Inflation has decelerated at a slower pace than anticipated in the May 2023 consensus forecast, resulting in higher nominal consumer spending. This factor, along with strong consumer spending in fiscal year 2024, accounts for higher-than-expected sales and use tax collections. Corporate income tax collections, which accounted for 4.71% of total General Fund tax revenues in fiscal year 2024, were \$132.7 million (7.87%) below budgeted revenues (on a cash basis). Slower growth than expected for corporate profits in the May 2023 consensus forecast account for lower-than-expected collections in corporate income tax payments. Following the introduction of

North Carolina's pass-through entity tax, many corporations accrued overpayments in fiscal year 2022-23 while adjusting to the change. The resulting correction for prior year overpayments in fiscal year 2023-24 drove the corporate estimated payments below expectations.

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, 75% of motor fuels taxes, vehicle registration fees, and driver's license fees.

The Highway Fund reported a fund balance of \$1.17 billion at June 30, 2024, a decrease of \$27.69 million from the previous year, which was \$1.2 billion at June 30, 2023. The decrease in fund balance was the result of expenditures for maintaining the highway network and other infrastructure plus increases in operating costs that surpassed revenues.

Total revenues were \$4.72 billion, an increase of 0.96% or \$44.93 million, and total expenditures increased by 9.82% from \$4.88 billion at June 30, 2023 to \$5.36 billion at June 30, 2024. The primary reason for the increase in revenues is the enactment of Session Law 2023-134, Section 2.2.(j), which established \$450 million in transportation reserve funding in fiscal year 2024 to provide grants to various counties for airport improvements and increase funding for general maintenance of State-maintained roads. The legislation also established an additional \$100 million in transportation reserve funding for fiscal year 2025 to be used exclusively for general maintenance. Other factors that increased revenues include a large utility construction project that increased local fund revenue and an increase in the monthly average of the State Treasurer's short-term investment fund (STIF) interest rate from 2.22% in fiscal year 2023 to 4.09% in fiscal year 2024 that increased investment earnings.

Expenditures increased due to the authorization of the NCDOT Division of Aviation to award grants from the Transportation Reserve Fund to various county airports for improvements. Continued increase for capital outlays and increased spending on the maintenance of the State-maintained roads also contributed to the increase.

The State issued \$252.6 million in Grant Anticipation Revenue Vehicles (GARVEE) bonds in September 2021. This innovative financing tool was used to accelerate the construction on a variety of transportation improvement projects across the State by leveraging future federal transportation revenues. As of June 30, 2024, all GARVEE proceeds were spent.

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 2022-74, Section 42.3.(a), established a transfer of a percentage of the sales and use tax to the Highway Fund and Highway Trust Fund. In fiscal year 2024, the percentage transferred to the Highway Fund was 1%. In fiscal year 2025 and thereafter, the percentage to be transferred to the Highway Fund is 1.5%. Session Law 2023-134 increased vehicle registration fees for electric vehicles and plug-in hybrid vehicles. The legislation also created a Transportation Commerce Tax on the gross receipts derived from each for-hire ground transport service that becomes effective July 1, 2025.

Vehicle miles traveled continue to increase each year as conditions from the COVID-19 pandemic continue to rebound. These increases place a heavier burden on the existing infrastructure and accentuate the need for additional capacity, safety, and maintenance funding to address the deterioration in service created by the increase in traffic. Furthermore, many of the State's highways were built as farm-to-market roads and were not designed to handle the heavy traffic volumes of today. Other aging highways, such as the interstate highway system, will also require increasing investment to maintain acceptable condition.

Highway Trust Fund

Legislation creating the Highway Trust Fund was passed by the General Assembly in 1989. It was established to provide a dedicated funding mechanism to meet specific highway construction needs in North Carolina. Additionally, the Highway Trust Fund provides allocations for the debt service on limited obligation bonds issued for highway purposes. The principal revenue sources of the Highway Trust Fund are highway use taxes, 25% percent of motor fuels taxes, and various title and registration fees. The enabling legislation was amended in 2008 to require annual transfers to the NCTA to pay debt service or financing expenses for specified toll road construction projects (see Note 10B to the financial statements).

The fund balance of the Highway Trust Fund decreased 21.46% to \$844.46 billion at June 30, 2024. The fund balance decrease is attributable to expenditures for the Strategic Transportation Improvement Program (STIP) and other projects surpassing revenues.

Total revenues were \$2.22 billion, an increase of 18.56% from the prior year. Sales and use taxes were \$319.85 million in fiscal year 2024, which is the first year the Highway Trust Fund received a transfer of a percentage of the sales and use tax. Motor fuels taxes increased by \$17.54 million and highway use taxes increased by \$4.71 million. The increase in highway use tax was due to an increase in the number of transactions to title a motor vehicle in fiscal year 2024 compared to last fiscal year. This was fueled by increased vehicle purchases as the supply chain issues eased and the continuation of new residents moving into North Carolina who must title a vehicle with North Carolina before registering their vehicle.

The Highway Trust Fund reported \$2.17 billion in total transportation expenditures, a decrease of 5.14% or \$117.69 million from the prior year. A reduction in land acquisition and construction payments were the primary reasons for the decrease.

In May 2022, the State issued \$300 million in special indebtedness (limited obligation Build NC Bonds) as authorized by Session Law 2018-16, Session Law 2020-91 and Session Law 2021-189, which allow for up to \$3 billion in bonds over a ten-year period. To date, there have been three issuances totaling \$1.3 billion. The proceeds from the bonds can be used for certain regional and divisional transportation projects contained in the STIP. As of June 30, 2024, the unspent original proceeds of the Build NC Bonds (including Debt Service Reserve Funds) were \$121.4 million.

As discussed under the Highway Fund section, Session Law 2022-74, Section 42.3.(a), which amends General Statute 105-164.44M, established a transfer of a percentage of the sales and use tax to the Highway Fund and the Highway Trust Fund. In fiscal year 2024, 3% of the net proceeds from the State's sales tax were transferred to the Highway Trust Fund. In fiscal year 2025 and thereafter, the percentage to be transferred to the Highway Trust Fund is 4.5%.

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 \$5.24 billion at June 30, 2024 compared to a restated net position of \$4.56 billion at June 30, 2023. The \$681.23 million or 14.94% increase in net position is related to various fluctuations in the Trust Fund's activities. Unemployment rates in North Carolina remained low during the 2024 fiscal year, never exceeding 3.6%, which was the unemployment rate in June 2024.

The Trust Fund's operating margin (operating revenues less operating expenses) was \$581.12 million for fiscal year 2024, a \$113.06 million increase or 24.15%. Operating revenues increased by \$66.72 million mostly related to a \$73.63 million increase in employer unemployment contributions received, which were \$794.61 million in the current fiscal year. The increase is attributable to an increase in the number of employers required to make unemployment contributions during the fiscal year compared to the prior year. Operating expenses decreased by \$46.34 million or 16.89% due entirely to a decrease in unemployment benefits paid, which were \$228.06 million for the current fiscal year. The decrease is due to lower unemployment rates in 2023-24 fiscal year compared to the previous fiscal year.

The Trust Fund reported \$117.28 million in nonoperating revenues, which was a decrease of \$54.05 million from the prior year. The Trust Fund reported \$482 thousand in federal noncapital grants during the fiscal year, which is a decrease of \$382 thousand or 382%. In the prior year, the Trust Fund received \$104.77 million in federal COVID-19 funds provided through the CARES ACT (Coronavirus Aid, Relief, and Economic Security Act) and the American Rescue Plan (ARP). These federal COVID-19 funds were not available in the current fiscal year. In addition, the Trust Fund reported \$121.13 million in investment earnings during the year, which was an increase of \$52.14 million or 75.59%. Investment earnings increased due to higher interest rates in the current fiscal year and a \$655.91 million increase in cash balances earning interest.

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 \$1.092 billion to the General Fund in 2024 to support educational programs for the State. The amount transferred in 2023 was \$1.016 billion.

For fiscal year 2023-24, net ticket sales increased 23.78% or \$1.03 billion from the previous fiscal year to \$5.38 billion. With this increase in ticket sales, the NCEL saw a corresponding increase in prize payouts of 32.79% or \$939 million, and an overall increase in operating income of 7.35% or \$74.68 million. Significant financial highlights include the following: awarded \$1 million or more

to an NCEL player for the 958th time; released 48 new instant scratch-off games into the marketplace generating gross instant ticket sales of \$2.9 billion; and released Digital Instants, a new type of game, generating \$1.1 billion in gross sales.

N.C. Turnpike Authority

Major accomplishments for the N.C. Turnpike Authority (NCTA) include the Complete 540 project, a greenfield project in the greater Raleigh area in North Carolina that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1, which extends the existing Triangle Expressway approximately 18.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh to partially complete the “Outer Loop” was completed in September 2024. Complete 540 Phase II is currently under construction and is anticipated to open in late 2028. This project will extend the Triangle Expressway to complete a loop around the greater Raleigh area. In addition, under a public-private partnership arrangement with I-77 Mobility Partners, LLC, the NCTA provides operational support to the I-77 Express Lanes and the I-485 Express Lanes.

The NCTA reported operating income of \$34.31 million for fiscal year 2024, which represents an increase in net operating income of \$32 million or 1,386.05% from the prior year. Contributing to the increase was a \$17.39 million increase in operating revenues. Operating revenues predominantly consist of toll revenues, fees, and sales revenue from the sale of transponders. The increase in operating revenues was related to an increase in traffic levels that created a \$13.15 million increase in toll revenues. Operating expenses decreased by \$14.61 million during the year, mostly due to a decrease of \$19.17 million in expenses for supplies and materials, including a \$17.7 million decrease in capital outlay. With the completion of Phase I Complete 540 during the year, capital outlay costs decreased. In addition to the operating income, NCTA reported \$69.47 million in nonoperating expenses (net), which represents a \$31.48 million or (31.18%) decrease mainly due to a \$30.82 million decrease in debt interest and fees related to a \$32.45 million decrease in bond interest expense. Debt interest and fees decreased as a result of NCTA refunding the Series 2010A Build America Bonds during the year.

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 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 in include funds received from NCDOT’s Highway Fund and Highway Trust Fund during fiscal year 2024 and the Federal Highway Administration State match. Combined transfers in from NCDOT’s Highway Trust Fund and Highway Fund increased by \$17.37 million or 15.37% related to project participation for the construction of the Southern Wake Expressway (Complete 540 project). In addition, the Federal Highway Administration (FHWA) provided additional funding of \$168.96 million in federal capital grants in fiscal year 2024 for the construction of Complete 540. Along with the federal capital funding, NCTA also received \$2.21 million in private capital grants and \$1.25 million in capital gifts. Total capital funding increased by \$96.97 million or 128.51% from the prior year.

NCTA’s operating income, nonoperating net expenses and additional funding from transfers and capital grants and gifts all contributed to an increase of \$262.86 million or 80.77% in net position to \$588.3 million at the end of fiscal year 2024. In addition to factors identified above, the Complete 540 project has significant impacts on NCTA’s balance sheet. Restricted investments increased by \$265.6 million or 84.55% 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 \$46.5 million due to the continued right of way acquisitions for the project, and construction in progress increased by \$237.32 million as the Complete 540 project construction continues. Bonds payable increased by \$291.98 million or 15.23% with the issuance of \$340.36 million of Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2024A and 2024B and \$417.19 million of Triangle Expressway System Revenue Bonds, TIFIA Series 2024. During the year, NCTA also closed on \$182.81 million of Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2024 to refund the remaining Series 2010A Build America Bonds. Corresponding to the debt issued during the year, interest payable increased by \$19.08 million or 20.54%.

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 6.83% or \$151.74 million to \$2.37 billion in fiscal year 2024. 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 expenditures and revenue, and prioritizing the expenditures from U.S. EPA (federal) capitalization resources versus state matching funds.

The amount of new loans issued during the current year was \$210.65 million, an increase of \$68.42 million or 48.11%, and the amount of principal received on existing loans during the year was \$92.97 million, a \$6.4 million or 7.39% increase. As a result, notes receivable increased by \$117.68 million or 9.24%. The increase in loans issued during the fiscal year is not unusual for a year-over-year fluctuation. Funds are managed with a long-term focus, typically with more loans issued over time. In any given year, there may be a slight increase or decrease from the previous year.

Operating income (operating revenues less operating expenses) was \$3.48 million, a decrease of \$3.85 million from the previous year, or a 52.5% decrease, due to an increase in operating expenses. The Loan fund reported a \$2.88 million increase in operating expenses, mostly related to a \$1.8 million increase in personal services and a \$1.17 million increase in other services. Net nonoperating revenues were \$124.53 million, a \$37.91 million or 43.76% increase from the prior year. Nonoperating revenues consist of noncapital grants (federal capitalization grants) and investment earnings. Noncapital grants were \$133.64 million, a \$17.93 million or 15.5% increase from the prior year related to increases in capitalization grants received from the Infrastructure and Jobs Act. Investment earnings were \$34.57 million, an increase of \$21.69 million or 168.37%, mostly related to a \$13.92 million increase in interest earnings and a \$6.29 million decrease in unrealized losses. Payments for grants, aid and subsidies were \$42.39 million, an increase of \$1.05 million or 2.54%. As the programs continue to grow and capitalization grant funding increases, the State may issue more grants to local municipalities for Clean Water and Drinking Water projects. In addition, the EPA Revolving Loan Fund received \$23.72 million in transfers for appropriated state match funds for Clean Water and Drinking Water projects, a \$4.85 million or 25.67% increase from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION**CAPITAL ASSETS**

As of June 30, 2024, the State's investment in capital assets was \$73.02 billion, an increase of 5.56% 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	
	2023		2023		2023	
	2024	(as restated)	2024	(as restated)	2024	(as restated)
Land and permanent easements	\$23,494,115	\$ 22,416,748	\$ 650,650	\$ 604,102	\$24,144,765	\$ 23,020,850
Buildings	2,781,351	2,995,563	54,528	56,972	2,835,879	3,052,535
Machinery and equipment	1,329,140	915,852	6,749	7,421	1,335,889	923,273
Infrastructure:						
State highway system	36,137,609	34,111,784	—	—	36,137,609	34,111,784
NC toll road system	—	—	1,269,585	1,299,269	1,269,585	1,299,269
General infrastructure	227,053	232,494	5,495	5,834	232,548	238,328
Computer software	311,938	286,067	455	380	312,393	286,447
Subscription asset	194,501	208,016	2,258	2,851	196,759	210,867
Art, literature, and other artifacts	190,296	187,454	1,293	1,293	191,589	188,747
Construction in progress	3,747,771	3,533,054	1,148,695	911,150	4,896,466	4,444,204
Computer software in development	1,053,293	1,010,515	—	—	1,053,293	1,010,515
RTU Land and permanent easements	507	442	—	—	507	442
RTU Buildings	407,966	380,737	5,405	5,930	413,371	386,667
RTU Machinery and equipment	899	1,783	562	301	1,461	2,084
RTU General infrastructure	1,159	1,090	—	—	1,159	1,090
Total	<u>\$69,877,598</u>	<u>\$ 66,281,599</u>	<u>\$ 3,145,675</u>	<u>\$ 2,895,503</u>	<u>\$73,023,273</u>	<u>\$ 69,177,102</u>

Total percent change between
fiscal years 2023 and 2024

5.43 %

8.64 %

5.56 %

Total capital assets in the Governmental Activities and Total 2023 (as restated) columns do not agree to the July 1, as restated balances in Note 5. The table above does not include \$100 thousand in restated grouped assets for machinery and equipment, while Note 5 includes the restated grouped assets in the July 1 restated balances.

The largest component of capital assets is the state highway system. North Carolina has an 80,480 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- The NCDOT reported year-end construction in progress of \$3 billion for state highway projects. Additionally, the NCTA (business-type activity) reported year-end construction in progress of \$981.02 million for the Complete 540 project. This project is being completed in two phases and involves completing the 540 loop around the greater Raleigh area. Phase one extends the Triangle Expressway approximately 18 miles while phase two will extend the Expressway an additional 10 miles to complete the 540 loop. NCTA also has \$40.44 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 NC General Assembly (NCGA) is tasked with the planning and construction of a downtown Raleigh Education Campus as appropriated in Session Law 2022-74. The facility will house The University of North Carolina System Office, the Community Colleges System Office, the Department of Public Instruction, and the Department of Commerce. The project will cost \$325 million and is expected to be completed by October 2026. At June 30, 2024, the NCGA reported \$39.15 million in construction in progress.
- The Department of Administration (DOA) is collaborating with the Department of Health and Human Services on the Dorothea Dix campus relocation project pursuant to Session Law 2020-88. Phase 1 of this project consists of the planning expenses associated with the relocation of the campus. The relocation project is scheduled to be completed in January 2026. At June 30, 2024, the DOA reported \$175.21 million in construction in progress for the first phase of the project.

- The Department of Health and Human Services (DHHS) is replacing seven 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 \$789.98 million.

As further detailed in Note 21E to the financial statements, the State has commitments of \$6.15 billion for the construction of highway infrastructure (\$5.75 billion for governmental activities and \$399.11 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 \$659.43 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 \$7.19 billion, a decrease of 4.43% 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	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 1,645,060	\$ 1,975,940	\$ —	\$ —	\$ 1,645,060	\$ 1,975,940
Special Indebtedness:						
Limited obligation bonds	1,887,790	2,121,490	—	—	1,887,790	2,121,490
GARVEE bonds	845,715	918,940	—	—	845,715	918,940
Revenue bonds	—	—	2,060,470	1,787,362	2,060,470	1,787,362
Notes from direct borrowings	70,263	37,651	683,118	684,525	753,381	722,176
Total	<u>\$ 4,448,828</u>	<u>\$ 5,054,021</u>	<u>\$ 2,743,588</u>	<u>\$ 2,471,887</u>	<u>\$ 7,192,416</u>	<u>\$ 7,525,908</u>
Total percent change between fiscal years 2023 and 2024		(11.97)%		10.99 %		(4.43)%

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 did not issue any new general obligation bonds, special indebtedness bonds or GARVEE bonds for the fiscal year ended June 30, 2024.

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 \$4.45 billion in 2024, in part due to large issuances of non-GO debt (special indebtedness) for higher education capital projects in previous years. 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 \$2.74 billion in 2024.

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 (subsequently extended to 13 years per Session Law 2024-15), 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), build a debt service reserve fund and pay costs incurred in connection with the issuance of bonds. The Build NC Bond Act of

2018 became effective January 1, 2019. The State has issued \$1.3 billion of Build NC Bonds to date, and approximately \$1.06 billion remained outstanding at June 30, 2024.

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 provided 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 (Session Law 2021-180) repealed the remaining authorization of the Connect NC general obligation bonds that had not been issued as of June 30, 2021 and replaces it with pay-as-you-go capital for the remaining amount of \$400 million total authorization.

Credit Ratings

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

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

State of North Carolina General Obligation Bond Credit Ratings		
<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. In 2024, Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the triple-A bond rating for the State. A triple-A bond rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State’s historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 14 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 2023 Legislative Session the General Assembly passed House Bill 259 (Session Law 2023-134). The General Assembly appropriated \$29.7 billion in the General Fund for fiscal year 2023-24, and \$30.8 billion for fiscal year 2024-25. The Legislature did not enact a comprehensive appropriations act to reflect the second year of the biennium. Instead, the General Assembly approved mini-budget legislation that implemented adjustments. For the fiscal year 2025, total General Fund appropriations are set at \$31.6 billion. Key adjustments included the following:

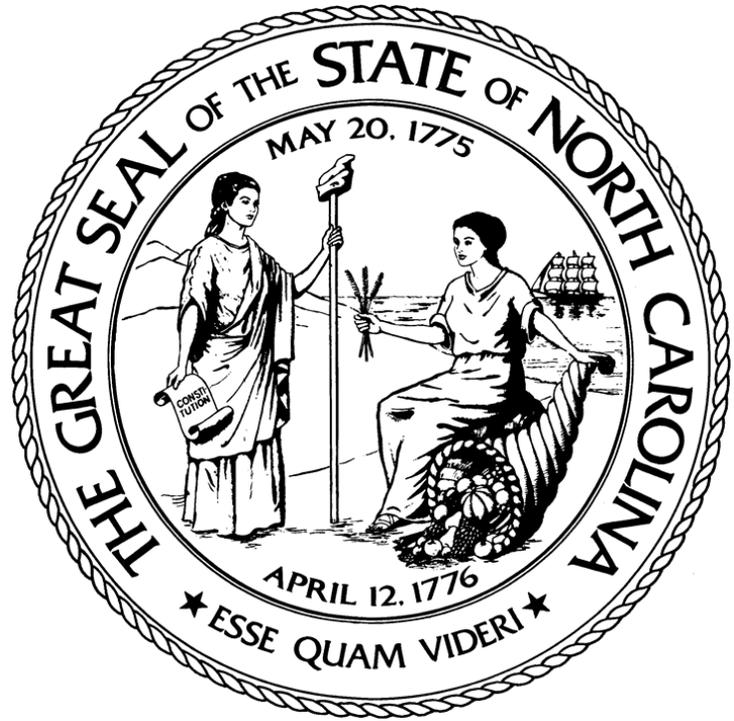
- \$877 million for Hurricane Helene recovery related activities; of this, \$335 million was designated to match federal disaster assistance,
- \$463 million for additional Opportunity Scholarships,
- \$377 million for Medicaid rebase,
- \$95 million for enrollment growth at public schools,
- \$76.7 million for enrollment growth at Community Colleges, and
- \$32.5 million for childcare stabilization grants

House Bill 259 accelerated personal income tax rate reductions starting in fiscal year 2024 and will reduce the next two years from 4.5% to 4.25% in 2025 and from 4.25% to 3.99% in 2026. The budget also authorizes up to three additional personal income tax rate reductions of 0.5% each in subsequent years that become effective if General Fund revenue meets certain thresholds. Additionally, corporate income tax rate will fall to 2.25% in 2025, 2% in 2026, 1% in 2028, and 0% in 2030.

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, 2024

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 28,610,699	\$ 6,028,614	\$ 34,639,313	\$ 5,326,821
Investments (Note 3)	398,763	427,524	826,287	6,699,259
Securities lending collateral (Note 3)	3,174,543	107,616	3,282,159	532,304
Receivables, net (Note 4)	7,885,117	964,361	8,849,478	2,078,146
Due from component units (Note 18)	10,459	-	10,459	14,909
Due from primary government (Note 18)	-	-	-	264,204
Internal balances	218,419	(218,419)	-	-
Inventories	246,250	2,054	248,304	185,480
Prepaid items	29,648	42,040	71,688	162,117
Hedging derivatives asset	-	-	-	782
Advances to component units	1,441	-	1,441	-
Advances to outside entities	9,182	-	9,182	-
Notes receivable, net (Note 4)	48,627	1,391,837	1,440,464	591,761
Lease receivable	6,482	4,796	11,278	212,144
Investment in joint venture	-	-	-	257,767
Equity interest in component unit	314,462	-	314,462	-
Securities held in trust	52,766	-	52,766	-
Restricted/designated cash and cash equivalents (Note 3)	2,357,288	80,024	2,437,312	4,787,870
Restricted investments (Note 3)	488,386	579,726	1,068,112	15,573,715
Restricted due from primary government (Note 18)	-	-	-	3,018
Restricted due from component units (Note 18)	-	-	-	8,045
Beneficial interest in assets held by others	-	-	-	4,238
Net pension asset (Note 12)	32,015	-	32,015	-
Capital assets-nondepreciable (Note 5)	28,485,475	1,800,638	30,286,113	2,748,246
Capital assets-depreciable, net (Note 5)	41,392,123	1,345,037	42,737,160	19,933,001
Total Assets	113,762,145	12,555,848	126,317,993	59,383,827
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	-	-	-	40,665
Deferred loss on refunding	18,165	21,171	39,336	37,689
Forward funded state aid	465,914	-	465,914	-
Deferred outflows for asset retirement obligation	-	-	-	14,191
Deferred outflows for pensions (Note 12)	2,831,298	44,993	2,876,291	2,213,031
Deferred outflows for OPEB (Note 14)	2,620,101	57,169	2,677,270	1,896,618
Other deferred outflows	-	-	-	872
Total Deferred Outflows of Resources	5,935,478	123,333	6,058,811	4,203,066
Liabilities				
Accounts payable and accrued liabilities	2,405,225	632,659	3,037,884	1,879,506
Medical claims payable	4,026,513	-	4,026,513	368,878
Unemployment benefits payable	-	3,305	3,305	-
Tax refunds payable	1,560,271	-	1,560,271	-
Obligations under securities lending	3,174,543	107,616	3,282,159	532,304
Interest payable	16,216	160,770	176,986	91,114
Short-term debt (Note 6)	-	-	-	19,000
Due to component units (Note 18)	267,222	-	267,222	22,954
Due to primary government (Note 18)	-	-	-	10,459
Unearned revenue	4,362,481	51,712	4,414,193	894,192
Advance from primary government	-	-	-	1,441
Deposits payable	6	22,746	22,752	32,417
Funds held for others	91,084	-	91,084	4,583,663
Hedging derivatives liability (Note 7)	-	-	-	40,790
Long-term liabilities (Note 8):				
Due within one year	818,200	56,512	874,712	734,516
Due in more than one year	15,970,803	3,075,126	19,045,929	21,191,494
Total Liabilities	32,692,564	4,110,446	36,803,010	30,402,728

STATEMENT OF NET POSITION

June 30, 2024

Exhibit A-1

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred Inflows of Resources				
Deferred gain on refunding	4,421	34,151	38,572	-
Deferred inflows for PPP arrangements	67,254	-	67,254	326,261
Deferred state aid	-	-	-	465,914
Deferred inflows for lease agreements	6,353	4,403	10,756	193,078
Deferred inflows for pensions (Note 12)	436,353	8,560	444,913	63,735
Deferred inflows for OPEB (Note 14)	2,815,356	55,496	2,870,852	2,449,089
Deferred inflows irrevocable split-interest agreements	-	-	-	25,648
Accumulated increase in fair value of hedging derivatives	-	-	-	782
Other deferred inflows	-	-	-	3,472
Total Deferred Inflows of Resources	3,329,737	102,610	3,432,347	3,527,979
Net Position				
Net investment in capital assets	66,300,651	810,927	67,111,578	15,808,232
Restricted for:				
Nonexpendable:				
Environment and natural resources	139,870	-	139,870	-
Higher education	-	-	-	3,956,928
Expendable:				
Primary and secondary education	28,759	-	28,759	-
Higher education	9,825	-	9,825	7,157,197
Higher education student aid	1,431,432	-	1,431,432	-
Health and human services	64,206	-	64,206	526,715
Economic development	38,730	1,034	39,764	1,262,428
Environment and natural resources	117,169	-	117,169	-
Public safety, corrections, and regulation	127,257	-	127,257	-
Transportation	3,481	45,899	49,380	-
Highway construction/preservation	97	-	97	-
Agriculture	1,603	-	1,603	-
Debt service	34,463	131,152	165,615	-
Capital projects/repairs and renovations	31,750	-	31,750	-
Other purposes	21,607	3,055	24,662	-
Unrestricted	15,324,422	7,474,058	22,798,480	944,686
Total Net Position	\$ 83,675,322	\$ 8,466,125	\$ 92,141,447	\$ 29,656,186

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

(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	\$ 3,086,211	\$ 359,223	\$ 372,661	\$ 2	\$ (2,354,325)
Primary and secondary education	16,203,270	281,356	3,619,801	-	(12,302,113)
Higher education	6,546,740	221,817	167,591	-	(6,157,332)
Health and human services	34,623,699	798,513	26,084,783	-	(7,740,403)
Economic development	1,366,638	802	217,558	-	(1,148,278)
Environment and natural resources	1,188,692	210,738	192,171	61,068	(724,715)
Public safety, corrections, and regulation	4,775,262	638,339	645,076	21,204	(3,470,643)
Transportation	4,404,717	1,146,090	516,892	1,180,420	(1,561,315)
Agriculture	302,166	31,370	52,276	1,777	(216,743)
Interest on long-term debt	149,195	-	-	-	(149,195)
Total Governmental Activities	<u>72,646,590</u>	<u>3,688,248</u>	<u>31,868,809</u>	<u>1,264,471</u>	<u>(35,825,062)</u>
Business-type Activities					
Unemployment Compensation	232,396	809,182	121,613	-	698,399
N.C. State Lottery	4,291,544	5,380,177	10,568	-	1,099,201
EPA Revolving Loan	55,403	15,199	168,211	-	128,007
N.C. Turnpike Authority	187,270	129,165	22,949	172,419	137,263
Regulatory programs	168,506	185,636	4,647	-	21,777
Insurance programs	34,925	13,719	3,814	-	(17,392)
North Carolina State Fair	14,757	15,520	1,492	-	2,255
Other business-type activities	16,606	16,667	1,776	224	2,061
Total Business-type Activities	<u>5,001,407</u>	<u>6,565,265</u>	<u>335,070</u>	<u>172,643</u>	<u>2,071,571</u>
Total Primary Government	<u>\$ 77,647,997</u>	<u>\$ 10,253,513</u>	<u>\$ 32,203,879</u>	<u>\$ 1,437,114</u>	<u>\$ (33,753,491)</u>
Component Units					
University of North Carolina System	\$ 17,980,461	\$ 12,391,997	\$ 3,014,846	\$ 420,951	\$ (2,152,667)
Community Colleges	2,831,993	311,646	1,115,226	514,848	(890,273)
State Health Plan	4,145,974	4,083,521	42,938	-	(19,515)
Other component units	1,680,574	540,845	1,091,363	77,960	29,594
Total Component Units	<u>\$ 26,639,002</u>	<u>\$ 17,328,009</u>	<u>\$ 5,264,373</u>	<u>\$ 1,013,759</u>	<u>\$ (3,032,861)</u>

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

STATEMENT OF ACTIVITIES

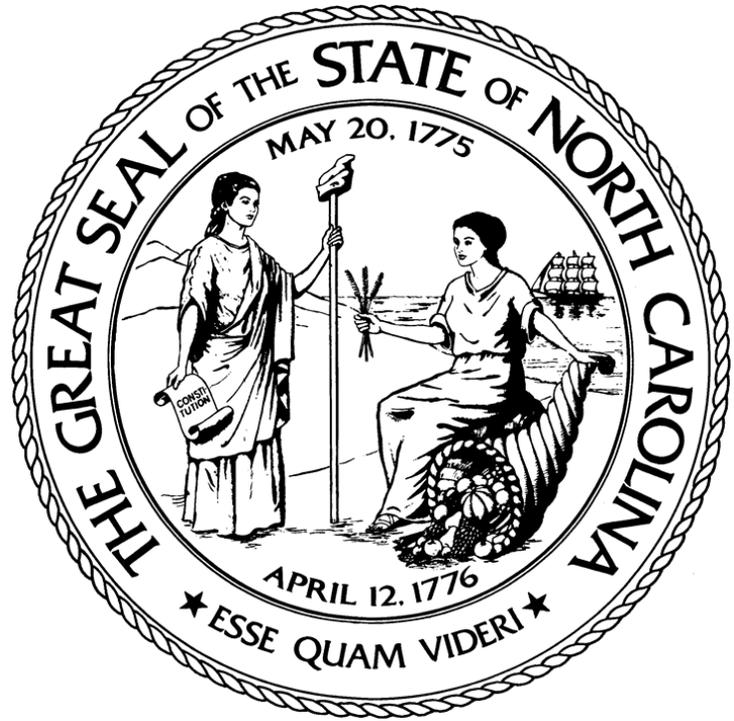
For the Fiscal Year Ended June 30, 2024

Exhibit A-2

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in Net Position				
Net (expense) revenue	\$ (35,825,062)	\$ 2,071,571	\$ (33,753,491)	\$ (3,032,861)
General Revenues:				
Taxes:				
Individual income tax	16,464,017	-	16,464,017	-
Corporate income tax	1,501,535	-	1,501,535	-
Sales and use tax	12,099,961	-	12,099,961	-
Motor fuels tax	2,499,716	-	2,499,716	-
Franchise tax	738,220	-	738,220	-
Highway use tax	1,195,898	-	1,195,898	-
Insurance tax	1,238,193	-	1,238,193	-
Beverage tax	591,463	-	591,463	-
Tobacco products tax	257,414	-	257,414	-
Other taxes	386,324	-	386,324	-
Tobacco settlement	119,212	-	119,212	-
Federal COVID-19	470,171	-	470,171	-
Unrestricted investment earnings	988,438	-	988,438	208,105
State aid - coronavirus	-	-	-	55,396
State aid	-	-	-	5,767,991
Noncapital contributions	6,843	325	7,168	32,631
Miscellaneous	75,960	748	76,708	50,834
Contributions to permanent funds	11,048	-	11,048	-
Contributions to endowments	-	-	-	204,963
Transfers	968,096	(968,096)	-	-
Total general revenues, contributions, and transfers	39,612,509	(967,023)	38,645,486	6,319,920
Change in net position	3,787,447	1,104,548	4,891,995	3,287,059
Net position — July 1, as previously reported	79,745,375	7,207,862	86,953,237	26,186,976
Adjustments to July 1 balances	142,500	153,715	296,215	182,151
Net position — July 1, as restated (Note 23)	79,887,875	7,361,577	87,249,452	26,369,127
Net position — June 30	\$ 83,675,322	\$ 8,466,125	\$ 92,141,447	\$ 29,656,186

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*FUND FINANCIAL
STATEMENTS*

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2024

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)	\$ 23,461,568	\$ 2,087,029	\$ 742,449	\$ 2,203,402	\$ 28,494,448
Investments (Note 3)	26,226	-	-	346,037	372,263
Securities lending collateral (Note 3)	2,655,994	162,158	72,384	282,883	3,173,419
Receivables, net: (Note 4)					
Taxes receivable	3,149,744	175,439	59,039	10,417	3,394,639
Accounts receivable	499,676	41,792	35	18,706	560,209
Intergovernmental receivable	3,791,264	46,280	69	995	3,838,608
Interest receivable	27,232	-	-	6,742	33,974
Contributions receivable	94	-	-	-	94
Other receivables	-	6,477	-	-	6,477
Due from other funds (Note 10)	201,558	67,780	2,819	14,051	286,208
Due from component units (Note 18)	8,097	-	-	2,362	10,459
Inventories	100,561	113,662	-	31,812	246,035
Advances to other funds (Note 10)	-	-	33,872	-	33,872
Advances to component units	-	1,441	-	-	1,441
Advances to outside entities	9,182	-	-	-	9,182
Notes receivable, net (Note 4)	21,121	119	-	27,387	48,627
Lease receivable	6,246	-	-	236	6,482
Securities held in trust	15	821	-	51,930	52,766
Restricted/designated cash and cash equivalents (Note 3)	467,377	-	-	1,889,911	2,357,288
Restricted investments (Note 3)	1,994	97	146,823	339,472	488,386
Total Assets	<u>34,427,949</u>	<u>2,703,095</u>	<u>1,057,490</u>	<u>5,226,343</u>	<u>43,414,877</u>
Deferred Outflows of Resources					
Forward funded state aid	412,842	-	-	53,072	465,914
Total Assets and Deferred Outflows	<u>\$ 34,840,791</u>	<u>\$ 2,703,095</u>	<u>\$ 1,057,490</u>	<u>\$ 5,279,415</u>	<u>\$ 43,880,791</u>
Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	\$ 355,996	\$ 404,758	\$ 125,054	\$ 62,772	\$ 948,580
Accrued payroll	4,218	50,433	-	106	54,757
Intergovernmental payable	897,822	192,187	4,504	15,671	1,110,184
Claims payable	-	-	-	110,000	110,000
Medical claims payable	4,026,513	-	-	-	4,026,513
Tax refunds payable	1,544,482	11,842	3,947	-	1,560,271
Obligations under securities lending	2,655,994	162,158	72,384	282,883	3,173,419
Due to fiduciary funds (Note 10)	152,185	-	-	-	152,185
Due to other funds (Note 10)	102,430	10,849	1,963	12,895	128,137
Due to component units (Note 18)	256,129	-	-	3,018	259,147
Unearned revenue	3,744,163	603,496	5,175	520	4,353,354
Deposits payable	-	-	-	6	6
Funds held for others	11,633	27,385	-	52,066	91,084
Total Liabilities	<u>13,751,565</u>	<u>1,463,108</u>	<u>213,027</u>	<u>539,937</u>	<u>15,967,637</u>
Deferred Inflows of Resources					
Unavailable revenue	191,859	3,472	-	10,051	205,382
Deferred inflows for PPP arrangements	-	67,254	-	-	67,254
Deferred inflows for lease agreements	6,175	-	-	178	6,353
Total Deferred Inflows of Resources	<u>198,034</u>	<u>70,726</u>	<u>-</u>	<u>10,229</u>	<u>278,989</u>
Fund Balances (Note 11)					
Nonspendable	100,658	113,662	-	171,882	386,202
Restricted	254,447	3,578	146,823	1,763,446	2,168,294
Committed	12,625,096	1,052,021	697,640	2,698,549	17,073,306
Assigned	2,552,777	-	-	95,372	2,648,149
Unassigned	5,358,214	-	-	-	5,358,214
Total Fund Balances	<u>20,891,192</u>	<u>1,169,261</u>	<u>844,463</u>	<u>4,729,249</u>	<u>27,634,165</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 34,840,791</u>	<u>\$ 2,703,095</u>	<u>\$ 1,057,490</u>	<u>\$ 5,279,415</u>	<u>\$ 43,880,791</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, 2024

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		\$ 27,634,165
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)	\$ 70,755,697	
Less: Accumulated depreciation (excluding internal service funds)	<u>(1,101,840)</u>	
Net capital assets		69,653,857
– 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.		205,383
– Equity interest in component unit is not a financial resource and, therefore, is not reported in the funds.		314,462
– Net pension asset (excluding internal service funds) resulting from contributions in excess of the actuarially determined contribution are not financial resources and, therefore, are not reported in the funds (see Note 12).		32,015
– 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.		18,165
– Deferred gain on refunding is reported in the Statement of Net Position (to be amortized as a component of interest expense) but is not reported in the funds.		(4,421)
– 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).		2,769,867
– 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).		2,554,224
– 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	(1,645,060)	
Limited obligation bonds payable	(1,887,790)	
GARVEE bonds payable	(845,715)	
Unamortized debt premiums (to be amortized as interest expense)	(427,772)	
Notes from direct borrowings	(70,263)	
Lease liability (excluding internal service funds)	(393,902)	
Subscription liability (excluding internal service funds)	<u>(132,823)</u>	
Net long-term debt		(5,403,325)
– 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	(16,216)	
Compensated absences (excluding internal service funds)	(605,024)	
Obligations for workers' compensation (excluding internal service funds)	(606,237)	
Death benefit payable	(37)	
Pollution remediation payable	(6,735)	
Claims and judgments payable	(731,703)	
Pension liability (excluding internal service funds)	(4,065,058)	
Net OPEB liability (excluding internal service funds)	<u>(5,094,680)</u>	
Total other liabilities		(11,125,690)
– 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).		(433,396)
– 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).		(2,772,107)
– 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).		<u>232,123</u>
Total net position - governmental activities (see Exhibit A-1)		<u>\$ 83,675,322</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, 2024

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Individual income tax	\$ 16,464,017	\$ -	\$ -	\$ -	\$ 16,464,017
Corporate income tax	1,509,639	-	-	-	1,509,639
Sales and use tax	11,683,726	106,616	319,848	9,324	12,119,514
Motor fuels tax	-	1,855,959	614,483	27,600	2,498,042
Franchise tax	743,281	-	-	-	743,281
Highway use tax	-	111,193	1,084,705	-	1,195,898
Insurance tax	1,238,560	-	-	-	1,238,560
Beverage tax	591,309	-	-	-	591,309
Tobacco products tax	257,240	-	-	-	257,240
Other taxes	253,160	-	-	131,479	384,639
Federal funds	27,669,311	1,411,545	-	140,252	29,221,108
Local funds	135,625	82,050	7,115	9,703	234,493
Investment earnings (losses)	1,299,273	64,627	41,694	146,503	1,552,097
Interest earnings on loans	30	-	1,033	1,571	2,634
Sales and services	164,889	10,752	-	179,818	355,459
Rental and lease of property	14,746	5,044	816	1,931	22,537
Fees, licenses, and fines	1,645,704	975,808	147,073	153,289	2,921,874
Tobacco settlement	139,683	-	-	-	139,683
Contributions, gifts, and grants	83,032	36,494	4,443	91,063	215,032
Funds escheated	-	-	-	221,196	221,196
Federal COVID-19 funds	3,235,863	48,131	-	75,414	3,359,408
Miscellaneous	176,970	13,557	701	9,424	200,652
Total revenues	67,306,058	4,721,776	2,221,911	1,198,567	75,448,312
Expenditures					
Current:					
General government	3,070,559	-	-	84,942	3,155,501
Primary and secondary education	16,172,663	-	-	-	16,172,663
Higher education	6,393,038	-	-	158,745	6,551,783
Health and human services	34,289,763	-	-	105,547	34,395,310
Economic development	1,387,382	-	-	2,386	1,389,768
Environment and natural resources	910,474	-	-	262,853	1,173,327
Public safety, corrections, and regulation	4,843,540	-	-	329,775	5,173,315
Transportation	-	5,213,639	2,170,149	-	7,383,788
Agriculture	296,606	-	-	26,447	323,053
Capital outlay	-	-	-	449,992	449,992
Debt service:					
Principal retirement	583,939	92,069	69,600	5,532	751,140
Interest and fees	146,396	49,487	51,907	827	248,617
Debt issuance costs	69	-	-	-	69
Total expenditures	68,094,429	5,355,195	2,291,656	1,427,046	77,168,326
Excess revenues over (under) expenditures	(788,371)	(633,419)	(69,745)	(228,479)	(1,720,014)
Other Financing Sources (Uses)					
Other debt issued	144,421	47,518	-	481	192,420
Sale of capital assets	7,633	5,581	839	950	15,003
Insurance recoveries	2,512	14,781	-	318	17,611
Transfers in (Note 10)	1,358,292	600,389	-	1,678,047	3,636,728
Transfers out (Note 10)	(2,233,036)	(62,544)	(161,801)	(231,275)	(2,688,656)
Total other financing sources (uses)	(720,178)	605,725	(160,962)	1,448,521	1,173,106
Net change in fund balances	(1,508,549)	(27,694)	(230,707)	1,220,042	(546,908)
Fund balances — July 1, as previously reported	22,365,600	1,196,955	1,075,170	3,509,207	28,146,932
Adjustments to July 1 balances	34,141	-	-	-	34,141
Fund balances — July 1, as restated (Note 23)	22,399,741	1,196,955	1,075,170	3,509,207	28,181,073
Fund balances — June 30	\$ 20,891,192	\$ 1,169,261	\$ 844,463	\$ 4,729,249	\$ 27,634,165

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, 2024

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

Net change in fund balances - total governmental funds (see Exhibit B-2) \$ (546,908)

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.)	\$	5,131,385	
Less: Depreciation expense (excluding internal service funds)		(1,410,117)	
Net capital outlay adjustment			3,721,268
– 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.			(221,394)
– Pension Contributions (excluding internal service funds) to defined benefit pension plans in the current fiscal year are not included on the Statement of Activities.			784,328
– OPEB Contributions (excluding internal service funds) to defined benefit OPEB plans in the current fiscal year are not included on the Statement of Activities.			408,173
– 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).			25,005
– 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:			
Leases (excluding internal service funds)		(61,462)	
Subscriptions (excluding internal service funds)		(92,321)	
Notes from direct borrowings (excluding internal service funds)		(38,637)	
Principal repayments:			
Bonds, notes, and similar debt		643,830	
Leases (excluding internal service funds)		42,395	
Subscriptions (excluding internal service funds)		70,115	
Net debt adjustments			563,920
– 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.			(69,591)
– 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.			1,213
– 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		12,374	
Compensated absences (excluding internal service funds)		(31,323)	
Workers' compensation (excluding internal service funds)		9,004	
Pension expense (excluding internal service funds)		(1,049,360)	
OPEB expense (excluding internal service funds)		49,094	
Pollution remediation		247	
Amortization of deferred amounts		87,048	
Net expense accruals			(922,916)
– 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).			44,349
Change in net position - governmental activities (see Exhibit A-2)	\$		3,787,447

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

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2024

(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)	\$ 4,830,600	\$ 794,662	\$ 168,556	\$ -
Investments (Note 3)	-	223,011	8,146	-
Securities lending collateral (Note 3)	5,379	69,622	15,567	7,440
Receivables: (Note 4)				
Accounts receivable, net	145,823	-	38,690	60,567
Intergovernmental receivable	129	280	-	8,311
Interest receivable	212	-	501	-
Premiums receivable	-	-	-	-
Contributions receivable, net	240,869	-	-	-
Notes receivable	-	102,519	-	-
Lease receivable	-	-	-	-
Due from other funds (Note 10)	47,449	2,115	-	-
Inventories	-	-	-	1,454
Prepaid items	-	-	-	-
Restricted cash and cash equivalents (Note 3)	-	-	-	-
Total current assets	<u>5,270,461</u>	<u>1,192,209</u>	<u>231,460</u>	<u>77,772</u>
Noncurrent Assets				
Accounts receivable (Note 4)	459,853	-	-	-
Investments (Note 3)	-	-	66,601	-
Notes receivable	-	1,289,069	-	-
Lease receivable	-	-	-	-
Prepaid items	-	-	1,747	8,632
Restricted/designated cash and cash equivalents (Note 3)	-	-	-	78,240
Restricted investments (Note 3)	-	-	-	579,726
Capital assets-nondepreciable (Note 5)	-	-	-	1,785,112
Capital assets-depreciable, net (Note 5)	-	-	3,735	1,269,591
Total noncurrent assets	<u>459,853</u>	<u>1,289,069</u>	<u>72,083</u>	<u>3,721,301</u>
Total Assets	<u>5,730,314</u>	<u>2,481,278</u>	<u>303,543</u>	<u>3,799,073</u>
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	21,171
Deferred outflows for pensions	-	3,326	12,222	1,444
Deferred outflows for OPEB	-	3,114	9,013	1,592
Total Deferred Outflows of Resources	<u>-</u>	<u>6,440</u>	<u>21,235</u>	<u>24,207</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 50,214	\$ 287	\$ 52,326	\$ 25,353
Accrued payroll	-	-	998	-
Intergovernmental payable	428,757	29,116	-	2,077
Claims payable	-	-	-	-
Unemployment benefits payable	3,305	-	-	-
Obligations under securities lending	5,379	69,622	15,567	7,440
Interest payable	-	-	-	48,792
Due to fiduciary funds (Note 10)	-	-	548	-
Due to other funds (Note 10)	-	-	161,314	72,797
Due to component units (Note 18)	-	-	-	-
Unearned revenue	2,724	-	-	91
Deposits payable	-	-	605	16,621
Annuity and life income payable (Note 8)	-	-	8,146	-
Notes from direct borrowings (Note 8)	-	-	-	710
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	628	-
Bonds payable (Note 8)	-	-	-	41,806
Compensated absences (Note 8)	-	68	550	34
Workers' compensation (Note 8)	-	-	22	-
Total current liabilities	<u>490,379</u>	<u>99,093</u>	<u>240,704</u>	<u>215,721</u>

Exhibit B-3

		Governmental Activities —	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 234,796	\$ 6,028,614	\$ 116,251	
99,377	330,534	26,500	
9,608	107,616	1,124	
1,485	246,565	50,005	
4,865	13,585	-	
2,303	3,016	200	
473	473	911	
-	240,869	-	
-	102,519	-	
528	528	-	
-	49,564	29,638	
600	2,054	215	
31,381	31,381	29,648	
1,713	1,713	-	
<u>387,129</u>	<u>7,159,031</u>	<u>254,492</u>	
-	459,853	-	
30,389	96,990	-	
249	1,289,318	-	
4,268	4,268	-	
280	10,659	-	
71	78,311	-	
-	579,726	-	
15,526	1,800,638	3,089	
71,711	1,345,037	220,652	
<u>122,494</u>	<u>5,664,800</u>	<u>223,741</u>	
<u>509,623</u>	<u>12,823,831</u>	<u>478,233</u>	
-	21,171	-	
28,001	44,993	61,431	
<u>43,450</u>	<u>57,169</u>	<u>65,877</u>	
<u>71,451</u>	<u>123,333</u>	<u>127,308</u>	
\$ 16,068	\$ 144,248	\$ 20,132	
168	1,166	8,287	
3	459,953	44	
24,237	24,237	1,057	
-	3,305	-	
9,608	107,616	1,124	
2	48,794	-	
-	548	-	
-	234,111	3,162	
-	-	8,075	
48,897	51,712	9,127	
5,520	22,746	-	
-	8,146	-	
1,231	1,941	-	
1,648	1,648	173	
182	810	11,198	
-	41,806	-	
1,467	2,119	1,224	
20	42	289	
<u>109,051</u>	<u>1,154,948</u>	<u>63,892</u>	

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)

June 30, 2024

(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	-	-	-	111,976
Advances from other funds (Note 10)	-	-	-	33,872
Annuity and life income payable (Note 8)	-	-	66,601	-
Notes from direct borrowings (Note 8)	-	-	-	665,035
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	1,284	-
Bonds payable, net (Note 8)	-	-	-	2,167,709
Compensated absences (Note 8)	-	942	2,219	472
Workers' compensation (Note 8)	-	-	-	-
Net pension liability (Note 8)	-	4,716	20,246	2,068
Net OPEB liability (Note 8)	-	6,548	29,586	3,008
Total noncurrent liabilities	-	12,206	119,936	2,984,140
Total Liabilities	490,379	111,299	360,640	3,199,861
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	34,151
Deferred inflow for lease agreements	-	-	-	-
Deferred inflows for pensions	-	214	434	24
Deferred inflows for OPEB	-	3,524	8,401	944
Total Deferred Inflows of Resources	-	3,738	8,835	35,119
Net Position				
Net investment in capital assets	-	-	1,823	746,189
Restricted for:				
Expendable:				
Economic development	-	-	-	-
Transportation	-	-	-	45,899
Debt service	-	-	-	131,152
Other purposes	-	-	-	-
Unrestricted	5,239,935	2,372,681	(46,520)	(334,940)
Total Net Position	\$ 5,239,935	\$ 2,372,681	\$ (44,697)	\$ 588,300

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
2,507	2,507	-
-	111,976	-
-	33,872	-
-	66,601	-
16,142	681,177	-
5,038	5,038	753
82	1,366	26,742
-	2,167,709	-
8,087	11,720	18,790
30	30	1,593
31,033	58,063	87,916
44,280	83,422	127,526
<u>107,199</u>	<u>3,223,481</u>	<u>263,320</u>
<u>216,250</u>	<u>4,378,429</u>	<u>327,212</u>
-	34,151	-
4,403	4,403	-
7,888	8,560	2,957
<u>42,627</u>	<u>55,496</u>	<u>43,249</u>
<u>54,918</u>	<u>102,610</u>	<u>46,206</u>
62,915	810,927	184,875
1,034	1,034	-
-	45,899	-
-	131,152	-
3,055	3,055	-
<u>242,902</u>	<u>7,474,058</u>	<u>47,248</u>
<u>\$ 309,906</u>	<u>\$ 8,466,125</u>	<u>\$ 232,123</u>

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

For the Fiscal Year Ended June 30, 2024

(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	\$ 794,605	\$ -	\$ -	\$ -
Federal funds	2,388	-	-	-
Sales and services	-	3,044	5,375,364	1,155
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	12,030	-	-
Rental and lease earnings	-	-	-	-
Fees, licenses, and fines	-	-	5,402	22,938
Toll revenues	-	-	-	90,596
Insurance premiums	-	-	-	-
Miscellaneous	12,189	125	159	14,476
Total operating revenues	<u>809,182</u>	<u>15,199</u>	<u>5,380,925</u>	<u>129,165</u>
Operating Expenses				
Personal services	-	8,770	34,059	4,713
Supplies and materials	-	114	1,440	24,743
Services	-	2,388	442,473	19,510
Cost of goods sold	-	-	-	1,239
Depreciation	-	-	950	29,687
Lottery prizes	-	-	3,802,659	-
Claims	-	-	-	-
Unemployment benefits	228,059	-	-	-
Insurance and bonding	-	5	269	-
Other	-	438	8,539	14,960
Total operating expenses	<u>228,059</u>	<u>11,715</u>	<u>4,290,389</u>	<u>94,852</u>
Operating income (loss)	<u>581,123</u>	<u>3,484</u>	<u>1,090,536</u>	<u>34,313</u>
Nonoperating Revenues (Expenses)				
Noncapital grants	482	133,639	-	-
Noncapital gifts, net	-	-	-	-
Noncapital contributions	-	9	39	4
Lease interest revenue	-	-	-	-
Investment earnings (losses)	121,125	34,572	6,266	19,845
Insurance recoveries	-	-	-	127
Grants, aid, and subsidies	-	(42,389)	-	-
Gain (loss) on sale of equipment	-	-	(370)	-
Federal interest subsidy on debt	-	-	-	2,977
Interest and fees	-	-	(37)	(84,323)
Miscellaneous	(4,331)	(1,299)	3,554	(8,095)
Total nonoperating revenues (expenses)	<u>117,276</u>	<u>124,532</u>	<u>9,452</u>	<u>(69,465)</u>
Income (loss) before contributions and transfers	698,399	128,016	1,099,988	(35,152)
Capital contributions	-	-	-	172,419
Transfers in (Note 10)	259	23,719	-	130,349
Transfers out (Note 10)	(17,427)	-	(1,099,988)	(4,753)
Change in net position	681,231	151,735	-	262,863
Net position — July 1, as previously reported	4,434,540	2,191,099	(44,697)	325,437
Adjustments to July 1 balances	124,164	29,847	-	-
Net position — July 1, as restated (Note 23)	<u>4,558,704</u>	<u>2,220,946</u>	<u>(44,697)</u>	<u>325,437</u>
Net position — June 30	<u>\$ 5,239,935</u>	<u>\$ 2,372,681</u>	<u>\$ (44,697)</u>	<u>\$ 588,300</u>

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

<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities — Internal Service Funds</u>
\$ -	\$ 794,605	\$ -
46	2,434	-
2,174	5,381,737	577,318
18	18	-
5	12,035	-
9,649	9,649	-
203,191	231,531	6,479
-	90,596	-
13,299	13,299	42,607
3,014	29,963	583
<u>231,396</u>	<u>6,565,867</u>	<u>626,987</u>
113,713	161,255	305,529
3,178	29,475	26,912
65,799	530,170	161,206
516	1,755	4,830
6,973	37,610	33,146
-	3,802,659	-
10,451	10,451	-
-	228,059	-
25,439	25,713	40,155
7,222	31,159	36,911
<u>233,291</u>	<u>4,858,306</u>	<u>608,689</u>
<u>(1,895)</u>	<u>1,707,561</u>	<u>18,298</u>
-	134,121	-
2,484	2,484	-
273	325	167
147	147	-
8,760	190,568	1,329
-	127	2,023
-	(42,389)	-
(261)	(631)	4,742
-	2,977	-
(833)	(85,193)	(2,290)
75	(10,096)	56
<u>10,645</u>	<u>192,440</u>	<u>6,027</u>
8,750	1,900,001	24,325
224	172,643	-
1,107	155,434	29,892
<u>(1,362)</u>	<u>(1,123,530)</u>	<u>(9,868)</u>
8,719	1,104,548	44,349
301,483	7,207,862	179,665
<u>(296)</u>	<u>153,715</u>	<u>8,109</u>
<u>301,187</u>	<u>7,361,577</u>	<u>187,774</u>
<u>\$ 309,906</u>	<u>\$ 8,466,125</u>	<u>\$ 232,123</u>

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2024

(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	\$ 739,716	\$ 3,441	\$ 5,086,076	\$ 111,138
Receipts from federal agencies	2,612	-	-	-
Receipts from program loan - interest	-	12,030	-	-
Receipts from program loan - principal	-	92,972	-	-
Receipts from other funds	-	-	-	-
Payments to suppliers	(959)	(2,663)	(166,069)	(91,546)
Payments to employees	-	(9,239)	(33,707)	(4,151)
Payments for prizes, benefits, and claims	(217,407)	-	(3,780,217)	-
Payments for program loans issued	-	(210,652)	-	-
Payments to other funds	-	-	-	-
Other receipts	12,195	-	3,456	8,649
Other payments	(4,227)	-	(748)	(124)
Net cash provided by (used for) operating activities	<u>531,930</u>	<u>(114,111)</u>	<u>1,108,791</u>	<u>23,966</u>
Cash Flows From Noncapital Financing Activities				
Grant receipts	483	133,639	-	-
Grants, aid, and subsidies	-	(44,288)	-	-
Noncapital contributions	-	-	-	-
Advances from other funds	-	-	-	1,033
Transfers from other funds	259	23,719	-	-
Transfers to other funds	(17,427)	-	(1,068,923)	-
Gifts	46	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>(16,639)</u>	<u>113,070</u>	<u>(1,068,923)</u>	<u>1,033</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(515)	(303,301)
Proceeds from the sale of capital assets	-	-	-	-
Proceeds from capital debt	-	-	-	568,404
Transfers from other funds	-	-	-	130,349
Transfers to other funds	-	-	-	(4,753)
Capital contributions	-	-	-	189,552
Capital gifts	-	-	-	1,249
Principal paid on capital debt	-	-	(729)	(250,280)
Interest paid on capital debt	-	-	(37)	(77,425)
Federal subsidy for interest on debt	-	-	-	2,977
Insurance recoveries	-	-	-	127
Proceeds from lease arrangements	-	-	-	-
Bond issuance costs	-	-	-	(7,971)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,281)</u>	<u>248,928</u>
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	658,780
Purchase of non-State Treasurer investments	-	-	-	(920,966)
Redemptions from State Treasurer investment pool	-	-	-	-
Investment earnings	140,622	30,667	5,990	16,304
Net cash provided by investment activities	<u>140,622</u>	<u>30,667</u>	<u>5,990</u>	<u>(245,882)</u>

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

Exhibit B-5

		Governmental Activities —	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 230,412	\$ 6,170,783	\$ 30,199	
-	2,612	-	
-	12,030	-	
-	92,972	-	
-	-	555,313	
(92,501)	(353,738)	(265,490)	
(105,980)	(153,077)	(289,693)	
(10,867)	(4,008,491)	-	
-	(210,652)	-	
-	-	(17,257)	
2,175	26,475	2,591	
(18,678)	(23,777)	-	
<u>4,561</u>	<u>1,555,137</u>	<u>15,663</u>	
-	134,122	-	
-	(44,288)	-	
206	206	-	
-	1,033	-	
1,003	24,981	29,720	
(492)	(1,086,842)	(9,868)	
<u>2,485</u>	<u>2,531</u>	<u>-</u>	
<u>3,202</u>	<u>(968,257)</u>	<u>19,852</u>	
(2,089)	(305,905)	(47,863)	
37	37	8,405	
-	568,404	-	
102	130,451	172	
(870)	(5,623)	-	
224	189,776	-	
-	1,249	-	
(3,138)	(254,147)	(19,913)	
(823)	(78,285)	(2,290)	
-	2,977	-	
-	127	-	
907	907	-	
-	(7,971)	-	
<u>(5,650)</u>	<u>241,997</u>	<u>(61,489)</u>	
27,383	686,163	-	
(34,163)	(955,129)	-	
12,000	12,000	-	
<u>5,254</u>	<u>198,837</u>	<u>423</u>	
<u>10,474</u>	<u>(58,129)</u>	<u>423</u>	

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Net increase (decrease) in cash and cash equivalents	655,913	29,626	44,577	28,045
Cash and cash equivalents at July 1, as previously reported	4,050,523	765,036	123,979	50,195
Adjustments to cash and cash equivalents	124,164	-	-	-
Cash and cash equivalents at July 1, as restated	4,174,687	765,036	123,979	50,195
Cash and cash equivalents at June 30	<u>\$ 4,830,600</u>	<u>\$ 794,662</u>	<u>\$ 168,556</u>	<u>\$ 78,240</u>
Reconciliation of Operating Income to Net Cash Provided				
By Operating Activities				
Operating income (loss)	\$ 581,123	\$ 3,484	\$ 1,090,536	\$ 34,313
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	950	29,687
Lease revenue (amortized deferred inflow for leases)	-	-	-	-
Management fees	-	-	-	(124)
Nonoperating miscellaneous and other income (expense)	(4,221)	-	3,554	(8,095)
Change in assets and deferred outflows:				
Receivables	114,374	-	(10,514)	(2,441)
Intergovernmental receivables	-	-	-	(1,111)
Due from other funds	(10,618)	397	-	-
Inventories	-	-	-	(380)
Prepaid items	-	-	1,018	-
Notes receivable	-	(117,680)	-	-
Deferred outflows for pensions	-	34	(802)	(194)
Deferred outflows for OPEB	-	626	(208)	5
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(147,769)	282	23,024	8,078
Due to other funds	(959)	-	-	(38,793)
Due to component units	-	-	-	-
Due to fiduciary funds	-	-	90	-
Compensated absences	-	35	4	122
Workers' compensation	-	-	(4)	-
Unearned revenue	-	-	-	-
Net pension liability	-	(23)	1,567	356
Net OPEB liability	-	(58)	2,879	562
Deferred inflows for pensions	-	(16)	180	(16)
Deferred inflows for OPEB	-	(1,192)	(4,088)	(392)
Deposits payable	-	-	605	2,389
Net cash provided by (used for) operations	<u>\$ 531,930</u>	<u>\$ (114,111)</u>	<u>\$ 1,108,791</u>	<u>\$ 23,966</u>
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer				
Bond Index External Investment Pool and/or other agents	\$ -	\$ (1,148)	\$ -	\$ -
Change in construction in progress as a result of accrual of accounts payable	-	-	-	9,829
Capital asset writeoff	-	-	370	-
Assets acquired through the assumption of a liability	-	-	-	322
Change in fair value of investments	-	5,780	-	(17,093)
Increase in receivables related to nonoperating income	-	-	276	-
Change in securities lending collateral	4,356	54,992	13,191	6,420
Decrease in net OPEB liability related to noncapital contributions	-	(9)	39	(4)

Exhibit B-5

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
12,587	770,748	(25,551)
223,924	5,213,657	141,802
69	124,233	-
<u>223,993</u>	<u>5,337,890</u>	<u>141,802</u>
<u>\$ 236,580</u>	<u>\$ 6,108,638</u>	<u>\$ 116,251</u>

\$ (1,895) \$ 1,707,561 \$ 18,298

6,973	37,610	33,146
(1,462)	(1,462)	-
-	(124)	-
280	(8,482)	2,105
(1,183)	100,236	(18,618)
-	(1,111)	-
1,298	(8,923)	(21,446)
(146)	(526)	(52)
(5,620)	(4,602)	(6,322)
-	(117,680)	-
(7,657)	(8,619)	(4,012)
(23,984)	(23,561)	7,766
2,293	(114,092)	1,326
-	(39,752)	(5,879)
-	-	(758)
-	90	-
754	915	398
15	11	(122)
3,211	3,211	(617)
4,398	6,298	10,198
6,304	9,687	17,234
5,157	5,305	119
14,366	8,694	(17,101)
1,459	4,453	-
<u>\$ 4,561</u>	<u>\$ 1,555,137</u>	<u>\$ 15,663</u>

\$ 1,211 \$ 63 \$ 614

-	9,829	-
(1,065)	(695)	-
2,569	2,891	-
616	(10,697)	113
472	748	152
7,674	86,633	957
(67)	(41)	(167)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2024

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)	\$ 1,629,714	\$ 178,696	\$ 13,843	\$ 1,770,307
Investments (Note 3):				
Corporate bonds	-	-	-	765,177
Corporate stocks	-	-	-	914
Certificates of deposit	-	49,527	-	400
Collective investment funds	51,802	-	-	-
State Treasurer investment pool	123,747,145	-	1,900,718	-
Synthetic guaranteed investment contracts	2,376,224	-	-	-
Non-State Treasurer pooled investments	13,624,635	-	-	-
Securities lending collateral (Note 3)	1,445,713	10	59,138	11,034
Receivables:				
Taxes receivable	-	-	-	291,300
Accounts receivable	27,262	-	-	182,444
Intergovernmental receivable	240	-	-	2
Interest receivable	7,038	1	5,934	5,993
Contributions receivable	255,845	-	-	-
Due from other funds (Note 10)	123,984	-	-	28,749
Due from component units	39,830	-	-	-
Notes receivable	276,094	-	-	-
Sureties	-	966,665	-	15,307
Capital assets-nondepreciable	-	-	-	3,258
Total Assets	<u>143,605,526</u>	<u>1,194,899</u>	<u>1,979,633</u>	<u>3,074,885</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	1,633	-	636	1,007
Intergovernmental payable	-	-	-	1,362,711
Benefits payable	7,825	-	-	-
Obligations under securities lending	1,445,713	10	59,138	11,034
Obligations under reverse repurchase agreements	-	-	-	2
Deposits payable	-	-	-	249
Funds held for others	6,241	-	-	108,365
Total Liabilities	<u>1,461,412</u>	<u>10</u>	<u>59,774</u>	<u>1,483,368</u>
Net Position				
Restricted for:				
Pension benefits	135,849,760	-	-	-
Other postemployment benefits	3,942,734	-	-	-
Other employment benefits	2,351,620	-	-	-
Pool participants	-	-	1,196,654	-
Individuals, organizations, and other governments	-	1,194,889	723,205	1,591,517
Total Net Position	<u>\$ 142,144,114</u>	<u>\$ 1,194,889</u>	<u>\$ 1,919,859</u>	<u>\$ 1,591,517</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, 2024

Exhibit B-7

(Dollars in Thousands)

	Custodial Funds			
	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	External Investment Pools and Investment Account	Other Custodial Funds
Additions				
Contributions:				
Employer Contributions	\$ 6,312,808	\$ -	\$ -	\$ -
Members Contributions	2,270,140	-	-	-
Trustee deposits	-	303,161	-	-
Other contributions	60,447	-	-	-
Total contributions	<u>8,643,395</u>	<u>303,161</u>	<u>-</u>	<u>-</u>
Investment income:				
Investment earnings	12,098,696	184	166,215	2,723
Less investment expenses	(432,488)	-	(1,783)	(193)
Net investment income	<u>11,666,208</u>	<u>184</u>	<u>164,432</u>	<u>2,530</u>
Pool share transactions:				
Reinvestment of dividends	-	-	164,432	-
Net share purchases/(redemptions)	-	-	(140,361)	-
Net pool share transactions	<u>-</u>	<u>-</u>	<u>24,071</u>	<u>-</u>
Property tax collections for local governments	-	-	-	1,296,471
Sales and use tax collections for local governments	-	-	-	5,561,797
Participant deposits	-	-	-	2,521,051
Child support deposits	-	-	-	683,547
Other additions:				
Sales and services	-	-	-	103
Fees, licenses, and fines	3,133	-	-	-
Interest earnings on loans	15,829	-	-	-
Miscellaneous	3,719	-	-	-
Total other additions	<u>22,681</u>	<u>-</u>	<u>-</u>	<u>103</u>
Total additions	<u>20,332,284</u>	<u>303,345</u>	<u>188,503</u>	<u>10,065,499</u>
Deductions				
Claims and benefits	8,635,963	-	-	-
Medical insurance premiums	1,222,657	-	-	-
Refund of contributions	203,774	-	-	-
Distributions paid and payable	-	-	164,432	-
Payments in accordance with trust arrangements	-	178,687	-	-
Payments of property tax to local governments	-	-	-	1,296,393
Payments of sales and use tax to local governments	-	-	-	5,561,797
Payments in accordance with custodial arrangements	-	-	-	1,397,273
Payments in accordance with child support arrangements	-	-	-	688,721
Payments of refunds to grantors	-	-	-	27
Administrative expenses	38,980	-	-	930
Other deductions	877	-	-	-
Total deductions	<u>10,102,251</u>	<u>178,687</u>	<u>164,432</u>	<u>8,945,141</u>
Change in net position	<u>10,230,033</u>	<u>124,658</u>	<u>24,071</u>	<u>1,120,358</u>
Net position — July 1, as previously reported	<u>131,914,081</u>	<u>1,070,231</u>	<u>1,895,788</u>	<u>471,159</u>
Net position — June 30	<u>\$ 142,144,114</u>	<u>\$ 1,194,889</u>	<u>\$ 1,919,859</u>	<u>\$ 1,591,517</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 extended short-term and long-term disability income benefits to eligible members. DIPNC is governed by the Department of State Treasurer and the TSERS Board of Trustees.

Death Benefit Plan

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

Supplemental Retirement Income Plan

The Supplemental Retirement Income Plan of North Carolina (NC 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 NC 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 NC 401(k) Plan.

Public Employee Deferred Compensation Plan

The North Carolina Public Employee Deferred Compensation Plan (NC 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 NC 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 NC 457 Plan. The NC 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 UNC 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 UNC System are the financial data of the universities' significant fund-raising foundations (and other organizations that support the UNC System's mission). 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, four of whom are appointed by the Governor, three of whom are appointed by the UNC Board of Governors, and two of whom serve ex officio by virtue of their positions with the North Carolina Community College System and the UNC 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.

NCInnovation, Inc.

NCInnovation, Inc. (NCInnovation) is a legally separate nonprofit corporation created to connect public university researchers with industry partners, private sector knowledge, and support services to accelerate effective commercialization strategies across the state. NCInnovation specifically funds the research and development stage between proof of concept and market readiness to transform research breakthroughs that improve economic opportunities in all regions of North Carolina. NCInnovation is governed by a 13-member board comprised of eight members appointed by the General Assembly and five members elected by NCInnovation. The State has the ability to remove board members at will. Additionally, the State has provided significant funding to NCInnovation since its inception, creating a financial benefit/burden relationship.

Availability of Financial Statements

Complete financial statements for the Supplemental Retirement Plan of North Carolina (the NC 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the NC 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, 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
3508 Bush Street
Raleigh, NC 27609

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

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

State Education Assistance Authority
P.O. Box 41349
Raleigh, NC 27629

Centennial Authority
1400 Edwards Mill Road
Raleigh, NC 27607

NCInnovation
3040 East Cornwallis Road
Research Triangle Park, NC 27709

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, 2024, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 2023, and the North Carolina Deferred Compensation Plan (the NC 457 Plan), the Supplemental Retirement Income Plan of North Carolina (the NC 401(k) Plan), and the North Carolina Railroad Company whose statements are as of and for the fiscal year ended December 31, 2023. 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 scratch ticket 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 scratch 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 scratch-off games with prize tickets, the final prize structure percentage used is adjusted to eliminate the value of the prize tickets. Digital Instants' prize expense is recorded daily based on each game's particular return player structure, which has set the return to player to 87% of sales. 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. Right-to-use lease assets are measured as the sum of the initial lease liability plus prepayments made at or before the commencement of the lease term less lease incentives received plus initial direct costs that are ancillary charges necessary to place the lease asset in service. Subscription assets are measured as the sum of the initial subscription liability plus any prepayments made at the commencement of the subscription term plus the capitalizable initial implementation costs less subscription incentives received.

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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of two or more years but are individually below the \$5,000 threshold are capitalized. Intangible right-to-use lease assets and subscription assets associated with leases/subscriptions of the primary government are defined by the State as leased assets whose future lease/subscription payments through the lease/subscription term are respectively \$10,000 or greater and \$400,000 or greater. Component units of the State have established their own thresholds for defining lease and subscription assets whose future lease/subscription payments through the lease/subscription term; leased assets range from \$5,000 or greater to \$1,100,000 and greater, or by specific asset class, and subscription assets range from \$5,000 or greater to \$400,000 and greater by specific asset class.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

L. Tax Refund Liabilities

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

M. Compensated Absences

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

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

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

N. Long-Term Liabilities

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

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

O. Deferred Outflows/Inflows of Resources

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

P. Net Position/Fund Balance

Net Position

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

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

Fund Balance

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

- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.
- Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

NOTES TO THE FINANCIAL STATEMENTS

- Assigned fund balances are constrained by an intent to be used for specific purposes, but are neither restricted nor committed. The Office of State Budget and Management (OSBM) is authorized to assign unexpended funds at year-end as a carryforward of budget authority to the subsequent fiscal year. The North Carolina Constitution (Article III, Sec. 5(3)) provides that the “budget as enacted by the General Assembly shall be administered by the Governor.” The Governor has delegated the authority to perform certain powers and duties of the Governor’s role as the Director of the Budget to OSBM.
- Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

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

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

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

In 2024, the OSBM along with the Fiscal Research Division of the General Assembly recommended a Savings Reserve target balance of 11.7% of prior fiscal year’s General Fund operating budget appropriations. At June 30, 2024, the balance of the Savings Reserve was \$4.75 billion, which represents 17.01% of the prior year’s General Fund appropriation budget. The Savings Reserve is included with unassigned fund balance.

Q. Revenues and Expenses

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

R. Food and Nutrition Services

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

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, 2024, the State implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 99, *Omnibus 2022* (paragraphs 4-10),
- Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*,
- Implementation Guide 2021-1 (Question 5.1), and
- Implementation Guide 2023-1.

Statement No. 99 provides clarification on the requirements related to financial guarantees and the classification and reporting of derivative instruments.

Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for each type of accounting change and error correction and requires disclosure in the notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.

Implementation Guide 2021-1 question 5.1 provides guidance and clarification for questions related to capital assets whose individual costs are less than the capitalization for an individual asset, stating such assets should be capitalized when significant in aggregate.

Implementation Guide 2023-1 provides additional guidance and clarification on leases, subscription-based information technology arrangements (SBITAs), and Statement No. 100, *Accounting Changes and Error Corrections*.

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 may hold fixed income investments authorized by General Statute 147-69.2. Investments in this portfolio generally have a short to intermediate term horizon. 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, 2024, \$202.81 million of investment income associated with other funds was credited to the General Fund.

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

Bond Index External Investment Pool (BIF)

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

Participants in the BIF may include public hospitals, Local Government OPEB Trusts, 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):

Investment Type	Carrying Amount	Weighted Average Maturity (Days)
Debt investments:		
U.S. Treasuries	\$ 128,473	44

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

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

U.S. Treasuries are valued at fair value at June 30, 2024 (\$128.47 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 Local Government OPEB Trust (OPEB) funds. Other participants include local government LEOSSA trusts, other entities as permitted by General Statute 147-69.2, 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, 2024, there were 29 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, 2024, there were three participants consisting of the Margaret R. Pardee Hospital, Columbus Regional Healthcare, and Watauga Medical Center. Two public hospitals also participate in the BIF. Each participant is responsible for making its own decision.

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

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):

Investments Measured at the NAV	Fair Value 6/30/2024	Unfunded Commitments
Private credit limited partnership	\$ 12,856	\$ 309
Private equity investment partnerships	34,106	5,912
Total investments measured at the NAV	\$ 46,962	

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

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

B. Deposits Outside the State Treasurer

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

Primary Government

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

Uninsured and Uncollateralized	\$ 5,536
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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	\$ 447,173
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	1,025
Total	\$ 448,198

NOTES TO THE FINANCIAL STATEMENTS

C. Investments Outside the State Treasurer

Primary Government

At year-end, 94% 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 NC 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the NC 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 NC 401(k) Plan and the NC 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, 2023, the NC 401(k) and NC 457 Plans of North Carolina had the following investments and maturities that were maintained outside the State Treasurer (dollars in thousands). Investments in the Pooled Account totaled \$13.6 billion. The NC 401(k) and NC 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 five synthetic guaranteed investment contracts 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	\$ 1,394,643	\$ 113,262	\$ 866,426	\$ 288,661	\$ 126,294
U.S. agencies	121,163	7,550	52,420	39,817	21,376
Mortgage pass-throughs	871,839	261,357	817	10,089	599,576
Collateralized mortgage obligations	50,083	-	17	541	49,525
State and local government	66,702	8,281	25,519	24,435	8,467
Asset-backed securities	441,119	29,704	192,220	40,640	178,555
Fixed income collective investment funds	91,608	-	-	91,608	-
Debt mutual funds	33,232	-	33,232	-	-
Pooled debt funds	1,164,006	-	-	1,164,006	-
Domestic corporate bonds	796,613	49,033	383,912	224,856	138,812
Foreign corporate bonds	175,819	13,029	110,372	44,425	7,993
Foreign government bonds	12,342	201	3,940	7,635	566
	5,219,169	\$ 482,417	\$ 1,668,875	\$ 1,936,713	\$ 1,131,164
Other investments:					
Equity collective investment trusts	4,863,630				
Domestic stocks	2,888,721				
Foreign stocks	2,164,703				
Short-term investment collective trust	232,860				
Hedge/commodity/debt collective investment trust	561,165				
Total investments	\$ 15,930,248				

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 contract value exceeded the fair value of the underlying investments of fully benefit-responsive SGICs by \$122.4 million.

Interest Rate Risk. The NC 401(k) and NC 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 NC 401(k) and NC 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, 2023, the NC 401(k) and NC 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	\$ -	\$ 121,163	\$ -	\$ -	\$ -	\$ -
Mortgage pass-throughs	-	557,226	-	-	-	202,016
Collateralized mortgage obligations	11,015	6,853	1,055	-	27,765	3,395
State and local government	16,382	43,908	5,224	207	-	981
Asset-backed securities	399,668	20,460	3,676	-	16,519	796
Fixed income collective investment funds	-	-	-	-	-	91,608
Debt mutual funds	-	-	-	-	-	33,232
Pooled debt funds	-	-	-	-	-	1,164,006
Domestic corporate bonds	46,885	26,015	224,215	428,922	40,090	30,486
Foreign corporate bonds	1,093	1,958	87,552	83,174	1,997	45
Foreign government bonds	-	5,386	1,193	2,955	2,808	-
	<u>\$ 475,043</u>	<u>\$ 782,969</u>	<u>\$ 322,915</u>	<u>\$ 515,258</u>	<u>\$ 89,179</u>	<u>\$ 1,526,565</u>

Custodial Credit Risk. The NC 401(k) and NC 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 NC 401(k) and NC 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, 2023, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Amount Foreign stocks
Euro	\$ 639,843
Japanese Yen	405,210
Pound Sterling	284,280
Hong Kong Dollar	134,612
New Taiwan Dollar	104,570
Indian Rupee	94,153
Canadian Dollar	75,110
Swedish Krona	70,715
Swiss Franc	65,749
Danish Krone	53,531
South Korean Won	53,063
Chinese Yuan Renminbi	34,811
Singapore Dollar	26,360
Australian Dollar	19,568
Norwegian Krone	18,954
Brazilian Real	18,887
Mexican Peso	17,591
South African Rand	13,226
Saudi Riyal	13,150
Indonesian Rupiah	12,531
UAE Dirham	7,557
Thai Baht	2,979
Vietnamese Dong	2,765
Polish Zloty	1,944
Malaysian Ringgit	1,472
Turkish Lira	1,042
Israeli Shekel	901
Egyptian Pound	290
Qatari Riyal	74
New Zealand Dollar	22
Total	\$ 2,174,960

Note: The total in this table does not agree to the total disclosed in the investment table above because the foreign currency total of \$2.175 billion includes \$2.165 billion of foreign corporate stocks and \$10 million in foreign corporate bonds denominated in foreign currency.

The fair value measurements of the NC 401(k) and NC 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, 2023, the investments of these Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

	Fair Value Measurements Using		
	6/30/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 1,394,643	\$ -	\$ 1,394,643
U.S. agencies	121,163	-	121,163
Mortgage pass-throughs	871,839	-	871,839
Collateralized mortgage obligations	50,083	-	50,083
State and local government	66,702	-	66,702
Asset-backed securities	441,119	-	441,119
Domestic corporate bonds	796,613	-	796,613
Foreign corporate bonds	175,819	-	175,819
Foreign government bonds	12,342	-	12,342
Domestic stocks	2,888,721	2,888,721	-
Foreign stocks	2,164,703	2,164,703	-
Total investments by fair value level	<u>8,983,747</u>	<u>\$ 5,053,424</u>	<u>\$ 3,930,323</u>
Investments measured at the net asset value (NAV)			
Short-term investment collective trust	232,860		
Hedge/commodity/debt collective investment trust	561,165		
Fixed income collective investment funds	91,608		
Debt mutual funds	33,232		
Pooled mutual funds	1,164,006		
Equity collective investment trusts	<u>4,863,630</u>		
Total investments measured at the NAV	<u>6,946,501</u>		
Total investments measured at fair value	<u>\$ 15,930,248</u>		

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 6/30/2024	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Short-term investment collective trust	\$ 232,860	Daily	1 day
Hedge/commodity/debt collective investment trust	561,165	Daily	1 day
Fixed income collective investment funds	91,608	Daily	1 day
Debt mutual funds	33,232	Daily	1 day
Pooled debt funds	1,164,006	Daily	1 day
Equity collective investment trusts	<u>4,863,630</u>	Daily	1 day
Total investments measured at the NAV	<u>\$ 6,946,501</u>		

Short-term Investment Collective Trust - This type includes 2 funds, the BNY Mellon EB Temporary Investment Fund and the Short-Term Investment Fund II, trustee by SEI Trust Company and managed by Blackrock. 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 Short-Term Investment Fund II 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 U.S. Aggregate Index. The Commingled BlackRock Fixed Income Index Fund is valued at the net asset value of units held at the end of the period, based upon the fair value of the underlying investments.

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

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

Equity Collective Investment Trusts – This type includes five equity index funds. The BlackRock Large Cap Index Fund seeks to replicate the composition and performance of the S&P 500 Index. The BlackRock Small Mid Cap Index Fund seeks to replicate the composition and performance of the Russell 2500 Index. The BlackRock International Index Fund seeks to replicate the composition and performance of the MSCI ACWI Ex-USA IMI 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	\$ 446,813	\$ 101,697	\$ 222,966	\$ 122,150	\$ -
U.S. agencies	18,303	4,053	14,250	-	-
Repurchase agreements	85,863	85,863	-	-	-
Commercial paper	1,487	1,487	-	-	-
Annuity contracts	74,747	8,146	32,584	32,584	1,433
Money market mutual funds	209,308	209,308	-	-	-
Debt mutual funds	3,092	-	2,915	-	177
Pooled debt funds	402	402	-	-	-
	840,015	\$ 410,956	\$ 272,715	\$ 154,734	\$ 1,610
Other investments:					
Domestic stocks	154,724				
Equity mutual funds	8,329				
Total investment securities	\$ 1,003,068				

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	A	Baa/BBB	Unrated
U.S. agencies	\$ 18,303	\$ -	\$ -	\$ -	\$ -
Commercial paper	-	1,487	-	-	-
Annuity contracts	-	74,747	-	-	-
Money market mutual funds	209,308	-	-	-	-
Debt mutual funds	105	2,055	456	476	-
Pooled debt funds	-	-	-	-	402
Total	<u>\$ 227,716</u>	<u>\$ 78,289</u>	<u>\$ 456</u>	<u>\$ 476</u>	<u>\$ 402</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):

	6/30/2024	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	\$ 446,813	\$ 432,308	\$ 14,505
U.S. agencies	18,303	-	18,303
Commercial paper	1,487	-	1,487
Annuity contracts	74,747	74,747	-
Debt mutual funds	3,092	3,092	-
Equity mutual funds	8,329	8,329	-
Domestic stocks	154,724	154,724	-
Total investments by fair value level	<u>707,495</u>	<u>\$ 673,200</u>	<u>\$ 34,295</u>
Investments as a position in an External Investment Pool			
Pooled debt funds	402		
Total investments measured at fair value	<u>\$ 707,897</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.

NOTES TO THE FINANCIAL STATEMENTS

U.S. Treasuries classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques. U.S. agency securities and commercial paper 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. Pooled debt funds are valued based on the ownership interest of the External Investment Pool Short Term Investment Fund (STIF), which is determined on a fair value basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Component Units**University of North Carolina System**

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

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

Investment Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 964,533	\$ 767,667	\$ 195,929	\$ 847	\$ 90
U.S. agencies	33,212	-	6,945	3,643	22,624
Collateralized mortgage obligations	18,015	290	571	2,239	14,915
Asset-backed securities	49,009	117	7,445	23,059	18,388
Collective investment funds	119,857	94,889	-	24,968	-
Annuity contracts	180	180	-	-	-
Debt mutual funds	562,892	1,672	461,719	96,625	2,876
Money market mutual funds	891,776	891,776	-	-	-
Pooled debt funds	636	-	-	636	-
Domestic corporate bonds	931	17	613	270	31
Other	35	35	-	-	-
	<u>2,641,076</u>	<u>\$ 1,756,643</u>	<u>\$ 673,222</u>	<u>\$ 152,287</u>	<u>\$ 58,924</u>
Other investments:					
Balanced mutual funds	2,671				
International mutual funds	27,718				
Equity mutual funds	70,605				
Investments in real estate	163,092				
Real estate investment trust	91,586				
Hedge funds	4,469,181				
Private equity limited partnerships	4,662,986				
Real assets limited partnerships	794,838				
Other limited partnerships	451,089				
Domestic stocks	580,358				
Foreign stocks	46,936				
Other	4,847				
Total investments	<u>\$ 14,006,983</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	\$ 153	\$ 30,529	\$ -	\$ 182	\$ 2,348	\$ -
Collateralized mortgage obligations	259	269	1,410	5,768	6,963	3,346
Asset-backed securities	251	-	1,539	6,100	30,030	11,089
Collective investment funds	-	24,968	-	-	-	94,889
Annuity contracts	-	-	-	-	-	180
Debt mutual funds	5,412	102,707	318,993	119,016	1,845	14,919
Money market mutual funds	886,732	-	-	-	-	5,044
Pooled debt funds	-	-	-	-	-	636
Domestic corporate bonds	39	34	419	439	-	-
Other	35	-	-	-	-	-
Total	<u>\$ 892,881</u>	<u>\$ 158,507</u>	<u>\$ 322,361</u>	<u>\$ 131,505</u>	<u>\$ 41,186</u>	<u>\$ 130,103</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
Domestic stocks	\$ 22,257
Foreign stocks	18
Total	<u>\$ 22,275</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	Foreign stocks
Euro	\$ 26,454	\$ 180,215	\$ 585	\$ -
British Pound Sterling	-	86,971	-	906
Canadian Dollar	-	3,396	-	-
Australian Dollar	-	403	-	-
Total	<u>\$ 26,454</u>	<u>\$ 270,985</u>	<u>\$ 585</u>	<u>\$ 906</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

	6/30/2024	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	\$ 964,533	\$ 964,533	\$ -	\$ -
U.S. agencies	33,212	153	33,059	-
Collateralized mortgage obligations	18,015	-	18,015	-
Asset-backed securities	49,009	118	48,891	-
Collective investment funds	119,857	119,857	-	-
Annuity contracts	180	-	180	-
Debt mutual funds	562,892	562,892	-	-
Money market mutual funds	854,499	854,499	-	-
Pooled debt funds	636	636	-	-
Balanced mutual funds	2,671	2,671	-	-
International mutual funds	27,718	27,718	-	-
Equity mutual funds	70,605	70,605	-	-
Domestic corporate bonds	931	931	-	-
Domestic stocks	580,358	434,310	-	146,048
Foreign stocks	46,936	45,479	86	1,371
Investments in real estate	163,092	297	143,882	18,913
Real estate investment trust	88,516	88,516	-	-
Other	4,697	318	-	4,379
Total investments by fair value level	3,588,357	\$ 3,173,533	\$ 244,113	\$ 170,711
Investments measured at the net asset value (NAV)				
Real estate investment trust	3,070			
Hedge funds	4,469,181			
Private equity limited partnerships	4,662,986			
Real assets limited partnerships	794,838			
Other limited partnerships	451,089			
Other	185			
Total investments measured at the NAV	10,381,349			
Total investments measured at fair value	\$ 13,969,706			

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

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 (dollars in thousands):

Investments Measured at the NAV	Fair Value 6/30/2024	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	\$ 4,425,055	\$ —	Ranges from 30 days to 3+ years with certain notices	30-180 days
Private equity limited partnerships	4,490,889	1,212,349	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Real assets limited partnerships	794,618	475,319	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Total investments measured at the NAV	\$ 9,710,562			

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, 2024, 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)	\$ 10,088,132	\$ 285,451	\$ 59,143	\$ 362,083	\$ 51,116	\$ 10,845,925
Allowance for doubtful accounts	(2,620,122)	(15,463)	-	(325,223)	-	(2,960,808)
Receivables, net	<u>\$ 7,468,010</u>	<u>\$ 269,988</u>	<u>\$ 59,143</u>	<u>\$ 36,860</u>	<u>\$ 51,116</u>	<u>\$ 7,885,117</u>
Notes receivable, gross	\$ 21,121	\$ 119	\$ -	\$ 27,422	\$ -	\$ 48,662
Allowance for doubtful accounts	-	-	-	(35)	-	(35)
Notes receivable, net	<u>\$ 21,121</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 27,387</u>	<u>\$ -</u>	<u>\$ 48,627</u>

Within governmental activities, the significant receivables not expected to be collected within one year total \$173.68 million. Amounts not expected to be collected within one year in the General Fund are \$150.77 million, \$780 thousand in Special Revenue Funds, and \$22.13 million in Capital Projects Funds.

Business-type Activities:

	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC State Lottery Fund	N.C. Turnpike Authority	Other Enterprise Funds	Total
Receivables, gross (excluding notes)	\$ 1,128,370	\$ 280	\$ 39,191	\$ 149,196	\$ 9,126	\$ 1,326,163
Allowance for doubtful accounts	(281,484)	-	-	(80,318)	-	(361,802)
Receivables, net	<u>\$ 846,886</u>	<u>\$ 280</u>	<u>\$ 39,191</u>	<u>\$ 68,878</u>	<u>\$ 9,126</u>	<u>\$ 964,361</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, 2024 is presented below (dollars in thousands).

Governmental Activities	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets, nondepreciable				
Land and permanent easements	\$ 22,416,748	\$ 1,092,025	\$ (14,658)	\$ 23,494,115
Art, literature, and other artifacts	187,454	2,847	(5)	190,296
Construction in progress	3,533,054	3,360,995	(3,146,278)	3,747,771
Computer software in development	1,010,515	79,261	(36,483)	1,053,293
Total Capital Assets-nondepreciable	<u>27,147,771</u>	<u>4,535,128</u>	<u>(3,197,424)</u>	<u>28,485,475</u>
Capital Assets, depreciable				
Buildings	4,692,207	26,565	(240,109)	4,478,663
Machinery and equipment	2,352,043	481,193	(95,895)	2,737,341
General infrastructure	390,620	7,510	(11,573)	386,557
State highway system	49,439,782	3,076,144	(164,345)	52,351,581
Computer software	433,247	52,741	(331)	485,657
Subscription asset	256,501	93,195	(14,240)	335,456
Right to use lease assets, depreciable				
Land and permanent easements	514	109	-	623
Buildings	473,096	73,724	(11,577)	535,243
Machinery and equipment	4,486	342	(642)	4,186
General infrastructure	1,634	-	-	1,634
Total Capital Assets-depreciable	<u>58,044,130</u>	<u>3,811,523</u>	<u>(538,712)</u>	<u>61,316,941</u>
Less accumulated depreciation for				
Capital assets, depreciable				
Buildings	(1,696,644)	(94,873)	94,205	(1,697,312)
Machinery and equipment	(1,335,988)	(131,889)	59,676	(1,408,201)
General infrastructure	(158,126)	(8,476)	7,098	(159,504)
State highway system	(15,327,998)	(1,047,032)	161,058	(16,213,972)
Computer software	(147,180)	(26,545)	6	(173,719)
Subscription asset	(48,485)	(92,474)	4	(140,955)
Right to use lease assets, depreciable				
Land and permanent easements	(72)	(44)	-	(116)
Buildings	(92,359)	(40,669)	5,751	(127,277)
Machinery and equipment	(2,703)	(984)	400	(3,287)
General infrastructure	(544)	(277)	346	(475)
Total accumulated depreciation	<u>(18,810,099)</u>	<u>(1,443,263)</u>	<u>328,544</u>	<u>(19,924,818)</u>
Total Capital Assets-depreciable, net	<u>39,234,031</u>	<u>2,368,260</u>	<u>(210,168)</u>	<u>41,392,123</u>
Governmental activities				
Capital Assets, net	<u>\$ 66,381,802</u>	<u>\$ 6,903,388</u>	<u>\$ (3,407,592)</u>	<u>\$ 69,877,598</u>

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

	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets, nondepreciable				
Land and permanent easements	\$ 604,102	\$ 46,548	\$ -	\$ 650,650
Art, literature, and other artifacts	1,293	-	-	1,293
Construction in progress	<u>911,150</u>	<u>237,545</u>	<u>-</u>	<u>1,148,695</u>
Total Capital Assets-nondepreciable	<u>1,516,545</u>	<u>284,093</u>	<u>-</u>	<u>1,800,638</u>
Capital Assets, depreciable				
Buildings	114,628	375	(38)	114,965
Machinery and equipment	27,128	1,761	(2,147)	26,742
General infrastructure	20,240	-	-	20,240
NC toll road system	1,534,469	-	-	1,534,469
Computer software	1,891	152	(6)	2,037
Subscription asset	3,617	280	-	3,897
Right to use lease assets, depreciable				
Buildings	9,472	2,547	(2,850)	9,169
Machinery and equipment	617	483	(205)	895
Total Capital Assets-depreciable	<u>1,712,062</u>	<u>5,598</u>	<u>(5,246)</u>	<u>1,712,414</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(57,656)	(2,819)	38	(60,437)
Machinery and equipment	(19,707)	(1,852)	1,566	(19,993)
General infrastructure	(14,406)	(339)	-	(14,745)
NC toll road system	(235,200)	(29,684)	-	(264,884)
Computer software	(1,511)	(77)	6	(1,582)
Subscription asset	(766)	(873)	-	(1,639)
Right to use lease assets, depreciable				
Buildings	(3,542)	(1,752)	1,530	(3,764)
Machinery and equipment	(316)	(214)	197	(333)
Total accumulated depreciation	<u>(333,104)</u>	<u>(37,610)</u>	<u>3,337</u>	<u>(367,377)</u>
Total Capital Assets-depreciable, net	<u>1,378,958</u>	<u>(32,012)</u>	<u>(1,909)</u>	<u>1,345,037</u>
Business-type activities				
Capital Assets, net	<u>\$ 2,895,503</u>	<u>\$ 252,081</u>	<u>\$ (1,909)</u>	<u>\$ 3,145,675</u>

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

General government	\$	71,591
Primary and secondary education		18,918
Higher education		1,316
Health and human services		87,751
Economic development		4,038
Environment and natural resources		28,275
Public safety, corrections, and regulation		91,286
Transportation		1,127,007
Agriculture		13,081
Total depreciation expense	\$	<u>1,443,263</u>

Business-type activities

N.C. State Lottery	\$	950
N.C. Turnpike Authority		29,687
Regulatory programs		4,997
North Carolina State Fair		936
Other business-type activities		1,040
Total depreciation expense	\$	<u>37,610</u>

Public-Private Partnership Arrangements for the North Carolina Department of Transportation

In June 2014, the North Carolina Department of Transportation (NCDOT) entered into a public-private partnership (PPP) arrangement with I-77 Mobility Partners LLC (MP LLC) to design, build, finance and operate the I-77 High Occupancy Toll (HOT) Lanes Project. During fiscal year 2020, improvements were completed along approximately 26 miles of the I-77 corridor, in Mecklenburg and Iredell Counties. This included the conversion of HOV (high occupancy vehicles) lanes to express lanes or high occupancy toll (HOT) lanes and the construction of new HOT lanes and two major interchanges. Under the arrangement, MP LLC will operate the HOT lanes for 50 years and have the exclusive right to impose tolls and incidental charges to express lane users. NCDOT maintains title of the real property underlying the I-77 toll lanes and reports the I-77 HOT lanes as a capital asset with a carrying value of \$189.19 million at fiscal year-end and a related deferred inflow of resources of \$67.25 million that is amortized using the straight-line method over the term of the PPP agreement. NCDOT recognized \$1.48 million in revenue during the fiscal year related to the amortization of the deferred inflow of resources.

Public-Private Partnership Arrangements for the North Carolina Department of Natural and Cultural Resources

In May 2007, the Department of Natural and Cultural Resources (DNCR) entered in to a public-private partnership arrangement with Chimney Rock Management, LLC (CRM LLC) in which DNCR conveyed control of the right to operate public facilities within the Chimney Rock Section of Chimney Rock State Park (the Park). Since 2007, this agreement has been amended and extended, and the most recent amendment term is set to expire on December 31, 2032.

In the arrangement, CRM LLC is given exclusive use of the existing buildings, trails, furnishings, vehicles and equipment for the operation of the Park. While the operating plan is subject to the approval of the DNCR, CRM LLC makes all employment and business decisions as it relates to the operations of the park and is responsible for collecting fees from Park visitors, including fees collected for various Park services and use of facilities. DNCR receives a certain percentage of Park revenues, with no minimum payment requirements. The percentage received is based on annual gross sales and a fee schedule outlined in the arrangement as amended. DNCR received and recognized \$911 thousand in sales and services related to Park revenues in fiscal year 2024. DNCR reported capital assets for the park and the associated public facilities with a carrying value of \$1.21 million at the fiscal year-end.

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, 2024, was as follows (dollars in thousands):

University of North Carolina System

	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets, nondepreciable				
Land and permanent easements	\$ 544,811	\$ 20,124	\$ (32)	\$ 564,903
Art, literature, and other artifacts	259,455	4,404	(151)	263,708
Construction in progress	1,016,379	635,201	(434,320)	1,217,260
Computer software in development	7,065	12,508	(16,809)	2,764
Other intangible assets	24,436	-	(4,748)	19,688
Total Capital Assets-nondepreciable	<u>1,852,146</u>	<u>672,237</u>	<u>(456,060)</u>	<u>2,068,323</u>
Capital Assets, depreciable				
Buildings	17,539,668	418,844	(44,374)	17,914,138
Machinery and equipment	3,470,751	387,542	(196,203)	3,662,090
Art, literature, and artifacts	202	-	-	202
General infrastructure	2,452,688	67,999	(1,374)	2,519,313
Computer software	459,018	36,018	(2,201)	492,835
Subscription asset	312,024	162,903	(20,061)	454,866
Other intangible assets	1,371	-	(1,371)	-
Right to use lease assets, depreciable				
Land and permanent easements	10,550	825	(58)	11,317
Buildings	771,195	94,562	(44,244)	821,513
Machinery and equipment	34,262	16,964	(2,470)	48,756
General infrastructure	6,573	-	-	6,573
Total Capital Assets-depreciable	<u>25,058,302</u>	<u>1,185,657</u>	<u>(312,356)</u>	<u>25,931,603</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(6,228,567)	(413,655)	21,955	(6,620,267)
Machinery and equipment	(2,163,610)	(208,379)	179,648	(2,192,341)
Art, literature, and other artifacts	(197)	(1)	-	(198)
General infrastructure	(1,117,986)	(67,200)	1,051	(1,184,135)
Computer software	(377,508)	(42,514)	2,049	(417,973)
Subscription asset	(82,183)	(99,526)	6,776	(174,933)
Other intangible assets	(2,559)	-	117	(2,442)
Right to use lease assets, depreciable				
Land and permanent easements	(257)	(326)	30	(553)
Buildings	(257,253)	(90,644)	4,439	(343,458)
Machinery and equipment	(12,980)	(7,768)	1,582	(19,166)
General infrastructure	(1,532)	(766)	-	(2,298)
Total accumulated depreciation	<u>(10,244,632)</u>	<u>(930,779)</u>	<u>217,647</u>	<u>(10,957,764)</u>
Total Capital Assets-depreciable, net	<u>14,813,670</u>	<u>254,878</u>	<u>(94,709)</u>	<u>14,973,839</u>
University of North Carolina System				
Capital Assets, net	<u>\$ 16,665,816</u>	<u>\$ 927,115</u>	<u>\$ (550,769)</u>	<u>\$ 17,042,162</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2024, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$52.468 million and net depreciable capital assets of \$127.538 million.

NOTES TO THE FINANCIAL STATEMENTS**Public-Private Partnership Arrangements for Noble Hall at Western Carolina University**

In August 2016, construction was completed on Noble Hall pursuant to a public-private partnership 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 the facility as a capital asset with a carrying amount of \$23.64 million at year-end and a related deferred inflow of resources of \$20.54 million that is amortized using the straight-line method over the terms of the lease agreement.

Public-Private Partnership 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. Collectively, the universities report the facilities as capital assets with an aggregate carrying amount of \$315.43 million at year-end and a related deferred inflow of resources of \$305.72 million.

NOTES TO THE FINANCIAL STATEMENTS**Community Colleges**

	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024
Capital Assets, nondepreciable				
Land and permanent easements	\$ 228,843	\$ 7,690	\$ (343)	\$ 236,190
Art, literature, and other artifacts	1,161	-	-	1,161
Construction in progress	307,427	166,984	(299,703)	174,708
Other intangible assets	2,292	-	-	2,292
Total Capital Assets-nondepreciable	<u>539,723</u>	<u>174,674</u>	<u>(300,046)</u>	<u>414,351</u>
Capital Assets, depreciable				
Buildings	4,348,824	296,287	(3,320)	4,641,791
Machinery and equipment	763,115	83,502	(27,078)	819,539
Art, literature, and artifacts	771	290	-	1,061
General infrastructure	283,740	7,611	(327)	291,024
Computer software	60	660	-	720
Subscription asset	27,827	11,628	(1,425)	38,030
Right to use lease assets, depreciable				
Land and permanent easements	2,245	-	-	2,245
Buildings	55,865	933	(872)	55,926
Machinery and equipment	11,888	2,536	(1,207)	13,217
General infrastructure	9,451	-	-	9,451
Total Capital Assets-depreciable	<u>5,503,786</u>	<u>403,447</u>	<u>(34,229)</u>	<u>5,873,004</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(1,288,751)	(86,575)	1,383	(1,373,943)
Machinery and equipment	(336,638)	(49,449)	20,129	(365,958)
Art, literature, and other artifacts	(297)	(24)	-	(321)
General infrastructure	(90,850)	(6,733)	69	(97,514)
Computer software	(7)	(95)	-	(102)
Subscription asset	(8,234)	(9,673)	1,250	(16,657)
Right to use lease assets, depreciable				
Land and permanent easements	(564)	(54)	-	(618)
Buildings	(10,930)	(4,643)	532	(15,041)
Machinery and equipment	(5,555)	(2,871)	887	(7,539)
General infrastructure	(2,120)	(561)	117	(2,564)
Total accumulated depreciation	<u>(1,743,946)</u>	<u>(160,678)</u>	<u>24,367</u>	<u>(1,880,257)</u>
Total Capital Assets-depreciable, net	<u>3,759,840</u>	<u>242,769</u>	<u>(9,862)</u>	<u>3,992,747</u>
Community Colleges				
Capital Assets, net	<u>\$ 4,299,563</u>	<u>\$ 417,443</u>	<u>\$ (309,908)</u>	<u>\$ 4,407,098</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2024, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$12.719 million and net depreciable capital assets of \$7.249 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: SHORT-TERM DEBT

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, 2024, the amount of outstanding commercial paper was \$19 million. 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, 2024 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, 2024, 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

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, 2024, 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, 2024	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	\$ 11,525	\$ (39,748)	\$ -	\$ (39,748)	\$ 250,000
Investment derivatives:					
Pay-fixed interest rate swaps	\$ 90	\$ (71)	\$ -	\$ (71)	\$ 4,075
U.S. dollar equity futures	107,191	8,032	8,032	-	747,335
Foreign currency forwards	3,892	3,388	-	3,388	100,000
Total	\$ 111,173	\$ 11,349	\$ 8,032	\$ 3,317	

- (a) For the fiscal year ended June 30, 2024, the changes in fair value of cash flow hedges are classified as both *deferred outflows of resources* and *deferred inflows of resources*, and the changes in fair value of investment derivatives are classified as *operating grants and contributions*.
- (b) At June 30, 2024, the fair value balances of cash flow hedges outstanding are classified as *hedging derivative asset and hedging derivative liability*. The fair value balances of investment derivatives outstanding are classified as *investments*, except that investment derivatives with a negative fair value are classified as *accounts payable and accrued liabilities*.

For the UNC System, the total fair value of cash flow hedges that are classified as both hedging derivative asset and hedging derivative liability at June 30, 2024, was negative \$39.49 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. The foreign currency forwards classified in Level 2 of the fair value hierarchy are transacted over-the-counter and valued directly from underlying exchange listed exchange rates.

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, 2024 (dollars in thousands):

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

NOTES TO THE FINANCIAL STATEMENTS

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

UNC at Chapel Hill

Interest rate risk. UNC at Chapel Hill (University) is exposed to interest rate risk on its interest rate swaps which is largely offset (or expected to be offset) by rates paid on variable-rate debt. In addition, the fair values of these instruments are highly sensitive to changes in interest rates. Because rates have declined significantly since the effective dates of the swaps, the swaps have a negative fair value as of June 30, 2024. The fair values are calculated as of June 30, 2024, and based on the implied forward rate for 67% of SOFR plus 7.4 basis points, which trended up during fiscal year 2024. As a result, the fair values have increased on a year over year basis, which decreases the liability.

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 date of the swap, the swap has a negative fair value as of June 30, 2024. The negative fair value may be countered by a reduction in total interest paid under the variable-rate bonds, creating lower synthetic interest rates. As forward rates rise, the fair value of the swap will increase and as rates fall, the fair value of the swap decreases. The University pays 5.24% and receives the Securities Industry and Financial Markets Association (SIFMA) Swaps Index rate. On June 30, 2024, SIFMA was 3.88%. The interest rate swap has a notional amount of \$4.08 million and matures November 1, 2025.

Foreign Currency Risk: Foreign currency forward contracts are utilized from time to time to minimize the risk and exposure to fluctuations in the exchange rates of foreign currencies. Forward contracts based in foreign currency obligate the buyer to purchase an asset (or seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. The University's foreign currency investment derivatives are presented in U.S. dollars.

Credit Risk: The University does not have a formal policy that requires collateral or other security to support investment derivative instruments subject to credit risk, or a formal policy regarding entering into master netting arrangements. The University uses a third-party consulting firm to execute on derivative positions. The team evaluates the available counter parties to the trade, including their creditworthiness, and enter into contracts with highly stable and investment-quality credit ratings financial institutions. In the fiscal year 2024, the University entered into \$100 thousand of Japanese Yen short forward contract with no collateral required.

NOTES TO THE FINANCIAL STATEMENTS**D. Synthetic Guaranteed Investment Contracts****Primary Government**

In the Supplemental Retirement Income Plan of North Carolina, NC 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), one SGIC with Transamerica Life Insurance Company (Transamerica Life), and one SGIC with Metropolitan Tower Life Insurance Company (Met Tower) which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.97%, 2.67%, 2.78%, 2.82%, and 2.79%, respectively. The fair value of the securities covered by the contracts as of December 31, 2023, is \$1.91 billion and the contract value is \$2.01 billion. The contracts are unrated and have a maturity of less than one year.

In the North Carolina Public Employee Deferred Compensation Plan, NC 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, one SGIC with Transamerica Life, and one SGIC with Met Tower which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.97%, 2.67%, 2.78%, 2.82%, and 2.79%, respectively. The fair value of the securities covered by the contracts as of December 31, 2023, is \$344.83 million and the contract value is \$363.56 million. The contracts are unrated and have a maturity of less than one year.

Both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan have wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower 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, 2024, was as follows (dollars in thousands):

	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Governmental Activities					
Bonds and similar debt payable:					
General obligation bonds	\$ 1,975,940	\$ -	\$ (330,880)	\$ 1,645,060	\$ 232,420
Special indebtedness:					
Limited obligation bonds	2,121,490	-	(233,700)	1,887,790	208,845
GARVEE bonds	918,940	-	(73,225)	845,715	76,885
Issuance premium	521,621	-	(93,849)	427,772	-
Total bonds and similar debt payable	5,537,991	-	(731,654)	4,806,337	518,150
Notes from direct borrowings	37,651	38,637	(6,025)	70,263	6,021
Lease liability	378,780	61,462	(45,414)	394,828	41,430
Subscription liability	180,581	92,321	(102,139)	170,763	71,194
Compensated absences	593,318	369,328	(337,608)	625,038	42,236
Pension liability (Note 12)	3,763,028	400,299	(10,353)	4,152,974	25,005
Net OPEB liability (Note 14)	4,672,223	550,676	(693)	5,222,206	-
Workers' compensation	617,245	215,097	(224,223)	608,119	113,856
Death benefit payable	37	-	-	37	-
Pollution remediation payable	6,982	-	(247)	6,735	308
Claims and judgments payable	731,703	-	-	731,703	-
Governmental activity long-term liabilities	<u>\$ 16,519,539</u>	<u>\$ 1,727,820</u>	<u>\$ (1,458,356)</u>	<u>\$ 16,789,003</u>	<u>\$ 818,200</u>
Business-type Activities					
Bonds payable:					
Revenue bonds	\$ 1,787,362	\$ 523,170	\$ (250,062)	\$ 2,060,470	\$ 41,806
Issuance premium	130,177	45,233	(26,365)	149,045	-
Total bonds payable	1,917,539	568,403	(276,427)	2,209,515	41,806
Notes from direct borrowings	684,525	-	(1,407)	683,118	1,941
Lease liability	6,718	2,941	(2,973)	6,686	1,648
Subscription liability	2,802	279	(905)	2,176	810
Annuity and life income payable	74,185	562	-	74,747	8,146
Compensated absences	12,932	9,667	(8,760)	13,839	2,119
Net pension liability (Note 12)	51,764	6,299	-	58,063	-
Net OPEB liability (Note 14)	73,860	10,752	(1,190)	83,422	-
Workers' compensation	59	42	(29)	72	42
Business-type activity long-term liabilities	<u>\$ 2,824,384</u>	<u>\$ 598,945</u>	<u>\$ (291,691)</u>	<u>\$ 3,131,638</u>	<u>\$ 56,512</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 \$20.014 million, net pension liability of \$87.916 million, net OPEB liability of \$127.526 million, workers' compensation liability of \$1.882 million, lease liability of \$926 thousand, and subscription liability of \$37.94 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 \$1.888 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 \$28.062 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 outstanding notes from direct borrowings of \$665.744 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 \$8.638 million.

Component Unit (University of North Carolina System). Long-term liability activity for the year ended June 30, 2024, was as follows (dollars in thousands):

	Balance July 1, 2023 (as restated)	Increases	Decreases	Balance June 30, 2024	Due Within One Year
University of North Carolina System					
Bonds payable:					
Revenue bonds	\$ 4,315,514	\$ 208,095	\$ (242,424)	\$ 4,281,185	\$ 163,212
Direct placements	179,261	88,550	(20,657)	247,154	81,889
Certificates of participation	2,815	-	(368)	2,447	378
Limited obligation bonds	174,450	14,970	(23,845)	165,575	9,290
Issuance premium	275,564	7,511	(20,253)	262,822	-
Issuance discount	(2,709)	-	139	(2,570)	-
Total bonds payable	4,944,895	319,126	(307,408)	4,956,613	254,769
Notes from direct borrowings	310,820	14,954	(43,521)	282,253	25,076
Lease liability	584,559	111,604	(135,114)	561,049	107,004
Subscription liability	164,684	158,532	(121,910)	201,306	80,255
Annuity and life income payable	51,706	15,678	(12,018)	55,366	1,102
Compensated absences	595,614	529,993	(498,931)	626,676	110,919
Net pension liability (Note 12)	2,350,980	367,643	(19,353)	2,699,270	-
Net OPEB liability (Note 14)	6,018,101	746,219	(330)	6,763,990	-
Workers' compensation	48,340	8,494	(16,687)	40,147	12,622
Pollution remediation payable	4,373	-	(506)	3,867	107
Asset retirement obligation	15,600	573	-	16,173	-
Liability insurance trust fund payable	27,247	4,360	-	31,607	9,515
Total long-term liabilities	<u>\$ 15,116,919</u>	<u>\$ 2,277,176</u>	<u>\$ (1,155,778)</u>	<u>\$ 16,238,317</u>	<u>\$ 601,369</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 \$256.635 million, of which \$33.748 million was due within one year and \$222.887 million was due in more than one year.

The University of North Carolina at Chapel Hill has unused line of credit in the amount of \$10 million.

NOTES TO THE FINANCIAL STATEMENTS*Revenue Bonds*

Various universities within the University of North Carolina System (UNC System) have outstanding revenue bonds totaling \$2.154 billion that contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

Various universities within the UNC System have outstanding revenue bonds totaling \$1.595 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 \$381.51 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, 2024, the amount pledged as collateral is \$516.201 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.

Fayetteville State University has pledged all buildings and other improvements and additions for its outstanding revenue bonds of \$6.868 million.

Direct Placement Bonds

Various universities within the UNC System have outstanding direct placement bonds totaling \$176.421 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 \$70.733 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 (\$64.243 million) or a period of 60 days after written notice (\$6.49 million).

Special Indebtedness

The University of North Carolina at Wilmington has outstanding limited obligation bonds (LOBs) of \$91.975 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 \$40.085 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 \$19.895 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 \$13.62 million and the University of North Carolina School of the Arts has outstanding certificates of participation totaling \$2.447 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 \$2.447 million.

Notes from Direct Borrowings

Various universities within the UNC System have outstanding notes from direct borrowings totaling \$71.985 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 \$64.259 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 \$69.06 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; (3) enter on, take possession of and operate the residence hall if a default occurs; and (4) perform any and all obligations of the university.

Elizabeth City State University has outstanding notes from direct borrowings of \$18.594 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 \$27.043 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 (\$14.933 million) or a period of 30 days after written notice (\$12.110 million). Appalachian State University has pledged land for its outstanding notes from direct borrowings of \$13.875 million. The University of North Carolina at Pembroke has pledged machinery and equipment as security for its outstanding notes from direct borrowings of \$2.093 million.

Gateway Research Park has outstanding notes from direct borrowings of \$16.548 million secured with collateral of real estate and a vehicle.

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, 2024 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%	2039	\$ 3,071,158	\$1,645,060
Special indebtedness:				
Limited obligation bonds	2.00% - 5.00%	2037	2,799,030	1,887,790
GARVEE bonds	2.00% - 5.00%	2036	1,342,165	845,715
Notes from direct borrowings	2.10% - 4.02%	2046	120,190	70,263
<u>Business-type activities</u>				
Revenue bonds	1.83% - 7.10%	2058	\$ 2,676,519	\$2,060,470
Notes from direct borrowings	1.83% - 6.25%	2058	689,320	683,118
Component Units				
<u>University of North Carolina System</u>				
Revenue bonds**	0.50% - 6.52%*	2054	\$ 5,241,470	\$4,281,185
Direct Placements	1.29% - 6.45%*	2051	333,627	247,154
Certificates of participation	2.00% - 2.00%	2030	5,400	2,447
Limited obligation bonds	2.00% - 6.23%	2043	214,710	165,575
Notes from direct borrowings**	0.00% - 7.50%*	2057	406,923	282,253

* For variable rate debt, interest rates in effect at June 30, 2024 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 \$29.22 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, 2024, the State had no authorized but unissued general obligation bonds. At June 30, 2024, the State had no authorized but unissued special indebtedness supported by the General Fund. At June 30, 2024, the State had \$1.7 billion in authorized but unissued special indebtedness supported by the Highway Trust Fund.

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

General Statute 143-64.17 as amended allows state agencies and universities to utilize Guaranteed Energy Savings Contracts to implement and finance major facility upgrades which save energy and reduce utility expenditures. The State and universities currently are authorized to finance up to \$500 million for such projects that provide energy cost savings that are sufficient to pay the debt service on the projects' financing. At June 30, 2024, a total of \$310 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 SOFR Rate. “Adjusted SOFR Rate” means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2024, 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 SOFR Rate. "Adjusted SOFR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2024, no accrued interest payable remained for the 2021A direct placement bond.

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

The University of North Carolina Hospitals

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

Revenue Bonds, Series 2001A and Series 2001B

On January 31, 2001, UNC 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 UNC 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, UNC Hospitals exercised its prerogative under Section 9.4 of the Series Indenture to remove Wells Fargo Bank, N.A., as the remarketing agent for both series. On that date, TD Securities (USA) LLC agreed to act as the exclusive agent in connection with the remarketing and sale of both series. While in daily mode, the bonds are subject to purchase on any business day upon demand by telephonic notice of tender to the Remarketing Agent on the purchase date and delivery to the bond Tender Agent, U.S. Bank, N.A. UNC Hospitals' Remarketing Agent, TD Securities (USA) LLC has agreed to exercise its best efforts to remarket the bonds for which a notice of purchase has been received. The quarterly remarketing fee is payable in arrears, on the first business day of each February, May, August, and November, commencing November 1, 2020, and is equal to 0.05% of the outstanding principal amount of the bonds assigned to each agent.

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

NOTES TO THE FINANCIAL STATEMENTS

<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, the Federal Funds Rate plus 0.5% or 3%) until 180 days after the initial purchase date and thereafter bear interest at the Base Rate plus 1% per annum and thereafter. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2024, there were no Bank Bonds held by the 2001 Liquidity Facility.

Included in the Agreements is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Agreements allow UNC 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 \$73 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$23.97 million, \$22.60 million, \$20.89 million, and \$19.18 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 8.5% (Prime Rate) for the first 180 days and a rate of 9.5% (Base Rate plus 1.00%) thereafter. The expiration date of the Agreements is September 10, 2027.

Revenue Refunding Bonds, Series 2003A and Series 2003B

On February 13, 2003, UNC 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, UNC Hospitals entered into a Standby Bond Purchase Agreement with TD Bank, N.A. replacing Wells Fargo Bank, N.A. Also, on July 24, 2020, UNC Hospitals exercised its prerogative under Section 9.4 of the Series Indenture and signed a new remarketing agent agreement with TD Securities (USA) LLC (Series 2003B) removing Wells Fargo Bank, N.A. as remarketing agent.

While in the weekly mode, the bonds are subject to purchase on demand with seven days' notice to the Remarketing Agent and delivery to the bond Tender Agent, U.S. Bank, National Association. UNC 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 UNC 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 0.25% for fiscal year 2024. 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:

NOTES TO THE FINANCIAL STATEMENTS

<u>S&P</u>	<u>Moody's</u>	<u>Commitment Rate</u>
A+	A1	0.25%
A	A2	0.51%
A- or lower	A3 or lower	0.71%

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

Under the 2003A Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Interest Rate (equal to the greater of the Prime Rate plus 1.5% or the Federal Funds Rate plus 3%), the Base Rate, for the first 90 days and then the Base Rate plus 0.5% from the 91st day to the 367th day following the date of purchase and the Base Rate plus 1% from the 368th day following such date of purchase and thereafter subject to a maximum rate as permitted by law. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2024, 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, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003A Agreement allows UNC 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 \$24.91 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$10.67 million, \$9.9 million, and \$8.99 million in years one, two and three respectively, following the termination date under the installment loan agreement assuming a Base Rate of 10% (Prime plus 1.50%). The current expiration date of the Agreement is July 2, 2024.

The 2003B Agreement with TD Bank, N.A. required a Commitment Fee of 0.32% for fiscal year 2024. Payments are to be made quarterly in arrears, on the first business day of each February, May, August, and November, commencing August 3, 2020. The Commitment Rate remains in effect over the life of the Agreement, so long as the rating assigned to Parity Debt by Moody's and S&P is A+/A1 or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A+ or A1, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

<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, the Federal Funds Rate plus 0.5%, or 3%), until 180 days after the initial date of purchase, and thereafter at the Base Rate plus 1% per annum. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2024, 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, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003B Agreement allows UNC 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 \$13.4 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$4.4 million, \$4.15 million, \$3.83 million, and \$3.52 million in years one, two, three, and four, respectively,

NOTES TO THE FINANCIAL STATEMENTS

following the termination date under the installment loan agreement assuming a Base Rate of 8.5% (Prime Rate) for the first 180 days and a rate of 9.5% (Base Rate plus 1.00%) thereafter. The expiration date of the agreement is July 8, 2027.

E. Debt Service Requirements

The following schedules show the debt service requirements for the primary government (governmental activities and business-type activities) and component unit (University of North Carolina System). The debt service requirements of variable rate debt are based on rates as of June 30, 2024 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
2025	\$ 232,420	\$ 64,823	\$ 208,845	\$ 86,251
2026	173,320	53,202	205,145	76,010
2027	156,620	44,536	205,710	66,136
2028	129,230	36,936	208,460	55,850
2029	112,900	30,677	201,270	46,314
2030-2034	479,005	89,564	716,940	110,542
2035-2039	361,565	26,463	141,420	8,083
Total	<u>\$ 1,645,060</u>	<u>\$ 346,201</u>	<u>\$ 1,887,790</u>	<u>\$ 449,186</u>

Fiscal Year Ending June 30	Governmental Activities			
	GARVEE Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 76,885	\$ 41,198	\$ 6,021	\$ 2,271
2026	80,730	37,354	7,184	2,092
2027	84,775	33,318	5,710	1,876
2028	89,010	29,079	4,732	1,732
2029	93,460	24,628	3,870	1,618
2030-2034	377,205	60,070	15,601	6,579
2035-2039	43,650	1,746	9,898	4,532
2040-2044	-	-	13,585	2,196
2045-2049	-	-	3,662	92
Total	<u>\$ 845,715</u>	<u>\$ 227,393</u>	<u>\$ 70,263</u>	<u>\$ 22,988</u>

Fiscal Year Ending June 30	Business-type Activities			
	Revenue Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 41,806	\$ 81,985	\$ 1,941	\$ 6,173
2026	45,609	83,881	2,351	8,554
2027	49,788	82,182	2,238	10,907
2028	53,690	80,141	2,418	12,498
2029	54,635	78,036	2,799	15,035
2030-2034	311,044	413,150	23,836	77,375
2035-2039	401,709	402,741	27,723	74,358
2040-2044	308,138	268,272	143,025	75,203
2045-2049	281,101	221,834	199,722	52,577
2050-2054	220,970	200,568	177,619	33,797
2055-2059	291,980	36,175	99,446	12,183
Total	<u>\$ 2,060,470</u>	<u>\$ 1,948,965</u>	<u>\$ 683,118</u>	<u>\$ 378,660</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
2025	\$ 158,422	\$ 161,776	\$ 730	\$ 21,889	\$ 10,079	\$ 378	\$ 49
2026	165,915	156,999	715	21,782	9,504	390	41
2027	170,160	151,158	718	18,242	8,934	401	34
2028	173,679	145,132	731	18,527	8,411	413	26
2029	185,687	138,850	745	14,286	7,870	426	17
2030-2034	1,065,273	583,900	3,768	62,638	32,269	439	9
2035-2039	950,464	373,910	5,137	29,380	23,254	-	-
2040-2044	835,045	205,913	2,631	30,410	14,348	-	-
2045-2049	486,365	72,142	-	-	9,669	-	-
2050-2054	90,175	6,493	-	30,000	2,740	-	-
Total	<u>\$ 4,281,185</u>	<u>\$ 1,996,273</u>	<u>\$ 15,175</u>	<u>\$ 247,154</u>	<u>\$ 127,078</u>	<u>\$ 2,447</u>	<u>\$ 176</u>

Fiscal Year Ending June 30	Limited Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 9,290	\$ 6,722	\$ 25,076	\$ 8,649
2026	9,700	6,319	23,539	7,795
2027	10,110	5,909	39,374	6,795
2028	10,525	5,488	28,035	5,493
2029	10,995	5,019	12,453	4,685
2030-2034	60,170	17,938	96,695	14,015
2035-2039	48,840	6,112	43,706	4,858
2040-2044	5,945	607	4,816	1,166
2045-2049	-	-	3,288	819
2050-2054	-	-	3,675	432
2055-2059	-	-	1,596	54
Total	<u>\$ 165,575</u>	<u>\$ 54,114</u>	<u>\$ 282,253</u>	<u>\$ 54,761</u>

For revenue bonds and direct placements of the University of North Carolina System, the fiscal year 2024 principal requirements exclude demand bonds classified as current liabilities (see Note 8D).

F. Bond Defeasances

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

Primary Government**Governmental Activities**

On February 7, 2024, the State extinguished \$20 million of outstanding General Obligation Bonds, Series 2020A (CUSIP 658256 5Q1) using only existing resources from the State Capital Infrastructure Fund (SCIF), which is held by the Office of State Budget Management (OSBM). The debt was extinguished when the State had the opportunity to purchase a portion of the bond on the open market at less than the par value. CUSIP 658256 5Q1 of \$20 million par value was acquired with \$14.8 million of existing resources from SCIF. The difference between the reacquisition price and the net carrying amount was recognized as a gain in the government-wide financial statements. As a result, the bond's CUSIP is considered to be extinguished, and the liability has been removed from the statement of net position.

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:

The University of North Carolina at Greensboro

On January 16, 2024, the University of North Carolina at Greensboro issued \$92.39 million in direct placement General Revenue Refunding Bonds, Series 2024, with an average interest rate of 2.71%. The bonds were issued for a current refunding of \$77.39 million of outstanding General Revenue Bonds, Series 2014, with an average interest rate of 4.89%. The refunding was undertaken to reduce total debt service payments by \$1.1 million over the next 15 years and resulted in an economic gain of \$1.03 million.

East Carolina University

On July 12, 2023, East Carolina University issued \$11.17 million in direct placement General Revenue Refunding Bonds, Series 2023, with an average interest rate of 2.22%. The bonds were issued for a current refunding of \$10.91 million of outstanding General Obligation Bonds, Series 2013A, with an average interest rate of 2.94%. The refunding was undertaken to reduce total debt service payments by \$404 thousand over the next 11 years and resulted in an economic gain of \$487 thousand.

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, 2024, the primary government had no outstanding balance of prior year defeased bonds. The outstanding balance of prior year defeased bonds was \$148.18 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 \$103.24 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 22 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 \$6.735 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 \$3.837 million for remediation of a lot the University used as a burial site for hazardous chemical and low level radioactive waste generated in its laboratories. The amount of the liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

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

NOTES TO THE FINANCIAL STATEMENTS**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 39 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 AND SUBSCRIPTION LIABILITY OBLIGATIONS

A. Summary Information

Primary Government – Lease activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Right-to-Use Land	\$ (572)	\$ (119)	1 - 26	3.25%
Right-to-Use Buildings	(391,449)	(40,316)	1 - 30	2.50% - 8.50%
Right-to-Use Machinery and Equipment	(2,129)	(890)	1 - 5	2.10% - 4.85%
Right-to-Use General Infrastructure	(678)	(105)	2 - 10	3.25%
Total	<u>\$ (394,828)</u>	<u>\$ (41,430)</u>		
Lessor:				
Right-to-Use Land	\$ 262	\$ 84	2 - 20	3.25% - 8.50%
Right-to-Use Buildings	4,655	470	1 - 12	3.25% - 7.00%
Right-to-Use General Infrastructure	1,565	68	15 - 26	3.25%
Total	<u>\$ 6,482</u>	<u>\$ 622</u>		
Business-type Activities				
Lessee:				
Right-to-Use Buildings	\$ (6,202)	\$ (1,499)	1 - 9	2.62% - 8.50%
Right-to-Use Machinery and Equipment	(484)	(149)	1 - 5	2.32% - 5.68%
Total	<u>\$ (6,686)</u>	<u>\$ (1,648)</u>		
Lessor:				
Right-to-Use Land	\$ 4,641	\$ 446	2 - 25	3.30% - 8.30%
Right-to-Use Buildings	155	83	1 - 10	3.00% - 8.50%
Total	<u>\$ 4,796</u>	<u>\$ 529</u>		

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

Subscription liability activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2024	Current Portion	Subscription Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Subscription Asset	\$ (170,763)	\$ (71,194)	1 - 17	3.25% - 8.95%
Total	<u>\$ (170,763)</u>	<u>\$ (71,194)</u>		
Business-type Activities				
Lessee:				
Subscription Asset	\$ (2,176)	\$ (810)	1 - 10	4.85% - 7.82%
Total	<u>\$ (2,176)</u>	<u>\$ (810)</u>		

NOTES TO THE FINANCIAL STATEMENTS

The subscription liability for primary government excluded the amount of outflow of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability. The N.C. Department of Information Technology recognized outflow of resources of \$9.34 million that was excluded from the above table.

Component Units - Lease activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Right-to-Use Land	\$ (2,279)	\$ (553)	1 - 98	1.34% - 8.25%
Right-to-Use Buildings	(465,698)	(98,934)	1 - 72	0.39% - 10.05%
Right-to-Use Machinery and Equipment	(26,409)	(6,731)	1 - 14	0.50% - 25.00%
Right-to-Use General Infrastructure	(4,687)	(786)	1 - 49	0.75% - 5.25%
Total	\$ (499,073)	\$ (107,004)		
Lessor:				
Right-to-Use Land	44,797	989	1 - 90	0.20% - 8.50%
Right-to-Use Buildings	65,616	18,144	1 - 99	0.19% - 9.50%
Right-to-Use Machinery and Equipment	2,819	291	2 - 20	2.69% - 3.18%
Right-to-Use General Infrastructure	132	132	4 - 5	0.90% - 1.10%
Total	\$ 113,364	\$ 19,556		
Classification:	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms in Years	Interest Rate
Community Colleges				
Lessee:				
Right-to-Use Land	\$ (1,619)	\$ (45)	5 - 35	1.50% - 8.00%
Right-to-Use Buildings	(44,875)	(3,278)	1 - 30	0.29% - 8.29%
Right-to-Use Machinery and Equipment	(6,420)	(2,907)	1 - 25	0.29% - 8.50%
Right-to-Use General Infrastructure	(2,952)	(770)	13 - 40	3.25% - 3.74%
Total	\$ (55,866)	\$ (7,000)		
Lessor:				
Right-to-Use Land	\$ 83	\$ 34	3 - 5	4.00%
Right-to-Use Buildings	621	406	1 - 4	3.00% - 24.00%
Right-to-Use General Infrastructure	1,899	229	2 - 20	1.24% - 6.25%
Total	\$ 2,603	\$ 669		

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

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

The University of North Carolina at Chapel Hill is in multiple leasing arrangements with UNC Healthcare to lease building space. UNC Chapel Hill recognized a lease liability as the lessee of \$18.66 million. UNC Healthcare recognized a lease receivable as the lessor of \$18.66 million. North Carolina State University (NCSU) is in a leasing arrangement with the Centennial Authority to lease building space. NCSU recognized a lease liability as the lessee of \$43.32 million. The Centennial Authority recognized a lease receivable as the lessor of \$44.44 million. NCSU's reported lease liability amount and the Centennial Authority's reported lease receivable amount differ by \$1.12 million due to each entity using different interest rates. Leasing arrangements of nongovernmental component units of the University of North Carolina System are excluded from the above amounts.

NOTES TO THE FINANCIAL STATEMENTS

The University of North Carolina at Chapel Hill had commitments under leases for a ten year lease agreement for right-to-use building space beginning on August 8, 2024 with total payments over the period of \$6.65 million.

Subscription liability activity for the year ended June 30, 2024, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2024	Current Portion	Subscription Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Subscription Asset	\$ (201,306)	\$ (80,255)	1 - 9	1.55% - 9.76%
Total	\$ (201,306)	\$ (80,255)		
Community Colleges				
Lessee:				
Subscription Asset	\$ (17,167)	\$ (7,386)	1 - 10	1.58% - 8.50%
Total	\$ (17,167)	\$ (7,386)		

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2024, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 41,430	\$ 15,560	\$ 1,648	\$ 246	\$ 107,004	\$ 8,861	\$ 7,000	\$ 2,034
2026	37,851	14,028	988	193	97,834	7,055	4,991	1,826
2027	36,249	12,440	1,006	153	86,999	5,423	3,924	1,648
2028	40,510	12,996	736	117	71,557	4,123	3,136	1,515
2029	39,654	10,396	679	88	55,564	3,206	2,919	1,399
2030 - 2034	92,829	31,957	1,629	140	90,485	9,470	9,123	5,848
2035 - 2039	55,482	16,198	-	-	6,456	6,518	8,468	4,201
2040 - 2044	36,978	5,934	-	-	695	6,432	9,835	2,393
2045 - 2049	13,244	1,097	-	-	657	6,305	6,470	404
2050 - 2054	601	129	-	-	153	6,163	-	-
2055 - 2059	-	-	-	-	169	6,018	-	-
2060 - 2064	-	-	-	-	85	5,785	-	-
2065 - 2069	-	-	-	-	2,886	5,450	-	-
2070 - 2074	-	-	-	-	4,047	4,989	-	-
2075 - Beyond	-	-	-	-	36,458	12,054	-	-
	\$ 394,828	\$ 120,735	\$ 6,686	\$ 937	\$ 561,049	\$ 97,852	\$ 55,866	\$ 21,268

NOTES TO THE FINANCIAL STATEMENTS**C. Principal and Interest Requirements for Subscription Liability**

Future principal and interest subscription liability payments as of June 30, 2024, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 71,194	\$ 10,126	\$ 810	\$ 50	\$ 80,255	\$ 5,667	\$ 7,386	\$ 684
2026	46,286	6,266	742	39	63,609	4,296	4,802	410
2027	17,759	3,466	624	20	32,918	2,217	2,835	221
2028	5,913	2,060	-	-	16,319	882	1,526	90
2029	6,516	2,099	-	-	5,636	237	217	10
2030 - 2034	12,341	4,678	-	-	2,569	112	401	19
2035 - 2039	10,237	1,543	-	-	-	-	-	-
2040 - 2044	517	6	-	-	-	-	-	-
	<u>\$ 170,763</u>	<u>\$ 30,244</u>	<u>\$ 2,176</u>	<u>\$ 109</u>	<u>\$ 201,306</u>	<u>\$ 13,411</u>	<u>\$ 17,167</u>	<u>\$ 1,434</u>

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

The General Fund balance of \$152.19 million due to fiduciary funds is composed of \$28.75 million related to local sales taxes collected in the General Fund and due to the custodial fund, as well as \$123.44 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, 2024 consisted of the following (dollars in thousands):

	<u>Due From Other Funds</u>							
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	Internal Service Funds	Total
Due To Other Funds								
General Fund.....	\$ —	\$14,071	\$ 2,819	\$ 9,388	\$ 47,449	\$ 2,115	\$26,588	\$102,430
Highway Fund.....	6,405	—	—	1,634	—	—	2,810	10,849
Highway Trust Fund.....	—	1,963	—	—	—	—	—	1,963
Other Governmental Funds.....	12,788	—	—	19	—	—	88	12,895
N.C. State Lottery Fund.....	161,314	—	—	—	—	—	—	161,314
N.C. Turnpike Authority.....	21,051	51,746	—	—	—	—	—	72,797
Internal Service Funds.....	—	—	—	3,010	—	—	152	3,162
Total.....	<u>\$201,558</u>	<u>\$67,780</u>	<u>\$ 2,819</u>	<u>\$ 14,051</u>	<u>\$ 47,449</u>	<u>\$ 2,115</u>	<u>\$29,638</u>	<u>\$365,410</u>

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

Advances To/From Other Funds

The advance of \$33.87 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, 2024, consisted of the following (dollars in thousands):

	Transfers In								Total
	General Fund	Highway Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC Turnpike Authority	Other Enterprise Funds	Internal Service Funds	
Transfers Out									
General Fund	-	555,555	1,632,561	259	23,656	-	1,005	20,000	2,233,036
Highway Fund	36,307	-	18,608	-	-	7,629	-	-	62,544
Highway Trust Fund	906	38,175	-	-	-	122,720	-	-	161,801
Other Governmental Funds	203,516	1,906	25,517	-	63	-	102	171	231,275
Unemployment Compensation Fund	17,427	-	-	-	-	-	-	-	17,427
NC State Lottery Fund	1,098,988	-	1,000	-	-	-	-	-	1,099,988
NC Turnpike Authority	-	4,753	-	-	-	-	-	-	4,753
Other Enterprise Funds	1,001	-	361	-	-	-	-	-	1,362
Internal Service Funds	147	-	-	-	-	-	-	9,721	9,868
Total	\$ 1,358,292	600,389	1,678,047	259	23,719	130,349	1,107	29,892	\$ 3,822,054

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 \$1.092 billion were made to the Education Lottery Fund for this fiscal year, as set forth in General Statute 18C-164.

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 \$122.7 million was transferred to the NCTA during fiscal year 2024.

House Bill 103 [Session Law 2022-74] Section 2.2.(p) as amended by House Bill 259 [Session Law 2023-134] established that the Department of Environment Quality received a transfer of \$1 billion for the Clean Water and Drinking Water Reserve.

House Bill 259 [Session Law 2023-134] Section 2.2(j) established in the General Fund a Transportation Reserve and directed a transfer of \$450 million to the Transportation Reserve in fiscal year 2024.

Senate Bill 105 [Session Law 2021-180] authorized a transfer of \$44.3 million from the Capital Infrastructure Fund to the Department of Natural and Cultural Resources for the new NC Zoo Asia and Australia exhibits.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: FUND BALANCE

Fund Balance. The details of the fund balance classifications for governmental funds at June 30, 2024 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	\$ 100,561	\$ 113,662	\$ -	\$ 31,812	\$ 246,035
Permanent corpus	-	-	-	140,070	140,070
Long-term portion of notes receivable	97	-	-	-	97
Restricted for:					
General government	19,039	-	-	2,568	21,607
Primary and secondary education	28,759	-	-	-	28,759
Higher education	6,737	-	-	3,088	9,825
Higher education student aid	-	-	-	1,431,432	1,431,432
Health and human services	62,513	-	-	1,493	64,006
Economic development	38,730	-	-	-	38,730
Environment and natural resources	29,069	-	-	88,100	117,169
Public safety, corrections, and regulation	69,600	-	-	25,642	95,242
Transportation	-	3,481	-	-	3,481
Highway construction/preservation	-	97	-	-	97
Agriculture	-	-	-	1,603	1,603
Debt service	-	-	146,823	36,947	183,770
Capital projects/repairs and renovations	-	-	-	172,573	172,573
Committed to:					
General government	5,253,744	-	-	63,581	5,317,325
Primary and secondary education	597,262	-	-	-	597,262
Public school capital projects/repairs and renovations	1,447,622	-	-	-	1,447,622
Higher education	611,324	-	-	-	611,324
Health and human services	1,511,409	-	-	89,139	1,600,548
Economic development	1,384,298	-	-	306	1,384,604
Environment and natural resources	319,070	-	-	413,982	733,052
Public safety, corrections, and regulation	394,137	-	-	286,983	681,120
Transportation	-	268,896	697,640	204	966,740
Highway construction/preservation	-	783,125	-	-	783,125
Agriculture	93,578	-	-	67,556	161,134
Disaster relief	748,555	-	-	-	748,555
Capital projects/repairs and renovations	264,097	-	-	1,776,798	2,040,895
Assigned to:					
Subsequent year's budget	2,196,360	-	-	-	2,196,360
General government	13,231	-	-	114	13,345
Primary and secondary education	7,715	-	-	-	7,715
Higher education	741	-	-	-	741
Health and human services	302,582	-	-	1,701	304,283
Economic development	1,538	-	-	-	1,538
Environment and natural resources	9,504	-	-	93,025	102,529
Public safety, corrections, and regulation	19,307	-	-	532	19,839
Agriculture	1,799	-	-	-	1,799
Unassigned	5,358,214	-	-	-	5,358,214
Total fund balance	\$ 20,891,192	\$ 1,169,261	\$ 844,463	\$ 4,729,249	\$ 27,634,165

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 (NC 401(k) Plan) issues separately audited financial statements. Information on how to obtain the NC 401(k) Plan financial statements is found in Section B.10. The State also provides a defined benefit special separation allowance for eligible sworn law enforcement officers and a defined contribution optional retirement plan for university employees.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

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

B. Plan Descriptions***Cost-Sharing, Multiple-Employer, Defined Benefit Plans*****1. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

Plan administration. The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly. At June 30, 2024, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	<u>254</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 unreduced 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 reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life in lieu of the return of the member’s contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the General Assembly. The State’s and other participating employers’ contractually required contribution rate for the year ended June 30, 2024, was 17.64% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 1.20% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.27.(a) of Session Law 2023-134 and paid in October 2023. This amount, combined with plan member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

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

2. LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Local Governmental Employees’ Retirement System (LGERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide benefits for employees of local governments. Membership is comprised of general employees, local law enforcement officers of participating local governmental entities, firefighters and rescue squad workers. Benefit provisions are established by General Statute 128-27 and may be amended only by the North Carolina General Assembly. At June 30, 2024, the number of participating local governments was as follows:

Cities	429
Counties	100
Special Districts	<u>365</u>
	<u><u>894</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which accrued liability rates and normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2024, all employers made contributions of 14.10% of covered payroll for law enforcement officers and 12.85% for general employees and firefighters. These were different than the actuarially determined contributions. The employer contribution rate for law enforcement officers was greater than the actuarially determined contribution of 12.39%. The employer contribution rate for general employees and firefighters was greater than the actuarially determined contribution of 10.43%. 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, 2024, there were 1,653 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. As a result of Session Law 2024-29 enacted July 2, 2024, and Session Law 2024-42 enacted July 8, 2024, the retirement benefit will increase to \$175 per month effective January 1, 2025. 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 in the case of pre-retirement death in the line of duty 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 to the North Carolina General Assembly an appropriation that is higher than the actuarially determined contribution. As a result of Session Law 2024-29 enacted July 2, 2024, and Session Law 2024-42 enacted July 8, 2024, the contribution rate for members will increase to \$15 per month effective January 1, 2025. 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, 2024, there were 108 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 General Statute 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 2024 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 Article 4 of General Statute 135 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 unreduced 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 reduced 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. The unreduced benefit from CJRS, when combined with the same member's unreduced benefits calculated under TSERS, LGERS, or Legislative Retirement System (LRS), if any, is limited to an amount no greater than 75% of the member's final compensation. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to spouses of deceased retirees and 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, 2024 was 35.28% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 2.44% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.27.(b) of Session Law 2023-134 and paid in October 2023. 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 requiring participation in either the Teachers' and State Employees' Retirement System or Consolidated Judicial Retirement System. Benefit provisions are established by Article 1A of General Statute 120 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 unreduced retirement benefits at age 65 after five years of service. Plan members are eligible to retire with reduced 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

NOTES TO THE FINANCIAL STATEMENTS

members of the General Assembly who die while in active service. The beneficiary will receive a return of the member's contributions with interest. If the member dies while in active service after 12 years of creditable service or after reaching age 60 with five years of service, the surviving beneficiary may choose to receive a lifetime monthly benefit instead of a return of contributions with interest. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statutes 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 7% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate recommended by the consulting actuary. The annual contributions by the State in a given year when combined with the LRS assets in the pension accumulation fund at the beginning of the year may not be less than the projected retirement allowances and other expected benefits to be paid during that year. For the fiscal year ended June 30, 2024, the State's contractually required contribution was 20.65% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 2.04% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.27.(c) of Session Law 2023-134 and paid in October 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Defined Contribution Plans**9. SHERIFFS' SUPPLEMENTAL PENSION FUND**

Plan administration. This plan is a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. At June 30, 2024, there were 107 sheriffs, and zero beneficiaries 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, 2024, the Clerks remitted \$715 thousand and \$1.04 million was invoiced to the county governments, with \$803 thousand 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 NC 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 NC 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. Empower Retirement, LLC (Employer) began providing recordkeeping, administration, and education services after acquiring Prudential Retirement Insurance and Annuity Company on April 1, 2022. The full migration to the Empower platform was completed in the first quarter of calendar year 2024.

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 NC 401(k) Plan, are eligible to enroll in the NC 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 NC 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 NC 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, 2023, there were approximately 289,450 employees enrolled with 998 participating employers.

The NC 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 NC 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, 2023, are presented in this financial report as a pension and other employee benefit trust fund. The NC 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 NC 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.

NOTES TO THE FINANCIAL STATEMENTS

In addition to the voluntary contribution criteria above, General Statutes 143-166.30 and 143-166.50 require employer contributions to the NC 401(k) Plan to provide benefits for all law enforcement officers (LEOs) employed by State and local governments. Participation begins at the date of employment. Employers are required to contribute monthly to the individual accounts of participants an amount equal to 5% of each officer's monthly salary. In addition, State law enforcement officers receive a contribution into the NC 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, 2023, 54 state agencies and component units along with 434 local governmental units outside the reporting entity contributed the required 5%. In addition, five state agencies and 516 local government employers contributed to the NC 401(k) Plan on a voluntary basis. There were approximately 13,300 LEOs actively contributing to the NC 401(k) Plan and approximately 26,000 LEOs receiving employer contributions as of December 31, 2023.

The NC 401(k) Plan reported total member contributions of \$487.09 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2023, amounted to \$340.14 million for the State, \$37.72 million for universities, and \$10.12 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for \$17.01 million, by universities for \$1.89 million, and by the remaining component units, public schools and community colleges for \$506 thousand. In addition, the State contributed \$273 thousand for required court cost assessments. The amount of pension expense recognized in the current fiscal year is equal to the employer contributions.

The NC 401(k) Plan discloses a related party transaction in Note 20 of this ACFR. The NC 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, 2024, the plan had 24,212 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 \$168.52 million for the fiscal year ended June 30, 2024. Annual covered payroll was \$2.46 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 \$147.82 million for the fiscal year ended June 30, 2024. The amount of pension expense recognized in the current fiscal year related to ORP was \$138.96 million. Forfeitures reduced the universities' pension expense by \$29.55 million for the fiscal year ended June 30, 2024. 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	252,036	85,027	15,263	108	850	294	4,825	1,217
Inactive plan members entitled to but not yet receiving benefits	226,099	108,697	99	-	70	120	2,500	-
Active plan members	<u>303,068</u>	<u>141,269</u>	<u>44,394</u>	<u>100</u>	<u>582</u>	<u>170</u>	<u>5,336</u>	<u>4,809</u>
	<u>781,203</u>	<u>334,993</u>	<u>59,756</u>	<u>208</u>	<u>1,502</u>	<u>584</u>	<u>12,661</u>	<u>6,026</u>
Valuation date	12-31-23	12-31-23	12-31-23	12-31-23	12-31-23	12-31-23	12-31-23	12-31-22

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, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	33%
Global Equity	38%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	<u>100%</u>

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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was:

	<u>Cost-Sharing, Multiple-Employer</u>				<u>Single-Employer</u>		
	<u>Teachers' and State Employees'</u>	<u>Local Governmental</u>	<u>Firefighters' and Rescue Squad</u>	<u>Registers of Deeds'</u>	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>North Carolina National Guard</u>
Money-weighted Rate of Return	8.18%	8.20%	8.17%	2.79%	8.17%	8.07%	8.07%

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, 2024, were as follows (dollars in thousands):

	<u>Cost-Sharing, Multiple-Employer</u>				<u>Single-Employer</u>		
	<u>Teachers' and State Employees'</u>	<u>Local Governmental</u>	<u>Firefighters' and Rescue Squad</u>	<u>Registers of Deeds'</u>	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>North Carolina National Guard</u>
Total pension liability	\$101,125,956	\$40,361,637	\$ 512,870	\$ 34,288	\$ 926,852	\$ 30,565	\$ 152,337
Plan fiduciary net position	86,309,278	33,620,166	527,010	45,811	718,371	29,419	179,931
Net pension liability (asset)	<u>\$ 14,816,678</u>	<u>\$ 6,741,471</u>	<u>\$ (14,140)</u>	<u>\$ (11,523)</u>	<u>\$ 208,481</u>	<u>\$ 1,146</u>	<u>\$ (27,594)</u>
Plan fiduciary net position as a percentage of the total pension liability	85.35%	83.30%	102.76%	133.61%	77.51%	96.25%	118.11%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2023, 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, 2024 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2023 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, 2022 valuation for the Special Separation Allowance were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Governmental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
	(1)	(1)		(1)	(1)	(1)	
Valuation date	12/31/23	12/31/23	12/31/23	12/31/23	12/31/23	12/31/23	12/31/23
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

Benefit recipients of the TSERS, CJRS, and LRS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2023, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2024. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (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	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30 year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return

NOTES TO THE FINANCIAL STATEMENTS

expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

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, 2023 valuation. The 6.5% discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plans' net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the plans at June 30, 2024 calculated using the discount rate of 6.5% (3% for RODSPF), as well as what the net pension liability (asset) 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's net pension liability	\$ 27,179,553	\$ 14,816,678	\$ 4,621,676
LGERS's net pension liability	11,946,084	6,741,471	2,459,961
FRSWPF's net pension liability (asset)	50,992	(14,140)	(67,380)
<u>Single-Employer</u>			
CJRS's net pension liability	\$ 307,902	\$ 208,481	\$ 123,944
LRS's net pension liability (asset)	3,992	1,146	(1,285)
NCNG's net pension asset	(10,984)	(27,594)	(41,180)
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
<u>Cost-Sharing, Multiple-Employer</u>			
RODSPF's net pension asset	\$ (7,635)	\$ (11,523)	\$ (14,798)

NOTES TO THE FINANCIAL STATEMENTS**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, 2024 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	Total
Primary Government	\$ 742,441	\$ 20,052	\$ 35,574	\$ 748	\$ 798,815
Component Units					
University of North Carolina System	\$ 503,969	\$ —	\$ —	\$ —	\$ 503,969
Community Colleges	188,162	—	—	—	188,162
Other Component Units	7,047	—	—	—	7,047
Total Contributions	<u>\$ 1,441,619</u>	<u>\$ 20,052</u>	<u>\$ 35,574</u>	<u>\$ 748</u>	<u>\$ 1,497,993</u>

For the year ended June 30, 2024, Session Law 2023-134 Section 2.1.(a) did not appropriate contributions to the North Carolina National Guard pension plan.

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

As of June 30, 2024, 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	\$ 3,662,113	\$ 2,580,319	\$ 937,035	\$ 32,922
Firefighters' and Rescue Squad	9,309	—	—	—
Consolidated Judicial	201,054	—	—	—
Legislative	1,685	—	—	—
Pension Liability				
Special Separation Allowance	336,876	—	—	—
Total Pension Liability	<u>\$ 4,211,037</u>	<u>\$ 2,580,319</u>	<u>\$ 937,035</u>	<u>\$ 32,922</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, 2024, Rex Healthcare had a net pension liability of \$118.951 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, 2024, Centennial Authority had a net pension liability of \$184 thousand.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2024, the primary government reported a net pension asset of \$32.02 million for the North Carolina National Guard defined benefit pension plan that is administered by the State.

Each net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate each net pension liability was determined by an actuarial valuation as of December 31, 2022. Update procedures were used to roll forward the total pension liability to June 30, 2023. 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.

For SSA, the primary government's pension liability was measured as of June 30, 2023. The total pension liability was determined by an actuarial valuation as of December 31, 2022. Update procedures were used to roll forward the total pension liability to June 30, 2023. The discount rate used to measure the total pension liability was 3.65% at June 30, 2023. The economic assumptions used for the discount rate are based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

The primary government's and component units' proportions of the collective net pension liability for the Teachers' and State Employees' Retirement System as of June 30, 2023 and 2022 were as follows:

	Component Units			
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Teachers' and State Employees' Retirement System				
Proportion – June 30, 2023	21.97%	15.48%	5.62%	0.20%
Proportion – June 30, 2022	22.29%	14.91%	5.53%	0.19%
Change – Increase (Decrease)	(0.32)	0.57	0.09	0.01

For the year ended June 30, 2024, the primary government and component units recognized pension expense for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

	Component Units			
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Pension Expense				
Teachers' and State Employees' Retirement System	\$ 991,730	\$ 679,987	\$ 244,741	\$ 9,426
Consolidated Judicial	59,787	–	–	–
Legislative	1,044	–	–	–
Special Separation Allowance	43,816	–	–	–
Total Pension Expense	<u>\$ 1,096,377</u>	<u>\$ 679,987</u>	<u>\$ 244,741</u>	<u>\$ 9,426</u>

As a result of its requirement to contribute, the primary government recognized expense of \$9.65 million for FRSWPF and \$(13.95) million for NCNG for the year ended June 30, 2024. 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, 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2024, 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	\$ 298,521	\$ 154	\$ 35,186	\$ —	\$ —	\$ 48,289	\$ 382,150
Changes of assumptions	128,624	1,629	11,654	—	—	29,042	170,949
Net difference between projected and actual earnings on pension plan investments	1,019,915	28,226	39,206	1,690	10,033	—	1,099,070
Change in proportion and differences between agency's contributions and proportionate share of contributions	400,302	—	—	—	—	—	400,302
Contributions subsequent to the measurement date	742,441	20,052	35,574	748	—	—	798,815
Transactions subsequent to the measurement date	—	—	—	—	—	25,005	25,005
Total	<u>\$ 2,589,803</u>	<u>\$ 50,061</u>	<u>\$ 121,620</u>	<u>\$ 2,438</u>	<u>\$ 10,033</u>	<u>\$ 102,336</u>	<u>\$ 2,876,291</u>
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	\$ 210,357						
Changes of assumptions	90,617						
Net difference between projected and actual earnings on pension plan investments	718,618						
Change in proportion and differences between agency's contributions and proportionate share of contributions	57,405						
Contributions subsequent to the measurement date	503,969						
Total ⁽¹⁾	<u>\$ 1,580,966</u>						
Community Colleges							
Difference between actual and expected experience	\$ 76,391						
Changes of assumptions	32,907						
Net difference between projected and actual earnings on pension plan investments	260,964						
Change in proportion and differences between agency's contributions and proportionate share of contributions	20,284						
Contributions subsequent to the measurement date	188,162						
Total	<u>\$ 578,708</u>						
Other Component Units							
Difference between actual and expected experience	\$ 2,684						
Changes of assumptions	1,156						
Net difference between projected and actual earnings on pension plan investments	9,169						
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,696						
Contributions subsequent to the measurement date	7,047						
Total ⁽²⁾	<u>\$ 21,752</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 outflows of resources of Rex's retirement plan are excluded from the above amounts. At June 30, 2024, Rex Healthcare had deferred outflows of resources of \$31.468 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, 2024, Centennial Authority had deferred outflows of resources of \$137 thousand.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2024, 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	\$ 27,031	\$ 8,112	\$ —	\$ 46	\$ 4,647	\$ —	\$ 39,836
Changes of assumptions	—	958	—	—	—	23,940	24,898
Change in proportion and differences between agency's contributions and proportionate share of contributions	380,179	—	—	—	—	—	380,179
Total	<u>\$ 407,210</u>	<u>\$ 9,070</u>	<u>\$ —</u>	<u>\$ 46</u>	<u>\$ 4,647</u>	<u>\$ 23,940</u>	<u>\$ 444,913</u>
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	\$ 19,044						
Change in proportion and differences between agency's contributions and proportionate share of contributions	22,508						
Total ⁽¹⁾	<u>\$ 41,552</u>						
Community Colleges							
Difference between actual and expected experience	\$ 6,916						
Change in proportion and differences between agency's contributions and proportionate share of contributions	9,740						
Total	<u>\$ 16,656</u>						
Other Component Units							
Difference between actual and expected experience	\$ 243						
Change in proportion and differences between agency's contributions and proportionate share of contributions	84						
Total ⁽²⁾	<u>\$ 327</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, 2024, Rex Healthcare had deferred inflows of resources of \$5.193 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, 2024, Centennial Authority had deferred inflows of resources of seven 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, 2025. 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
2025	\$ 491,784	\$ 338,508	\$ 123,120	\$ 4,914
2026	244,330	188,442	68,549	2,896
2027	660,418	477,799	171,074	6,176
2028	43,620	30,696	11,147	392

Other Plans

Year Ending June 30	Primary Government				
	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
2025	\$ 3,499	\$ 35,992	\$ 376	\$ 253	\$ 19,000
2026	1,598	19,450	271	(527)	13,597
2027	14,653	28,910	920	5,207	10,373
2028	1,189	1,694	77	453	6,107
2029	—	—	—	—	2,741
Thereafter	—	—	—	—	1,573

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, 2024, 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	<u>\$ 15,203,393</u>	<u>\$ 7,474,058</u>	<u>\$ 22,677,451</u>	<u>\$ 1,131,592</u>
Effect on unrestricted net position				
TSERS	\$ (1,457,889)	\$ (21,631)	\$ (1,479,520)	\$ (1,427,385)
FRSWPF	31,682	—	31,682	—
CJRS	(79,434)	—	(79,434)	—
LRS	707	—	707	—
SSA	(258,480)	—	(258,480)	—
Total effect on unrestricted net position	<u>\$ (1,763,414)</u>	<u>\$ (21,631)</u>	<u>\$ (1,785,045)</u>	<u>\$ (1,427,385)</u>
Restricted net position	<u>\$ 2,049,919</u>	<u>\$ 181,140</u>	<u>\$ 2,231,059</u>	<u>\$ 12,913,178</u>
Effect on restricted net position				
NCNG	\$ 37,401	\$ —	\$ 37,401	\$ —
Total effect on restricted net position	<u>\$ 37,401</u>	<u>\$ —</u>	<u>\$ 37,401</u>	<u>\$ —</u>

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability in the December 31, 2022 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	12/31/22	12/31/22	12/31/22	12/31/22	12/31/22	12/31/22
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary Increases	3.25-8.05%	N/A	3.25-4.75%	3.25%	N/A	3.25% - 8.05%
Investment Rate of Return (2)	6.5%	6.5%	6.5%	6.5%	6.5%	N/A

(1) - Salary increases include 3.25% 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 0.75% 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, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>Net Pension Liability (Asset)</u>		
	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Teachers' and State Employees' Proportionate Share			
Primary Government	\$ 6,286,986	\$ 3,662,113	\$ 1,496,674
University of North Carolina System	4,429,801	2,580,319	1,054,554
Community Colleges	1,608,670	937,035	382,959
Other Component Units	56,520	32,922	13,455
Firefighters' and Rescue Squad	\$ 73,581	\$ 9,309	\$ (43,243)
Consolidated Judicial	\$ 294,847	\$ 201,054	\$ 121,206
Legislative	\$ 4,515	\$ 1,685	\$ (736)
North Carolina National Guard	\$ (14,784)	\$ (32,015)	\$ (46,119)

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 3.65%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate (dollars in thousands):

	<u>Total Pension Liability</u>		
	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
Special Separation Allowance	\$ 361,394	\$ 336,876	\$ 314,355

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, 2024 (dollars in thousands):

	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>Special Separation Allowance</u>
Total pension liability			
Service Cost	\$ 15,796	\$ 797	\$ 12,157
Interest	53,741	1,933	10,571
Changes of benefit terms	2,197	94	-
Differences between expected and actual experience	29,934	(92)	29,688
Changes of assumptions	-	-	(2,597)
Benefit payments, including refunds of member contributions	(57,587)	(2,449)	(23,139)
Net change in total pension liability	<u>44,081</u>	<u>283</u>	<u>26,680</u>
Total pension liability - beginning (a)	<u>839,335</u>	<u>30,150</u>	<u>310,196</u>
Total pension liability - ending (c)	<u>\$ 883,416</u>	<u>\$ 30,433</u>	<u>\$ 336,876</u>
Plan fiduciary net position			
Contributions-employer	\$ 34,952	\$ 901	\$ —
Contributions-member	6,103	259	—
Net investment income	34,201	1,441	—
Benefit payments, including refunds of member contributions	(57,587)	(2,449)	—
Administrative expense	(71)	(23)	—
Other	-	(1)	—
Net change in plan fiduciary net position	<u>17,598</u>	<u>128</u>	<u>—</u>
Plan fiduciary net position - beginning (b)	<u>664,764</u>	<u>28,620</u>	<u>—</u>
Plan fiduciary net position - ending (d)	<u>\$ 682,362</u>	<u>\$ 28,748</u>	<u>\$ —</u>
Net pension liability - beginning (a) - (b)	<u>174,571</u>	<u>1,530</u>	<u>—</u>
Net pension liability - ending (c) - (d)	<u>\$ 201,054</u>	<u>\$ 1,685</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 NC 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 NC 457 Plan according to the plan document, the North Carolina General Statutes, and Internal Revenue Code (IRC) Section 457, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Empower Retirement (Empower) to perform recordkeeping, administration, and education services. Empower began providing these services after acquiring Prudential Retirement Insurance and Annuity Company on April 1, 2022. The full migration to the Empower platform was completed in the first quarter of calendar year 2024. At December 31, 2023, there were approximately 57,220 plan members with 612 employers adopting the NC 457 Plan.

The NC 457 Plan is a defined contribution plan. Benefits of the NC 457 Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. The assets of the NC 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 NC 457 Plan are the responsibility of the plan participants.

The audited statements for the year ended December 31, 2023 are presented in this financial report as a pension and other employee benefit trust fund. The NC 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 NC 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 NC 457 Plan discloses a related party transaction in Note 20 of this ACFR. The NC 457 Plan's investment risks are described in Note 3.

2. IRC SECTION 403(B) PLAN

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, 2023, there were 16,202 employees participating in the plan. No direct costs are incurred by the State.

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, 2024, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
Local governments	11
	<u>265</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 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. For the fiscal year ended June 30, 2024, the State and the other employers contributed the legislatively mandated 7.14% 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, 2024, the number of participating employers was as follows:

State of North Carolina	1
LEAs	116
Charter Schools	55
Community Colleges	58
University of North Carolina System	19
Other Component Units	<u>5</u>
	<u>254</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, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System (TSERS) or the University Employees' Optional Retirement Program, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from the TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age. A member who is a law enforcement officer is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 55 and completing five years of creditable service as an officer, or (2) at any age with 30 years of creditable service.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Contributions Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2024, the State and the other employers made a statutory contribution of 0.11% 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	253,687	N/A
Disabled members and survivors of deceased		
members currently receiving benefits	N/A	3,820
Terminated members entitled to but not yet		
receiving benefits	55,907	-
Active members	<u>260,967</u>	<u>320,953</u>
Total	<u><u>570,561</u></u>	<u><u>324,773</u></u>
Date of valuation	<i>12/31/23</i>	<i>12/31/23</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, 2024 as described in Note 3. The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	33%
Global Equity	38%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	<u><u>100%</u></u>

Rate of return. For the year ended June 30, 2024, 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	6.74%	2.76%

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, 2024, were as follows (dollars in thousands):

	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Total OPEB liability	\$ 37,702,714	\$ 219,683
Plan fiduciary net position	<u>3,690,125</u>	<u>252,609</u>
Net OPEB liability (asset)	<u><u>\$ 34,012,589</u></u>	<u><u>\$ (32,926)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	114.99%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions. The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, 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, 2024 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
	(1)	(1)
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases	3.25% to 8.05%	3.25% - 8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates (3)	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative (3)	3%	N/A

(1) - Salary increases include 3.25% inflation and productivity factor

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

(3) - Disability Income Plan of NC eliminated employer reimbursements from the plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2024 (see the discussion of the OPEB plans' investment policy in Section D) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024, is 2.76%.

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. The RHBF is funded solely by employer contributions and 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, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount rate. The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2024 and at June 30, 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the plans at June 30, 2024, as well as what each plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollars in thousands):

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF net OPEB liability	\$ 40,466,179	\$ 34,012,589	\$ 28,830,921

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC net OPEB asset	\$ (29,359)	\$ (32,926)	\$ (36,675)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the plans, as well as what each plan's net OPEB liability 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% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6% Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7% Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8% Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF net OPEB liability	\$ 28,074,951	\$ 34,012,589	\$ 41,700,675

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

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, 2024 (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government	\$ 405,234	\$ 4,621	\$ 409,855
Component Units			
University of North Carolina System	\$ 386,884	\$ 5,956	\$ 392,840
Community Colleges	75,439	1,179	76,618
Other Component Units	2,953	45	2,998
Total Contributions	<u>\$ 870,510</u>	<u>\$ 11,801</u>	<u>\$ 882,311</u>

In fiscal year 2023, the State Health Plan (the Plan) transferred \$35 million to the Retiree Health Benefit Fund as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, 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	\$ 6,965	\$ 8,877	\$ 1,702	\$ 59

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

As of June 30, 2024, the primary government and component units reported net OPEB liabilities 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	\$ 5,300,543	\$ 6,757,009	\$ 1,295,344	\$ 44,999
Disability Income Plan of N.C.	5,085	6,981	1,292	46
	<u>\$ 5,305,628</u>	<u>\$ 6,763,990</u>	<u>\$ 1,296,636</u>	<u>\$ 45,045</u>

NOTES TO THE FINANCIAL STATEMENTS

Each net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate each net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Update procedures were used to roll forward the total OPEB liability to June 30, 2023. For RHBF and DIPNC, the primary government's and each component unit's proportion of the collective net OPEB 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 OPEB liability 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 Disability Income Plan of N.C. as of June 30, 2023 and 2022 were as follows:

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Retiree Health Benefit Fund				
Proportion – June 30, 2023	19.89%	25.36%	4.86%	0.17%
Proportion – June 30, 2022	19.96%	25.31%	4.76%	0.17%
Change – Increase (Decrease)	(0.07)	0.05	0.10	0.00
Disability Income Plan of N.C.				
Proportion – June 30, 2023	19.12%	26.25%	4.86%	0.17%
Proportion – June 30, 2022	19.45%	25.52%	4.79%	0.17%
Change – Increase (Decrease)	(0.33)	0.73	0.07	0.00

For the fiscal year ended June 30, 2024, 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	\$ (39,450)	\$ 38,441	\$ (26,227)	\$ 1,950
Disability Income Plan of N.C.	7,429	9,469	1,888	68
Total OPEB Expense	<u>\$ (32,021)</u>	<u>\$ 47,910</u>	<u>\$ (24,339)</u>	<u>\$ 2,018</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2024, 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):

	<u>Deferred Outflows 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	\$ 58,369	\$ 4,456	\$ 62,825
Changes of assumptions	574,201	371	574,572
Net difference between projected and actual earnings on OPEB plan investments	42,344	6,641	48,985
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,578,318	2,715	1,581,033
Contributions subsequent to the measurement date	405,234	4,621	409,855
Total	<u>\$ 2,658,466</u>	<u>\$ 18,804</u>	<u>\$2,677,270</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ 74,408	\$ 6,118	\$ 80,526
Changes of assumptions	731,990	509	732,499
Net difference between projected and actual earnings on OPEB plan investments	53,978	9,118	63,096
Change in proportion and differences between agency's contributions and proportionate share of contributions	286,424	587	287,011
Contributions subsequent to the measurement date	386,884	5,956	392,840
Total	<u>\$ 1,533,684</u>	<u>\$ 22,288</u>	<u>\$1,555,972</u>
Community Colleges			
Difference between actual and expected experience	\$ 14,264	\$ 1,132	\$ 15,396
Changes of assumptions	140,325	94	140,419
Net difference between projected and actual earnings on OPEB plan investments	10,348	1,688	12,036
Change in proportion and differences between agency's contributions and proportionate share of contributions	80,862	381	81,243
Contributions subsequent to the measurement date	75,439	1,179	76,618
Total	<u>\$ 321,238</u>	<u>\$ 4,474</u>	<u>\$ 325,712</u>
Other Component Units			
Difference between actual and expected experience	\$ 496	\$ 40	\$ 536
Changes of assumptions	4,875	3	4,878
Net difference between projected and actual earnings on OPEB plan investments	359	60	419
Change in proportion and differences between agency's contributions and proportionate share of contributions	6,079	24	6,103
Contributions subsequent to the measurement date	2,953	45	2,998
Total	<u>\$ 14,762</u>	<u>\$ 172</u>	<u>\$ 14,934</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2024, 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	\$ 5,194	\$ 2,816	\$ 8,010
Changes of assumptions	1,414,204	868	1,415,072
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>1,445,737</u>	<u>2,033</u>	<u>1,447,770</u>
Total	<u>\$ 2,865,135</u>	<u>\$ 5,717</u>	<u>\$ 2,870,852</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ 6,621	\$ 3,867	\$ 10,488
Changes of assumptions	1,802,715	1,192	1,803,907
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>203,100</u>	<u>1,203</u>	<u>204,303</u>
Total	<u>\$ 2,012,436</u>	<u>\$ 6,262</u>	<u>\$ 2,018,698</u>
Community Colleges			
Difference between actual and expected experience	\$ 1,269	\$ 716	\$ 1,985
Changes of assumptions	345,587	221	345,808
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>69,396</u>	<u>112</u>	<u>69,508</u>
Total	<u>\$ 416,252</u>	<u>\$ 1,049</u>	<u>\$ 417,301</u>
Other Component Units			
Difference between actual and expected experience	\$ 44	\$ 25	\$ 69
Changes of assumptions	12,005	8	12,013
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>995</u>	<u>13</u>	<u>1,008</u>
Total	<u>\$ 13,044</u>	<u>\$ 46</u>	<u>\$ 13,090</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, 2025. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (dollars in thousands):

Retiree Health Benefit Fund

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
		2025	\$ (232,521)	\$ (313,980)
2026	(316,503)	(444,815)	(85,714)	(1,140)
2027	(150,524)	(224,456)	(30,832)	(499)
2028	87,645	117,615	28,793	831

Disability Income Plan of N.C.

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
		2025	\$ 2,834	\$ 3,160
2026	1,784	1,904	451	18
2027	2,417	3,058	637	21
2028	936	1,025	261	8
2029	305	506	113	3
Thereafter	190	417	64	4

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	<u>\$ 15,203,393</u>	<u>\$ 7,474,058</u>	<u>\$ 22,677,451</u>	<u>\$ 1,131,592</u>
Effect on unrestricted net position				
RHBF	\$ (5,425,338)	\$ (81,878)	\$ (5,507,216)	\$ (8,669,220)
DIPNC	7,877	125	8,002	11,258
Total effect on unrestricted net position	<u>(5,417,461)</u>	<u>(81,753)</u>	<u>(5,499,214)</u>	<u>(8,657,962)</u>

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total OPEB liability in the December 31, 2022 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	12/31/22	12/31/22
Inflation	2.5%	2.5%
Salary Increases	3.25% - 8.05%	3.25% -8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates (3)	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative (3)	3%	N/A

(1) - Salary increases include 3.25% inflation and productivity factor

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

(3) - Disability Income Plan of NC eliminated employer reimbursements from the plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The 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, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33%	0.9%
Global Equity	38%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	8.2%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the primary government's and component units' net OPEB liability calculated using the discount rate, as well as what the proportionate share of the net OPEB liability 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>(2.65%)</u>	Discount Rate (3.65%)	1% Increase <u>(4.65%)</u>
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 6,253,001	\$ 5,300,543	\$ 4,524,832
University of North Carolina System	7,971,177	6,757,009	5,768,148
Community Colleges	1,528,105	1,295,344	1,105,776
Other Component Units	53,085	44,999	38,414

	<u>Net OPEB Liability</u>		
	Current		
	1% Decrease <u>(2%)</u>	Discount Rate (3%)	1% Increase <u>(4%)</u>
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	\$ 6,112	\$ 5,085	\$ 4,038
University of North Carolina System	8,392	6,981	5,544
Community Colleges	1,553	1,292	1,026
Other Component Units	55	46	36

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the primary government's and component units' net OPEB liability calculated using the healthcare cost trend rates, as well as what the proportionate share of the net OPEB liability 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% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 4,376,075	\$ 5,300,543	\$ 6,492,629
University of North Carolina System	5,578,516	6,757,009	8,276,649
Community Colleges	1,069,423	1,295,344	1,586,665
Other Component Units	37,151	44,999	55,120

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

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 58, Article 31A, 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 must 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 72 out of 123 LEAs and 32 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>2024</u>	<u>2023</u>
Unpaid claims at beginning of year	\$ 5,056	\$ 8,119
Incurred claims:		
Provision for insured events		
of the current year	917	2,156
Increases (decreases) in provision		
for insured events of prior years	195	(1,706)
Total incurred claims	<u>1,112</u>	<u>450</u>
Payments:		
Claims attributable to insured		
events of the current year	998	904
Claims attributable to insured		
events of the prior years	1,207	2,609
Total payments	<u>2,205</u>	<u>3,513</u>
Total unpaid claims at end		
of the year	<u>\$ 3,963</u>	<u>\$ 5,056</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 \$200 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 \$200 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, 2024, there were claims for reinsurance. There were no premium

NOTES TO THE FINANCIAL STATEMENTS

deficiencies in fiscal year 2024 that resulted in a 20% rate increase of the excess reinsurance. Investment income was not considered in the determination of premium deficiencies.

B. Employee Benefit Plans

1. State Health Plan

In accordance with Chapter 135, Article 3B, Part 1, of the General Statutes, the State established the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan). The Plan provides comprehensive healthcare benefits for employees and retirees of the State and its participating component units, as well as their qualified dependents on a contributory basis. These benefits are extended to employees and retirees of the Local Education Agencies (LEAs), and other employing units allowed by statute, which are not part of the State's reporting entity.

The Plan is reported as a major component unit. Coverage for active employees, non-Medicare retirees, and some Medicare retirees is self-funded. Medicare retirees also had the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options in Calendar Year 2023 and in Calendar Year 2024. 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 another 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
2022-23	\$ 409,058	\$ 3,961,616	\$ (3,955,641)	\$ 415,033
2023-24	415,033	3,990,700	(4,036,855)	368,878

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, 2023 to June 30, 2024, 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 2023 to June 2024.

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
2022-23	\$ 3,599	\$ 76,722	\$ (76,132)	\$ 4,189
2023-24	4,189	59,623	(57,931)	5,881

3. Disability Income Plan of North Carolina

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a pension and other employee benefit trust fund, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina System, community colleges, certain participating proprietary component units and the University Employees' Optional Retirement Program. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Short-term benefits are payable after a waiting period of 60 continuous calendar days from the onset of disability. The 60 day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day following at least 365 calendar days of employment as a State teacher or State employee, whichever is later. Short-term benefits are provided to currently active employees and the related liability is not measurable. Short-term benefits during the initial short-term disability period are payable by the employer outside of DIPNC, for a period of up to 365 days following the waiting period. 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 another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

C. Other Risk Management and Insurance Activities**1. Automobile, Fire and Other Property Losses**

The State is required by Chapter 58, Article 31, Part 50, of the General Statutes to provide liability insurance on every state-owned motor vehicle, which includes vehicles held by the State's participating component units. The State is self-insured for the first \$1 million of any loss through a retrospective rated plan. The plan purchases excess insurance through a private insurer to cover losses greater than \$1 million up to \$10 million per occurrence. Covered losses include those that occur with vehicles that are not on a stationary track or rail, and federal vehicles when the Governor calls out the National Guard.

Agencies of the State and participating component units using state cars are charged premiums to cover the cost of the excess insurance and to pay for those losses falling under the self-insured retention. Premiums charged are also based on the projected losses to be incurred. The private insurer processes all claims and sets up a reserve for amounts expected to be paid for claims. Claims are paid by the private insurer after they are approved by the Attorney General's Office. Settled claims have not exceeded coverage in any of the past three fiscal years.

The State Property Fire Insurance Fund (the Fund), an internal service fund of the State, was created by Chapter 58, Article 31, of the General Statutes. The Fund insures State owned buildings and contents for fire, extended coverage, and other property losses. The Fund does not charge premiums for fire insurance for operations that are supported by the State's General Fund. Those operations that are not supported by the State's General Fund are charged for fire coverage. Agencies of the State can purchase extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft, and "all risk" for buildings and contents through the Fund. For those that elect to receive any of this other coverage, the Fund charges premiums. The Fund insures losses up to \$10 million per occurrence. All losses covered by the Fund are subject to varying deductible per occurrence. Deductible selections lead annual rate and premium costs.

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

NOTES TO THE FINANCIAL STATEMENTS

\$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 (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022-23	\$ 35,889	\$ 14,850	\$ (21,501)	\$ 29,238
2023-24	21,129	—	(8,987)	12,142

2. Medical Malpractice Protection**a. Professional Liability Insurance for State Medical Personnel**

Agencies of the State and participating component units are insured under the State Tort Claims Act, Chapter 143, Article 31, of the General Statutes. This act allows partial waiver of sovereign immunity up to \$1 million that the State may pay cumulatively to all claimants on account of injury and damage to any one person arising out of a single occurrence. The State has purchased commercial liability insurance for state employees which is in excess over recovery from the Tort Claims Act and Defense of State Employees Act; however, claims involving medical malpractice are generally excluded from this coverage.

The University of North Carolina at Chapel Hill Medical School and UNC Hospitals participate in the Liability Insurance Trust Fund, which is described in detail below. East Carolina University (ECU) provides medical malpractice insurance for the Brody School of Medicine faculty physicians and independently licensed allied health providers. There is a shared blanket policy for all other employees of the ECU Physicians. The medical malpractice insurance is with a private insurance company with coverage of \$3 million per occurrence, \$5 million annual aggregate, and a \$200,000 deductible; as well as an excess policy in the amount of \$10 million. All other universities purchase medical professional liability insurance.

Chapter 237, Section 11.33, of the 1999 Session Laws of North Carolina authorized the Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety to provide medical liability coverage on behalf of employees licensed to practice medicine or dentistry; all licensed physicians who are faculty members of the University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of medical residents from the University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. The extent of coverage is a maximum of \$1 million for each individual incident and does not affect current coverage under the State Tort Claims Act. The Department of Health and Human Services, the Department of Environmental Quality, and the Department of Public Safety purchase commercial professional liability insurance for their medical staff. Settled claims have not exceeded coverage in any of the past three fiscal years.

Insurance coverage varies depending upon the amount of coverage and the type of policy. Typically the amount of primary coverage for medical liability is \$1 million per individual, claim, or incidence, and \$3 million total or aggregate. Some departments and institutions have purchased higher limits to provide additional coverage above that provided by the primary policy for medical liability. The policies are written on a claims made or occurrence basis, with the majority of the policies being claims made. The claims liabilities are not measurable.

b. Self-Insurance through the Liability Insurance Trust Fund

The Liability Insurance Trust Fund (Trust Fund) is an unincorporated entity created by Chapter 116, Article 26, of the General Statutes and the University of North Carolina Board of Governors Resolution of June 9, 1978. The Trust Fund is a self-insurance program established to provide professional medical malpractice liability covering the University of North Carolina Hospitals at Chapel Hill (the Hospitals) and the University of North Carolina at Chapel Hill Faculty Physicians (UNCFP). The Trust Fund provides coverage for program participants and individual health care practitioners working as employees, agents, or officers of program participants. The Trust Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance. Coverage is self-funded by contributions from participants and investment income. Contributions are based on the actuarially determined funding level for a given plan year.

For the periods ending June 30, 2023 and June 30, 2024, 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,

NOTES TO THE FINANCIAL STATEMENTS

2023 and June 30, 2024, 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, 2024, 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 \$27.247 million and \$31.607 million are the present values of the aggregate actuarially determined claims liabilities of \$28.629 million and \$33.409 million, discounted at 2.5% at June 30, 2023 and 2.5% at June 30, 2024.

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 (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022-23	\$ 26,765	\$ 7,713	\$ (4,728)	\$ 29,750
2023-24	27,247	11,132	(6,772)	31,607

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 \$2 million excess insurance per person over the \$1 million statutory limit payable for any one claim under the State Tort Claims Act. The policy aggregate limit is \$10 million. 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 to a private insurer through the State's Agent of Record. 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 available for agencies of the State and its component units with a limit of \$5 million per occurrence, subject to a \$100,000 deductible. This coverage is placed on a master policy and is handled by the Office of State Fire Marshal. Agencies of the State and its component units are charged premiums by the private insurance company and pays through the State's Agent of Record. 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 (excluding Department of Public Instruction (DPI) 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 DPI and Local Education Agencies' (LEAs) employees.

The State and its component units are self-insured for workers' compensation liabilities. The OSHR and DPI programs separately contract with third party administrators and other vendors to handle their program's respective claims. Workers' compensation budgets for most state agencies and participating component units are based on the prior year's loss experience. Workers' compensation liabilities are

NOTES TO THE FINANCIAL STATEMENTS

recognized when probable and reasonably estimated. This liability is presented as a component of the Governmental Activities and University of North Carolina System Long-Term Liabilities.

The third party administrators receive claim administration fees and draw down funds daily to make medical and indemnity payments on behalf of the State in accordance with the North Carolina Workers’ Compensation Act, Chapter 97 of the General Statutes. Each state agency and participating component unit is billed for claims costs and administrative fees by their respective third party administrator. State agencies and participating component units contribute to a fund administered by the Office of the State Controller (OSC) to cover their workers’ compensation claims. This fund is reported in the general fund.

An injury is covered if it is caused by an injury by accident or specific traumatic incident (back injuries only) that arose out of and in the course and scope of employment as defined by Chapter 97, the North Carolina Workers’ Compensation Act. Also, certain occupational diseases specifically designated in state law are compensable. The employee has the responsibility to claim compensation. If the injured employee or his representative does not notify the employer within thirty (30) days from the date of injury, the employer may have a defense to the claim. A claim must be filed with the North Carolina Industrial Commission (NCIC), the governing body that administers the Workers’ Compensation Act, within two years from the date of knowledge thereof; otherwise, the claim may be barred by law. When an employee sustains a compensable injury, the employer’s primary responsibilities are to direct medical treatment and pay all benefits due. The employer tries to provide the best possible medical care for injured employees to help them reach maximum medical improvement and return to work as soon as possible.

Losses payable by these programs include indemnity compensation, medical expenses, permanent bodily injury ratings, and death benefits as well as administrative costs. Indemnity compensation and permanent bodily injury ratings are payable based on 66 2/3% of an employee’s average weekly wages subject to a statutory minimum and annually adjusted maximum compensation rate established per statute by the NCIC. The NCIC is also statutorily required to establish a medical fee schedule that sets maximum reimbursement rates for included medical treatment. Death benefits are payable for 500 weeks at 66 2/3% of an employee’s average weekly wages. In certain circumstances, death benefits may be extended beyond 500 weeks.

The following schedule shows the changes in the reported liability for the past two fiscal years for the OSHR and DPI programs (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022-23	\$ 704,116	\$ 96,402	\$ (134,874)	\$ 665,644
2023-24	665,644	223,633	(240,939)	648,338

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 Office of State Fire Marshal through a service contract with a third-party administrator, with oversight by the State Fire and Rescue Commission (the Commission). 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 ten percent (10%) of the net proceeds of the gross premium tax pursuant to General Statute 105-228.5(d)(3), and 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 Office of the State Fire Marshal and is paid by the eligible units to the Office of State Fire Marshal 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. Pursuant to Section 30.5 of Session Law 2023-134, as amended by Section 11.49(d) of Session Law 2023-151, the State Fire Marshal shall not set an amount to be paid by every eligible unit and eligible entity that elects to participate in the Fund. For the 2023-2024 fiscal year and the 2024-2025 fiscal year, no eligible unit or eligible entity shall be required to submit to the State Fire Marshal any payment to participate in the Fund. As of June 30, 2024, the Fund consisted of 1,110 eligible units representing approximately 43,932 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

NOTES TO THE FINANCIAL STATEMENTS

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, 2024, there was no reduction for subrogation.

Acquisition costs consist of commission payments to independent insurance agents for marketing, promotional and administrative assistance with policy maintenance to eligible units. As coverage is renewed annually, acquisition costs are not amortized.

The 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
2022-23	\$ 18,794	\$ 8,083	\$ (6,790)	\$ 20,087
2023-24	20,380	8,525	(8,631)	20,274

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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, 2024 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

(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	\$ 207,112	\$ 896	\$ 542	\$ 465	\$ 895	\$ 125,389
Investments:						
Collective investment funds	-	-	-	-	-	-
Synthetic guaranteed investment contracts	-	-	-	-	-	-
State Treasurer investment pool	85,875,589	714,072	28,772	526,539	179,027	33,387,566
Non-State Treasurer pooled investments	-	-	-	-	-	-
Securities lending collateral	922,457	7,613	354	5,602	1,974	363,723
Receivables:						
Accounts receivable	4,889	-	20	-	3	2,453
Intergovernmental receivable	-	-	-	-	-	-
Interest receivable	1,695	9	3	7	6	669
Contributions receivable	110,121	-	83	-	-	104,676
Due from other funds	91,362	3,446	-	-	-	-
Due from component units	25,878	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	<u>87,239,103</u>	<u>726,036</u>	<u>29,774</u>	<u>532,613</u>	<u>181,905</u>	<u>33,984,476</u>
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	-	-	-	-	-	-
Benefits payable	1,282	9	-	1	-	560
Obligations under securities lending	922,457	7,613	354	5,602	1,974	363,723
Funds held for others	6,086	43	1	-	-	27
Total Liabilities	<u>929,825</u>	<u>7,665</u>	<u>355</u>	<u>5,603</u>	<u>1,974</u>	<u>364,310</u>
Net Position						
Restricted for:						
Pension benefits	86,309,278	718,371	29,419	527,010	179,931	33,620,166
Other postemployment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Total Net Position	<u>\$ 86,309,278</u>	<u>\$ 718,371</u>	<u>\$ 29,419</u>	<u>\$ 527,010</u>	<u>\$ 179,931</u>	<u>\$ 33,620,166</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>NC 401(k) Plan</u>	<u>NC 457 Plan</u>	<u>Death Benefit Plan of N.C.</u>	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>	<u>Sheriffs' Pension Fund</u>	<u>Register of Deeds' Supplemental Pension Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 11,198	\$ 1,279,906	\$ 2,125	\$ 1,084	\$ 102	\$ 1,629,714
43,876	7,926	-	-	-	-	-	51,802
2,012,662	363,562	-	-	-	-	-	2,376,224
-	-	426,904	2,332,754	230,291	-	45,631	123,747,145
12,098,998	1,525,637	-	-	-	-	-	13,624,635
-	-	1,029	142,663	189	100	9	1,445,713
2	-	-	636	19,259	-	-	27,262
-	-	-	-	-	240	-	240
-	-	42	4,592	9	5	1	7,038
8,771	471	791	30,390	465	-	77	255,845
-	-	503	28,247	426	-	-	123,984
-	-	142	13,600	210	-	-	39,830
255,458	20,636	-	-	-	-	-	276,094
<u>14,419,767</u>	<u>1,918,232</u>	<u>440,609</u>	<u>3,832,788</u>	<u>252,974</u>	<u>1,429</u>	<u>45,820</u>	<u>143,605,526</u>
1,322	239	72	-	-	-	-	1,633
-	-	5,881	-	92	-	-	7,825
-	-	1,029	142,663	189	100	9	1,445,713
-	-	-	-	84	-	-	6,241
<u>1,322</u>	<u>239</u>	<u>6,982</u>	<u>142,663</u>	<u>365</u>	<u>100</u>	<u>9</u>	<u>1,461,412</u>
14,418,445	-	-	-	-	1,329	45,811	135,849,760
-	-	-	3,690,125	252,609	-	-	3,942,734
-	1,917,993	433,627	-	-	-	-	2,351,620
<u>\$ 14,418,445</u>	<u>\$ 1,917,993</u>	<u>\$ 433,627</u>	<u>\$ 3,690,125</u>	<u>\$ 252,609</u>	<u>\$ 1,329</u>	<u>\$ 45,811</u>	<u>\$ 142,144,114</u>

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

For Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System
Additions						
Contributions:						
Employer Contributions	\$ 3,212,327	\$ 35,574	\$ 748	\$ -	\$ -	\$ 1,215,459
Members Contributions	1,106,850	6,715	253	2,571	-	574,906
Other contributions	217	-	-	20,052	-	-
Total contributions	<u>4,319,394</u>	<u>42,289</u>	<u>1,001</u>	<u>22,623</u>	<u>-</u>	<u>1,790,365</u>
Investment income:						
Investment earnings (loss)	6,827,581	56,981	2,341	41,989	14,413	2,653,414
Less investment expenses	(286,138)	(2,388)	(98)	(1,758)	(603)	(111,014)
Net investment income (loss)	<u>6,541,443</u>	<u>54,593</u>	<u>2,243</u>	<u>40,231</u>	<u>13,810</u>	<u>2,542,400</u>
Other additions:						
Fees, licenses, and fines	-	-	-	-	-	2,418
Interest earnings on loans	-	-	-	-	-	-
Miscellaneous	-	101	-	18	1	399
Total other additions	<u>-</u>	<u>101</u>	<u>-</u>	<u>18</u>	<u>1</u>	<u>2,817</u>
Total additions	<u>10,860,837</u>	<u>96,983</u>	<u>3,244</u>	<u>62,872</u>	<u>13,811</u>	<u>4,335,582</u>
Deductions						
Claims and benefits	5,658,003	60,257	2,450	31,124	9,279	1,836,237
Medical insurance premiums	-	-	-	-	-	-
Refund of contributions	125,533	674	107	174	-	77,286
Administrative expenses	16,461	43	16	1,003	327	6,783
Other deductions	616	-	-	1	1	207
Total deductions	<u>5,800,613</u>	<u>60,974</u>	<u>2,573</u>	<u>32,302</u>	<u>9,607</u>	<u>1,920,513</u>
Change in net position	5,060,224	36,009	671	30,570	4,204	2,415,069
Net position — July 1, as previously reported	<u>81,249,054</u>	<u>682,362</u>	<u>28,748</u>	<u>496,440</u>	<u>175,727</u>	<u>31,205,097</u>
Net position — June 30	<u>\$ 86,309,278</u>	<u>\$ 718,371</u>	<u>\$ 29,419</u>	<u>\$ 527,010</u>	<u>\$ 179,931</u>	<u>\$ 33,620,166</u>

NOTES TO THE FINANCIAL STATEMENTS

NC 401(k) Plan	NC 457 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
\$ 305,791	\$ 6,025	\$ 28,326	\$ 1,483,995	\$ 22,659	\$ 1,044	\$ 860	\$ 6,312,808
487,090	91,755	-	-	-	-	-	2,270,140
-	-	29,830	10,348	-	-	-	60,447
<u>792,881</u>	<u>97,780</u>	<u>58,156</u>	<u>1,494,343</u>	<u>22,659</u>	<u>1,044</u>	<u>860</u>	<u>8,643,395</u>
1,996,328	260,072	12,278	225,523	6,456	46	1,274	12,098,696
(18,307)	(2,377)	(137)	(9,584)	(70)	(2)	(12)	(432,488)
<u>1,978,021</u>	<u>257,695</u>	<u>12,141</u>	<u>215,939</u>	<u>6,386</u>	<u>44</u>	<u>1,262</u>	<u>11,666,208</u>
-	-	-	-	-	715	-	3,133
14,644	1,185	-	-	-	-	-	15,829
2,815	385	-	-	-	-	-	3,719
<u>17,459</u>	<u>1,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>715</u>	<u>-</u>	<u>22,681</u>
<u>2,788,361</u>	<u>357,045</u>	<u>70,297</u>	<u>1,710,282</u>	<u>29,045</u>	<u>1,803</u>	<u>2,122</u>	<u>20,332,284</u>
815,401	128,154	59,623	-	31,846	1,657	1,932	8,635,963
-	-	-	1,222,657	-	-	-	1,222,657
-	-	-	-	-	-	-	203,774
10,427	1,898	593	161	1,110	136	22	38,980
-	-	-	-	52	-	-	877
<u>825,828</u>	<u>130,052</u>	<u>60,216</u>	<u>1,222,818</u>	<u>33,008</u>	<u>1,793</u>	<u>1,954</u>	<u>10,102,251</u>
<u>1,962,533</u>	<u>226,993</u>	<u>10,081</u>	<u>487,464</u>	<u>(3,963)</u>	<u>10</u>	<u>168</u>	<u>10,230,033</u>
12,455,912	1,691,000	423,546	3,202,661	256,572	1,319	45,643	131,914,081
<u>\$ 14,418,445</u>	<u>\$ 1,917,993</u>	<u>\$ 433,627</u>	<u>\$ 3,690,125</u>	<u>\$ 252,609</u>	<u>\$ 1,329</u>	<u>\$ 45,811</u>	<u>\$ 142,144,114</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PLEDGED REVENUES

Primary Government**Governmental Activities**

The State has pledged future federal transportation revenues to repay \$845.715 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2024. These bonds were issued in May 2015, June 2019 and September 2021. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$1.073 billion, payable through fiscal year 2036. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$118.085 million and \$1.375 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, 2024, the Triangle Expressway had \$1.67 billion of Appropriation and Revenue bonds payable and a \$499.462 million TIFIA line of credit. The Monroe Expressway had \$389.852 million of Appropriation and Revenue bonds payable and a \$166.282 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.

During the fiscal year, the Monroe Expressway State Appropriation Revenue Bonds were refunded with appropriation revenue bonds. As a result, the refunded bonds were defeased and the liability was removed from the statement of net position as of June 30, 2024.

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 \$4.009 billion, payable through fiscal year 2058 (final maturity date). For the current fiscal year, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy and investment revenues) were \$132.422 million and \$126.124 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 6/30/2024
		(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments		
Revenue Bonds							
Millennial Campus	University Charges to Athletics and Auxiliary Services	\$ 68,230	100%	\$ 2,201	\$ 1,895	2049	\$ 38,775
Health Care Facilities	Patient Service Revenues	629,329	100%	109,026	24,807	2050	393,320
Total		<u>\$ 697,559</u>		<u>\$ 111,227</u>	<u>\$ 26,702</u>		<u>\$ 432,095</u>
Direct Placements							
Utilities	Utilities Revenues	\$ 7,387	26%	\$ 4,092	\$ 809	2040	\$ 6,490
Student Housing System	Housing Revenues	19,118	50.7%	1,470	1,450	2035	15,558
Total		<u>\$ 26,505</u>		<u>\$ 5,562</u>	<u>\$ 2,259</u>		<u>\$ 22,048</u>
Special Indebtedness							
Student Housing System	Housing Revenues	\$ 80,249	33% - 53%	\$ 9,156	\$ 6,233	2041	\$ 62,427
Notes from Direct Borrowings							
Utilities	Utilities Revenues	\$ 1,326	10%	\$ 2,728	\$ 2,632	2034	\$ 1,000
Student Housing System	Housing Revenues	26,292	10%	5,374	821	2057	18,594
Total		<u>\$ 27,618</u>		<u>\$ 8,102</u>	<u>\$ 3,453</u>		<u>\$ 19,594</u>

(1) The Future Revenues Pledged amount is equivalent to the total principal and interest remaining to be paid on the associated bonds.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 18: COMPONENT UNITS – FINANCIAL INFORMATION**

Financial statements as of and for the fiscal year ended June 30, 2024 are presented below (dollars in thousands).

Statement of Net Position

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Assets					
Cash and cash equivalents	\$ 3,829,769	\$ 514,795	\$ 636,061	\$ 346,196	\$ 5,326,821
Investments	5,008,101	213,862	-	1,477,296	6,699,259
Securities lending collateral	422,833	48,227	57,605	3,639	532,304
Receivables, net	1,672,809	97,451	227,897	79,989	2,078,146
Due from component units	1,402	-	-	13,507	14,909
Due from primary government	264,204	-	-	-	264,204
Inventories	171,867	12,926	-	687	185,480
Prepaid items	140,792	15,802	-	5,523	162,117
Hedging derivatives asset	782	-	-	-	782
Notes receivable, net	96,196	1,376	-	494,189	591,761
Lease receivable	132,021	2,603	-	77,520	212,144
Investment in joint venture	257,767	-	-	-	257,767
Restricted/designated cash and cash equivalents	2,291,093	604,310	-	1,892,467	4,787,870
Restricted investments	7,903,576	527,824	-	7,142,315	15,573,715
Restricted due from primary government	-	3,018	-	-	3,018
Restricted due from component units	-	5,983	-	2,062	8,045
Advances to outside entities	-	-	-	-	-
Beneficial interest in assets held by others	4,170	68	-	-	4,238
Capital assets-nondepreciable	2,120,791	427,070	-	200,385	2,748,246
Capital assets-depreciable, net	15,101,377	3,999,996	-	831,628	19,933,001
Total Assets	39,419,550	6,475,311	921,563	12,567,403	59,383,827
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	40,274	-	-	391	40,665
Deferred loss on refunding	37,689	-	-	-	37,689
Deferred outflows for asset retirement obligation	14,191	-	-	-	14,191
Deferred outflows for pensions	1,612,434	578,708	2,058	19,831	2,213,031
Deferred outflows for OPEB	1,555,972	325,712	1,748	13,186	1,896,618
Other deferred outflows	-	872	-	-	872
Total Deferred Outflows of Resources	3,260,560	905,292	3,806	33,408	4,203,066
Liabilities					
Accounts payable and accrued liabilities	1,385,490	87,100	25,627	381,289	1,879,506
Medical claims payable	-	-	368,878	-	368,878
Interest payable	42,969	1	-	48,144	91,114
Obligations under securities lending	422,833	48,227	57,605	3,639	532,304
Short-term debt	19,000	-	-	-	19,000
Due to component units	-	-	-	22,954	22,954
Due to primary government	8,097	-	-	2,362	10,459
Unearned revenue	675,767	49,421	102,410	66,594	894,192
Advance from primary government	-	-	-	1,441	1,441
Deposits payable	29,541	-	-	2,876	32,417
Funds held for others	33,829	11,182	-	4,538,652	4,583,663
Hedging derivatives liability	40,274	-	-	516	40,790
Long-term liabilities:					
Due within one year	635,117	31,186	52	68,161	734,516
Due in more than one year	15,859,835	2,396,837	8,697	2,926,125	21,191,494
Total Liabilities	19,152,752	2,623,954	563,269	8,062,753	30,402,728

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					
Deferred inflows for PPP arrangements	326,261	-	-	-	326,261
Deferred state aid	263,540	-	-	202,374	465,914
Deferred inflows for lease agreements	115,792	2,400	-	74,886	193,078
Deferred inflows for pensions	46,745	16,656	110	224	63,735
Deferred inflows for OPEB	2,018,698	417,301	1,724	11,366	2,449,089
Deferred inflows for irrevocable split-interest agreements	25,648	-	-	-	25,648
Accumulated increase in fair value of hedging derivatives	782	-	-	-	782
Other deferred inflows	3,472	-	-	-	3,472
Total Deferred Inflows of Resources	2,800,938	436,357	1,834	288,850	3,527,979
Net Position					
Net investment in capital assets	10,559,987	4,311,434	-	936,811	15,808,232
Restricted for:					
Nonexpendable:					
Higher education	3,679,038	277,890	-	-	3,956,928
Expendable:					
Higher education	6,206,005	798,774	-	152,418	7,157,197
Health and human services	526,702	-	-	13	526,715
Economic development	-	-	-	1,262,428	1,262,428
Unrestricted	(245,312)	(1,067,806)	360,266	1,897,538	944,686
Total Net Position	\$ 20,726,420	\$ 4,320,292	\$ 360,266	\$ 4,249,208	\$ 29,656,186

Statement of Activities

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Total expenses	\$ 17,980,461	\$ 2,831,993	\$ 4,145,974	\$ 1,680,574	\$ 26,639,002
Program revenues:					
Charges for services [1]	12,391,997	311,646	4,083,521	540,845	17,328,009
Operating grants and contributions:					
Federal aid - COVID-19	10,197	17,956	-	-	28,153
State aid - program	-	-	-	513,951	513,951
Other operating grants and contributions	3,004,649	1,097,270	42,938	577,412	4,722,269
Capital grants and contributions:					
State capital aid	57,212	168,691	-	-	225,903
Other capital grants and contributions	363,739	346,157	-	77,960	787,856
Net program (expense) revenue	(2,152,667)	(890,273)	(19,515)	29,594	(3,032,861)
Non-tax general revenues:					
Unrestricted investment earnings	-	-	-	208,105	208,105
State aid - coronavirus	50,168	5,228	-	-	55,396
State aid - general	4,231,771	1,346,031	-	190,189	5,767,991
Noncapital contributions	8,877	1,701	6	22,047	32,631
Miscellaneous	38,456	(6)	-	12,384	50,834
Total non-tax general revenues	4,329,272	1,352,954	6	432,725	6,114,957
Contributions to endowments	191,369	13,594	-	-	204,963
Change in net position	2,367,974	476,275	(19,509)	462,319	3,287,059
Net position — July 1, as previously reported	18,230,690	3,793,172	379,775	3,783,339	26,186,976
Adjustments to July 1 balances	127,756	50,845	-	3,550	182,151
Net position — July 1, as restated	18,358,446	3,844,017	379,775	3,786,889	26,369,127
Net position — June 30	\$ 20,726,420	\$ 4,320,292	\$ 360,266	\$ 4,249,208	\$ 29,656,186

[1] The State Health Plan's charges for services include \$1.7 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)	\$ (426,162)	\$ (115,334)	\$ 545,179	\$ (3,683)	-

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	Other Governmental Funds	Total	University of North Carolina System	Community Colleges	Total
Due To Component Units:						
General Fund	\$ —	\$ —	\$ —	\$ 256,129	\$ —	\$ 256,129
Other Governmental Funds	—	—	—	—	3,018	3,018
Other Funds	—	—	—	8,075	—	8,075
Due To Primary Government:						
University of North Carolina System	8,097	—	8,097	—	—	—
Other Component Units	—	2,362	2,362	—	—	—
Total	<u>\$ 8,097</u>	<u>\$ 2,362</u>	<u>\$ 10,459</u>	<u>\$ 264,204</u>	<u>\$ 3,018</u>	<u>\$ 267,222</u>

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 Advisory Council. 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 currently have an agreement with Empower Retirement to perform recordkeeping, administration, and investment management services for both Plans.

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the NC Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and trustee services for the NC Stable Value Fund. Galliard has discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard's contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks or other eligible providers who have entered into such contracts. Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms.

The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees. Management fees were further reduced by agreement in January 2022. No changes to the management fees occurred during the current year.

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. The Bank of New York Mellon is the custodian of the separately managed accounts of the Stable Value Fund. Fees for custodial services are generally charged based on a percentage of net asset value and are paid from the assets of the respective funds. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

Component Units**University of North Carolina System and Community College Foundations**

The University of North Carolina (UNC) System and community colleges have separately incorporated not-for-profit foundations that are associated with constituent institutions of the UNC System or individual colleges. These organizations serve as a fundraising arm of the respective institutions through which individuals, corporations, and other organizations support institution programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the institution's overall academic environment. These affiliated organizations are not included as component units since the economic resources received or held by an individual organization are not significant to the primary government. Therefore, the financial statements of the UNC System and community colleges do not include the assets, liabilities, net position, or operational transactions of these foundations, except for support from each organization to constituent institutions or colleges. For the fiscal year ended June 30, 2024, this support totaled \$144.24 million for the UNC System and \$3.77 million for community colleges.

The receivables from related parties as of June 30, 2024, were \$3.21 million for the University of North Carolina System and \$521 thousand for community colleges. The payables to related parties as of June 30, 2024, were \$102 thousand for the University of North Carolina System. The community colleges did not have any payables to related parties as of June 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: CONDUIT DEBT OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

A. Conduit Debt Obligations

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. In addition, no commitments beyond the payments from the facilities and maintenance of the tax-exempt status of the conduit debt obligation were extended by the North Carolina Medical Care Commission. 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 2053, the outstanding principal of such bonds and notes as of June 30, 2024, was \$4.68 billion with interest rates varying from .75% to 6.13%.

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. In addition, no commitments beyond the payments from the nonprofit entities and maintenance of the tax-exempt status of the conduit debt obligation were extended by the North Carolina Capital Facilities Finance Agency. 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, 2024, was \$1.29 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 (Mobility Partners) to design, build, finance and operate the I-77 High Occupancy Toll (HOT) Lanes Project. The NCDOT issued \$100 million of senior private activity bonds (PABs) on behalf of Mobility Partners and provided additional direct funds of \$116.2 million. The PABs are not an obligation of the NCDOT or the State. The bonds are payable from payments received by the Mobility Partners, and NCDOT has committed to maintaining the tax-exempt status of the bonds. Additional funding was obtained by Mobility Partners in the form of a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in the amount of \$189 million. In April 2024, I-77 Mobility Partners LLC sold \$371 million of Senior Secured Notes with the proceeds used (in part) to prepay its outstanding TIFIA Loan. The NCDOT was also providing limited credit enhancement support for the Project through the Developer Ratio Adjustment Mechanism (DRAM) as set forth in Section 13.3 of the Comprehensive Agreement; however, the refinancing caused the DRAM to be of no further force and effect per Section 13.3.6 of the Comprehensive Agreement. As of June 30, 2024, the outstanding principal of the PABs was \$100 million.

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 a 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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 fiscal year 2019-2020, 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 (SBE) for All: Fiscal Year 2021 Action Plan For North Carolina. The Joint Report detailed the actions the State and NC SBE were committed to taking in the first year (Fiscal Year 2021) of an eight-year Plan. The parties agreed that the actions outlined in the Joint Report were the necessary and appropriate actions needed in Fiscal Year 2021 to begin to adequately address the constitutional violations in providing the opportunity for a sound basic education to all children in North Carolina. The State Defendants estimated that the costs of the action steps detailed in the Joint Report would require an additional State investment of \$426.99 million in Fiscal Year 2021. The Court thereafter ordered the parties to formalize the commitments in the Joint Report in a Consent Order which the Court entered on September 11, 2020.

On March 15, 2021, the State Defendants submitted the Comprehensive Remedial Plan required under the January and September Consent Orders. The State Defendants, including the NC State Board of Education, agreed that the actions outlined in that Plan were the necessary and appropriate actions needed over the next eight years to address the constitutional violations and provide the opportunity for a sound basic education to all children in North Carolina. Attached to the Plan was an Appendix which detailed the implementation timeline for each action step, as well as the estimated additional State investment necessary for each of the actions described in the Plan. The State Defendants estimated that the actions steps in the Plan would cost an additional \$5.5 billion in recurring funds at the end of the eight-year implementation period.

On June 7, 2021, the Court entered an Order directing the State Defendants to implement the Comprehensive Remedial Plan in full and in accordance with the timelines contained therein. The Court further ordered the State Defendants to seek and secure "such funding and resources as are needed and required to implement in a sustainable manner the programs and policies set forth in the Comprehensive Remedial Plan." The Court held open the possibility of entering judgment in the future "granting declaratory relief and such other relief as needed to correct the wrong" if the State fails to implement the actions described in the Plan. Finally, the Court ordered State Defendants to submit a report no later than August 6, 2021, regarding progress toward fulfilling the terms and conditions of the Order and stated that it would hold a hearing in September 2021 to address issues raised in that report.

On August 6, 2021, the State Board of Education and the State of North Carolina filed separate Reports on Progress on the Comprehensive Remedial Plan. On August 27, 2021, the Plaintiffs and the Plaintiff Intervenors filed Responses to those Reports. The Court scheduled a hearing on September 8, 2021, to "address issues raised in the reports and responses."

On October 16, 2021, the trial court held a hearing during which it indicated that it would enter an order directing certain executive branch officials to transfer funds sufficient to fund Years two and three of the Comprehensive Remedial Plan. On November 10, 2021, the trial court entered such an order.

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On November 18, 2021, the State Budget Act was enacted. On that day, the State filed a notice of appeal of the trial court order transferring funds, followed shortly by an appeal of the Legislative Leaders who noticed intervention into the case by virtue of N.C. General Statute § 1-72.2. The State filed a petition to bypass the Court of Appeals and have the claim directly heard by the North Carolina Supreme Court. That petition was granted by the Court, who first remanded the case for clarification on how the enactment of the State Budget Act impacted the trial court order of November 10, 2021.

At the same time the appeal was entered of the trial court order transferring funds, the Office of the State Controller filed a petition for temporary stay, writ of supersedes and writ of prohibition with the Court of Appeals enjoining the trial court from ordering the transfer of funds without an appropriation. The writ of prohibition was granted and subsequently appealed to the Supreme Court.

During that time, the Honorable Michael Robinson was selected to preside over the matter. Judge Robinson amended the trial court order of November 2021 by incorporating the financial changes associated with the State Budget Act. Judge Robinson also incorporated his understanding that because the Court of Appeals had recently entered a writ of prohibition in a collateral appeal barring the transfer of funds, the trial court was no longer permitted to include the transfer within the bounds of the amended order.

The case was heard by the North Carolina Supreme Court on August 31, 2022. On November 4, 2022, the Supreme Court filed an opinion. With that opinion, the Supreme Court stayed the writ of prohibition issued by the Court of Appeals, in part, concluding that the court erred when it concluded that it lacked the authority to order the transfer of funds. Mandate on the opinion issued directly to the trial court on November 29, 2022, commanding that the trial court conform the subject order to the Supreme Court opinion. Subsequently in January 2023, the North Carolina Supreme Court lifted the stay of the writ of prohibition and reinstated the prohibiting the trial court from ordering the transfer of funds. In March 2023, the North Carolina Supreme Court lifted the stay of the writ of prohibition and reinstated the writ, which prohibits the trial court from ordering the transfer of funds. The Controller argued that judicial branch mandated transfers in this matter would subject the Controller to criminal and civil liability before the basic elements of procedural due process were met, and that there were many outstanding issues unaddressed in the Court's earlier opinion. The North Carolina Supreme Court found that the Controller made a sufficient showing of substantial and irreparable harm should the judicial branch mandate transfers of funds in this matter. The writ of prohibition is currently in effect until the Court has made a final decision on the remaining issues in the case.

Since that time, the trial court convened a hearing to determine what funds remained due to satisfy the obligations of Years 2 and 3 of the Comprehensive Remedial Plan. Following the entry of an order on April 14, 2023, the Legislative Intervenors appealed the matter to the North Carolina Court of Appeals, and thereafter, were granted a bypass petition to the North Carolina Supreme Court. After extensive briefing, the case was heard by the North Carolina Supreme Court on February 22, 2024, and a decision is pending.

Michael Hughes, on behalf of himself and others similarly situated v. Board of Trustees Teachers' and State Employees' Retirement System, et al.- This suit involves a declaratory judgment action, a claim for “violation of N.C. General Statute § 135-5”; and Breach of Contract, all of which arise from an allegation that, as a retiree from North Carolina’s Teachers’ and State Employees’ Retirement System (“TSERS”), Plaintiff is entitled to receive a comparable cost of living increase in his retirement allowance each year in which the North Carolina General Assembly increases the salaries of active State employees, and that such increases must be comparable. This matter is a putative class action, which Plaintiff purports to bring on behalf of retirees in TSERS, the Consolidated Judicial Retirement System (“CJRS”), and the Legislative Retirement System (“LRS”) against the TSERS Board of Trustees, TSERS, CJRS, LRS, State Treasurer Dale R. Folwell (in his official capacity as ex officio Chair of the TSERS Board of Trustees), and the State of North Carolina (“Defendants”).

Defendants moved to dismiss Plaintiff’s Complaint pursuant to Rule 12(b)(6) of the North Carolina Rules of Civil Procedure for failure to state a claim, arguing there is no statutory basis for Plaintiff’s claim that he is entitled to such an increase because: (1) the portion of the statute on which Plaintiff’s argument relies, N.C. General Statute § 135-5(o), which states that retired TSERS members “may receive cost-of-living increases in retirement allowances if active members of the system receive across-the-board cost-of-living salary increases[,]” is permissive, not mandatory; (2) the condition that must be met before retirement allowances may be increased – that “active members of the system receive across-the-board cost-of-living salary increases” has not been met since Plaintiff retired; and (3) Plaintiff’s Complaint concedes that the TSERS Board of Trustees does not have the authority to award retirement allowances pursuant to N.C. General Statute § 135-5(o). Defendants’ Motion to Dismiss came on for hearing on August 24, 2022, in Wake County Superior Court. The court entered an order on August 26, 2022, that denied Defendants’ motion.

The matter is currently pending before the superior court and discovery has begun. Defendants are in the process of drafting a motion for judgment on the pleadings and motion to dismiss Plaintiff’s Complaint on all three causes of action because: (1) they are nonjusticiable under the political question doctrine; (2) they are barred by sovereign immunity as a matter of law; (3) there is no private right of action for “Violation of N.C. General Statute § 135-5”; and (4) Plaintiff does not have standing to bring this action against CJRS and LRS. At this stage, the N.C. Department of Justice (NC DOJ) believe that there is only a remote likelihood that Plaintiff’s claims can continue against CJRS and LRS. The plaintiff’s only allegation that he has a relationship to any of the Defendants in this case is that he is a retiree of TSERS, a pension plan administered by the North Carolina Retirement Systems Division within the Department of State Treasurer. TSERS is not the same pension plan as the CJRS or LRS pension plans named in this suit and Plaintiff has not alleged that he is a vested member of CJRS or LRS, or otherwise alleged a relationship with either entity. With regard to the claims by Plaintiff and the putative class of TSERS retiree he purports to bring this claim under, Defendants are optimistic about their motion to dismiss and for judgment on the pleadings, and

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therefore, at this stage, the likelihood of an unfavorable outcome is only reasonably possible. Defendants will strongly consider an interlocutory appeal if the sovereign immunity arguments raised in the motion to dismiss are denied and the claims are not otherwise resolved by the motions. If Defendants are unsuccessful, they will need to revisit their evaluation of the likelihood of an unfavorable outcome and the fiscal exposure of the State may be substantial in the event of the favorable outcome of this litigation for Plaintiffs.

The Court of Appeals, in a split decision, ruled for the Defendants the State and the Retirement System Division concluding that sovereign immunity shields the State from the COLA-grounded lawsuits for breach of contract. Plaintiffs are seeking an en banc rehearing/review from the Court of Appeals, and the expectation is that Plaintiffs will seek a discretionary review from the Supreme Court, if unsuccessful with the en banc request.

Queen Anne's Revenge (QAR)/ North Carolina Department of Natural and Cultural Resources (NCDNCR). Intersal v. Wilson (NCDNCR), 15 CVS 9995, is a breach of contract action involving a 2013 Settlement Agreement between Intersal and NCDNCR concerning, inter alia, the negotiated media rights of the parties regarding the *Queen Anne's Revenge (QAR)*. Intersal primarily seeks damages for photos related to the *QAR* posted on various websites by DNCR allegedly in violation of the terms of the settlement agreement, lost profits on a proposed exhibition tour of the *QAR*, and lost licensing fees for video of the recovery and conservation efforts.

In November 1996, operating under a search permit issued by NCDNCR, Intersal discovered the *QAR* wreckage. Pursuant to the *QAR* permit, Intersal was entitled to claim treasure recovered from the ship. However, Intersal elected to forgo its claim to treasure in order to obtain exclusive media and replica rights related to the *QAR* shipwreck and its artifacts as well as the right to search for a second ship, the *El Salvador*. On September 1, 1998, Intersal and NCDNCR negotiated an Agreement (1998 Agreement) outlining the parties' rights and responsibilities.

On July 26, 2013, Intersal filed a Petition for a Contested Case in OAH alleging NCDNCR violated the 1998 Agreement. On October 15, 2013, Intersal, NCDNCR and Nautilus (Intersal's video designee) executed a Settlement Agreement (2013 Agreement). The 2013 Agreement superseded the 1998 Agreement and outlined the parties' renegotiated media rights and the terms for the search for the *El Salvador*. In July 2015, Intersal filed this breach of contract claim alleging NCDNCR breached the 2013 Agreement by, inter alia:

1. Displaying over 2,000 *QAR* images and over 200 minutes of video without the required watermark or timestamp.
2. Failing to implement mandates of the 2013 Agreement such as changes to the *QAR* project media policy.
3. Failing to inform Intersal of commercial opportunities under the collaborative commercial narrative language of the 2013 Agreement.
4. Interfering with Intersal's *QAR* media rights by allowing filming and photographing of *QAR* recovery operations by other parties.
5. Interfering/failing to participate in an exhibition tour. Diminishing Intersal's tour by participating in a limited exhibit tour of museums and "profiting" from the museum tour.
6. Failing to make artifacts available for duplication.
7. Failure to renew a permit for the search of the *El Salvador*.

DNCR initially prevailed on a motion to dismiss which was subsequently overruled, in part, by the N.C. Supreme Court (*Intersal v. Hamilton*, 373 N.C. 89, 834 S.E. 2d 404 (2019)). The Court held that (1) any claims for breach of the 1998 Agreement were properly dismissed; (2) Intersal's breach of contract claims concerning its *QAR* media rights under the 2013 Agreement were still available; and (3) the trial court erred in dismissing Intersal's breach of contract claim arising from NCDNCR's failure to renew Intersal's *El Salvador* permit.

The parties then engaged in discovery, including seven experts and 14 fact depositions. In August 2021, the parties filed cross-motions for summary judgement which were heard in January 2022. In February 2023, Business Court Judge Earp granted in part and denied in part each parties' motion. Judge Earp held:

1. Intersal's motion for partial summary judgment is GRANTED that, after the effective date of the 2013 Agreement, NCDNCR's posting on the internet of non-commercial media of the *QAR* project produced without including a time code stamp, watermark and/or a link to the proper website constituted a breach of Paragraph 16(b)(1) of the 2013 Agreement.
2. Intersal's motion for partial summary judgment is GRANTED that, after the effective date of the 2013 Agreement, NCDNCR's posting of non-commercial media of the *QAR* project on websites other than its own constitutes a breach of Paragraph 16(b) of the 2013 Agreement.
3. NCDNCR's motion for summary judgment with respect to Intersal's First Claim for Relief is GRANTED to the extent that Intersal asserts that NCDNCR breached Paragraph 16(b)(1) of the 2013 Agreement by failing to mark digital media that predates the effective date of the *QAR* project prior to producing it in response to a public records request.
4. NCDNCR's motion for summary judgment with respect to Intersal's claim for breach of contract with respect to the *El Salvador* is GRANTED, and Intersal's second Claim for Relief is dismissed with prejudice.

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Plaintiff's proffered experts have estimated damages in this matter at up to \$451 million for breaches related to Intersal's claimed media rights, and hundreds of millions more related to the *El Salvador*.

A trial in this matter took place in Wake County Superior Court in November 2024 on the remaining issues which, absent some peripheral, smaller claims, were for lost licensing fees/lost profits for photographs posted to the internet, lost profits from an exhibition tour and lost fees from improper posting/producing videos. NCDNCR had already been found to have breached the contract with Intersal. Therefore, the jury was instructed that Intersal was entitled to damages, even if they were only nominal damages. Intersal offered evidence from several expert witnesses and asked the jury to award more than \$56 million in damages. This included \$31 million dollars related to photographs and \$25 million for failing to collaborate in conducting a blockbuster tour of *QAR* artifacts. The jury found NCDNCR breached the contract and was awarded damages in the amount of \$527 thousand. Plaintiff and Defendants have thirty days to appeal the verdict.

Lake v. State Health Plan — The main issue is whether the State wrongfully charged a monthly premium to retired State employees for the State's 80/20 coinsurance health plan. The general theme of the complaint is that the State established vesting requirements under which if the employee fulfilled the requirements, the State contracted with each employee to provide 80/20 coinsurance insurance coverage at no monthly premium to the retiree for the duration of each retiree's retirement. Similarly, the plaintiffs allege that the State terminated an optional 90/10 coinsurance health plan to which they allegedly had vested rights. Plaintiffs claim (1) breach of contract; (2) unconstitutional impairment of contract; (3) unconstitutional denial of equal protection; and (4) unconstitutional denial of due process. The plaintiffs also allege a variety of equitable claims (e.g., specific performance, common fund) that piggy-back on the legal claims.

The State moved to dismiss, and, after a hearing, the trial court denied the motion. On May 19, 2017, the trial court issued an order granting plaintiffs' motion for partial summary judgment and denying defendants' motion for summary judgment as to liability. The trial court held that plaintiffs, and all class members, are entitled to the version of the 80/20 coinsurance plan in existence in September 2011, or its equivalent, with no premium for their lifetime. The trial court's order would provide damages for retirees who remained on the 80/20 coinsurance plan at the amount of premiums they actually paid. Any method for determining damages for retirees who switched to the zero-premium 70/30 coinsurance plan is yet to be determined.

The State appealed. On March 5, 2019, a panel of the Court of Appeals unanimously reversed the order of the superior court and remanded for entry of summary judgment in favor of the State. The plaintiffs have petitioned to the North Carolina Supreme Court for discretionary review of the decision of the Court of Appeals. The petition for discretionary review was allowed and the case is now being briefed in the North Carolina Supreme Court.

The State Treasurer has stated that if the trial court's ruling stands – which would require reversal of the Court of Appeals – the costs to the State could exceed \$100 million, not including the cost to the State Health Plan of complying with the plaintiffs' demands going forward.

On October 4, 2022, the North Carolina Supreme Court affirmed in part, reversed in part and remanded the Court of Appeals' decision. The Supreme Court concluded that the eligible retired State employees possessed a vested right protected under the Contracts Clause. The Court also held that genuine issues of material fact needed to be resolved in order to answer whether the General Assembly substantially impaired the retired State employees' vested rights. If so, it must be determined whether any such impairment was reasonable and necessary. The Supreme Court remanded to the trial court on these issues.

The matter is currently pending before the superior court on remand. The parties are in the process of discussing additional discovery to be conducted in this case based on the directives from the Supreme Court and developing a case management order to accommodate the issues identified by the Supreme Court. Written and oral discovery is likely to follow. Additionally, in November 2022, plaintiffs reached out to State defendants to entertain a possibility of settlement.

On March 24, 2023, the State defendants requested approval to retain private counsel, which was approved on April 4, 2023. The entire case file was subsequently transferred to private counsel. On April 18, 2023, the parties had a status conference with the judge to discuss a case management order for the case on remand, which was the last case activity in which N.C. Department of Justice (NC DOJ) attorneys participated. On April 27, 2023, the Order removing NC DOJ attorneys as counsel was filed. While the actual exposure amount or the likelihood of an unfavorable outcome is difficult to determine at this time, there is a reasonable or probable possibility that a substantial amount against the State may be awarded.

Legionnaires' Disease Litigation/2019 Mountain State Fair – North Carolina Department of Agriculture and Consumer Services. This litigation arises out of a Legionnaires' disease outbreak allegedly connected to the 2019 North Carolina Mountain State Fair. The 2019 North Carolina Mountain State Fair was hosted and organized by the North Carolina Department of Agriculture and Consumer Services (NCDA&CS) from September 6 to 15, 2019, on the grounds of the Western North Carolina Agricultural Center in Fletcher, North Carolina. On or about September 23, 2019, local public health officials began tracking an outbreak of Legionnaire's Disease. Following an investigation, the North Carolina Department of Health and Human Services and the Center for Disease Control found that the outbreak was likely caused by exposure to *Legionella* bacteria in aerosolized water vapor coming from hot tubs displayed by two vendors at the 2019 Mountain State Fair. The outbreak was believed to have resulted in 136 cases of Legionnaires' disease, one case of Pontiac Fever, 96 hospitalizations, and four deaths.

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Plaintiffs are individuals that alleged to have contracted Legionnaires' disease at the 2019 Mountain State Fair and the estates of two individuals that are alleged to have died as a result of contracting Legionnaires' Disease. In total, there are 78 individual Plaintiffs asserting claims. The Plaintiff brought claims against the two hot tub vendors in a series of 19 lawsuits filed in Henderson, Buncombe, and Mecklenburg County Superior Court. The hot tub vendors then brought third-party claims against NCDA&CS and seven other vendors that had been at the 2019 Mountain State Fair. Plaintiffs then amended their complaints to assert direct claims against NCDA&CS and the other vendors. NCDA&CS has also filed cross-claims and counterclaims for contribution and indemnity against the two hot tub vendors.

All of these cases have been consolidated under a single Superior Court Judge pursuant to Rule 2.1 and the parties are currently in the process of exchanging written discovery. Plaintiffs have not yet submitted a universal settlement demand or total estimate of their alleged damages. The maximum claimed exposure would be \$78 million (\$1 million per Plaintiff). However, it is too early to determine the actual exposure amount or the likelihood of an unfavorable outcome as the parties are just beginning written discovery. It does appear that Plaintiffs have shifted their focus to NCDA&CS as the primary target given that the hot tub vendors appear to have insufficient assets. The discovery in this matter is ongoing. A more precise estimate of exposure may become available at or about the dispositive motions stage (summary judgment) of the proceedings. The exposure to the State remains, however, due to a large number of plaintiffs and several wrongful death claims.

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 N.C. Department of Transportation (NCDOT) with the authority to record corridor maps that imposed restrictions on a landowner's rights to improve, develop, and subdivide property within the corridor, which restrictions may remain indefinitely. The Map Act did not require NCDOT to purchase the property at the time of the filing of a future corridor map. Starting in 1989, NCDOT filed 27 separate maps that affected approximately 8,500 parcels of land. In June of 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners' rights to improve, develop, and subdivide their property. Under state law, whether a property owner should be paid for the property, and how much, are determined on a case-by-case basis.

Since the last update, NCDOT has continued to acquire parcels and settle cases that have been filed in the Map Act corridors. The most current numbers as to remaining cases and dollar value are available from NCDOT.

Landowners' attorneys have also recently raised two new theories of recovery. If those theories prevail, NCDOT's potential liability will be expanded beyond the current number of known cases.

Buffkin v. Hooks — The American Civil Liberties Union of North Carolina and North Carolina Prisoner Legal Services, Inc., filed this class action on June 15, 2018, on behalf of three named individual offenders infected with hepatitis-C (HCV) against the North Carolina Department of Public Safety (DPS) and four individual state employees, including the Secretary of DPS. The suit sought 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 also sought relief in the form of a declaratory judgment that DPS' policy for treating inmates infected with HCV violated 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 requested 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 also sought compensatory and punitive damages.

The plaintiffs' motion for class certification, which was granted on March 20, 2019. The plaintiffs also secured a partial injunction regarding application of the then existing policy governing the treatment of HCV. The case proceeded to discovery. Following an unsuccessful mediation, the parties resolved this litigation through a negotiated resolution which required various policy changes. Because the matter was certified as a class action, the Court had to approve the settlement and enter the same as a consent decree.

Thereafter, Plaintiffs' counsel, as the "prevailing party" (i.e. they secured a partial injunction and a consent decree), pursued attorneys' fees of approximately \$1 million. The parties negotiated a resolution of the fees claim for \$450 thousand. The resolution of the attorneys' fees claim concluded with all active litigation in this matter. Thereafter, the case remained open as the Department of Adult Correction (DAC) (as of January 2023, DAC operates as a separate cabinet-level agency that oversees the state's prison system) was obligated under the consent decree to meet certain benchmarks and make regular reports to Plaintiffs' counsel regarding treatment of HCV in state prisons.

As of October 3, 2024, the last of the required reports was sent to Plaintiffs' counsel. However, under the terms of the consent decree, Plaintiffs' counsel may request a supplemental report between April 1, 2025, and March 8, 2026. So the case will remain dormant until March 8, 2026.

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

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multiple lawsuits in the Industrial Commission, state court, and federal court against individual state defendants as well as against state officials, the Department of Public Safety, and Correction Enterprises (a division of the Department of Public Safety). The State is defending the individual State defendants under the Defense of State Employees Act. While the State has limited insurance coverage for claims against individual defendants in excess of \$1 million, the potential exposure to the State is nonetheless significant if the State does not prevail on available legal defenses.

The State has resolved the lawsuit filed by one of the estates (Howe), and the State has prevailed on other state and federal claims. Claims for three estates are currently stayed in the Industrial Commission but the State has strong defenses to those, and they are capped at \$1 million each.

Lexington/AIG v. NC, POELIC, et al. This matter is related to *McCollum and Brown v. Red Springs, et al.*, 5:15-cv-00451-BO (EDNC) which is a Section 1983 action filed against a local police department, a county sheriff's office, and two former State Bureau of Investigation (SBI) agents. The plaintiffs in that case (McCollum and Brown) alleged various constitutional violations by the law enforcement defendants related to their confessions, subsequent convictions, and incarceration. A jury returned a verdict of \$75 million dollars against the two SBI agents (all other defendants settled out before a jury reached a verdict). That verdict was appealed.

While the matter was on appeal, Lexington Insurance Company (AIG) filed a declaratory judgment action against POELIC and the State seeking a determination that the excess policies it provided to POELIC do not provide coverage (or provide limited coverage) for the jury's verdict against the SBI agents. N.C. Department of Justice (N.C. DOJ) approached AIG about a consent stay of the declaratory judgment action pending the full and final resolution on the appeal of the underlying litigation. AIG agreed, and N.C. DOJ secured a stay in the case.

In the Spring of 2023, the Fourth Circuit affirmed the jury's verdict, and the matter was remanded to the District Court for Plaintiffs to begin collection proceedings. At that time, N.C. DOJ worked with counsel for McCollum and Brown to set up a mediation with the State and all the insurance carriers to hopefully secure enough coverage to satisfy the judgment that was pending against the SBI agents. That effort was ultimately unsuccessful as the insurance carriers remained largely steadfast in their positions that there was limited insurance coverage available to cover the judgment against the SBI agents. Thus, the stay in this case was lifted. However, McCollum and Brown (who were added as defendants to this action by AIG) moved to dismiss this action. McCollum and Brown argued that under the prior pending action doctrine, the underlying litigation (which now includes the coverage issues) takes precedent and thus the state court should not entertain the coverage issues presented by Lexington's declaratory judgment action. The trial court agreed and dismissed the case. AIG has appealed that ruling.

For our part, N.C. DOJ, on behalf of the State/POELIC, along with private counsel for the SBI agents, engaged in negotiations with counsel for McCollum and Brown in an attempt to limit the responsibility of the SBI agents and to resolve the exposure of the State to pay the judgment. N.C. DOJ was able to successfully negotiate a resolution with Plaintiffs' counsel for \$7.5 million which resolved all potential claims against the State and to cabin off claims against the SBI agents which would fully resolve once Plaintiff's complete their claims against the excess insurance carriers.

Zayre-Brown v. NC Dept. of Adult Correction, et al., (3:22-cv-00191-MOC) In April 2022, Plaintiff, an incarcerated state prisoner, filed a lawsuit against the Department of Adult Correction (DAC) and several Department officials following the denial of her request for gender affirming surgery. Plaintiff alleges that the denial of her requested surgery constitutes deliberate indifference in violation of the Eighth Amendment and Article I, Section 27 of the North Carolina Constitution. Plaintiff also claims the denial violates the Americans with Disabilities Act and the Rehabilitation Act.

Plaintiff filed a motion for preliminary injunction – which the Court denied. Defendants filed a motion to dismiss which was also denied. Thereafter, the case proceeded to discovery, including expert reports and depositions. Efforts to reach a mutually agreeable resolution were unsuccessful. Following the filing of cross motions for summary judgment, the Court denied Defendants' motion for summary judgment, and partially granted and partially denied Plaintiff's motion for summary judgment. The Court granted Plaintiff's motion for summary judgment on her Eighth Amendment claim and entered an injunction directing DAC to re-evaluate her request for surgery through a new committee of outside physicians which the Court had to approve.

DAC appealed to the Court's injunction and unsuccessfully sought a stay of the injunction, first with the District Court and then with the Fourth Circuit. Because DAC could not secure a stay, it complied with the injunction by suggesting two outside physicians to re-evaluate Plaintiff's request for surgery, whom the District Court approved. The new committee concluded that the requested surgery was not medically necessary, and DAC reported that back to the District Court on November 6, 2024. Meanwhile, the Fourth Circuit directed the parties to submit supplement briefs by November 19, 2024, addressing the impact of Plaintiff's imminent release on the appeal. On November 19, 2024, DAC submitted a supplemental brief to the Fourth Circuit advising the Court that Plaintiff had been released on November 2, 2024, at the completion of her sentence, and that as a result, her claims for injunctive relief are moot as is the appeal. Moreover, DAC noted that the well-established case law provides that where a judgment on appeal becomes moot that judgment should be vacated. On November 26, 2024, the Fourth Circuit entered an order and judgment dismissing the appeal as moot and vacating the judgment of the district court.

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Accordingly, Plaintiff's Eighth Amendment claim is now moot and only two claims remain (1) the state constitutional claim and (2) the disability claim. Because Plaintiff seeks damages for the state constitutional claim and for the disability claim, and because DAC demanded a jury trial, those claims must be tried to a jury. The District Court had set this matter for trial to begin on December 16, 2024, but it recently took the case off of the trial calendar and directed the parties to mediate the case (a second time) before February 3, 2025.

Lannan et al. v. UNC Board of Governors; Dieckhaus et al. v. UNC Board of Governors. In these two purported class-action lawsuits, students enrolled at several constituent institutions have sued the University of North Carolina System (UNC System) seeking a refund of all or a portion of their tuition and fees for the spring 2020 and fall 2020 semesters when the schools moved to on-line instruction due to the COVID outbreak. While the UNC System has been successful in Dieckhaus in defending against the claims related to the spring 2020 semester, the matter is pending before the N.C. Supreme Court and could possibly be reviewed and overturned for the case to continue into litigation. In the Lannan case, which stems from the pivot to online classes in fall 2020 at certain campuses, the universities were unsuccessful in having the case dismissed at the trial court. A 3-judge panel of the North Carolina Court of Appeals upheld the trial court's denial of the university's motion to dismiss, and the case is now before the N.C. Supreme Court. Given how many individuals were impacted by the move to online classes and the decisions made to close campus facilities, if the plaintiffs are successful the damages could be in the millions of dollars. N.C. DOJ are awaiting decisions from the North Carolina Supreme Court that either end both suits or potentially send both back to the trial court to commence the discovery.

North Carolina Bar and Tavern Association; et al., v. Cooper. During the early stages of the COVID-19 pandemic, a large group of bar owners sued Governor Roy Cooper (in his official capacity) asserting that one of the orders the Governor issued under the Emergency Management Act (EMA) responded to the pandemic violated several provisions of the North Carolina Constitution. They also sought preliminary injunctive relief. After a hearing, a superior court judge denied plaintiffs' motion for a preliminary injunction. The Governor moved to dismiss plaintiffs' complaint.

More than a year later, after all orders limiting plaintiffs' businesses had been lifted, plaintiffs filed an amended complaint on October 26, 2021. In their amended complaint, plaintiffs sought compensation/damages as a remedy for their state constitutional claims. The Governor again moved to dismiss plaintiffs' claims. Plaintiffs moved for partial summary judgment on their claims under the fruits of labor clause, EMA Act and the Public Records Act. The superior court denied plaintiffs' motion for partial summary judgment and granted the Governor's motion to dismiss. Plaintiffs appeal the dismissal of their claims to the Court of Appeals.

A panel of that Court held that the superior court had properly dismissed plaintiffs' claims under the Emergency Management Act and the Public Records Act. It also held, however, that the superior court had erred in dismissing plaintiffs' fruits-of-labor and equal-protection claims. The panel instead awarded summary judgment to plaintiffs on those claims. The Governor then petitioned the N.C. Supreme Court for discretionary review of the panel's decision with respect to the fruits-of-labor and equal-protection claims. Plaintiffs also conditionally petitioned the N.C. Supreme Court, if it allowed the Governor's petition, to review the dismissal of their statutory claims as well. The Court granted both the Governor's and plaintiffs' petitions and heard argument on October 23, 2024. The case is currently pending a decision from the N.C. Supreme Court.

Tiffany Howell; et al. v. Cooper et al. In December 2020, plaintiffs, a small group of bar owners, sued the Governor (in his official capacity) and the State of North Carolina, alleging that Governor Cooper's time-limited restrictions on bars to protect public health during the COVID-19 pandemic violated three provisions of the state constitution: the fruits-of-labor clause, N.C. Constitution, Article I, § 1 (count 1); the law-of-the-land clause, id. art. I, § 19 (count 3); and the equal protection clause, id. (count 4). Plaintiffs also alleged that two provisions of the Emergency Management Act, under which the Governor issued the challenged executive orders, were unconstitutional: N.C. General Statute § 166A-19.31(b)(2) (count 2), and N.C. General Statute § 166A-19.30(c) (count 5).

Plaintiffs originally sought a declaration that the executive orders were unconstitutional, an injunction preventing defendants from enforcing the orders against them, and money damages. In January 2021, defendants moved to dismiss under Civil Rules 12(b)(1), (b)(2), and (b)(6). Defendants also moved to transfer plaintiffs' constitutional challenges to the Emergency Management Act to a three-judge panel. In March 2021, the trial court transferred plaintiffs' challenge to N.C. General Statute § 166A-19.30(c) (count 5) to a three-judge panel.

On May 11, 2021, plaintiffs then filed an amended complaint adding as defendants Tim Moore, in his official capacity as Speaker of the House of Representatives, and Phil Berger, in his official capacity as President Pro Tempore of the Senate. Plaintiffs' amended complaint did not make any substantive changes to their original claims. Just three days later, on May 14, 2021, the Governor lifted all restrictions on bars and similar businesses. Executive Order No. 215, 35 N.C. Reg. 2651 (May 14, 2021).

In July 2021, the State and the Governor moved to dismiss the amended complaint. The legislative defendants filed an answer. In February 2022, the trial court granted the State's and the Governor's motion to dismiss in part. The court dismissed plaintiffs' equal protection claim. The court also dismissed plaintiffs' claim for injunctive relief as moot because no executive order restricting the operations of bars had been in effect since May 2021. By contrast, the court allowed plaintiffs' fruits-of-labor and law-of-the-land claims for money damages to proceed to discovery. Finally, the court transferred plaintiffs' remaining constitutional challenge to the Emergency Management Act, N.C. General Statute § 166A-19.31(b)(2) (count 2), to a three-judge panel.

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The State and the Governor appealed to dismiss the denial of their motion to dismiss. In a 2-1 decision, the Court of Appeals affirmed the trial court's order allowing plaintiffs' fruits-of-labor and law-of-the-land claims for money damages to proceed to discovery. Judge Arrowood dissented. Defendants filed a notice of appeal based on Judge Arrowood's dissent. Defendants also petitioned for discretionary review as to additional issues not addressed in the dissent. The N.C. Supreme Court allowed the petition. The Court heard arguments on October 23, 2024, and the case is currently pending a decision.

Ussery v. Hooks et al. (federal court). Plaintiff commenced this action by filing a Complaint on April 21, 2023, naming Governor Roy Cooper (in his official capacity), Wake County District Attorney Lorrin Freeman (in her individual and official capacity) and several others as defendants. The plaintiff subsequently filed an Amended Complaint on May 1, 2023. The Amended Complaint asserted claims pursuant to 42 U.S.C. § 1983 for an alleged violation of Plaintiff's constitutional rights under the First and Fourteenth Amendments; and a claim that Defendants conspired to deprive Plaintiff of her rights in violation of the North Carolina Constitution.

On September 9, 2023, Plaintiff filed a Motion for Leave to file a Second Amended Complaint (SAC), which was granted on November 7, 2023. Plaintiff subsequently filed her Second Amended Complaint on November 15, 2023. The Second Amended Complaint removed Governor Cooper as a named defendant, and names the City of Raleigh, Raleigh's Chief of Police, a Raleigh Police Captain, and Raleigh Police Officers John and Jane Does 1-4, Wake County District Attorney, Lorrin Freeman; the Secretary of the North Carolina Department of Public Safety; several officers of the North Carolina State Capitol Police, and the Chief of the North Carolina General Assembly Police Department as defendants. All defendants are sued in both their individual and official capacities.

Plaintiff's SAC asserts six causes of action: **Count I**: Conspiracy to deprive Plaintiff of her rights under the North Carolina Constitution against all defendants; **Count II**: A 42 U.S.C. § 1983 claim for violation of the First Amendment against all defendants; **Count III**: A Section 1983 claim for violation of due process under the Fourteenth Amendment to the United States Constitution against all defendants; **Count IV**: A Section 1983 claim for a *Brady* violation against Defendant Freeman; **Count V**: A Section 1983 claim for violation of equal protection under the Fourteenth Amendment against all defendants; and **Count VI**: Claims for violations of Article I, § 12, 14, and 19 of the North Carolina Constitution against all defendants. Collectively, Plaintiff seeks declaratory relief, compensatory and nominal damages, and costs and expenses of this action, including reasonable attorney's fees. On December 20, 2023, all the defendants moved to dismiss Plaintiff's SAC pursuant to Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure.

The district court granted defendants' motions to dismiss and entered final judgment on the merits against Plaintiff on June 20, 2024. The district court dismissed Plaintiff's federal claims with prejudice and dismissed Plaintiff's state law claims without prejudice. Plaintiff filed the notice of appeal on July 19, 2024, and filed her opening brief on October 4, 2024. The briefing has not yet been completed in the Fourth Circuit.

Utility Easement Issues: The consequences of the decisions in Department of Transportation v. Canady, 2020 N.C. App. LEXIS 943 and Department of Transportation v. Prior, Wake County 20-CVS-6521. A recent trend in eminent domain cases is that the property owners and their counsel are asserting additional damages resulting from the imposition of Permanent Utility Easements (PUEs), Aerial Utility Easements (AUEs) and Drainage/Utility Easements (DUEs) as part of the condemnation process. The Department of Transportation (DOT) has always recognized that the acquisition of these easements was a near total taking of the easement areas and has also been willing to acknowledge circumstances where the location and nature of the easement could result in damages to the remainder of the affected property. However, in recent years, the property owners have asserted that the damages evaluation of these easements must be considered as if DOT was exercising its rights to the "fullest extent of the law," relying on *State Highway Commission v. Black*, 239 N.C. 198, 79 S.E.2d 778 (1954). The practical effect of this argument is that the imposition of a PUE, AUE or DUE across a property's road frontage is now evaluated for damages purposes as if the Department of Transportation (DOT) has cut off all access to the property, resulting in damages greatly exceeding DOT's initial appraisals.

The first of these cases to be heard in Superior Court was *Prior*, in Wake County in December 2022. Judge Graham Shirley sided with the property owners in his ruling. The DOT's argument that the damages resulting from these easements was a matter for the jury to consider (which it always had been in the past) was overruled. Numerous other Superior Court judges have adopted Judge Shirley's decision, and DOT to date has not appealed or tried any of these cases to a jury. The damages in *Prior* went from the N.C. DOJ estimation of \$164 thousand to a settlement of \$1.25 million, and other cases have had similar increases in the amount of damages. The Condemnation Section has worked with DOT and Duke Energy to limit damages by amending the language of the easements, but there are still some property owners and their attorneys who would prefer seeking increased damages rather than the protections of the amended language.

Ussery v. Cooper et al. (state court). Following the dismissal without prejudice of her state law claims in federal court, Plaintiff commenced this action by filing a Complaint in July 2024 in Wake County Superior Court, naming Governor Roy Cooper (in his official capacity), the City of Raleigh, Raleigh's Chief of Police, a Raleigh Police Captain, and Raleigh Police Officers John and Jane Does 1-4, Wake County District Attorney, Lorrin Freeman; the Secretary of the North Carolina Department of Public Safety; several officers of the North Carolina State Capitol Police, and the Chief of the North Carolina General Assembly Police Department as defendants.

The Complaint sets forth four causes of action: Conspiracy to deprive Plaintiff's North Carolina constitutional rights; violation of N.C. Constitution Article I, § 12 for the right to assembly and petition, violation of N.C. Constitution Article I, § 14 for freedom of speech;

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violation of N.C. Constitution Article I, § 19 for equal protection and due process. The plaintiff seeks both declaratory relief and monetary damages. On September 24, 2024, the State Defendants moved to dismiss Plaintiff's complaint pursuant to Rules 12(b)(1), 12(b)(2), and 12(b)(6) of the North Carolina Rules of Civil Procedure. The other defendants also moved to dismiss the claims against them. Those motions to dismiss remain pending a hearing.

UNC Hospitals, DHB/Provider Audit. UNC Hospitals filed annual Medicaid cost reports with the N.C. Department of Health and Human Services (NC DHHS) for fiscal years 2007 through 2011. NC DHHS Provider Audit disagreed with certain issues on the cost reports relating to "zero paid claims" and made audit adjustments in Notices of Program Reimbursements dated May 20, 2015 and August 30, 2016. UNC Hospitals on June 4, 2015 and September 9, 2016 sought agency reconsideration. Separately, for fiscal years 2016 through 2021, UNC Hospitals included certain cases and charges relating to "zero paid claims" in calculations used for Medicare Upper Payment Limit payments to UNC Health's owned hospitals. NC DHHS Provider Audit disputed UNC Health's inclusion of cases and charges relating to "zero paid claims." On November 25, 2024, the parties reached an agreement to resolve the dispute and extinguish all potential liability in exchange for payment of \$5 million to UNC Health.

Vidant Hospital, UNC Hospitals, DHB/Provider Audit. Vidant filed annual cost reports for fiscal years 2010 through 2016. Provider Audit (Jim Flower's team) disagreed with certain issues on the cost reports and made audit adjustments in Notices of Program Reimbursements dated January 12, 2017, April 13, 2018, March 18, 2019, and May 31, 2019. Vidant appealed all in 2017 through 2019 by requesting reconsideration. The parties were not able to resolve one issue, known as "zero paid claims." Vidant has appealed to this issue for all seven fiscal years. Vidant and Division of Health Benefits (DHB) have both submitted position papers to the hearing officer. DHB's defense is based on the State Medicaid Plan, the Centers for Medicaid Services (CMS) Provider Manual, informal guidance received from CMS, and concurrence from DHB's outside auditing firm. Note also that University of North Carolina Hospitals (UNC Hospitals) has appealed the same "zero paid claims" issue for multiple cost years, and N.C. Department of Health and Human Services (NC DHHS) leadership has participated in several high-level discussions with UNC Hospitals. UNC Hospitals estimates the value of these claims is about \$13 million. The situation with UNC Hospitals is complicated as UNC Hospitals may have received some overpayments from DHB. On November 3, 2022, the Hearing Officer issued a decision upholding DHB's audit findings and rejecting Vidant's challenge. On December 29, 2022, Vidant appealed to the Office of Administrative Hearings disputing claims of \$22.9 million for fiscal years 2010-2016 and \$13.35 million for fiscal years 2017-2021. Discovery was completed including 12 depositions and expert witness disclosures. On August 8, 2023, the parties reached an agreement to resolve the total \$36.25 million in claims in dispute through a settlement payment of \$14 million to Vidant. The agreement resolves all of Vidant's past and future claims relating to the treatment of zero paid claims. The UNC Hospitals appeal with claims in dispute of about \$13 million has not been resolved.

Kinsley v. Ace Speedway Racing, Ltd., 20 CVS1001 During the early stages of the COVID-19 pandemic, to reduce the spread of the virus, the Governor issued executive orders that limited how many spectators could attend sporting events. A speedway in Alamance County refused to comply with those orders and instead announced that it would break the law and allow more spectators to attend its races. Thousands of spectators attended those races after local law-enforcement officials declined to intervene.

In response, the Secretary of the Department of Health and Human Services issued an order as authorized under North Carolina's public health laws that required the speedway to close until it agreed to follow the Governor's executive order. The speedway did not comply and remained open. The Secretary then sued the speedway, and a trial court granted injunctive relief that required to speedway to close. Only then did the speedway finally stop holding races in violation of the orders.

Several months later, the Governor issued a new executive order that increased the number of spectators that could attend sporting events, and the trial court's injunction dissolved. The Secretary voluntarily dismissed the claims against the speedway. In the meantime, however, the speedway filed its own counterclaims against the Secretary. The Speedway sought damages, claiming that the Secretary had violated its constitutional rights. The Secretary moved to dismiss the counterclaims on the basis of sovereign immunity and failure to state a claim. The trial court denied the Secretary's motion. The CoA affirmed that decision as did the NCSC in an opinion published on August 23, 2024. The case has been remanded to Alamance County Superior Court for further proceedings.

N.C. School Boards v. Moore This case began in 1998 when Plaintiffs filed a complaint against numerous state officials in their official capacities seeking a determination from the court that certain civil penalties paid into the General Fund of the treasury should have been required, pursuant to the North Carolina Constitution, to go to public schools. The North Carolina Supreme Court ruled that the penalties must be paid to the State Civil Penalty and Forfeiture Fund for the benefit of the public schools, rather than the General Fund. The Supreme Court remanded the case to the superior court for implementation. Upon remand, on August 8, 2008, Plaintiffs obtained a judgment against Defendants or their predecessors in interest for the sum of \$747.83 million. However, the superior court judge noted in his Memorandum of Decision and Judgment that, "because of the constitutional limitations and the separation of power between the judicial, legislative and executive branches of government, the Court does not have the authority to direct the manner and means by which the judgment is to be satisfied or the amount of time in which it is done." \$729.7 million of the August 8, 2008, judgment remains unpaid by Defendants.

On August 1, 2018, Plaintiffs filed a complaint in Wake County Superior Court, 18 CVS 009586, seeking to renew the 2008 judgment. The Complaint alleges that on or about August 8, 2008, in an action in the Superior Court of Wake County, civil action number 98-CVS-4982, Plaintiffs obtained a judgment against Defendants or their predecessors in interest for the sum of \$747.83 million. The Complaint alleges

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that \$729.7 million remains unpaid by Defendants. Defendants filed a motion to dismiss the Complaint on August 27, 2018, on the ground of collateral estoppel. Defendants did not contest the validity of the August 8, 2008, judgment, or the amount that remains unpaid on that judgment. Rather, Defendants contend that Plaintiffs cannot obtain execution to enforce the judgment and that because of constitutional limitations and separation of powers, the court does not have the power to order the Defendants to pay the judgment. See *Richmond Cty. Bd. of Educ. v. Cowell*, 803 S.E.2d 27, 32 (N.C. Ct. App. 2017).

The matter came up for a hearing and the court concluded the following in a written order issued on March 6, 2019:

- Plaintiffs obtained a valid judgment against Defendants or their predecessors in interest for the sum of \$747.83 million on August 8, 2008.
- \$729.7 million of the August 8, 2008, judgment remains unpaid by Defendants.
- The Complaint appropriately states an action for recovery on a judgment, and that the Complaint makes specific reference to that judgment by date, amount, and docket number.
- Because of the constitutional limitations and the separation of power between the judicial, legislative and executive branches of government, the Court does not have the authority to direct the manner and means by which the judgment is to be satisfied or the amount of time in which it is done.
- Judgment is hereby entered against the Defendants in the amount of \$729.7 million.

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 the 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 the costs questioned 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 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, 2024, 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, 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, 2024, 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, 2024, the amount due to CMS was \$206.24 million.

D. Highway Construction

The State has placed on deposit in court \$357.06 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 \$111.11 million in these proceedings. As of June 30, 2024, the State had no outstanding verified contractor's claims.

E. Construction and Other Commitments

On June 30, 2024, the State had commitments of \$6.15 billion for construction of highway infrastructure. Of this amount, \$3.2 billion relates to the Highway Fund, \$399.11 million relates to the N.C. Turnpike Authority, and \$2.55 billion relates to the Highway Trust Fund. The other commitments for construction and improvements of state government facilities totaled \$659.43 million, including \$313.19 million for the General Assembly, \$117.57 million for the Department of Adult Correction, \$72.58 million for the Department of Administration, \$48.01 million for the Department of Agriculture, and \$31.39 million for the Department of Public Safety.

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On June 30, 2024, the University of North Carolina System (component unit) had outstanding construction commitments of \$798.78 million (including \$190.23 million for North Carolina State University, \$120.67 million for University of North Carolina Chapel Hill, \$105.2 million for University of North Carolina Health Care System, \$68.13 million for East Carolina University, and \$59.18 million for Elizabeth City State University).

On June 30, 2024, community colleges (component units) had outstanding construction commitments of \$152.75 million (including \$52.55 million for Wake Technical Community College, \$21.03 million for Fayetteville Technical Community College, \$17.61 million for Western Piedmont Community College, \$7.51 million for South Piedmont Community College, and \$7.34 million for Central Piedmont Community College).

The Department of Environmental Quality has other significant commitments of \$314.51 million for clean water and other cost reimbursement grants. On June 30, 2024, the Department of Natural and Cultural Resources had other outstanding commitments of \$158.24 million for clean water grants to non-governmental organizations and local and state government. The Department of Public Instruction has other significant commitments of \$1.05 billion 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 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. On June 30, 2024, the 911 Fund (special revenue fund) had outstanding commitments for these cost-reimbursement grants and contracts to the PSAPs totaling \$39.87 million.

On June 30, 2024, the Administrative Office of the Courts had outstanding software in development contract commitments of \$173.38 million.

The State Treasurer has entered contracts with external fund managers of several investment portfolios within the North Carolina Department of State Treasurer External Investment Pool (External Investment Pool), where the State Treasurer agrees to commit capital to these investments. More detailed information about the External Investment Pool is available in a separate report (See Note 3A).

The University of North Carolina 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, 2024, the UNC Investment Fund had approximately \$1.68 billion unfunded committed capital.

F. Tobacco Settlement

In 1998, North Carolina, along with 45 other states, signed the Master Settlement Agreement (MSA) with the nation's largest tobacco companies to settle existing and potential claims of the states for damages arising from the use of the companies' tobacco products. Under the MSA, the tobacco companies are required to adhere to a variety of marketing, advertising, lobbying, and youth access restrictions, support smoking cessation and prevention programs, and provide payments to the states in perpetuity. The amount that North Carolina will receive from this settlement remains uncertain, but projections are that the State will receive approximately \$4.74 billion from the inception of the agreement through the year 2025. Since the inception, the State has received approximately \$3.88 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 to the agreement have selected a reviewer to monitor the State's implementation of this agreement. The reviewer has authority to independently assess, review, and report annually on the State's implementation of and compliance with the provisions of this agreement. The potential

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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, 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 March 2023, the parties entered into another two-year extension of the agreement, which included the development and approval of an Implementation Plan to outline how the State will come into substantial compliance by July 2025. In December of 2024, the parties expect to sign a Sixth Modification to the agreement acknowledging the State's compliance with several additional requirements of the agreement, but extending other items for an additional two years, through July 1, 2027. 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 with a current net appropriation for Transition to Community Living across all N.C. Department of Health and Human Services (NC DHHS) divisions at \$83.8 million in each year of the biennium of the 2023-25 biennium.

In Session Law 2015-241, the North Carolina Housing Finance Agency (NCHFA), in consultation with the N.C. Department of Health and Human Services (NC 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 NC DHHS and then must be appropriated by the General Assembly in order for the NCHFA to expend the funds. NC 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, NC 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. NC DHHS did not transfer any funds to the CLHF for SFY 2021-22 or SFY 2022-23 as no funds remained in accordance with the law. NC DHHS transferred \$3.37 million in remaining funds to the CLHF at the end of the 2023-24 fiscal year.

The State is liable for an ongoing worker's compensation claim for a former employee who was severely injured and will require care for life. The estimated total cost of care is currently \$25.6 million.

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NOTE 22: TAX ABATEMENTS

As of June 30, 2024, 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, 2024 on an accrual basis as a result of the agreements with the State is \$42.57 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). Additional information related to adjustments to beginning fund equity by reporting entity is provided in narratives following the summary table.

	July 1, 2023 Fund Equity as Previously Reported	IG 2021-1 Section 5.1 Implementation	Other Changes in Accounting Principles	Other Adjustments	July 1, 2023 Fund Equity as Restated
Primary Government					
Major Governmental Funds:					
General Fund	\$ 22,365,600	\$ —	\$ —	\$ 34,141	\$ 22,399,741
Highway Fund	1,196,955	—	—	—	1,196,955
Highway Trust Fund	1,075,170	—	—	—	1,075,170
Other Governmental Funds:					
Special Revenue Funds	2,350,546	—	—	—	2,350,546
Capital Projects Funds	970,217	—	—	—	970,217
Permanent Funds	188,444	—	—	—	188,444
Total Governmental Funds	<u>28,146,932</u>	<u>—</u>	<u>—</u>	<u>34,141</u>	<u>28,181,073</u>
Internal Service Funds	179,665	—	—	8,109	187,774
Government-wide adjustments:					
Equity interest in component unit	313,249	—	—	—	313,249
Capital assets	66,104,090	100,203	—	(35,178)	66,169,115
Deferred losses on refundings	25,974	—	—	—	25,974
Deferred gain on refundings	(5,428)	—	—	—	(5,428)
Deferred outflows for pensions	2,376,180	—	—	—	2,376,180
Deferred inflows for pensions	(162,742)	—	—	—	(162,742)
Deferred outflows for OPEB	1,192,295	—	—	—	1,192,295
Deferred inflows for OPEB	(2,400,362)	—	—	—	(2,400,362)
Unavailable revenue	278,799	—	—	(3,828)	274,971
Long-term liabilities	(16,290,014)	—	—	39,053	(16,250,961)
Accrued interest payable	(28,590)	—	—	—	(28,590)
Pension assets	15,327	—	—	—	15,327
Total Government-wide adjustments	<u>51,418,778</u>	<u>100,203</u>	<u>—</u>	<u>47</u>	<u>51,519,028</u>
Total Governmental Activities	<u>\$ 79,745,375</u>	<u>\$ 100,203</u>	<u>\$ —</u>	<u>\$ 42,297</u>	<u>\$ 79,887,875</u>
Business-type Activities - Enterprise Funds:					
Unemployment Compensation Fund	4,434,540	—	—	124,164	4,558,704
EPA Revolving Loan Fund	2,191,099	—	—	29,847	2,220,946
N.C. State Lottery Fund	(44,697)	—	—	—	(44,697)
N.C. Turnpike Authority	325,437	—	—	—	325,437
Other enterprise funds	301,483	—	—	(296)	301,187
Total Business-type Activities - Enterprise Funds	<u>\$ 7,207,862</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 153,715</u>	<u>\$ 7,361,577</u>
Total Primary Government	<u>\$ 86,953,237</u>	<u>\$ 100,203</u>	<u>\$ —</u>	<u>\$ 196,012</u>	<u>\$ 87,249,452</u>

NOTES TO THE FINANCIAL STATEMENTS

	July 1, 2023 Fund Equity as Previously Reported	IG 2021-1 Section 5.1 Implementation	Other Changes in Accounting Principles	Other Adjustments	July 1, 2023 Fund Equity as Restated
Component Units					
University of North Carolina System	18,230,690	97,601	3,191	26,964	18,358,446
Community Colleges	3,793,172	51,389	—	(544)	3,844,017
State Health Plan	379,775	—	—	—	379,775
Other component units	3,783,339	—	—	3,550	3,786,889
Total Component Units	<u>\$ 26,186,976</u>	<u>\$ 148,990</u>	<u>\$ 3,191</u>	<u>\$ 29,970</u>	<u>\$ 26,369,127</u>

GASB Implementation Guide 2021-1, Section 5.1

Adjustments reported in the “IG 2021-1 Section 5.1 Implementation” column are due to the State’s adoption of *GASB Implementation Guide 2021-1 Section 5.1*, as discussed in Note 2. Reporting entities with adjustments in this column restated groups of similar assets, whose individual costs were less than the established capitalization threshold, but in aggregate were significant. Capital assets, net of depreciation, were understated in the prior year by the adjustment amount. Expenses related to depreciation were understated and expenses related to capital outlay were overstated in prior periods based on the years impacted by restated grouped assets.

Other Changes in Accounting Principles

The University of North Carolina System was the only reporting entity that reported a change in accounting principle unrelated to the implementation of a GASB pronouncement. Effective June 30, 2024, the University of North Carolina – Greensboro (UNCG), implemented a preferred accounting principle for calculating bond premiums. UNCG’s change to the effective interest rate to maturity method will improve the accuracy of the financial reporting under *GASB Statement No. 62*. Previously, UNCG used the proportionate-to-stated interest method. Long-term liabilities, related to bonds payable, were restated and reduced by \$3.191 million due to this change, and expenses related to interest expense were overstated in the prior year by the same amount.

Other Adjustments

Amounts in the “Other Adjustments” column are primarily due to the correction of errors related to prior periods.

*Governmental Activities*General Fund

The General Fund reported \$34.141 million as “Other Adjustments.” These error corrections were reported at three different state agencies. The Department of Public Instruction reported a restatement in the amount of \$17.934 million for understated revenues in the prior fiscal year related to various federal education grants. The federal revenues were earned but not recorded, resulting in federal intergovernmental receivables being understated in the prior year by \$17.934 million and primary and secondary education operating grants and contributions being understated for the same amount on the statement of changes. The Department of Public Safety understated notes receivable in the prior year by \$10.565 million related to local government loans issued in 2020. Because the loans were not issued in the prior year, only the beginning net position on the statements of changes would be impacted in the prior year. The Office of the State Controller understated accounts receivable by \$5.642 million in the prior year related to the N.C. Flex program, which is a state-sponsored benefit program. As a result of the receivables being understated, general government expenses were overstated by the same amount on the statement of changes.

Internal Service Funds

Internal Service Funds reported a restatement of \$8.109 million related to overstated claims payable in the State Property Fire Insurance Fund for hurricane insurance claims to universities. General government expenses, representing claims expense, were overstated by the same amount in the prior year on the statement of changes.

NOTES TO THE FINANCIAL STATEMENTSGovernment-wide

Capital assets reported (\$35.178) million as “Other Adjustments” related to various capital asset error corrections in prior periods in the State’s governmental funds. This adjustment is predominantly related to the Department of Transportation (DOT) overstating subscription assets in the prior year by \$46.496 million and the associated accumulated depreciation by \$10.266 million, with a net impact of (\$36.23) million. Capital outlay expense was understated by \$46.496 million and depreciation expense was overstated by \$10.266 million in the prior year’s statement of changes related to DOT overstating subscription assets. In addition to DOT’s capital asset overstatement, other State agencies reported various adjustments to capital assets in their governmental funds that had a net impact of understating capital assets in the amount of \$1.052 million.

Unavailable revenues were overstated in the prior year by \$3.828 million related to various types of governmental fund revenues that were not available to pay for current period expenditures in the prior period. Charges for services were overstated on the statement of changes in the prior year by the same amount.

Long-term liabilities were overstated by \$39.053 million mostly due to DOT overstating the subscription liability by \$39.919 million, which is consistent with DOT’s overstated subscription asset discussed in the paragraph above. Beginning net position was understated by \$39.053 in the prior year’s statement of changes. In addition to DOT’s overstatement, other State agencies reported various adjustments to long-term liabilities in their governmental funds that had a net impact of understating long-term liabilities in the amount of \$866 thousand.

*Business-type Activities*Unemployment Compensation Fund

The Unemployment Compensation Fund (UCF) reported a restatement in the amount of \$124.164 million related to unrecorded 2009 ARRA Modernization grant funds held at the United States Treasury. The UCF had not previously recorded these funds, believing in error that the unused funds would revert to the federal government. Cash was understated in the prior year by \$124.164 million and the beginning net position on the statement of changes in the prior year was understated by the same amount.

EPA Revolving Loan Fund

The EPA Revolving Loan Fund (EPA RLF) reported a restatement in the amount of \$29.847 million related to understated notes receivable in the prior year due to accrued loans not being recorded to notes receivable at the close of the fiscal year. EPA RLF expenses, made up of nonoperating grants, aid, and subsidies related to loans to local governments, were overstated on the statement of changes in the prior year for the same amount.

Other enterprise funds

Other enterprise funds reported restatements in the amount of (\$296) thousand, comprised of various restatements in the nonmajor enterprise funds. In the Workers’ Compensation Fund, claims payable were understated by \$293 thousand, a (\$293) thousand restatement, in the prior year, and insurance program expenses were understated by the same amount on the statement of changes. In the Departmental Funds, capital assets, net of depreciation, were understated by \$67 thousand in the prior year, a \$67 thousand restatement of net position, and other business-type expenses, comprised of an overstatement of capital outlay and an understatement of depreciation, were overstated by the same amount on the statement of changes. The USS North Carolina Battleship Commission reported a restatement in the amount of \$190 thousand related to a cumulative understatement for deferred outflows for pensions and OPEB related to periods earlier than the prior fiscal year. The beginning net position on the statement of changes for the prior year was understated by \$190. The State’s Occupational Licensing Boards reported an aggregate restatement of (\$260) thousand related to a combination of insignificant restatements reported in several of the occupational licensing boards.

*Component Units*University of North Carolina System

The University of North Carolina System (UNC System), which includes the various universities and entities identified in Note 1, along with the university foundations, reported an aggregate adjustment of \$26.964 million as “Other Adjustments” related to various error corrections and audit adjustments. The UNC System understated the following summary captions on the statement of net position in the prior year: capital assets-nondepreciable by \$14.7 million; capital assets-depreciable, net of accumulated depreciation, by \$14.42 million; and long-term liabilities-due in more than one year by \$1.314 million. The UNC System overstated the following net position captions in the prior year: other current and noncurrent assets by \$4.68 million; other current and noncurrent liabilities by \$3.825 million; and long-term liabilities-due within one year by \$13 thousand. Revenues were understated by \$4.477 million in the prior year, which included understatements for unrestricted investment earnings of \$2.746 million and various noncapital and capital gifts, grants and contributions of \$5.522 million. There were also overstated revenues in

NOTES TO THE FINANCIAL STATEMENTS

the prior year for charges for services of \$1.149 million and \$2.642 million for miscellaneous general revenue. In addition, expenses were understated in the prior year by \$1.586 million, resulting in a net \$2.891 million increase in the statement of changes in the prior year. The beginning net position was also understated by \$24.073 million for corrections related to periods earlier than the prior year fiscal year.

Community Colleges

Community Colleges, which includes 58 community colleges as described in Note 1, along with the college foundations, reported an aggregate adjustment of (\$544) thousand as “Other Adjustments” related to various corrections and audit adjustments. Community Colleges understated the following summary captions on the statement of net position in the prior year: capital assets-nondepreciable by \$126 thousand; capital assets-depreciable, net of accumulated depreciation, by \$2.631 million; deferred outflows for pension and OPEB by \$1.13 million; other current and noncurrent liabilities by \$3.018 million; and long-term liabilities – due within one year by \$823 thousand. Community Colleges overstated the following summary captions on the statement of net position in the prior year: other current and noncurrent assets by \$1.162 million; long-term liabilities – due in more than one year by \$549 thousand; and deferred inflows for lease agreements by \$23 thousand. Revenues were understated by \$213 thousand in the prior year, which included understatements of unrestricted investment earnings by \$3.186 million and various noncapital and capital gifts, grants and contributions by \$364 thousand. There was also an overstatement in revenue of \$3.337 million for charges for services and miscellaneous revenue. The beginning net position on the prior year’s statement of changes was also overstated by \$757 thousand.

Other component units

Other component units, which make up other discretely presented component units as described in Note 1, reported an aggregate adjustment of \$3.55 million as “Other Adjustments” related to various error corrections and audit adjustment. The North Carolina Global TransPark Authority reported a restatement in the amount of (\$1.777) million related to various understated liabilities in the prior year, and expenses were understated by the same amount. The State Education Assistance Authority reported a restatement of (\$500) thousand related to understating payables and therefore expenses by the same amount in the prior year. The North Carolina Partnership for Children, Inc. reported a (\$3) thousand restatement related to overstating a subscription asset and understating expenses. The Golden LEAF Foundation reported a restatement in the amount of \$5.83 million related to understating investments in the prior year due to an adjustment in their investment portfolio related to fair market valuations. Unrestricted investment earnings were also understated for the same amount.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity Deficit**Primary Government**

At June 30, 2024, the following internal service funds reported a net position deficit: Mail Service Center, \$1.5 million; Computing Services, \$41.2 million.

At June 30, 2024, the following nonmajor enterprise fund reported a net position deficit: Utilities Commission, \$15.65 million.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 25: SUBSEQUENT EVENTS****Primary Government****A. Disaster Relief***Hurricane Helene*

In September 2024, Hurricane Helene brought high winds, widespread heavy rainfall in excess of 30 inches in some areas, record flooding, and significant loss of human life and property in western North Carolina. At its peak, Hurricane Helene was a Category 4 storm with winds reaching 140 mph. With record-breaking rainfall that created 1,000-year flood events in several counties, it devastated the people, infrastructure, businesses, and schools of entire communities. Countless homes, buildings, roads, bridges, and properties were destroyed or damaged, and entire communities lost power, water, sewer, communication, and other essential services due to devastation. In addition, tornadoes were generated across the State as Hurricane Helene passed, causing significant damage in areas outside of the storm's immediate path. Hurricane Helene resulted in 103 confirmed fatalities. On September 28, 2024, 25 counties in North Carolina were declared a major disaster by the President of the United States under the Stafford Act, approving individual and public assistance for affected counties.

On October 10, 2024, "The Disaster Recovery Act of 2024" (Session Law 2024-51) was approved, and the Helene Fund was established to provide necessary and appropriate relief and assistance from the effects of Hurricane Helene. The Office of State Budget and Management (OSBM) is administering the Helene Fund. On October 16, 2024, the Office of the State Controller (OSC) transferred \$273 million from the Savings Reserve to the Helene Fund. Amounts are appropriated within the Helene Fund for the duration of the recovery efforts for the following:

- 1) \$250 million to the Department of Public Safety (DPS), Division of Emergency Management, to provide the State match for federal disaster assistance programs for State agencies and units of local governments;
- 2) \$16 million to the Department of Public Instruction (DPI) to supplement or replace lost compensation of school nutrition employees due to school closures resulting from Hurricane Helene;
- 3) \$2 million for the OSBM to provide grants to the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, and the North Carolina Association of Regional Councils of Governments to provide technical assistance with local recovery funds; and
- 4) \$5 million to the State Board of Elections to facilitate voting in the counties listed in the act.

On October 25, 2024, "The Disaster Recovery Act of 2024 – Part II" (Session Law 2024-53) was approved and provides additional necessary relief and assistance from the effects of Hurricane Helene. On November 13, 2024, OSC transferred \$604.15 million from the Savings Reserve to the Helene Fund. Amounts are appropriated within the Helene Fund for the duration of the recovery efforts for the following:

- 1) Education: \$16.75 million to the North Carolina Community College System, \$65 million to DPI, and \$20 million to the University of North Carolina;
- 2) Health and Human Services: \$71.4 million to the Department of Health and Human Services;
- 3) Agriculture, Natural, and Economic Resources: \$56 million to the Department of Commerce and \$139 million to the Department of Environmental Quality (DEQ);
- 4) Justice and Public Safety: \$130 million to DPS; and
- 5) General Government: \$5.5 million to OSBM and \$100.5 million to the Department of State Treasurer (DST).

On December 11, 2024, "The Disaster Recovery Act of 2024 – Part III" (Session Law 2024-57) was approved and provides additional necessary relief and assistance from the effects of Hurricane Helene. OSC will transfer \$227 million from the Savings Reserve to the Helene Fund and the funds will remain unspent until appropriated by an act of the General Assembly. Amounts will be appropriated and used as follows:

NOTES TO THE FINANCIAL STATEMENTS

- 1) Department of Agriculture and Consumer Services - \$25 million from the State Emergency Response and Disaster Relief Fund (SERDRF) to the Helene Fund to the Department of Agriculture and Consumer Services for purposes in the affected area authorized under the Streamflow Rehabilitation Assistance Program;
- 2) DEQ - \$100 million funds appropriated from the Helene Funds to DEQ to be used consistently with the loan program established in Section 4C.7.(a) of Part III and cognizant of the emergency relief related objectives underlying G.S. 159G-33(a)(4) and G.S. 159G-34(a)(4);
- 3) DST - \$100 million funds appropriated to be used to provide cash flow loans to local governments in the affected area as established in Section 4E.5.(a) of Part III; and
- 4) Department of Agriculture and Consumer Services - \$2 million nonrecurring funds to be used for purposes in the affected area authorized under the Streamflow Rehabilitation Assistance Program created by Article 6 Chapter 139 of the General Statutes.

Tropical Storm Debby

In August 2024, Tropical Storm Debby brought wind gusts, heavy rainfall, and flooding to southeastern North Carolina. On October 25, 2024, “The Disaster Recovery Act of 2024 – Part II” was approved and provides necessary relief and assistance from the effects of Potential Tropical Cyclones (PTCS) and Tropical Storm Debby. On November 13, 2024, OSC transferred \$40 million from the Savings Reserve to the OSBM Disaster Relief Reserve. Amounts are appropriated within the OSBM Disaster Relief Reserve to DPS for justice and public safety.

Rebuild NC Program

On December 11, 2024, “The Disaster Recovery Act of 2024 – Part III” (Session Law 2024-57) was approved. OSC will transfer \$50 million from the SERDRF to the OSBM Disaster Relief Reserve for allocation to the Office of Recovery and Resiliency to support homeowner recovery projects under the Rebuild NC program for the 2024-2025 fiscal year.

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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 Ten Fiscal Years

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Teachers' and State Employees'					
Total pension liability					
Service Cost	\$ 2,032,765	\$ 1,932,122	\$ 1,918,712	\$ 1,906,954	\$ 1,851,058
Interest	6,311,991	6,027,474	5,874,188	5,857,546	5,663,045
Changes of benefit terms	-	213,711	205,169	-	-
Differences between expected and actual experience	643,699	1,812,215	(175,206)	(141,796)	258,502
Changes of assumptions	-	-	-	2,341,992	-
Benefit payments, including refunds of member contributions	(5,783,536)	(5,636,727)	(5,324,253)	(5,055,075)	(4,934,999)
Net change in total pension liability	<u>3,204,919</u>	<u>4,348,795</u>	<u>2,498,610</u>	<u>4,909,621</u>	<u>2,837,606</u>
Total pension liability - beginning	<u>97,921,027</u>	<u>93,572,232</u>	<u>91,073,622</u>	<u>86,164,001</u>	<u>83,326,395</u>
Total pension liability - ending (a)	<u>\$ 101,125,946</u>	<u>\$ 97,921,027</u>	<u>\$ 93,572,232</u>	<u>\$ 91,073,622</u>	<u>\$ 86,164,001</u>
Plan fiduciary net position					
Contributions-employer	\$ 3,212,327	\$ 3,034,897	\$ 2,761,946	\$ 2,373,252	\$ 2,055,075
Contributions-member	1,106,850	1,059,460	1,030,635	981,051	964,544
Net investment income	6,541,442	4,075,935	(6,118,110)	14,023,684	3,050,585
Benefit payments, including refunds of member contributions	(5,783,536)	(5,636,727)	(5,324,253)	(5,055,075)	(4,934,999)
Administrative expense	(16,461)	(16,093)	(13,945)	(13,870)	(12,910)
Other	(398)	1,578	2,700	(25)	271
Net change in plan fiduciary net position	<u>5,060,224</u>	<u>2,519,050</u>	<u>(7,661,027)</u>	<u>12,309,017</u>	<u>1,122,566</u>
Plan fiduciary net position - beginning	<u>81,249,054</u>	<u>78,730,004</u>	<u>86,391,031</u>	<u>74,082,014</u>	<u>72,959,448</u>
Plan fiduciary net position - ending (b)	<u>\$ 86,309,278</u>	<u>\$ 81,249,054</u>	<u>\$ 78,730,004</u>	<u>\$ 86,391,031</u>	<u>\$ 74,082,014</u>
TSERS's net pension liability - ending (a) - (b)	<u>\$ 14,816,668</u>	<u>\$ 16,671,973</u>	<u>\$ 14,842,228</u>	<u>\$ 4,682,591</u>	<u>\$ 12,081,987</u>
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%
Covered payroll	\$ 18,210,471	\$ 17,462,008	\$ 16,861,697	\$ 16,057,185	\$ 15,844,834
Net pension liability as a percentage of covered payroll	81.36%	95.48%	88.02%	29.16%	76.25%
Local Governmental Employees'					
Total pension liability					
Service Cost	\$ 999,460	\$ 917,160	\$ 904,200	\$ 876,765	\$ 841,148
Interest	2,462,586	2,312,550	2,225,081	2,139,954	2,037,306
Changes of benefit terms	-	-	33,159	-	-
Differences between expected and actual experience	984,929	885,328	(31,778)	296,054	177,954
Changes of assumptions	-	-	-	1,125,778	-
Benefit payments, including refunds of member contributions	(1,913,522)	(1,865,415)	(1,732,564)	(1,630,148)	(1,551,217)
Net change in total pension liability	<u>2,533,453</u>	<u>2,249,623</u>	<u>1,398,098</u>	<u>2,808,403</u>	<u>1,505,191</u>
Total pension liability - beginning	<u>37,828,184</u>	<u>35,578,561</u>	<u>34,180,463</u>	<u>31,372,060</u>	<u>29,866,869</u>
Total pension liability - ending (a)	<u>\$ 40,361,637</u>	<u>\$ 37,828,184</u>	<u>\$ 35,578,561</u>	<u>\$ 34,180,463</u>	<u>\$ 31,372,060</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,215,459	\$ 1,050,570	\$ 880,449	\$ 745,308	\$ 640,969
Contributions-member	574,906	524,830	477,001	453,112	436,754
Net investment income	2,542,400	1,561,729	(2,331,589)	5,283,300	1,139,009
Benefit payments, including refunds of member contributions	(1,913,522)	(1,865,415)	(1,732,564)	(1,630,148)	(1,551,217)
Administrative expense	(6,784)	(6,407)	(5,415)	(5,295)	(4,889)
Other	2,610	2,657	2,384	1,956	2,061
Net change in plan fiduciary net position	<u>2,415,069</u>	<u>1,267,964</u>	<u>(2,709,734)</u>	<u>4,848,233</u>	<u>662,687</u>
Plan fiduciary net position - beginning	<u>31,205,097</u>	<u>29,937,133</u>	<u>32,646,867</u>	<u>27,798,634</u>	<u>27,135,947</u>
Plan fiduciary net position - ending (b)	<u>\$ 33,620,166</u>	<u>\$ 31,205,097</u>	<u>\$ 29,937,133</u>	<u>\$ 32,646,867</u>	<u>\$ 27,798,634</u>
LGERS's net pension liability - ending (a) - (b)	<u>\$ 6,741,471</u>	<u>\$ 6,623,087</u>	<u>\$ 5,641,428</u>	<u>\$ 1,533,596</u>	<u>\$ 3,573,426</u>
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%
Covered payroll	\$ 9,236,011	\$ 8,479,177	\$ 7,570,499	\$ 7,166,423	\$ 6,914,444
Net pension liability as a percentage of covered payroll	72.99%	78.11%	74.52%	21.40%	51.68%

2019	2018	2017	2016	2015
\$ 1,782,475	\$ 1,630,323	\$ 1,469,395	\$ 1,580,544	\$ 1,562,846
5,460,427	5,281,004	5,195,104	4,937,464	4,803,766
-	44,339	449,563	35,605	-
535,860	815,911	229,339	(190,178)	(278,170)
-	1,637,700	381,934	1,743,836	-
(4,835,144)	(4,666,391)	(4,545,296)	(4,339,637)	(4,184,410)
2,943,618	4,742,886	3,180,039	3,767,634	1,904,032
80,382,777	75,639,891	72,459,852	68,692,218	66,788,186
<u>\$ 83,326,395</u>	<u>\$ 80,382,777</u>	<u>\$ 75,639,891</u>	<u>\$ 72,459,852</u>	<u>\$ 68,692,218</u>
\$ 1,915,146	\$ 1,602,901	\$ 1,441,194	\$ 1,275,003	\$ 1,262,988
951,566	910,797	894,538	864,151	854,306
4,514,117	4,885,354	6,656,652	472,174	1,468,624
(4,835,144)	(4,666,391)	(4,545,296)	(4,339,637)	(4,184,410)
(11,815)	(11,604)	(11,265)	(10,217)	(10,646)
(1,120)	181	808	325	393
2,532,750	2,721,238	4,436,631	(1,738,201)	(608,745)
70,426,698	67,705,460	63,268,829	65,007,030	65,615,775
<u>\$ 72,959,448</u>	<u>\$ 70,426,698</u>	<u>\$ 67,705,460</u>	<u>\$ 63,268,829</u>	<u>\$ 65,007,030</u>
<u>\$ 10,366,947</u>	<u>\$ 9,956,079</u>	<u>\$ 7,934,431</u>	<u>\$ 9,191,023</u>	<u>\$ 3,685,188</u>
87.56%	87.61%	89.51%	87.32%	94.64%
\$ 15,582,963	\$ 14,869,212	\$ 14,440,822	\$ 13,934,459	\$ 13,803,148
66.53%	66.96%	54.94%	65.96%	26.70%
\$ 798,120	\$ 713,227	\$ 656,231	\$ 684,288	\$ 670,936
1,934,144	1,838,989	1,803,590	1,707,699	1,628,373
-	-	-	12,581	65,914
252,859	378,665	73,083	50,205	(72,177)
-	595,781	138,096	183,019	-
(1,472,856)	(1,402,793)	(1,322,277)	(1,251,918)	(1,172,578)
1,512,267	2,123,869	1,348,723	1,385,874	1,120,468
28,354,602	26,230,733	24,882,010	23,496,136	22,375,668
<u>\$ 29,866,869</u>	<u>\$ 28,354,602</u>	<u>\$ 26,230,733</u>	<u>\$ 24,882,010</u>	<u>\$ 23,496,136</u>
\$ 534,107	\$ 492,317	\$ 461,329	\$ 414,168	\$ 408,694
420,437	401,632	391,459	375,572	363,863
1,675,331	1,789,337	2,413,758	175,189	520,578
(1,472,856)	(1,402,793)	(1,322,277)	(1,251,918)	(1,172,578)
(4,634)	(4,324)	(4,264)	(3,926)	(4,086)
1,302	3,081	3,330	3,248	3,285
1,153,687	1,279,250	1,943,335	(287,667)	119,756
25,982,260	24,703,010	22,759,675	23,047,342	22,927,586
<u>\$ 27,135,947</u>	<u>\$ 25,982,260</u>	<u>\$ 24,703,010</u>	<u>\$ 22,759,675</u>	<u>\$ 23,047,342</u>
<u>\$ 2,730,922</u>	<u>\$ 2,372,342</u>	<u>\$ 1,527,723</u>	<u>\$ 2,122,335</u>	<u>\$ 448,794</u>
90.86%	91.63%	94.18%	91.47%	98.09%
\$ 6,665,378	\$ 6,368,275	\$ 6,192,808	\$ 5,860,574	\$ 5,650,694
40.97%	37.25%	24.67%	36.21%	7.94%

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

Last Ten Fiscal Years

(Dollars in Thousands)

	2024	2023	2022	2021	2020
Firefighters' and Rescue Squad Workers'					
Total pension liability					
Service Cost	\$ 7,230	\$ 7,357	\$ 7,262	\$ 7,675	\$ 7,733
Interest	32,342	32,031	32,013	33,116	32,500
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,153)	(3,381)	(8,484)	(4,881)	(1,376)
Changes of assumptions	-	-	-	6,525	-
Benefit payments, including refunds of member contributions	(31,298)	(30,876)	(30,369)	(30,147)	(29,953)
Net change in total pension liability	<u>7,121</u>	<u>5,131</u>	<u>422</u>	<u>12,288</u>	<u>8,904</u>
Total pension liability - beginning	<u>505,749</u>	<u>500,618</u>	<u>500,196</u>	<u>487,908</u>	<u>479,004</u>
Total pension liability - ending (a)	<u>\$ 512,870</u>	<u>\$ 505,749</u>	<u>\$ 500,618</u>	<u>\$ 500,196</u>	<u>\$ 487,908</u>
Plan fiduciary net position					
Contributions-member	\$ 2,571	\$ 2,471	\$ 2,318	\$ 2,569	\$ 2,581
Contributions-nonemployer	20,052	19,702	19,352	19,002	18,652
Net investment income	40,231	25,008	(37,515)	85,952	18,593
Benefit payments, including refunds of member contributions	(31,298)	(30,876)	(30,369)	(30,147)	(29,953)
Administrative expense	(1,004)	(844)	(975)	(987)	(885)
Other	18	23	18	15	14
Net change in plan fiduciary net position	<u>30,570</u>	<u>15,484</u>	<u>(47,171)</u>	<u>76,404</u>	<u>9,002</u>
Plan fiduciary net position - beginning	<u>496,440</u>	<u>480,956</u>	<u>528,127</u>	<u>451,723</u>	<u>442,721</u>
Plan fiduciary net position - ending (b)	<u>\$ 527,010</u>	<u>\$ 496,440</u>	<u>\$ 480,956</u>	<u>\$ 528,127</u>	<u>\$ 451,723</u>
FRSWPF's net pension liability (asset) - ending (a) - (b)	<u>\$ (14,140)</u>	<u>\$ 9,309</u>	<u>\$ 19,662</u>	<u>\$ (27,931)</u>	<u>\$ 36,185</u>
Plan fiduciary net position as a percentage of the total pension liability	102.76%	98.16%	96.07%	105.58%	92.58%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'					
Total pension liability					
Service Cost	\$ 1,198	\$ 1,151	\$ 1,107	\$ 1,120	\$ 1,125
Interest	1,016	1,025	1,025	1,134	1,122
Differences between expected and actual experience	380	(618)	(360)	308	(124)
Changes of assumptions	-	-	-	2,101	-
Benefit payments, including refunds of member contributions	(1,932)	(1,850)	(1,844)	(1,802)	(1,788)
Net change in total pension liability	<u>662</u>	<u>(292)</u>	<u>(72)</u>	<u>2,861</u>	<u>335</u>
Total pension liability - beginning	<u>33,626</u>	<u>33,918</u>	<u>33,990</u>	<u>31,129</u>	<u>30,794</u>
Total pension liability - ending (a)	<u>\$ 34,288</u>	<u>\$ 33,626</u>	<u>\$ 33,918</u>	<u>\$ 33,990</u>	<u>\$ 31,129</u>
Plan fiduciary net position					
Contributions-employer	\$ 860	\$ 892	\$ 1,146	\$ 1,200	\$ 958
Net investment income	1,261	(537)	(5,334)	(228)	4,353
Benefit payments, including refunds of member contributions	(1,932)	(1,850)	(1,844)	(1,802)	(1,788)
Administrative expense	(21)	(20)	(13)	(14)	(12)
Net change in plan fiduciary net position	<u>168</u>	<u>(1,515)</u>	<u>(6,045)</u>	<u>(844)</u>	<u>3,511</u>
Plan fiduciary net position - beginning	<u>45,643</u>	<u>47,158</u>	<u>53,203</u>	<u>54,047</u>	<u>50,536</u>
Plan fiduciary net position - ending (b)	<u>\$ 45,811</u>	<u>\$ 45,643</u>	<u>\$ 47,158</u>	<u>\$ 53,203</u>	<u>\$ 54,047</u>
RODSPF's net pension asset - ending (a) - (b)	<u>\$ (11,523)</u>	<u>\$ (12,017)</u>	<u>\$ (13,240)</u>	<u>\$ (19,213)</u>	<u>\$ (22,918)</u>
Plan fiduciary net position as a percentage of the total pension liability	133.61%	135.74%	139.04%	156.53%	173.62%
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

2019	2018	2017	2016	2015
\$ 7,640	\$ 7,542	\$ 4,841	\$ 5,610	\$ 5,884
32,140	31,686	31,475	30,035	29,671
-	-	-	118	-
(4,922)	(121)	2,048	(2,177)	(2,799)
-	10,593	2,549	15,577	-
(29,502)	(31,727)	(29,070)	(27,998)	(26,912)
5,356	17,973	11,843	21,165	5,844
473,648	455,675	443,832	422,667	416,823
<u>\$ 479,004</u>	<u>\$ 473,648</u>	<u>\$ 455,675</u>	<u>\$ 443,832</u>	<u>\$ 422,667</u>
\$ 2,770	\$ 2,790	\$ 2,594	\$ 2,778	\$ 2,822
18,302	17,952	17,602	13,900	13,900
27,363	29,505	39,928	2,867	8,711
(29,502)	(31,727)	(29,070)	(27,998)	(26,912)
(1,002)	(885)	(919)	(860)	(1,622)
(18)	10	15	18	4
17,913	17,645	30,150	(9,295)	(3,097)
424,808	407,163	377,013	386,308	389,405
<u>\$ 442,721</u>	<u>\$ 424,808</u>	<u>\$ 407,163</u>	<u>\$ 377,013</u>	<u>\$ 386,308</u>
<u>\$ 36,283</u>	<u>\$ 48,840</u>	<u>\$ 48,512</u>	<u>\$ 66,819</u>	<u>\$ 36,359</u>
92.43%	89.69%	89.35%	84.94%	91.40%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

\$ 1,117	\$ 1,086	\$ 860	\$ 579	\$ 578
1,133	1,157	1,164	1,354	1,372
(770)	(1,125)	440	(45)	(558)
-	-	-	7,082	-
(1,754)	(1,793)	(1,793)	(1,718)	(1,715)
(274)	(675)	671	7,252	(323)
31,068	31,743	31,072	23,820	24,143
<u>\$ 30,794</u>	<u>\$ 31,068</u>	<u>\$ 31,743</u>	<u>\$ 31,072</u>	<u>\$ 23,820</u>
\$ 950	\$ 856	\$ 869	\$ 817	\$ 802
3,721	(230)	(13)	3,722	1,114
(1,754)	(1,793)	(1,793)	(1,718)	(1,715)
(12)	(14)	(19)	(47)	(16)
2,905	(1,181)	(956)	2,774	185
47,631	48,812	49,768	46,994	46,809
<u>\$ 50,536</u>	<u>\$ 47,631</u>	<u>\$ 48,812</u>	<u>\$ 49,768</u>	<u>\$ 46,994</u>
<u>\$ (19,742)</u>	<u>\$ (16,563)</u>	<u>\$ (17,069)</u>	<u>\$ (18,696)</u>	<u>\$ (23,174)</u>
164.11%	153.31%	153.77%	160.17%	197.29%
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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Consolidated Judicial					
Total pension liability					
Service Cost	\$ 16,220	\$ 15,796	\$ 14,320	\$ 19,545	\$ 18,869
Interest	56,527	53,741	51,397	49,700	48,149
Changes of benefit terms	-	2,197	2,127	-	-
Differences between expected and actual experience	31,620	29,934	22,417	2,451	4,583
Changes of assumptions	-	-	-	46,622	-
Benefit payments, including refunds of member contributions	(60,931)	(57,587)	(53,819)	(50,001)	(48,920)
Net change in total pension liability	<u>43,436</u>	<u>44,081</u>	<u>36,442</u>	<u>68,317</u>	<u>22,681</u>
Total pension liability - beginning	<u>883,416</u>	<u>839,335</u>	<u>802,893</u>	<u>734,576</u>	<u>711,895</u>
Total pension liability - ending (a)	<u>\$ 926,852</u>	<u>\$ 883,416</u>	<u>\$ 839,335</u>	<u>\$ 802,893</u>	<u>\$ 734,576</u>
Plan fiduciary net position					
Contributions-employer	\$ 35,574	\$ 34,952	\$ 33,428	\$ 29,259	\$ 26,637
Contributions-member	6,715	6,103	5,470	5,585	5,224
Net investment income	54,594	34,201	(51,610)	118,772	25,923
Benefit payments, including refunds of member contributions	(60,931)	(57,587)	(53,819)	(50,001)	(48,920)
Administrative expense	(43)	(71)	(29)	(34)	(27)
Other	100	-	4	-	-
Net change in plan fiduciary net position	<u>36,009</u>	<u>17,598</u>	<u>(66,556)</u>	<u>103,581</u>	<u>8,837</u>
Plan fiduciary net position - beginning	<u>682,362</u>	<u>664,764</u>	<u>731,320</u>	<u>627,739</u>	<u>618,902</u>
Plan fiduciary net position - ending (b)	<u>\$ 718,371</u>	<u>\$ 682,362</u>	<u>\$ 664,764</u>	<u>\$ 731,320</u>	<u>\$ 627,739</u>
CJRS's net pension liability - ending (a) - (b)	<u>\$ 208,481</u>	<u>\$ 201,054</u>	<u>\$ 174,571</u>	<u>\$ 71,573</u>	<u>\$ 106,837</u>
Plan fiduciary net position as a percentage of the total pension liability	77.51%	77.24%	79.20%	91.09%	85.46%
Covered payroll	\$ 100,833	\$ 87,489	\$ 83,528	\$ 80,294	\$ 79,277
Net pension liability as a percentage of covered payroll	206.76%	229.80%	209.00%	89.14%	134.76%
Legislative					
Total pension liability					
Service Cost	\$ 798	\$ 797	\$ 796	\$ 1,034	\$ 1,058
Interest	1,948	1,933	1,925	2,053	2,051
Changes of benefit terms	-	94	94	-	-
Differences between expected and actual experience	(57)	(92)	(281)	(815)	(617)
Changes of assumptions	-	-	-	(353)	-
Benefit payments, including refunds of member contributions	(2,557)	(2,449)	(2,358)	(2,516)	(2,388)
Net change in total pension liability	<u>132</u>	<u>283</u>	<u>176</u>	<u>(597)</u>	<u>104</u>
Total pension liability - beginning	<u>30,433</u>	<u>30,150</u>	<u>29,974</u>	<u>30,571</u>	<u>30,467</u>
Total pension liability - ending (a)	<u>\$ 30,565</u>	<u>\$ 30,433</u>	<u>\$ 30,150</u>	<u>\$ 29,974</u>	<u>\$ 30,571</u>
Plan fiduciary net position					
Contributions-employer	\$ 748	\$ 901	\$ 1,029	\$ 987	\$ 956
Contributions-member	253	259	253	253	253
Net investment income	2,243	1,441	(2,183)	5,162	1,151
Benefit payments, including refunds of member contributions	(2,557)	(2,449)	(2,358)	(2,516)	(2,388)
Administrative expense	(16)	(23)	(15)	(13)	(13)
Other	-	(1)	(1)	-	6
Net change in plan fiduciary net position	<u>671</u>	<u>128</u>	<u>(3,275)</u>	<u>3,873</u>	<u>(35)</u>
Plan fiduciary net position - beginning	<u>28,748</u>	<u>28,620</u>	<u>31,895</u>	<u>28,022</u>	<u>28,057</u>
Plan fiduciary net position - ending (b)	<u>\$ 29,419</u>	<u>\$ 28,748</u>	<u>\$ 28,620</u>	<u>\$ 31,895</u>	<u>\$ 28,022</u>
LRS's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,146</u>	<u>\$ 1,685</u>	<u>\$ 1,530</u>	<u>\$ (1,921)</u>	<u>\$ 2,549</u>
Plan fiduciary net position as a percentage of the total pension liability	96.25%	94.46%	94.93%	106.41%	91.66%
Covered payroll	\$ 3,622	\$ 3,617	\$ 3,619	\$ 3,615	\$ 3,613
Net pension liability (asset) as a percentage of covered payroll	31.64%	46.59%	42.28%	(53.14%)	70.55%

2019	2018	2017	2016	2015
\$ 18,710	\$ 17,192	\$ 15,630	\$ 16,904	\$ 16,812
46,838	45,397	44,837	42,009	40,846
-	430	4,349	332	-
845	7,660	2,193	(4,295)	(2,289)
-	12,836	3,032	26,588	-
<u>(46,451)</u>	<u>(43,392)</u>	<u>(42,053)</u>	<u>(40,462)</u>	<u>(38,364)</u>
19,942	40,123	27,988	41,076	17,005
691,953	651,830	623,842	582,766	565,761
<u>\$ 711,895</u>	<u>\$ 691,953</u>	<u>\$ 651,830</u>	<u>\$ 623,842</u>	<u>\$ 582,766</u>

\$ 25,636	\$ 23,988	\$ 19,592	\$ 18,908	\$ 18,949
5,151	5,706	7,399	7,561	6,238
38,211	41,123	55,762	3,972	12,176
(46,451)	(43,392)	(42,053)	(40,462)	(38,364)
(30)	(24)	(37)	(73)	(30)
<u>(119)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
22,398	27,401	40,663	(10,094)	(1,030)
596,504	569,103	528,440	538,534	539,564
<u>\$ 618,902</u>	<u>\$ 596,504</u>	<u>\$ 569,103</u>	<u>\$ 528,440</u>	<u>\$ 538,534</u>
<u>\$ 92,993</u>	<u>\$ 95,449</u>	<u>\$ 82,727</u>	<u>\$ 95,402</u>	<u>\$ 44,232</u>

86.94%	86.21%	87.31%	84.71%	92.41%
\$ 75,712	\$ 77,255	\$ 66,504	\$ 69,489	\$ 69,638
122.82%	123.55%	124.39%	137.29%	63.52%

\$ 1,088	\$ 1,006	\$ 872	\$ 822	\$ 844
2,052	2,028	2,056	1,708	1,742
-	24	215	22	-
(596)	207	(122)	(520)	(579)
-	511	121	5,151	-
<u>(2,732)</u>	<u>(2,531)</u>	<u>(2,437)</u>	<u>(2,430)</u>	<u>(2,473)</u>
(188)	1,245	705	4,753	(466)
30,655	29,410	28,705	23,952	24,418
<u>\$ 30,467</u>	<u>\$ 30,655</u>	<u>\$ 29,410</u>	<u>\$ 28,705</u>	<u>\$ 23,952</u>

\$ 809	\$ 689	\$ 675	\$ 65	\$ -
257	253	253	253	253
1,726	1,975	2,744	181	642
(2,732)	(2,531)	(2,437)	(2,430)	(2,473)
(14)	(14)	(18)	(53)	(17)
<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4)	372	1,217	(1,984)	(1,595)
28,061	27,689	26,472	28,456	30,051
<u>\$ 28,057</u>	<u>\$ 28,061</u>	<u>\$ 27,689</u>	<u>\$ 26,472</u>	<u>\$ 28,456</u>
<u>\$ 2,410</u>	<u>\$ 2,594</u>	<u>\$ 1,721</u>	<u>\$ 2,233</u>	<u>\$ (4,504)</u>

92.09%	91.54%	94.15%	92.22%	118.80%
\$ 3,611	\$ 3,618	\$ 3,705	\$ 3,616	\$ 3,611
66.74%	71.70%	46.45%	61.75%	(124.73%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
North Carolina					
National Guard					
Total pension liability					
Service Cost	\$ 229	\$ 230	\$ 196	\$ 276	\$ 315
Interest	9,059	9,478	11,070	11,097	11,746
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	8,616	(6,970)	(26,734)	4,599	(12,364)
Changes of assumptions	-	-	-	4,601	-
Benefit payments, including refunds of member contributions	(9,279)	(9,080)	(9,049)	(8,915)	(9,018)
Net change in total pension liability	<u>8,625</u>	<u>(6,342)</u>	<u>(24,517)</u>	<u>11,658</u>	<u>(9,321)</u>
Total pension liability - beginning	<u>143,712</u>	<u>150,054</u>	<u>174,571</u>	<u>162,913</u>	<u>172,234</u>
Total pension liability - ending (a)	<u>\$ 152,337</u>	<u>\$ 143,712</u>	<u>\$ 150,054</u>	<u>\$ 174,571</u>	<u>\$ 162,913</u>
Plan fiduciary net position					
Contributions-nonemployer	\$ -	\$ 11,032	\$ 11,032	\$ 11,032	\$ 11,032
Net investment income	13,810	8,539	(12,272)	27,365	5,871
Benefit payments, including refunds of member contributions	(9,279)	(9,080)	(9,049)	(8,915)	(9,018)
Administrative expense	(328)	(144)	(91)	(94)	(83)
Other	1	(1)	(4)	1	1
Net change in plan fiduciary net position	<u>4,204</u>	<u>10,346</u>	<u>(10,384)</u>	<u>29,389</u>	<u>7,803</u>
Plan fiduciary net position - beginning	<u>175,727</u>	<u>165,381</u>	<u>175,765</u>	<u>146,376</u>	<u>138,573</u>
Plan fiduciary net position - ending (b)	<u>\$ 179,931</u>	<u>\$ 175,727</u>	<u>\$ 165,381</u>	<u>\$ 175,765</u>	<u>\$ 146,376</u>
NGPF's net pension liability (asset) - ending (a) - (b)	<u>\$ (27,594)</u>	<u>\$ (32,015)</u>	<u>\$ (15,327)</u>	<u>\$ (1,194)</u>	<u>\$ 16,537</u>
Plan fiduciary net position as a percentage of the total pension liability	118.11%	122.28%	110.21%	100.68%	89.85%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

2019	2018	2017	2016	2015
\$ 327	\$ 304	\$ 305	\$ 593	\$ 550
12,368	12,288	11,975	10,700	9,916
-	-	-	-	8,734
(12,701)	(1,748)	1,204	30	(198)
-	3,926	955	15,149	-
(8,736)	(8,766)	(8,677)	(8,512)	(7,958)
(8,742)	6,004	5,762	17,960	11,044
180,976	174,972	169,210	151,250	140,206
<u>\$ 172,234</u>	<u>\$ 180,976</u>	<u>\$ 174,972</u>	<u>\$ 169,210</u>	<u>\$ 151,250</u>
\$ 9,072	\$ 8,923	\$ 8,517	\$ 7,066	\$ 6,039
8,463	8,766	11,626	842	2,493
(8,736)	(8,766)	(8,677)	(8,512)	(7,958)
(13)	(249)	(168)	(97)	(75)
(16)	2	-	1	-
8,770	8,676	11,298	(700)	499
129,803	121,127	109,829	110,529	110,030
<u>\$ 138,573</u>	<u>\$ 129,803</u>	<u>\$ 121,127</u>	<u>\$ 109,829</u>	<u>\$ 110,529</u>
<u>\$ 33,661</u>	<u>\$ 51,173</u>	<u>\$ 53,845</u>	<u>\$ 59,381</u>	<u>\$ 40,721</u>
80.46%	71.72%	69.23%	64.91%	73.08%
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
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 3,212,327	\$ 3,034,897	\$ 2,761,946	\$ 2,373,252	\$ 2,055,075
Contributions in relation to the actuarially determined contribution (1)	3,212,327	3,034,897	2,761,946	2,373,252	2,055,075
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,210,471	\$ 17,462,008	\$ 16,861,697	\$ 16,057,185	\$ 15,844,834
Contributions as a percentage of covered payroll	17.64%	17.38%	16.38%	14.78%	12.97%

Local Governmental Employees'					
Actuarially determined contribution	\$ 1,002,980	\$ 1,024,690	\$ 886,620	\$ 763,653	\$ 625,511
Contributions in relation to the actuarially determined contribution (1)	1,215,459	1,050,570	880,449	745,308	640,969
Contribution deficiency (excess)	\$ (212,479)	\$ (25,880)	\$ 6,171	\$ 18,345	\$ (15,458)
Covered payroll	\$ 9,236,011	\$ 8,479,177	\$ 7,570,499	\$ 7,166,423	\$ 6,914,444
Contributions as a percentage of covered payroll	13.16%	12.39%	11.63%	10.40%	9.27%

Firefighters' and Rescue Squad Workers' (2)

Actuarially determined contribution	\$ 3,253	\$ 13,087	\$ 15,183	\$ 14,846	\$ 14,324
Contributions in relation to the actuarially determined contribution (1)	20,052	19,702	19,352	19,002	18,652
Contribution deficiency (excess)	\$ (16,799)	\$ (6,615)	\$ (4,169)	\$ (4,156)	\$ (4,328)
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)	860	892	1,146	1,200	958
Contribution excess	\$ (860)	\$ (892)	\$ (1,146)	\$ (1,200)	\$ (958)
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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,915,146	\$ 1,565,728	\$ 1,438,306	\$ 1,210,904	\$ 1,262,988
1,915,146	1,602,901	1,441,194	1,275,003	1,262,988
<u>\$ -</u>	<u>\$ (37,173)</u>	<u>\$ (2,888)</u>	<u>\$ (64,099)</u>	<u>\$ -</u>
\$ 15,582,963	\$ 14,869,212	\$ 14,440,822	\$ 13,934,459	\$ 13,803,148
12.29%	10.78%	9.98%	9.15%	9.15%

\$ 512,287	\$ 483,559	\$ 453,193	\$ 393,920	\$ 402,429
534,107	492,317	461,329	414,168	408,694
<u>\$ (21,820)</u>	<u>\$ (8,758)</u>	<u>\$ (8,136)</u>	<u>\$ (20,248)</u>	<u>\$ (6,265)</u>
\$ 6,665,378	\$ 6,368,275	\$ 6,192,808	\$ 5,860,574	\$ 5,650,694
8.01%	7.73%	7.45%	7.07%	7.23%

\$ 14,544	\$ 14,287	\$ 17,705	\$ 13,241	\$ 13,900
18,302	17,952	17,602	13,900	13,900
<u>\$ (3,758)</u>	<u>\$ (3,665)</u>	<u>\$ 103</u>	<u>\$ (659)</u>	<u>\$ -</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

\$ -	\$ -	\$ -	\$ -	\$ -
950	856	869	817	802
<u>\$ (950)</u>	<u>\$ (856)</u>	<u>\$ (869)</u>	<u>\$ (817)</u>	<u>\$ (802)</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)

Consolidated Judicial	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 35,574	\$ 34,689	\$ 33,428	\$ 29,259	\$ 26,637
Contributions in relation to the actuarially determined contribution	35,574	34,952	33,428	29,259	26,637
Contribution excess	<u>\$ -</u>	<u>\$ (263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 100,833	\$ 87,489	\$ 83,528	\$ 80,294	\$ 79,277
Contributions as a percentage of covered payroll	35.28%	39.95%	40.02%	36.44%	33.60%
Legislative					
Actuarially determined contribution	\$ 748	\$ 890	\$ 1,029	\$ 987	\$ 956
Contributions in relation to the actuarially determined contribution	748	901	1,029	987	956
Contribution excess	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,622	\$ 3,617	\$ 3,619	\$ 3,615	\$ 3,613
Contributions as a percentage of covered payroll	20.65%	24.91%	28.43%	27.30%	26.46%
North Carolina National Guard *					
Actuarially determined contribution	\$ -	\$ 11,032	\$ 11,032	\$ 11,032	\$ 11,032
Contributions in relation to the actuarially determined contribution	-	11,032	11,032	11,032	11,032
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.

2019	2018	2017	2016	2015
\$ 24,947	\$ 23,988	\$ 19,592	\$ 18,324	\$ 18,949
25,636	23,988	19,592	18,908	18,949
<u>\$ (689)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (584)</u>	<u>\$ -</u>
\$ 75,712	\$ 77,255	\$ 66,504	\$ 69,489	\$ 69,638
33.86%	31.05%	29.46%	27.21%	27.21%

\$ 809	\$ 689	\$ 675	\$ 65	\$ -
809	689	675	65	-
<u>\$ -</u>				
\$ 3,611	\$ 3,618	\$ 3,705	\$ 3,616	\$ 3,611
22.40%	19.04%	18.22%	1.80%	0.00%

\$ 9,072	\$ 8,923	\$ 8,517	\$ 7,066	\$ 6,039
9,072	8,923	8,517	7,066	6,039
<u>\$ -</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 Ten Fiscal Years

Annual money-weighted rate of return, net of investment expense	2024	2023	2022	2021	2020
<i>Cost-Sharing, Multiple Employer</i>					
Teachers' and State Employees'	8.18%	5.27%	(7.18%)	19.13%	4.35%
Local Governmental Employees'	8.20%	5.27%	(7.20%)	19.10%	4.34%
Firefighters' and Rescue Squad Workers'	8.17%	5.25%	(7.15%)	19.10%	4.33%
Registers of Deeds'	2.79%	(1.16%)	(10.13%)	(0.43%)	8.72%
<i>Single-Employer</i>					
Consolidated Judicial	8.17%	5.25%	(7.17%)	19.13%	4.36%
Legislative	8.07%	5.19%	(7.00%)	18.81%	4.30%
North Carolina National Guard	8.07%	5.12%	(6.90%)	18.40%	4.28%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
6.57%	7.61%	10.75%	0.74%	2.27%
6.58%	7.59%	10.74%	0.77%	2.27%
6.55%	7.59%	10.76%	0.75%	2.26%
7.91%	(0.47%)	(0.03%)	8.04%	2.26%
6.57%	7.60%	10.75%	0.75%	2.27%
6.43%	7.64%	10.72%	0.66%	2.25%
6.52%	7.44%	10.63%	0.77%	2.25%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2024

Changes of benefit terms.

	<u>Cost of Living Increase</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Cost-Sharing, Multiple-Employer</u>										
Teachers' and State Employees'	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A
Local Governmental Employees'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.11%	0.63%	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	N/A	N/A	N/A	1.00%	N/A	N/A	N/A
Legislative	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A
North Carolina National Guard	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not applicable

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.

For the North Carolina National Guard Pension fund, in 2015, the 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.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS, CJRS and LRS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

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

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

Benefit recipients of the TSERS, CJRS, and LRS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplements do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2024

For the Firefighters' and Rescue Squad Workers' Pension Plan, as a result of Session Law 2024-29 enacted July 2, 2024 and Session Law 2024-42 enacted July 8, 2024, the retirement benefit will increase from \$170 to \$175 per month and the contribution rate for members will increase from \$10 to \$15 per month. Both changes are effective January 1, 2025.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

Methods and assumptions used in calculations of actuarially determined contributions.

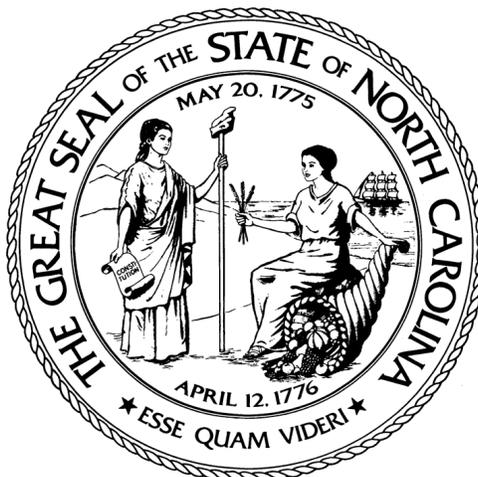
An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation 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.

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' Supplemental 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 (Asset)

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, 2024. The net pension liabilities of employers were measured as of June 30, 2023.

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

Last Ten Fiscal Years*

(Dollars in Thousands)

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

Teachers' and State Employees'	2024	2023	2022	2021	2020
Primary Government					
Proportion of the net pension liability	21.97%	22.29%	23.50%	22.26%	21.83%
Proportionate share of the net pension liability	\$ 3,662,113	\$ 3,308,833	\$ 1,100,342	\$ 2,689,921	\$ 2,263,139
Covered payroll	\$ 3,979,217	\$ 3,936,636	\$ 3,987,199	\$ 3,778,103	\$ 3,542,384
Proportionate share of the net pension liability as a percentage of covered payroll	92.03%	84.05%	27.60%	71.20%	63.89%
Component Units					
University of North Carolina System					
Proportion of the net pension liability	15.48%	14.91%	15.26%	15.12%	15.05%
Proportionate share of the net pension liability	\$ 2,580,319	\$ 2,212,675	\$ 714,488	\$ 1,826,248	\$ 1,559,975
Covered payroll	\$ 2,718,654	\$ 2,506,435	\$ 2,435,636	\$ 2,431,573	\$ 2,374,044
Proportionate share of the net pension liability as a percentage of covered payroll	94.91%	88.28%	29.33%	75.11%	65.71%
Community Colleges					
Proportion of the net pension liability	5.62%	5.53%	5.58%	5.56%	5.68%
Proportionate share of the net pension liability	\$ 937,035	\$ 820,596	\$ 261,349	\$ 671,817	\$ 588,482
Covered payroll	\$ 1,004,223	\$ 963,040	\$ 909,736	\$ 927,386	\$ 873,702
Proportionate share of the net pension liability as a percentage of covered payroll	93.31%	85.21%	28.73%	72.44%	67.36%
Other Component Units					
Proportion of the net pension liability	0.20%	0.19%	0.18%	0.18%	0.17%
Proportionate share of the net pension liability	\$ 32,922	\$ 28,700	\$ 8,524	\$ 21,667	\$ 18,087
Covered payroll	\$ 38,608	\$ 33,736	\$ 31,218	\$ 30,285	\$ 28,153
Proportionate share of the net pension liability as a percentage of covered payroll	85.27%	85.07%	27.30%	71.54%	64.25%
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	85.98%	87.56%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
21.75%	21.74%	21.93%	22.47%	22.78%
\$ 2,165,010	\$ 1,725,012	\$ 2,015,413	\$ 828,018	\$ 267,119
\$ 3,499,295	\$ 3,264,890	\$ 3,311,814	\$ 3,498,284	\$ 3,255,443
61.87%	52.84%	60.86%	23.67%	8.21%
14.90%	14.72%	14.43%	14.45%	14.79%
\$ 1,482,962	\$ 1,167,833	\$ 1,325,896	\$ 532,624	\$ 173,441
\$ 2,280,501	\$ 2,202,204	\$ 2,117,672	\$ 2,053,148	\$ 2,089,885
65.03%	53.03%	62.61%	25.94%	8.30%
5.80%	5.96%	5.92%	5.89%	5.87%
\$ 577,687	\$ 472,532	\$ 543,846	\$ 216,890	\$ 68,803
\$ 876,939	\$ 895,962	\$ 871,399	\$ 861,639	\$ 853,383
65.88%	52.74%	62.41%	25.17%	8.06%
0.17%	0.16%	0.16%	0.17%	0.17%
\$ 16,760	\$ 12,763	\$ 14,653	\$ 6,224	\$ 2,049
\$ 27,263	\$ 27,154	\$ 25,454	\$ 25,574	\$ 25,673
61.48%	47.00%	57.57%	24.34%	7.98%
87.61%	89.51%	87.32%	94.64%	98.24%

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

Last Ten Fiscal Years*

(Dollars in Thousands)

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

Firefighters' and Rescue Squad Workers'	2024	2023	2022	2021	2020
Primary Government					
Proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	\$ 9,309	\$ 19,662	\$ (27,931)	\$ 36,185	\$ 36,283
Plan fiduciary net position as a percentage of the total pension liability	98.16%	96.07%	105.58%	92.58%	92.43%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard

Primary Government

Proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	\$ (32,015)	\$ (15,327)	\$ (1,194)	\$ 16,537	\$ 33,661
Plan fiduciary net position as a percentage of the total pension liability	122.28%	110.21%	100.68%	89.85%	80.46%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
100.00%	100.00%	100.00%	100.00%	100.00%
\$ 48,840	\$ 48,512	\$ 66,819	\$ 36,359	\$ 27,418
89.69%	89.35%	84.94%	91.40%	93.42%

100.00%	100.00%	100.00%	100.00%	100.00%
\$ 51,173	\$ 53,845	\$ 59,381	\$ 40,721	\$ 30,176
71.72%	69.23%	64.91%	73.08%	78.48%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2024	2023	2022	2021	2020
Primary Government					
Contractually required contribution	\$ 742,441	\$ 691,588	\$ 644,821	\$ 589,308	\$ 490,020
Contributions in relation to the contractually required contribution	742,441	691,588	644,821	589,308	490,020
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,208,849	\$ 3,979,217	\$ 3,936,636	\$ 3,987,199	\$ 3,778,103
Contributions as a percentage of covered payroll	17.64%	17.38%	16.38%	14.78%	12.97%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 503,969	\$ 472,508	\$ 410,554	\$ 359,987	\$ 315,375
Contributions in relation to the contractually required contribution	503,969	472,508	410,554	359,987	315,375
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,856,967	\$ 2,718,654	\$ 2,506,435	\$ 2,435,636	\$ 2,431,573
Contributions as a percentage of covered payroll	17.64%	17.38%	16.38%	14.78%	12.97%
Community Colleges					
Contractually required contribution	\$ 188,162	\$ 174,534	\$ 157,746	\$ 134,459	\$ 120,282
Contributions in relation to the contractually required contribution	188,162	174,534	157,746	134,459	120,282
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,066,678	\$ 1,004,223	\$ 963,040	\$ 909,736	\$ 927,386
Contributions as a percentage of covered payroll	17.64%	17.38%	16.38%	14.78%	12.97%
Other Component Units					
Contractually required contribution	\$ 7,047	\$ 6,710	\$ 5,526	\$ 4,614	\$ 3,928
Contributions in relation to the contractually required contribution	7,047	6,710	5,526	4,614	3,928
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 39,949	\$ 38,608	\$ 33,736	\$ 31,218	\$ 30,285
Contributions as a percentage of covered payroll	17.64%	17.38%	16.38%	14.78%	12.97%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 435,359	\$ 377,224	\$ 325,836	\$ 303,031	\$ 320,093
435,359	377,224	325,836	303,031	320,093
<u>\$ -</u>				
\$ 3,542,384	\$ 3,499,295	\$ 3,264,890	\$ 3,311,814	\$ 3,498,284
12.29%	10.78%	9.98%	9.15%	9.15%
<hr/>				
\$ 291,770	\$ 245,838	\$ 219,780	\$ 193,767	\$ 187,863
291,770	245,838	219,780	193,767	187,863
<u>\$ -</u>				
\$ 2,374,044	\$ 2,280,501	\$ 2,202,204	\$ 2,117,672	\$ 2,053,148
12.29%	10.78%	9.98%	9.15%	9.15%
<hr/>				
\$ 107,378	\$ 94,534	\$ 89,417	\$ 79,733	\$ 78,840
107,378	94,534	89,417	79,733	78,840
<u>\$ -</u>				
\$ 873,702	\$ 876,939	\$ 895,962	\$ 871,399	\$ 861,639
12.29%	10.78%	9.98%	9.15%	9.15%
<hr/>				
\$ 3,460	\$ 2,939	\$ 2,710	\$ 2,329	\$ 2,340
3,460	2,939	2,710	2,329	2,340
<u>\$ -</u>				
\$ 28,153	\$ 27,263	\$ 27,154	\$ 25,454	\$ 25,574
12.29%	10.78%	9.98%	9.15%	9.15%

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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 Eight Fiscal Years

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Special Separation Allowance					
Total pension liability					
Service Cost	\$ 12,157	\$ 14,136	\$ 11,074	\$ 9,303	\$ 7,842
Interest	10,571	6,924	5,764	6,217	6,519
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	29,688	9,854	14,160	29,972	11,825
Changes of assumptions	(2,597)	(31,526)	47,935	10,736	3,091
Benefit payments, including refunds of member contributions	(23,139)	(19,608)	(18,662)	(17,820)	(16,922)
Net change in total pension liability	<u>26,680</u>	<u>(20,220)</u>	<u>60,271</u>	<u>38,408</u>	<u>12,355</u>
Total pension liability - beginning	<u>310,196</u>	<u>330,416</u>	<u>270,145</u>	<u>231,737</u>	<u>219,382</u>
Total pension liability - ending	<u>\$ 336,876</u>	<u>\$ 310,196</u>	<u>\$ 330,416</u>	<u>\$ 270,145</u>	<u>\$ 231,737</u>
Covered-employee payroll	\$ 326,494	\$ 294,886	\$ 305,971	\$ 286,465	\$ 265,387
Total pension liability as a percentage of covered-employee payroll	103.18%	105.19%	107.99%	94.30%	87.32%

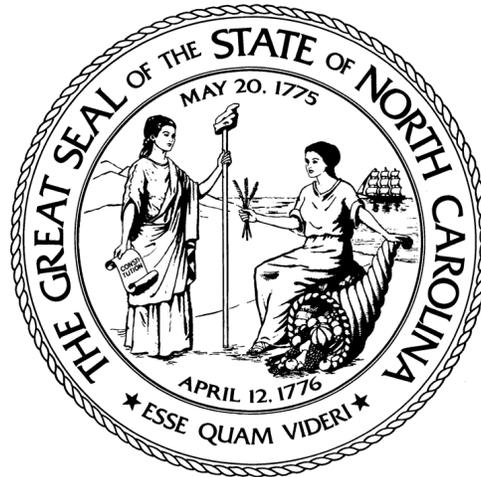
<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 7,090	\$ 5,779	\$ 6,112
6,721	5,328	7,314
-	18,621	-
894	8,582	3,927
5,051	(5,675)	(1,216)
(16,031)	(15,631)	(14,895)
<u>3,725</u>	<u>17,004</u>	<u>1,242</u>
215,657	198,653	197,411
<u>\$ 219,382</u>	<u>\$ 215,657</u>	<u>\$ 198,653</u>
\$ 258,472	\$ 243,663	\$ 161,416
84.88%	88.51%	123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2024

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 increased from 3.54% at June 30, 2023 to 3.65% at June 30, 2024 due to a change in the Municipal Bond Index Rate.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS

Required supplementary information for other postemployment benefit plans provides information on the sources of changes in net OPEB liabilities, information about the components of net OPEB liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Other Postemployment Benefit plans includes the following schedules:

Schedule of Changes in the Net OPEB Liability and Related Ratios: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Employer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Schedule of Investment Returns: All Defined Benefit OPEB Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

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

Last Eight Fiscal Years

(Dollars in Thousands)

	2024	2023	2022	2021	2020
Retiree Health Benefit					
Total OPEB liability					
Service Cost	\$ 1,318,987	\$ 1,279,519	\$ 2,131,391	\$ 1,974,212	\$ 1,824,174
Interest	1,115,558	965,755	758,427	690,162	1,203,196
Changes of benefit terms	(1,370,032)	-	(96,837)	-	224,085
Differences between expected and actual experience	91,403	152,230	106,923	194,899	30,157
Changes of assumptions	7,919,368	2,016,085	(8,798,881)	1,939,421	(5,489,969)
Benefit payments, including refunds of member contributions	(1,222,657)	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)
Net change in total OPEB liability	<u>7,852,627</u>	<u>3,292,966</u>	<u>(6,943,098)</u>	<u>3,698,061</u>	<u>(3,293,025)</u>
Total OPEB liability - beginning	29,850,087	26,557,121	33,500,219	29,802,158	33,095,183
Total OPEB liability - ending (a)	<u>\$ 37,702,714</u>	<u>\$ 29,850,087</u>	<u>\$ 26,557,121</u>	<u>\$ 33,500,219</u>	<u>\$ 29,802,158</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,483,995	\$ 1,366,928	\$ 1,197,278	\$ 1,214,750	\$ 1,162,967
Contributions-other	10,348	35,006	180,506	187,000	475,200
Net investment income	215,939	111,228	(107,846)	222,377	52,286
Benefit payments, including refunds of member contributions	(1,222,657)	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)
Administrative expense	(161)	(147)	(174)	(175)	(162)
Net change in plan fiduciary net position	<u>487,464</u>	<u>392,392</u>	<u>225,643</u>	<u>523,319</u>	<u>605,623</u>
Plan fiduciary net position - beginning	3,202,661	2,810,269	2,584,626	2,061,307	1,455,684
Plan fiduciary net position - ending (b)	<u>\$ 3,690,125</u>	<u>\$ 3,202,661</u>	<u>\$ 2,810,269</u>	<u>\$ 2,584,626</u>	<u>\$ 2,061,307</u>
RHBF net OPEB liability - ending (a) - (b)	<u>\$ 34,012,589</u>	<u>\$ 26,647,426</u>	<u>\$ 23,746,852</u>	<u>\$ 30,915,593</u>	<u>\$ 27,740,851</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%
Covered payroll	\$ 20,784,240	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883	\$ 17,974,758
Net OPEB liability as a percentage of covered payroll	163.65%	134.32%	124.76%	170.01%	154.33%
Disability Income					
Total OPEB liability					
Service Cost	\$ 23,066	\$ 23,657	\$ 22,246	\$ 23,010	\$ 22,708
Interest	8,713	9,641	9,528	10,969	11,424
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(45,761)	(22,097)	1,735	15,758	5,137
Changes of assumptions	(17,657)	1,473	(552)	(2,935)	2
Benefit payments, including refunds of member contributions	(31,846)	(37,470)	(40,381)	(47,453)	(55,210)
Net change in total OPEB liability	<u>(63,485)</u>	<u>(24,796)</u>	<u>(7,424)</u>	<u>(651)</u>	<u>(15,939)</u>
Total OPEB liability - beginning	283,168	307,964	315,388	316,039	331,978
Total OPEB liability - ending (a)	<u>\$ 219,683</u>	<u>\$ 283,168</u>	<u>\$ 307,964</u>	<u>\$ 315,388</u>	<u>\$ 316,039</u>
Plan fiduciary net position					
Contributions-employer	\$ 22,659	\$ 19,677	\$ 17,019	\$ 16,226	\$ 17,848
Net investment income	6,387	(2,853)	(29,145)	(1,292)	28,322
Benefit payments, including refunds of member contributions	(31,846)	(37,470)	(40,381)	(47,453)	(55,210)
Administrative expense	(1,110)	(968)	(999)	(879)	(835)
Other	(53)	(30)	-	(113)	(20)
Net change in plan fiduciary net position	<u>(3,963)</u>	<u>(21,644)</u>	<u>(53,506)</u>	<u>(33,511)</u>	<u>(9,895)</u>
Plan fiduciary net position - beginning	256,572	278,216	331,722	365,233	375,128
Plan fiduciary net position - ending (b)	<u>\$ 252,609</u>	<u>\$ 256,572</u>	<u>\$ 278,216</u>	<u>\$ 331,722</u>	<u>\$ 365,233</u>
DIPNC net OPEB liability (asset) - ending (a) - (b)	<u>\$ (32,926)</u>	<u>\$ 26,596</u>	<u>\$ 29,748</u>	<u>\$ (16,334)</u>	<u>\$ (49,194)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	114.99%	90.61%	90.34%	105.18%	115.57%
Covered payroll	\$ 20,598,877	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883	\$ 17,848,000
Net OPEB liability (asset) as a percentage of covered payroll	(0.16%)	0.14%	0.16%	(0.09%)	(0.28%)

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 1,539,092	\$ 1,753,384	\$ 2,650,984
1,192,810	1,261,878	1,332,874
(72,358)	-	-
(156,655)	(80,951)	(2,821,033)
1,824,892	(6,141,972)	(10,835,144)
(1,030,956)	(977,176)	(922,021)
<u>3,296,825</u>	<u>(4,184,837)</u>	<u>(10,594,340)</u>
29,798,358	33,983,195	44,577,535
<u>\$ 33,095,183</u>	<u>\$ 29,798,358</u>	<u>\$ 33,983,195</u>
\$ 1,104,902	\$ 1,018,693	\$ 950,813
-	-	-
71,780	72,384	94,132
(1,030,956)	(977,176)	(922,021)
(215)	(298)	(490)
<u>145,511</u>	<u>113,603</u>	<u>122,434</u>
1,310,173	1,196,570	1,074,136
<u>\$ 1,455,684</u>	<u>\$ 1,310,173</u>	<u>\$ 1,196,570</u>
<u>\$ 31,639,499</u>	<u>\$ 28,488,185</u>	<u>\$ 32,786,625</u>
4.40%	4.40%	3.52%
\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
179.55%	169.19%	200.34%
\$ 22,567	\$ 25,919	\$ 25,441
13,800	14,654	14,111
-	(44,158)	(403)
4,106	48,787	22,345
(4,980)	6,692	-
(61,946)	(69,949)	(71,728)
(26,453)	(18,055)	(10,234)
<u>358,431</u>	<u>376,486</u>	<u>386,720</u>
<u>\$ 331,978</u>	<u>\$ 358,431</u>	<u>\$ 376,486</u>
\$ 24,468	\$ 23,385	\$ 61,654
24,725	(1,481)	(122)
(61,946)	(69,949)	(71,728)
(926)	(777)	(1,050)
-	23	32
(13,679)	(48,799)	(11,214)
388,807	437,606	448,820
<u>\$ 375,128</u>	<u>\$ 388,807</u>	<u>\$ 437,606</u>
<u>\$ (43,150)</u>	<u>\$ (30,376)</u>	<u>\$ (61,120)</u>
113.00%	108.47%	116.23%
\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
(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	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 2,652,649	\$ 2,240,057	\$ 2,084,130	\$ 3,049,625	\$ 2,823,873
Contributions in relation to the actuarially determined contribution (1)	1,483,995	1,366,928	1,197,278	1,214,750	1,162,967
Contribution deficiency	<u>\$ 1,168,654</u>	<u>\$ 873,129</u>	<u>\$ 886,852</u>	<u>\$ 1,834,875</u>	<u>\$ 1,660,906</u>
Covered payroll	\$ 20,784,240	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883	\$ 17,974,758
Contributions as a percentage of covered payroll	7.14%	6.89%	6.29%	6.68%	6.47%
Disability Income					
Actuarially determined contribution	\$ 22,659	\$ 19,677	\$ 17,019	\$ 16,226	\$ 17,848
Contributions in relation to the actuarially determined contribution (1)	22,659	19,677	17,019	16,226	17,848
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 20,598,877	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883	\$ 17,848,000
Contributions as a percentage of covered payroll	0.11%	0.10%	0.09%	0.09%	0.10%

(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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 2,971,069	\$ 2,613,258	\$ 2,728,064	\$ 2,516,706	\$ 2,211,436
1,104,902	1,018,693	950,813	880,847	854,383
<u>\$ 1,866,167</u>	<u>\$ 1,594,565</u>	<u>\$ 1,777,251</u>	<u>\$ 1,635,859</u>	<u>\$ 1,357,053</u>
\$ 17,622,035	\$ 16,837,901	\$ 16,365,112	\$ 15,729,411	\$ 15,562,532
6.27%	6.05%	5.81%	5.60%	5.49%

\$ 22,720	\$ 23,385	\$ 24,337	\$ 63,963	\$ 63,267
24,468	23,385	61,654	63,963	63,267
<u>\$ (1,748)</u>	<u>\$ -</u>	<u>\$ (37,317)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,477,148	\$ 16,703,858	\$ 16,224,737	\$ 15,600,732	\$ 15,430,976
0.14%	0.14%	0.38%	0.41%	0.41%

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

Annual money-weighted rate of return, net of investment expense	2024	2023	2022	2021	2020
Retiree Health Benefit	6.74%	3.89%	(4.13)%	10.96%	3.80%
Disability Income	2.76%	(1.21)%	(9.99)%	(0.41)%	8.68%

<u>2019</u>	<u>2018</u>	<u>2017</u>
5.73%	6.58%	9.31%
7.74%	(0.42)%	(0.06)%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2024

Changes of benefit terms. Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Effective April 1, 2024, Coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. The reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019 and no further reimbursements may be issued.

Method and assumptions used in calculations of actuarially determined contributions. An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions. Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2023.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2024

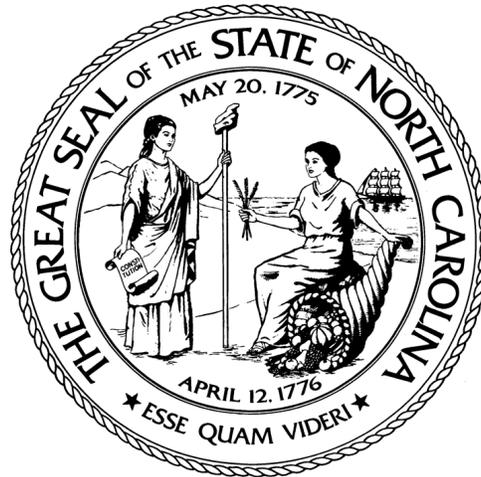
improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

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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 Liability (Asset)

Schedule of the Primary Government's and Component Units' Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

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

Last Seven Fiscal Years*

(Dollars in Thousands)

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

Retiree Health Benefit	2024	2023	2022	2021	2020
Primary Government					
Proportion of the net OPEB liability	19.89%	19.96%	20.69%	19.57%	19.38%
Proportionate share of the net OPEB liability	\$ 5,300,543	\$ 4,740,298	\$ 6,397,613	\$ 5,429,964	\$ 6,130,058
Covered payroll	\$ 4,069,376	\$ 4,022,687	\$ 4,069,356	\$ 3,858,114	\$ 3,624,657
Proportionate share of the net OPEB liability as a percentage of covered payroll	130.25%	117.84%	157.21%	140.74%	169.12%
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability	25.36%	25.31%	25.57%	25.33%	25.12%
Proportionate share of the net OPEB liability	\$ 6,757,009	\$ 6,010,509	\$ 7,905,263	\$ 7,025,953	\$ 7,946,586
Covered payroll	\$ 5,049,507	\$ 4,687,949	\$ 4,531,662	\$ 4,477,867	\$ 4,401,308
Proportionate share of the net OPEB liability as a percentage of covered payroll	133.82%	128.21%	174.45%	156.90%	180.55%
Community Colleges					
Proportion of the net OPEB liability	4.86%	4.76%	4.77%	4.70%	4.86%
Proportionate share of the net OPEB liability	\$ 1,295,344	\$ 1,130,722	\$ 1,475,791	\$ 1,304,098	\$ 1,536,342
Covered payroll	\$ 994,543	\$ 942,719	\$ 910,883	\$ 918,872	\$ 980,064
Proportionate share of the net OPEB liability as a percentage of covered payroll	130.25%	119.94%	162.02%	141.92%	156.76%
Other Component Units					
Proportion of the net OPEB liability	0.17%	0.17%	0.16%	0.16%	0.15%
Proportionate share of the net OPEB liability	\$ 44,999	\$ 40,107	\$ 49,541	\$ 43,564	\$ 46,204
Covered payroll	\$ 38,911	\$ 34,436	\$ 32,275	\$ 31,376	\$ 29,330
Proportionate share of the net OPEB liability as a percentage of covered payroll	115.65%	116.47%	153.50%	138.84%	157.53%
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	6.92%	4.40%

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

<u>2019</u>	<u>2018</u>
19.06%	19.24%
\$ 5,428,301	\$ 6,308,532
\$ 3,575,074	\$ 3,272,409
151.84%	192.78%
24.31%	23.06%
\$ 6,924,221	\$ 7,560,701
\$ 4,068,314	\$ 4,632,586
170.20%	163.21%
5.02%	4.93%
\$ 1,429,417	\$ 1,617,372
\$ 889,736	\$ 853,363
160.66%	189.53%
0.14%	0.14%
\$ 40,997	\$ 44,486
\$ 28,298	\$ 26,235
144.88%	169.57%
4.40%	3.52%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS'
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Last Seven Fiscal Years*

(Dollars in Thousands)

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

Disability Income	2024	2023	2022	2021	2020
Primary Government					
Proportion of the net OPEB liability (asset)	19.12%	19.45%	20.54%	19.23%	18.85%
Proportionate share of the net OPEB liability (asset)	\$ 5,085	\$ 5,785	\$ (3,354)	\$ (9,458)	\$ (8,135)
Covered payroll	\$ 3,979,000	\$ 3,937,778	\$ 3,986,667	\$ 3,779,000	\$ 3,547,857
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.13%	0.15%	(0.08%)	(0.25%)	(0.23%)
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability (asset)	26.25%	25.52%	25.30%	25.85%	25.35%
Proportionate share of the net OPEB liability (asset)	\$ 6,981	\$ 7,592	\$ (4,133)	\$ (12,715)	\$ (10,937)
Covered payroll	\$ 5,049,000	\$ 4,678,889	\$ 4,532,222	\$ 7,853,000	\$ 4,402,143
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.14%	0.16%	(0.09%)	(0.16%)	(0.25%)
Community Colleges					
Proportion of the net OPEB liability (asset)	4.86%	4.79%	4.88%	4.79%	4.92%
Proportionate share of the net OPEB liability (asset)	\$ 1,292	\$ 1,426	\$ (797)	\$ (2,356)	\$ (2,124)
Covered payroll	\$ 1,010,000	\$ 933,333	\$ 941,111	\$ 1,560,000	\$ 981,429
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.13%	0.15%	(0.08%)	(0.15%)	(0.22%)
Other Component Units					
Proportion of the net OPEB liability (asset)	0.17%	0.17%	0.16%	0.16%	0.15%
Proportionate share of the net OPEB liability (asset)	\$ 46	\$ 50	\$ (26)	\$ (80)	\$ (65)
Covered payroll	\$ 39,000	\$ 34,444	\$ 32,222	\$ 32,000	\$ 27,143
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.12%	0.15%	(0.08%)	(0.25%)	(0.24%)
Plan fiduciary net position as a percentage of the total OPEB liability	90.61%	90.34%	105.18%	115.57%	113.00%

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

<u>2019</u>	<u>2018</u>
18.78%	19.02%
\$ (5,707)	\$ (11,624)
\$ 3,498,571	\$ 3,272,409
(0.16%)	(0.36%)
25.03%	24.73%
\$ (7,603)	\$ (15,118)
\$ 4,107,143	\$ 4,632,586
(0.19%)	(0.33%)
5.04%	5.20%
\$ (1,520)	\$ (3,177)
\$ 890,000	\$ 853,848
(0.17%)	(0.37%)
0.14%	0.14%
\$ (43)	\$ (83)
\$ 27,857	\$ 26,235
(0.15%)	(0.32%)
108.47%	116.23%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Seven Fiscal Years

(Dollars in Thousands)

Retiree Health	2024	2023	2022	2021	2020
Primary Government					
Contractually required contribution	\$ 405,234	\$ 280,380	\$ 253,027	\$ 271,833	\$ 249,620
Contributions in relation to the contractually required contribution	405,234	280,380	253,027	271,833	249,620
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,675,546	\$ 4,069,376	\$ 4,022,687	\$ 4,069,356	\$ 3,858,114
Contributions as a percentage of covered payroll	7.14%	6.89%	6.29%	6.68%	6.47%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 386,884	\$ 347,911	\$ 294,872	\$ 302,715	\$ 289,718
Contributions in relation to the contractually required contribution	386,884	347,911	294,872	302,715	289,718
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,481,543	\$ 5,049,507	\$ 4,687,949	\$ 4,531,662	\$ 4,477,867
Contributions as a percentage of covered payroll	7.14%	6.89%	6.29%	6.68%	6.47%
Community Colleges					
Contractually required contribution	\$ 75,439	\$ 68,524	\$ 59,297	\$ 60,847	\$ 59,451
Contributions in relation to the contractually required contribution	75,439	68,524	59,297	60,847	59,451
Contribution deficiency (excess)	<u>\$ -</u>				
Covered Payroll	\$ 1,056,569	\$ 994,543	\$ 942,719	\$ 910,883	\$ 918,872
Contributions as a percentage of covered payroll	7.14%	6.89%	6.29%	6.68%	6.47%
Other Component Units					
Contractually required contribution	\$ 2,953	\$ 2,681	\$ 2,166	\$ 2,156	\$ 2,030
Contributions in relation to the contractually required contribution	2,953	2,681	2,166	2,156	2,030
Contribution deficiency (excess)	<u>\$ -</u>				
Covered Payroll	\$ 41,359	\$ 38,911	\$ 34,436	\$ 32,275	\$ 31,376
Contributions as a percentage of covered payroll	7.14%	6.89%	6.29%	6.68%	6.47%

<u>2019</u>	<u>2018</u>
\$ 227,266	\$ 216,292
<u>227,266</u>	<u>216,292</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 3,624,657	\$ 3,575,074
6.27%	6.05%
<hr/>	
\$ 275,962	\$ 246,133
<u>275,962</u>	<u>246,133</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,401,308	\$ 4,068,314
6.27%	6.05%
<hr/>	
\$ 61,450	\$ 53,829
<u>61,450</u>	<u>53,829</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 980,064	\$ 889,736
6.27%	6.05%
<hr/>	
\$ 1,839	\$ 1,712
<u>1,839</u>	<u>1,712</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 29,330	\$ 28,298
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

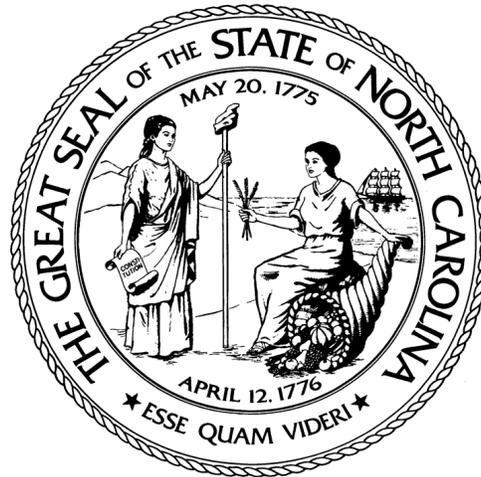
Last Seven Fiscal Years

(Dollars in Thousands)

Disability Income	2024	2023	2022	2021	2020
Primary Government					
Contractually required contribution	\$ 4,621	\$ 3,979	\$ 3,544	\$ 3,588	\$ 3,779
Contributions in relation to the contractually required contribution	4,621	3,979	3,544	3,588	3,779
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 4,200,909	\$ 3,979,000	\$ 3,937,778	\$ 3,986,667	\$ 3,779,000
Contributions as a percentage of covered payroll	0.11%	0.10%	0.09%	0.09%	0.10%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 5,956	\$ 5,049	\$ 4,211	\$ 4,079	\$ 7,853
Contributions in relation to the contractually required contribution	5,956	5,049	4,211	4,079	7,853
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,414,545	\$ 5,049,000	\$ 4,678,889	\$ 4,532,222	\$ 7,853,000
Contributions as a percentage of covered payroll	0.11%	0.10%	0.09%	0.09%	0.10%
Community Colleges					
Contractually required contribution	\$ 1,179	\$ 1,010	\$ 840	\$ 847	\$ 1,560
Contributions in relation to the contractually required contribution	1,179	1,010	840	847	1,560
Contribution deficiency (excess)	<u>\$ -</u>				
Covered Payroll	\$ 1,071,818	\$ 1,010,000	\$ 933,333	\$ 941,111	\$ 1,560,000
Contributions as a percentage of covered payroll	0.11%	0.10%	0.09%	0.09%	0.10%
Other Component Units					
Contractually required contribution	\$ 45	\$ 39	\$ 31	\$ 29	\$ 32
Contributions in relation to the contractually required contribution	45	39	31	29	32
Contribution deficiency (excess)	<u>\$ -</u>				
Covered Payroll	\$ 40,909	\$ 39,000	\$ 34,444	\$ 32,222	\$ 32,000
Contributions as a percentage of covered payroll	0.11%	0.10%	0.09%	0.09%	0.10%

<u>2019</u>	<u>2018</u>
\$ 4,967	\$ 4,898
4,967	4,898
<u>\$ -</u>	<u>\$ -</u>
\$ 3,547,857	\$ 3,498,571
0.14%	0.14%
<hr/>	
\$ 6,163	\$ 5,750
6,163	5,750
<u>\$ -</u>	<u>\$ -</u>
\$ 4,402,143	\$ 4,107,143
0.14%	0.14%
<hr/>	
\$ 1,374	\$ 1,246
1,374	1,246
<u>\$ -</u>	<u>\$ -</u>
\$ 981,429	\$ 890,000
0.14%	0.14%
<hr/>	
\$ 38	\$ 39
38	39
<u>\$ -</u>	<u>\$ -</u>
\$ 27,143	\$ 27,857
0.14%	0.14%

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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

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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, 2024

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Individual income	\$ 16,583,700	\$ 16,583,700	\$ 16,619,056	\$ 35,356
Corporate income	1,686,000	1,686,000	1,553,297	(132,703)
Sales and use	10,749,400	10,749,400	11,685,222	935,822
Franchise	742,300	742,300	742,335	35
Insurance	1,235,323	1,235,323	1,257,393	22,070
Beverage	562,100	562,100	595,673	33,573
Tobacco products	281,900	281,900	261,640	(20,260)
Other	162,000	162,000	247,091	85,091
Non-Tax:				
Fees, licenses and fines	222,400	222,400	250,000	27,600
Investment income	826,000	826,000	858,249	32,249
Disproportionate share receipts	164,500	164,500	164,540	40
Other	379,838	379,838	359,227	(20,611)
Tobacco settlement	130,200	130,200	139,683	9,483
Departmental:				
Federal funds	25,018,245	27,168,370	24,085,911	(3,082,459)
Federal COVID-19 funds	-	3,163,243	2,836,675	(326,568)
Local funds	903,188	1,142,125	1,077,561	(64,564)
Inter-agency grants and allocations	218,194	303,105	343,645	40,540
Intra-governmental transactions	11,570,454	18,445,303	16,524,597	(1,920,706)
Sales and services	157,926	261,801	163,744	(98,057)
Rental and lease of property	18,382	23,594	19,837	(3,757)
Fees, licenses and fines	3,969,652	1,628,594	1,493,963	(134,631)
Contributions, gifts and grants	125,470	2,226,331	1,921,400	(304,931)
Miscellaneous	1,300,399	250,656	585,348	334,692
Total Revenues	77,007,571	88,338,783	83,786,087	(4,552,696)
Expenditures				
Current:				
General government	5,534,733	18,805,767	11,415,571	7,390,196
Primary and secondary education	14,215,775	17,779,194	16,634,700	1,144,494
Higher education	7,105,129	7,898,641	7,497,448	401,193
Health and human services	37,900,606	41,351,074	38,529,052	2,822,022
Environment and natural resources	2,750,809	2,849,258	1,094,289	1,754,969
Economic development	1,027,430	3,479,480	3,251,160	228,320
Public safety, corrections, and regulation	5,116,985	6,571,429	5,485,344	1,086,085
Agriculture	440,371	478,715	356,859	121,856
Debt Service	648,807	667,593	607,716	59,877
Total Expenditures	74,740,645	99,881,151	84,872,139	15,009,012
Excess (deficiency) of revenues over expenditures	2,266,926	(11,542,368)	(1,086,052)	10,456,316
Total Fund Balance at July 1, as previously reported	24,719,840	24,719,840	24,719,840	-
Adjustments to July 1 balances*	3,942,249	3,942,249	3,942,249	-
Total Fund Balance at July 1, as restated	28,662,089	28,662,089	28,662,089	-
Total Fund Balance at June 30	\$ 30,929,015	\$ 17,119,721	\$ 27,576,037	\$ 10,456,316
Fund balance reserved:				
Statutory			\$ 9,585,610	
Non-reverting purposes			15,886,691	
Fund balance unreserved			2,103,736	
Total Fund Balance at June 30			\$ 27,576,037	

* Adjustments to July 1 balances represent corrections of prior year inclusions of noncash related activity and omissions of cash related activity on the cash basis.

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 Financial System (NCFS) 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 NCFS recording the revenue in the subsequent fiscal year.

A detailed listing of appropriation and departmental budget information is available for public inspection in the separately published "Budgetary Compliance Report" prepared by the Office of the State Controller, 3514 Bush Street, Raleigh, NC 27609 and through the Office of State Budget and Management, 116 W. Jones Street, Raleigh, NC 27603.

B. Special Fund Budgetary Process

The major special revenue funds, which are the Highway Fund and Highway Trust Fund, do not have annual appropriated budgets.

C. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between budgetary financial data and GAAP financial data.

Basis differences. Budgetary funds are accounted for on the cash basis of accounting, while under GAAP the governmental funds use the modified accrual basis. Accrued revenues and expenditures are recognized in the GAAP financial statements.

Timing differences. A significant variance between budgetary practices and GAAP is any time-restricted appropriations. Section 11.26 of Session Law 2014-100 restricts the use of funds appropriated to the UNC-Need Based Financial Aid Forward Funding Reserve in the current fiscal year to the subsequent fiscal year. Section 11A.3.(f) of Session Law 2016-94 restricts the use of funds appropriated to the Opportunity Scholarship Grant Fund Reserve in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the

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, 2024 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, 2024.....	\$ 27,576,037
<i>Reconciling Adjustments</i>	
Basis Differences	
Accrued revenues	
Taxes receivable.....	3,058,640
Less tax refunds payable.....	(1,544,482)
Accounts receivable and other receivables.....	(3,222,844)
Federal funds, net.....	3,514,310
Unearned revenue.....	(3,659,642)
Total accrued revenues.....	<u>(1,854,018)</u>
Accrued expenditures	
Medical claims payable.....	(4,026,513)
Accounts payable, accrued liabilities, and other payables.....	<u>(1,354,266)</u>
Total accrued expenditures.....	<u>(5,380,779)</u>
Other Adjustments	
Notes receivable.....	21,121
Inventories.....	100,561
Advances to outside entities.....	9,182
Lease receivable.....	6,246
Timing Differences	
Forward funded state aid.....	<u>412,842</u>
Fund balance (GAAP basis)	
June 30, 2024.....	<u>\$ 20,891,192</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. The Office of State Budget and Management and the Fiscal Research Division of the General Assembly shall jointly develop and annually produce an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure, which shall take into consideration relevant statistical and economic literature. After completing the evaluation, these entities may revise the methodology as needed to estimate the target for the Savings Reserve balance, which shall be calculated so as to be sufficient to cover two years of need for nine out of 10 scenarios involving a decline in General Fund revenue from one fiscal year to the next fiscal year. The recommended balance shall be expressed as a percentage of the prior year General Fund operating budget appropriations, excluding departmental receipts. At the beginning of fiscal year 2023-24, the balance of the Savings Reserve was \$4.75

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

billion. There were no authorized transfers from the Unreserved Fund Balance for the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$4.75 billion.

Disaster Relief Reserve (Session Law 2005-1). During fiscal year 2004-05, \$248.17 million was transferred to the Disaster Relief Reserve. This \$248.17 million was funded from required agency, university, and community college transfers, a Savings Reserve Account transfer, and transfers of funds from the unreserved credit balance. At the beginning of fiscal year 2023-24, the balance was \$873.492 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$75 million from the Unreserved Fund Balance to the Disaster Relief Reserve for the fiscal year. During the fiscal year, \$279.137 million was transferred out of the reserve. In addition, \$51.519 million was transferred from the Office of State Budget and Management to the Disaster Relief Reserve to return unused Covid-19 Pandemic funds. At the end of the fiscal year 2023-24, the balance of this reserve was \$720.874 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 2023-24, the balance was \$326.513 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$400 million from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of fiscal year 2023-24, the balance of this reserve was \$726.513 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 2023-24, the balance was \$155.642 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$5 million from the Unreserved Fund Balance to the Medicaid Transformation Reserve. Session Law 2023-134, Section 2.2(q) authorized the transfer of \$100 million from the reserve to the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$60.642 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 2023-24 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 2023-24, the balance of this reserve was \$669.659 million.

Unfunded Liability Solvency Reserve (Session Law 2018-30). The Unfunded Liability Solvency Reserve was established in accordance with Session Law 2018-30 as a reserve in the General Fund. The funds in the Reserve shall be used only for transfers to the Health Benefit Fund or the Retirement System for the purpose of reducing the unfunded liabilities of those two funds. At the beginning of fiscal year 2023-24, the balance was zero. In accordance with Session Law 2021-180, Senate Bill 105, the Office of State Controller was authorized to transfer \$10 million from the Unreserved Fund Balance to the Unfunded Liability Solvency Reserve. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of \$565 thousand were transferred to the reserve from the Department of State Treasurer. Funds in the amount of \$10.565 million were transferred out of the reserve to the Health Benefit Fund and Retirement System during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

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 2023-24, the balance was \$59.86 million. Funds in the amount of \$32.179 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$27.681 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. At the beginning of fiscal year 2023-24, the balance was \$103.077 million. Interest earned in the amount of \$130.188 million was received during the fiscal year. Funds in the amount of \$194,404 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$38.861 million.

Information Technology Reserve (Session Law 2021-180). The Information Technology Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for information technology project expenditures. At the beginning of fiscal year 2023-24, the balance was \$108.943 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$450 million from the Unreserved Fund Balance to the Information Technology

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Reserve for the fiscal year. Funds in the amount of \$148.636 million were transferred out of the reserve during the fiscal year to various agencies per Session Law 2023-134. At the end of fiscal year 2023-24, the balance of this reserve was \$410.307 million.

State Capital and Infrastructure Fund (SCIF) Reserve (General Statute 143C-4-3.1). The State Capital and Infrastructure Fund (SCIF) Reserve was established in accordance with General Statute 143C-4-3.1 as a reserve in the General Fund. The purpose is to reserve an unappropriated balance to transfer funds to the State Capital and Infrastructure Fund upon appropriation by the General Assembly. The Fund was established to address the ongoing capital and infrastructure needs of the State. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$2.463 billion from the Unreserved Fund Balance to the SCIF Reserve for the fiscal year. Funds in the amount of \$2.463 billion were transferred out of the reserve to the Office of State Budget and Management State Capital and Infrastructure Fund during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

Wilmington Harbor Enhancements Reserve (Session Law 2021-180). The Wilmington Harbor Enhancements Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with the Wilmington Harbor Enhancement project. At the beginning of fiscal year 2023-24, the balance of the Wilmington Harbor Enhancements Reserve was \$283.8 million. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$283.8 million.

Economic Development Project Reserve (Session Law 2021-180). The Economic Development Project Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with economic development projects meeting or exceeding high-yield project metrics. At the beginning of fiscal year 2023-24, the balance of the Economic Development Project Reserve was \$601.9 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$630 million from the Unreserved Fund Balance to the Economic Development Project Reserve for the fiscal year. Funds in the amount of \$495.1 million were transferred out of the reserve to the Department of Commerce during the fiscal year. Funds in the amount of \$968 thousand were transferred out of the reserve to the Department of Environmental Quality. At the end of fiscal year 2023-24, the balance of this reserve was \$735.832 million.

Opioid Abatement Reserve (Session Law 2021-180). The Opioid Abatement Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to maintain funds received by the State as a beneficiary of the final consent judgment resolving the case, *State of North Carolina, ex. Rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc.*, and any other funds received by the State as a result of the settlement. At the beginning of fiscal year 2023-24, the balance of the Opioid Abatement Reserve was \$765 thousand. In accordance with Session Law 2022-74, funds in the amount of \$43.458 million were transferred to or deposited into the reserve as a result of the settlement during the fiscal year. Funds in the amount of \$3.692 million were transferred out of the reserve to the Opioid Abatement Fund at the Department of Health and Human Services during the fiscal year. Funds in the amount of \$5.5 million were transferred out of the reserve to the Opioid Abatement Fund at the University of North Carolina at Chapel Hill during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$35.030 million.

World University Games Reserve (Session Law 2022-74). The World University Games Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to support the State of North Carolina as a host of the 2027 World University Games. At the beginning of fiscal year 2023-24, the balance of the World University Games Reserve was \$25 million. Funds in the amount of \$25 million were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

Housing Reserve (Session Law 2022-74). The Housing Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available upon appropriation for the Workforce Housing Loan Program and the Dare County Affordable Housing Project. At the beginning of fiscal year 2023-24, the balance of the Housing Reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$45 million from the Unreserved Fund Balance to the Housing Reserve for the fiscal year. Funds in the amount of \$45 million were transferred out of the reserve to the Housing Finance Agency during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

Local Project Reserve (Session Law 2022-74). The Local Project Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available for local project expenditures. At the beginning of fiscal year 2023-24, the balance of the Local Project Reserve was zero. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

Federal Infrastructure Match Reserve (Session Law 2022-74). The Federal Infrastructure Match Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available State agencies and departments to use for State match requirements when procuring federal aid made available under the federal Infrastructure Investment and Jobs Act. At the beginning of fiscal year 2023-24, the balance of the Federal Infrastructure Match Reserve was \$95.329 million. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$50 million from the Unreserved Fund Balance to the Federal Infrastructure Match Reserve for the fiscal year. Funds in the amount of \$23.320 million were transferred out of the reserve to the Department of Environmental Quality during the fiscal year. Funds in the amount of \$250 thousand were transferred out of

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$121.759 million.

Retiree Supplement Reserve (Session Law 2022-74). The Retiree Supplement Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to provide a one percent (1%) retiree supplement. At the beginning of fiscal year 2023-24, the balance of the Retiree Supplement reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$145.6 million from the Unreserved Fund Balance to the Retiree Supplement Reserve for the fiscal year. Funds in the amount of \$145.6 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

Public School Needs-Based Capital Reserve (Session Law 2022-74). The Public School Needs-Based Capital Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Public Instruction. At the beginning of fiscal year 2023-24, the balance of the Public School Needs-Based Capital Reserve was zero. No funds were transferred from the Unreserved Fund Balance to the Public School Needs-Based Capital Reserve for the fiscal year. No funds were transferred out of the reserve to the Department of Public Instruction during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

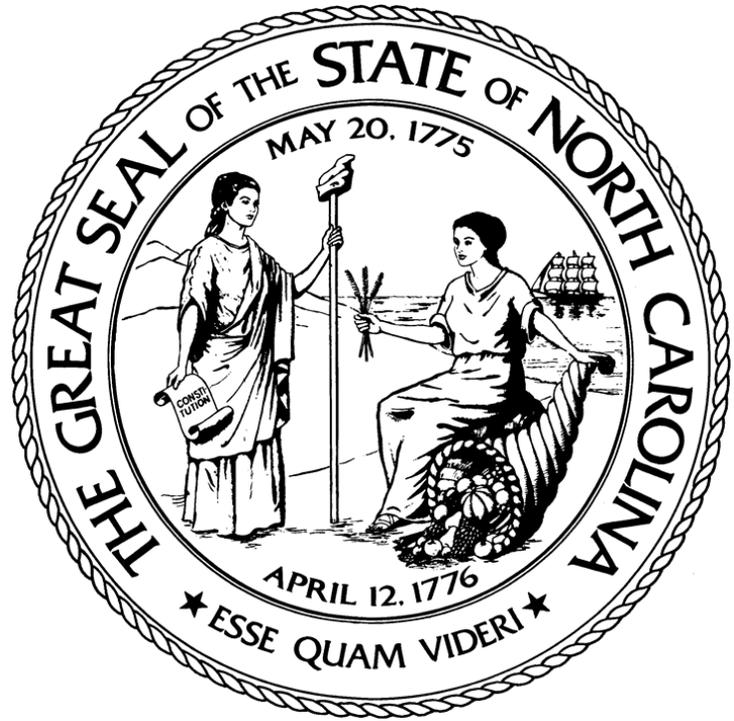
Clean Water and Drinking Water Reserve (Session Law 2022-74). The Clean Water and Drinking Water Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Environmental Quality to use for clean water and drinking water projects. At the beginning of fiscal year 2023-24, the balance of the Clean Water and Drinking Water Reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$1 billion from the Unreserved Fund Balance to the Clean Water Drinking Water Reserve for the fiscal year. Funds in the amount of \$1 billion were transferred out of the reserve to the Department of Environmental Quality during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was zero.

Stabilization and Inflation Reserve (Session Law 2022-74). The Stabilization and Inflation Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make, only upon an act of appropriation by the General Assembly, funds available to be used for costs associated with inflation and other measures necessary to stabilize the State economy. At the beginning of fiscal year 2023-24, the balance of the Stabilization and Inflation Reserve was \$1 billion. No funds were transferred from the Unreserved Fund Balance to the Stabilization and Inflation Reserve for the fiscal year. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was one billion dollars.

Regional Economic Development Reserve (Session Law 2023-134). The Regional Economic Development Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to State agencies and departments for economic development initiatives. At the beginning of fiscal year 2023-24, the balance of the Stabilization and Inflation Reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$1.25 billion from the Unreserved Fund Balance to the Regional Economic Development Reserve for the fiscal year. Funds in the amount of \$1.245 billion were transferred out of the reserve during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was \$4.65 million dollars.

Transportation Reserve (Session Law 2023-134). The Transportation Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to Department of Transportation. At the beginning of fiscal year 2023-24, the balance of the Transportation Reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$450 million from the Unreserved Fund Balance to the Transportation Reserve for the fiscal year. Funds in the amount of \$450 million were transferred out of the reserve to the Department of Transportation during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.

NCInnovation Reserve (Session Law 2023-134). The NCInnovation Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the NCInnovation Incorporated nonprofit organization through the Department of Commerce. At the beginning of fiscal year 2023-24, the balance of the NCInnovation Reserve was zero. In accordance with Session Law 2023-134, the Office of State Controller was authorized to transfer \$250 million from the Unreserved Fund Balance to the NCInnovation Reserve for the fiscal year. Funds in the amount of \$250 million were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2023-24, the balance of this reserve was zero.



*COMBINING FUND
STATEMENTS
AND
SCHEDULES*

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*NONMAJOR
GOVERNMENTAL FUNDS*

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

Exhibit C-1

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,203,335	\$ -	\$ 67	\$ 2,203,402
Investments	346,037	-	-	346,037
Securities lending collateral	150,797	126,928	5,158	282,883
Receivables, net:				
Taxes receivable	10,417	-	-	10,417
Accounts receivable	16,504	1,972	230	18,706
Intergovernmental receivable	912	83	-	995
Interest receivable	5,020	1,722	-	6,742
Due from other funds	13,859	192	-	14,051
Due from component units	2,362	-	-	2,362
Inventories	31,812	-	-	31,812
Notes receivable, net	86	27,301	-	27,387
Lease receivable	236	-	-	236
Securities held in trust	51,930	-	-	51,930
Restricted/designated cash and cash equivalents	-	1,834,297	55,614	1,889,911
Restricted investments	-	176,381	163,091	339,472
Total Assets	<u>2,833,307</u>	<u>2,168,876</u>	<u>224,160</u>	<u>5,226,343</u>
Deferred Outflows of Resources				
Forward funded state aid	53,072	-	-	53,072
Total Assets and Deferred Outflows	<u>\$ 2,886,379</u>	<u>\$ 2,168,876</u>	<u>\$ 224,160</u>	<u>\$ 5,279,415</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 22,974	\$ 39,798	\$ -	\$ 62,772
Accrued payroll	106	-	-	106
Intergovernmental payable	7,932	7,739	-	15,671
Claims payable	110,000	-	-	110,000
Obligations under securities lending	150,797	126,928	5,158	282,883
Due to other funds	7,820	5,075	-	12,895
Due to component units	-	3,018	-	3,018
Unearned revenue	520	-	-	520
Deposits payable	6	-	-	6
Funds held for others	52,066	-	-	52,066
Total Liabilities	<u>352,221</u>	<u>182,558</u>	<u>5,158</u>	<u>539,937</u>
Deferred Inflows of Resources				
Unavailable revenue	10,051	-	-	10,051
Deferred inflows for lease agreements	178	-	-	178
Total Deferred Inflows of Resources	<u>10,229</u>	<u>-</u>	<u>-</u>	<u>10,229</u>
Fund Balances				
Nonspendable	31,812	-	140,070	171,882
Restricted	1,474,994	209,520	78,932	1,763,446
Committed	921,751	1,776,798	-	2,698,549
Assigned	95,372	-	-	95,372
Total Fund Balances	<u>2,523,929</u>	<u>1,986,318</u>	<u>219,002</u>	<u>4,729,249</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,886,379</u>	<u>\$ 2,168,876</u>	<u>\$ 224,160</u>	<u>\$ 5,279,415</u>

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

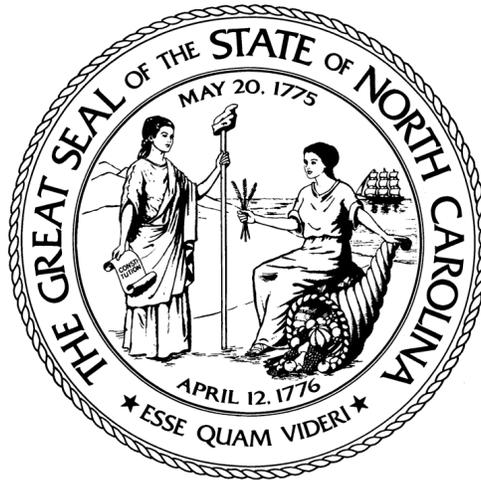
For the Fiscal Year Ended June 30, 2024

Exhibit C-2

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Sales and use tax	\$ 9,324	\$ -	\$ -	\$ 9,324
Motor fuels tax	27,600	-	-	27,600
Other taxes	131,479	-	-	131,479
Federal funds	115,131	25,121	-	140,252
Local funds	9,703	-	-	9,703
Investment earnings	76,591	40,778	29,134	146,503
Interest earnings on loans	-	1,571	-	1,571
Sales and services	178,279	1,539	-	179,818
Rental and lease of property	1,931	-	-	1,931
Fees, licenses, and fines	141,497	743	11,049	153,289
Contributions, gifts, and grants	31,763	59,299	1	91,063
Funds escheated	221,196	-	-	221,196
Federal COVID-19 funds	75,414	-	-	75,414
Miscellaneous	9,383	41	-	9,424
Total revenues	<u>1,029,291</u>	<u>129,092</u>	<u>40,184</u>	<u>1,198,567</u>
Expenditures				
Current:				
General government	84,888	54	-	84,942
Higher education	119,701	39,044	-	158,745
Health and human services	105,547	-	-	105,547
Economic development	2,386	-	-	2,386
Environment and natural resources	214,222	48,500	131	262,853
Public safety, corrections, and regulation	322,894	6,881	-	329,775
Agriculture	26,447	-	-	26,447
Capital Outlay	-	449,992	-	449,992
Debt service:				
Principal retirement	5,532	-	-	5,532
Interest and fees	807	20	-	827
Total expenditures	<u>882,424</u>	<u>544,491</u>	<u>131</u>	<u>1,427,046</u>
Excess revenues over (under) expenditures	<u>146,867</u>	<u>(415,399)</u>	<u>40,053</u>	<u>(228,479)</u>
Other Financing Sources (Uses)				
Other debt issued	481	-	-	481
Sale of capital assets	712	238	-	950
Insurance recoveries	61	257	-	318
Transfers in	124,893	1,553,154	-	1,678,047
Transfers out	(99,631)	(122,149)	(9,495)	(231,275)
Total other financing sources (uses)	<u>26,516</u>	<u>1,431,500</u>	<u>(9,495)</u>	<u>1,448,521</u>
Net change in fund balances	173,383	1,016,101	30,558	1,220,042
Fund balances — July 1, as previously reported	2,350,546	970,217	188,444	3,509,207
Fund balances — June 30	<u>\$ 2,523,929</u>	<u>\$ 1,986,318</u>	<u>\$ 219,002</u>	<u>\$ 4,729,249</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, 2024

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Assets				
Cash and cash equivalents	\$ 1,154,306	\$ 42,575	\$ 112,136	\$ 179,501
Investments	330,084	-	-	-
Securities lending collateral	107,525	-	-	16,641
Receivables, net:				
Taxes receivable	-	-	1,701	-
Accounts receivable	-	2,759	648	7,436
Intergovernmental receivable	-	232	-	-
Interest receivable	4,243	-	-	647
Due from other funds	-	7,188	-	1,630
Due from component units	-	-	-	-
Inventories	-	25,282	-	-
Notes receivable, net	-	-	-	-
Lease receivable	-	226	-	-
Securities held in trust	-	-	-	-
Total Assets	<u>1,596,158</u>	<u>78,262</u>	<u>114,485</u>	<u>205,855</u>
Deferred Outflows of Resources				
Forward funded state aid	53,072	-	-	-
Total Assets and Deferred Outflows	<u>\$ 1,649,230</u>	<u>\$ 78,262</u>	<u>\$ 114,485</u>	<u>\$ 205,855</u>
Liabilities				
Accounts payable and accrued liabilities:				
Account pay	\$ 273	\$ 6,369	\$ 982	\$ 2,151
Accrued payroll	-	1	-	-
Intergovernmental payable	-	98	363	4,492
Claims payable	110,000	-	-	-
Obligations under securities lending	107,525	-	-	16,641
Due to other funds	-	-	-	17
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	<u>217,798</u>	<u>6,468</u>	<u>1,345</u>	<u>23,301</u>
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Deferred inflows for lease agreements	-	164	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>164</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	25,282	-	-
Restricted	1,431,432	-	-	-
Committed	-	46,348	113,140	182,554
Assigned	-	-	-	-
Total Fund Balances	<u>1,431,432</u>	<u>71,630</u>	<u>113,140</u>	<u>182,554</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,649,230</u>	<u>\$ 78,262</u>	<u>\$ 114,485</u>	<u>\$ 205,855</u>

Exhibit C-3

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 389,381	\$ 325,436	\$ 2,203,335
15,504	449	346,037
17,025	9,606	150,797
567	8,149	10,417
557	5,104	16,504
-	680	912
-	130	5,020
5,039	2	13,859
-	2,362	2,362
-	6,530	31,812
-	86	86
-	10	236
51,930	-	51,930
<u>480,003</u>	<u>358,544</u>	<u>2,833,307</u>
-	-	53,072
<u>\$ 480,003</u>	<u>\$ 358,544</u>	<u>\$ 2,886,379</u>
\$ 7,988	\$ 5,211	\$ 22,974
-	105	106
1,548	1,431	7,932
-	-	110,000
17,025	9,606	150,797
7,243	560	7,820
-	520	520
-	6	6
51,930	136	52,066
<u>85,734</u>	<u>17,575</u>	<u>352,221</u>
2,002	8,049	10,051
-	14	178
<u>2,002</u>	<u>8,063</u>	<u>10,229</u>
-	6,530	31,812
8,761	34,801	1,474,994
290,481	289,228	921,751
93,025	2,347	95,372
<u>392,267</u>	<u>332,906</u>	<u>2,523,929</u>
<u>\$ 480,003</u>	<u>\$ 358,544</u>	<u>\$ 2,886,379</u>

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

For the Fiscal Year Ended June 30, 2024

(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	-	-	19,037	-
Other taxes	-	-	-	89,328
Federal funds	-	-	-	-
Local funds	-	-	-	-
Investment earnings	52,017	-	-	7,560
Sales and services	-	115,159	-	1,823
Rental and lease of property	-	109	-	-
Fees, licenses, and fines	-	-	9,158	-
Contributions, gifts, and grants	-	-	-	-
Funds escheated	221,196	-	-	-
Federal COVID-19 funds	-	-	-	-
Miscellaneous	-	186	-	-
Total revenues	<u>273,213</u>	<u>115,454</u>	<u>28,195</u>	<u>98,711</u>
Expenditures				
Current:				
General government	-	-	-	-
Higher education	85,369	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Environment and natural resources	-	-	18,377	-
Public safety, corrections, and regulation	-	104,206	-	85,811
Agriculture	-	-	-	-
Debt service:				
Principal retirement	233	102	-	-
Interest and fees	103	12	-	-
Total expenditures	<u>85,705</u>	<u>104,320</u>	<u>18,377</u>	<u>85,811</u>
Excess revenues over (under) expenditures	<u>187,508</u>	<u>11,134</u>	<u>9,818</u>	<u>12,900</u>
Other Financing Sources (Uses)				
Other debt issued	-	-	-	-
Sale of capital assets	-	394	-	-
Insurance recoveries	-	61	-	-
Transfers in	-	202	-	-
Transfers out	(11,471)	(3,813)	(3,880)	-
Total other financing sources (uses)	<u>(11,471)</u>	<u>(3,156)</u>	<u>(3,880)</u>	<u>-</u>
Net change in fund balances	176,037	7,978	5,938	12,900
Fund balances — July 1, as previously reported	1,255,395	63,652	107,202	169,654
Fund balances — June 30	<u>\$ 1,431,432</u>	<u>\$ 71,630</u>	<u>\$ 113,140</u>	<u>\$ 182,554</u>

Exhibit C-4

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 9,324	\$ -	\$ 9,324
8,563	-	27,600
12,645	29,506	131,479
5,904	109,227	115,131
480	9,223	9,703
12,099	4,915	76,591
19	61,278	178,279
20	1,802	1,931
87,340	44,999	141,497
16,151	15,612	31,763
-	-	221,196
-	75,414	75,414
111	9,086	9,383
<u>152,656</u>	<u>361,062</u>	<u>1,029,291</u>
-	84,888	84,888
-	34,332	119,701
-	105,547	105,547
-	2,386	2,386
192,436	3,409	214,222
-	132,877	322,894
-	26,447	26,447
-	5,197	5,532
-	692	807
<u>192,436</u>	<u>395,775</u>	<u>882,424</u>
<u>(39,780)</u>	<u>(34,713)</u>	<u>146,867</u>
-	481	481
2	316	712
-	-	61
37,112	87,579	124,893
<u>(7,990)</u>	<u>(72,477)</u>	<u>(99,631)</u>
<u>29,124</u>	<u>15,899</u>	<u>26,516</u>
<u>(10,656)</u>	<u>(18,814)</u>	<u>173,383</u>
<u>402,923</u>	<u>351,720</u>	<u>2,350,546</u>
<u>\$ 392,267</u>	<u>\$ 332,906</u>	<u>\$ 2,523,929</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, 2024

(Dollars in Thousands)

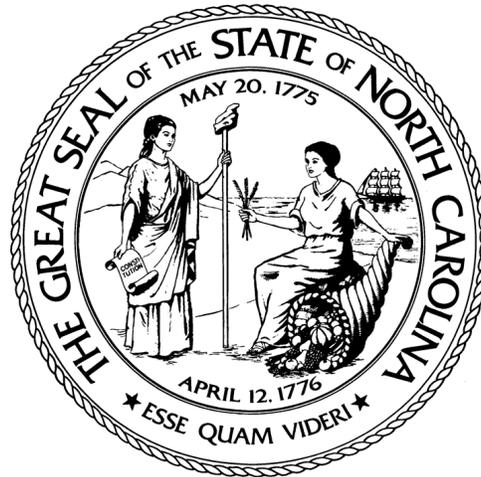
	Escheat Fund			Correction Enterprises Fund			Leaking Petroleum Underground Storage Tank Cleanup Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues									
Departmental:									
Federal funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal COVID-19 funds	-	-	-	-	-	-	-	-	-
Local funds	-	-	-	-	-	-	-	-	-
Inter-agency grants and allocations	-	-	-	-	-	-	-	-	-
Intra-governmental transactions	-	-	-	202	202	-	19,726	19,074	(652)
Sales and services	-	-	-	104,950	116,022	11,072	-	-	-
Sale, rental, and lease of property	-	-	-	269	430	161	-	-	-
Fees, licenses, and fines	-	-	-	-	-	-	9,774	9,159	(615)
Contributions, gifts, and grants	-	-	-	-	-	-	-	-	-
Miscellaneous	390,795	378,993	(11,802)	4,821	4,718	(103)	-	-	-
Total revenues	<u>390,795</u>	<u>378,993</u>	<u>(11,802)</u>	<u>110,242</u>	<u>121,372</u>	<u>11,130</u>	<u>29,500</u>	<u>28,233</u>	<u>(1,267)</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Higher education	95,831	95,025	806	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Environment and natural resources	-	-	-	-	-	-	30,612	21,881	8,731
Public safety, corrections, and regulation	-	-	-	110,367	110,329	38	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-
Total expenditures	<u>95,831</u>	<u>95,025</u>	<u>806</u>	<u>110,367</u>	<u>110,329</u>	<u>38</u>	<u>30,612</u>	<u>21,881</u>	<u>8,731</u>
Excess revenues over (under) expenditures	<u>\$ 294,964</u>	<u>283,968</u>	<u>\$ (10,996)</u>	<u>\$ (125)</u>	<u>11,043</u>	<u>\$ 11,168</u>	<u>\$ (1,112)</u>	<u>6,352</u>	<u>\$ 7,464</u>
Fund balances (budgetary basis) at July 1 (as previously reported)		1,293,264			34,328			105,783	
Adjustments to July 1 balances*		356,978			4,237			-	
Fund balances (budgetary basis) at July 1 (as restated)		<u>1,650,242</u>			<u>38,565</u>			<u>105,783</u>	
Fund balances (budgetary basis) at June 30		<u>\$ 1,934,210</u>			<u>\$ 49,608</u>			<u>\$ 112,135</u>	

* Adjustments to July 1 balances represent corrections of prior year inclusions of noncash related activity and omissions of cash related activity on the cash basis.

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
\$ -	\$ -	\$ -	\$ 30,983	\$ 5,826	\$ (25,157)	\$ 167,572	\$ 109,362	\$ (58,210)	\$ 198,555	\$ 115,188	\$ (83,367)
-	-	-	-	-	-	75,414	75,414	-	75,414	75,414	-
-	-	-	2,003	480	(1,523)	13,643	9,223	(4,420)	15,646	9,703	(5,943)
-	-	-	80,793	16,068	(64,725)	10,343	7,432	(2,911)	91,136	23,500	(67,636)
-	3,000	3,000	100,411	74,539	(25,872)	120,536	127,928	7,392	240,875	224,743	(16,132)
1,774	1,818	44	(70)	(80)	(10)	68,368	60,449	(7,919)	175,022	178,209	3,187
-	-	-	30	22	(8)	2,332	2,117	(215)	2,631	2,569	(62)
91,390	92,005	615	121,955	87,389	(34,566)	48,417	45,355	(3,062)	271,536	233,908	(37,628)
-	-	-	83	84	1	10,449	8,983	(1,466)	10,532	9,067	(1,465)
1,486	7,049	5,563	76,938	10,811	(66,127)	30,167	33,614	3,447	504,207	435,185	(69,022)
94,650	103,872	9,222	413,126	195,139	(217,987)	547,241	479,877	(67,364)	1,585,554	1,307,486	(278,068)
-	-	-	-	-	-	215,931	163,930	52,001	215,931	163,930	52,001
-	-	-	-	-	-	2,757	2,334	423	98,588	97,359	1,229
-	-	-	-	-	-	187,337	141,917	45,420	187,337	141,917	45,420
-	-	-	-	-	-	5,053	3,756	1,297	5,053	3,756	1,297
-	-	-	442,405	193,455	248,950	5,533	3,349	2,184	478,550	218,685	259,865
147,141	89,437	57,704	-	-	-	173,756	157,932	15,824	431,264	357,698	73,566
-	-	-	-	-	-	36,342	27,059	9,283	36,342	27,059	9,283
147,141	89,437	57,704	442,405	193,455	248,950	626,709	500,277	126,432	1,453,065	1,010,404	442,661
<u>\$ (52,491)</u>	<u>14,435</u>	<u>\$ 66,926</u>	<u>\$ (29,279)</u>	<u>1,684</u>	<u>\$ 30,963</u>	<u>\$ (79,468)</u>	<u>(20,400)</u>	<u>\$ 59,068</u>	<u>\$ 132,489</u>	<u>297,082</u>	<u>\$ 164,593</u>
	165,065			403,541			344,234			2,346,215	
	(8,800)			(303)			(8,070)			344,042	
	156,265			403,238			336,164			2,690,257	
	<u>\$ 170,700</u>			<u>\$ 404,922</u>			<u>\$ 315,764</u>			<u>\$ 2,987,339</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, 2024

Exhibit C-6

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Assets			
Securities lending collateral	\$ 126,928	\$ -	\$ 126,928
Receivables, net:			
Accounts receivable	1,972	-	1,972
Intergovernmental receivable	83	-	83
Interest receivable	4	1,718	1,722
Due from other funds	192	-	192
Notes receivable, net	17,018	10,283	27,301
Restricted/designated cash and cash equivalents	1,834,154	143	1,834,297
Restricted investments	10,613	165,768	176,381
Total Assets	\$ 1,990,964	\$ 177,912	\$ 2,168,876
Liabilities			
Accounts payable and accrued liabilities:			
Accounts payable	\$ 39,782	\$ 16	\$ 39,798
Intergovernmental payable	7,739	-	7,739
Obligations under securities lending	126,928	-	126,928
Due to other funds	5,075	-	5,075
Due to component units	3,018	-	3,018
Total Liabilities	\$ 182,542	\$ 16	\$ 182,558
Fund Balances			
Restricted	31,624	177,896	209,520
Committed	1,776,798	-	1,776,798
Assigned	-	-	-
Total Fund Balances	1,808,422	177,896	1,986,318
Total Liabilities and Fund Balances	\$ 1,990,964	\$ 177,912	\$ 2,168,876

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

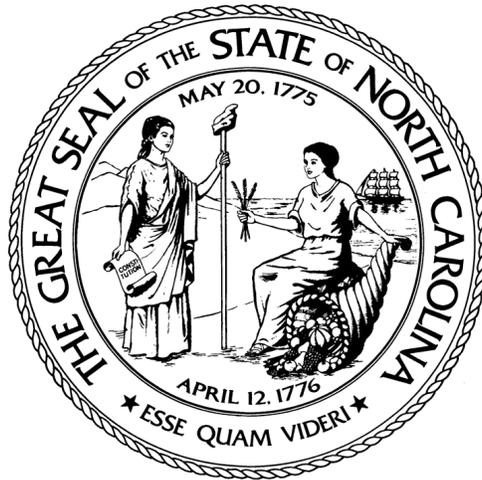
For the Fiscal Year Ended June 30, 2024

Exhibit C-7

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Revenues			
Federal funds	\$ 25,121	\$ -	\$ 25,121
Investment earnings	30,565	10,213	40,778
Interest earnings on loans	1,571	-	1,571
Sales and services	1,539	-	1,539
Fees, licenses, and fines	743	-	743
Contributions, gifts, and grants	59,299	-	59,299
Miscellaneous	41	-	41
Total revenues	<u>118,879</u>	<u>10,213</u>	<u>129,092</u>
Expenditures			
Current:			
General government	-	54	54
Higher education	37,522	1,522	39,044
Environment and natural resources	48,500	-	48,500
Public safety, corrections, and regulation	6,881	-	6,881
Capital outlay	449,337	655	449,992
Debt service:			
Interest and fees	-	20	20
Total expenditures	<u>542,240</u>	<u>2,251</u>	<u>544,491</u>
Excess revenues over (under) expenditures	<u>(423,361)</u>	<u>7,962</u>	<u>(415,399)</u>
Other Financing Sources (Uses)			
Sale of capital assets	238	-	238
Insurance recoveries	257	-	257
Transfers in	1,553,115	39	1,553,154
Transfers out	<u>(103,838)</u>	<u>(18,311)</u>	<u>(122,149)</u>
Total other financing sources (uses)	<u>1,449,772</u>	<u>(18,272)</u>	<u>1,431,500</u>
Net change in fund balances	1,026,411	(10,310)	1,016,101
Fund balances — July 1, as previously reported	782,011	188,206	970,217
Fund balances — June 30	<u>\$ 1,808,422</u>	<u>\$ 177,896</u>	<u>\$ 1,986,318</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, 2024

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	\$ -	\$ 67	\$ 67
Securities lending collateral	2,751	2,407	5,158
Receivables, net:			
Accounts receivable	108	122	230
Restricted/designated cash and cash equivalents	29,573	26,041	55,614
Restricted investments	163,091	-	163,091
Total Assets	<u>\$ 195,523</u>	<u>\$ 28,637</u>	<u>\$ 224,160</u>
Liabilities			
Obligations under securities lending	<u>\$ 2,751</u>	<u>\$ 2,407</u>	<u>\$ 5,158</u>
Fund Balances			
Nonspendable	113,907	26,163	140,070
Restricted	78,865	67	78,932
Total Fund Balances	<u>192,772</u>	<u>26,230</u>	<u>219,002</u>
Total Liabilities and Fund Balances	<u>\$ 195,523</u>	<u>\$ 28,637</u>	<u>\$ 224,160</u>

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

For the Fiscal Year Ended June 30, 2024

Exhibit C-9

(Dollars in Thousands)

	Wildlife Endowment Fund	Departmental Funds	Total Nonmajor Permanent Funds
Revenues			
Investment earnings	\$ 28,096	\$ 1,038	\$ 29,134
Fees, licenses, and fines	8,774	2,275	11,049
Contributions, gifts, and grants	1	-	1
Total revenues	<u>36,871</u>	<u>3,313</u>	<u>40,184</u>
Expenditures			
Current:			
Environment and natural resources	35	96	131
Total expenditures	<u>35</u>	<u>96</u>	<u>131</u>
Excess revenues over expenditures	<u>36,836</u>	<u>3,217</u>	<u>40,053</u>
Other Financing Sources (Uses)			
Transfers out	(9,495)	-	(9,495)
Net change in fund balances	<u>27,341</u>	<u>3,217</u>	<u>30,558</u>
Fund balances — July 1, as previously reported	165,431	23,013	188,444
Fund balances — June 30	<u>\$ 192,772</u>	<u>\$ 26,230</u>	<u>\$ 219,002</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, 2024

(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	\$ 8,774	\$ 8,774	\$ -	\$ 1,536	\$ 2,275	\$ 739
Contributions, gifts, and grants	1	1	-	-	-	-
Miscellaneous	1,171	960	(211)	313	1,058	745
Total revenues	<u>9,946</u>	<u>9,735</u>	<u>(211)</u>	<u>1,849</u>	<u>3,333</u>	<u>1,484</u>
Expenditures						
Current:						
Environment and natural resources	10,071	9,495	576	1,849	52	1,797
Total expenditures	<u>10,071</u>	<u>9,495</u>	<u>576</u>	<u>1,849</u>	<u>52</u>	<u>1,797</u>
Excess revenues over (under) expenditures	<u>\$ (125)</u>	240	<u>\$ 365</u>	<u>\$ -</u>	3,281	<u>\$ 3,281</u>
Fund balances (budgetary basis) at July 1		150,361			22,827	
Adjustments to July 1 balances*		1,812			-	
Fund balances (budgetary basis) at July 1, as restated		<u>152,173</u>			<u>22,827</u>	
Fund balances (budgetary basis) at June 30		<u>\$ 152,413</u>			<u>\$ 26,108</u>	

* Adjustments to July 1 balances represent corrections of prior year inclusions of noncash related activity and omissions of cash related activity on the cash basis.

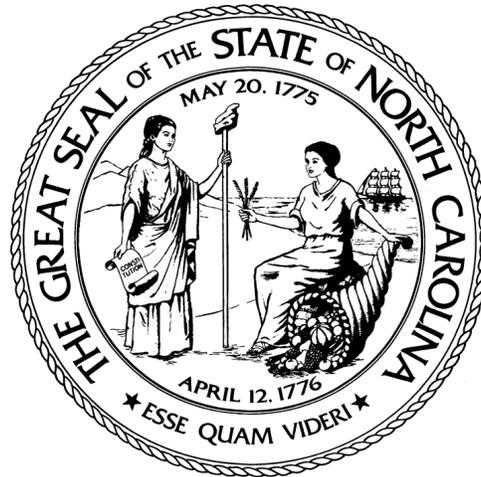
Total Nonmajor Permanent Funds		
Final Budget	Actual	Variance with Final Budget
\$ 10,310	\$ 11,049	\$ 739
1	1	-
1,484	2,018	534
<u>11,795</u>	<u>13,068</u>	<u>1,273</u>
11,920	9,547	2,373
11,920	9,547	2,373
<u>\$ (125)</u>	<u>3,521</u>	<u>\$ 3,646</u>
	173,188	
	<u>1,812</u>	
	<u>175,000</u>	
	<u>\$ 178,521</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, 2024

(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	\$ 3,840	\$ 20,392	\$ 6,857	\$ 4,279
Investments	25,905	-	-	-
Securities lending collateral	362	-	233	-
Receivables:				
Accounts receivable, net	-	-	133	-
Intergovernmental receivable	-	-	-	-
Interest receivable	170	-	-	-
Premiums receivable	473	-	-	-
Lease receivable	-	16	-	15
Inventories	-	71	235	11
Prepaid items	29,648	4	319	-
Restricted cash and cash equivalents	-	-	1,034	-
Total current assets	<u>60,398</u>	<u>20,483</u>	<u>8,811</u>	<u>4,305</u>
Noncurrent Assets				
Investments	-	-	-	-
Notes receivable	-	-	-	-
Lease receivable	-	-	-	11
Prepaid items	-	-	-	-
Restricted/designated cash and cash equivalents	-	-	-	-
Capital assets-nondepreciable	-	1,345	653	3,740
Capital assets-depreciable, net	-	7,099	5,361	5,160
Total noncurrent assets	<u>-</u>	<u>8,444</u>	<u>6,014</u>	<u>8,911</u>
Total Assets	<u>60,398</u>	<u>28,927</u>	<u>14,825</u>	<u>13,216</u>
Deferred Outflows of Resources				
Deferred outflows for pensions	169	1,616	895	616
Deferred outflows for OPEB	175	1,365	544	450
Total Deferred Outflows of Resources	<u>344</u>	<u>2,981</u>	<u>1,439</u>	<u>1,066</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	77	126	109	92
Accrued payroll	-	21	24	10
Intergovernmental payable	-	-	-	-
Claims payable	3,963	-	-	-
Obligations under securities lending	362	-	233	-
Interest payable	-	-	-	-
Unearned revenue	6,396	4,535	63	-
Deposits payable	-	5,479	4	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Subscription liability	-	-	-	-
Compensated absences	4	24	19	10
Workers' compensation	-	1	-	3
Total current liabilities	<u>10,802</u>	<u>10,186</u>	<u>452</u>	<u>115</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>
\$ 45,040	\$ 4,237	\$ 19,501	\$ 28,810	\$ 92,641	\$ 9,199	\$ 234,796
13,743	-	-	-	59,729	-	99,377
4,251	522	-	-	3,708	532	9,608
19	27	14	377	751	164	1,485
-	-	-	4,865	-	-	4,865
516	-	-	-	1,597	20	2,303
-	-	-	-	-	-	473
-	-	-	-	47	450	528
-	2	-	-	124	157	600
-	-	-	-	1,410	-	31,381
-	-	-	-	679	-	1,713
<u>63,569</u>	<u>4,788</u>	<u>19,515</u>	<u>34,052</u>	<u>160,686</u>	<u>10,522</u>	<u>387,129</u>
-	-	-	-	30,389	-	30,389
-	-	-	-	249	-	249
-	-	-	-	55	4,202	4,268
-	-	-	-	280	-	280
-	-	-	-	71	-	71
-	-	-	550	7,371	1,867	15,526
-	54	511	1,128	46,790	5,608	71,711
-	54	511	1,678	85,205	11,677	122,494
<u>63,569</u>	<u>4,842</u>	<u>20,026</u>	<u>35,730</u>	<u>245,891</u>	<u>22,199</u>	<u>509,623</u>
-	7,600	5,615	7,847	2,064	1,579	28,001
-	8,533	6,038	20,182	4,701	1,462	43,450
-	16,133	11,653	28,029	6,765	3,041	71,451
98	148	61	192	14,954	211	16,068
-	-	-	-	86	27	168
-	-	-	-	-	3	3
20,274	-	-	-	-	-	24,237
4,251	522	-	-	3,708	532	9,608
-	-	-	-	2	-	2
-	1	-	-	37,410	492	48,897
-	-	-	-	-	37	5,520
-	-	-	-	1,231	-	1,231
-	-	680	-	968	-	1,648
-	-	-	-	182	-	182
-	127	106	41	1,106	30	1,467
-	-	-	-	-	16	20
<u>24,623</u>	<u>798</u>	<u>847</u>	<u>233</u>	<u>59,647</u>	<u>1,348</u>	<u>109,051</u>

Continued

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

June 30, 2024

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Subscription liability	-	-	-	-
Compensated absences	49	432	352	186
Workers' compensation	-	20	-	9
Net pension liability	237	2,336	1,315	961
Net OPEB liability	324	3,325	1,672	1,367
Total noncurrent liabilities	<u>610</u>	<u>6,113</u>	<u>3,339</u>	<u>2,523</u>
Total Liabilities	<u>11,412</u>	<u>16,299</u>	<u>3,791</u>	<u>2,638</u>
Deferred Inflows of Resources				
Deferred inflows for lease agreements	-	-	-	34
Deferred inflows for pensions	13	234	225	47
Deferred inflows for OPEB	138	2,656	1,057	571
Total Deferred Inflows of Resources	<u>151</u>	<u>2,890</u>	<u>1,282</u>	<u>652</u>
Net Position				
Net investment in capital assets	-	8,444	6,014	8,900
Restricted for:				
Expendable:				
Economic development	-	-	1,034	-
Other purposes	-	-	-	-
Unrestricted	49,179	4,275	4,143	2,092
Total Net Position	<u>\$ 49,179</u>	<u>\$ 12,719</u>	<u>\$ 11,191</u>	<u>\$ 10,992</u>

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
-	-	-	-	2,507	-	2,507
-	-	-	-	16,142	-	16,142
-	-	-	-	5,038	-	5,038
-	-	-	-	82	-	82
-	1,886	1,573	680	2,466	463	8,087
-	-	-	-	-	1	30
-	10,490	7,714	4,314	1,402	2,264	31,033
-	14,991	11,024	6,463	1,905	3,209	44,280
-	27,367	20,311	11,457	29,542	5,937	107,199
24,623	28,165	21,158	11,690	89,189	7,285	216,250
-	-	-	-	102	4,267	4,403
-	835	583	4,527	1,121	303	7,888
-	7,620	5,362	18,133	4,835	2,255	42,627
-	8,455	5,945	22,660	6,058	6,825	54,918
-	54	(169)	1,678	30,519	7,475	62,915
-	-	-	-	-	-	1,034
-	-	-	-	3,055	-	3,055
38,946	(15,699)	4,745	27,731	123,835	3,655	242,902
\$ 38,946	\$ (15,645)	\$ 4,576	\$ 29,409	\$ 157,409	\$ 11,130	\$ 309,906

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

For Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Operating Revenues				
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -
Sales and services	-	590	1,130	93
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	-	-	5
Rental and lease earnings	-	5,347	77	1,827
Fees, licenses, and fines	-	9,526	2,474	2,749
Insurance premiums	13,299	-	-	-
Miscellaneous	420	57	215	8
Total operating revenues	<u>13,719</u>	<u>15,520</u>	<u>3,896</u>	<u>4,682</u>
Operating Expenses				
Personal services	494	6,073	2,093	1,733
Supplies and materials	10	1,005	84	130
Services	31	6,325	974	1,259
Cost of goods sold	-	-	386	-
Depreciation	-	936	175	199
Claims	1,112	-	-	-
Insurance and bonding	24,116	211	32	212
Other	21	192	103	67
Total operating expenses	<u>25,784</u>	<u>14,742</u>	<u>3,847</u>	<u>3,600</u>
Operating income (loss)	<u>(12,065)</u>	<u>778</u>	<u>49</u>	<u>1,082</u>
Nonoperating Revenues (Expenses)				
Noncapital gifts, net	-	1,038	-	-
Noncapital contributions	1	4	218	2
Lease interest revenue	-	1	-	-
Investment earnings	1,496	-	80	-
Interest and fees	-	-	-	-
Gain (loss) on sale of equipment	-	(15)	-	-
Miscellaneous	(28)	453	(5)	15
Total nonoperating revenues (expenses)	<u>1,469</u>	<u>1,481</u>	<u>293</u>	<u>17</u>
Income (loss) before contributions and transfers	(10,596)	2,259	342	1,099
Capital contributions	-	-	224	-
Transfers in proprietary	-	102	-	-
Transfers out proprietary	-	(506)	-	(203)
Change in net position	<u>(10,596)</u>	<u>1,855</u>	<u>566</u>	<u>896</u>
Net position — July 1, as previously reported	59,775	10,864	10,435	10,096
Adjustments to July 1 balances	-	-	190	-
Net position — July 1, as restated	<u>59,775</u>	<u>10,864</u>	<u>10,625</u>	<u>10,096</u>
Net position — June 30	<u>\$ 49,179</u>	<u>\$ 12,719</u>	<u>\$ 11,191</u>	<u>\$ 10,992</u>

Exhibit D-2

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ 46
-	22	-	-	99	240	2,174
-	-	-	-	18	-	18
-	-	-	-	-	-	5
-	-	-	-	44	2,354	9,649
-	20,311	18,369	34,926	109,541	5,295	203,191
-	-	-	-	-	-	13,299
-	173	119	707	1,257	58	3,014
-	20,506	18,488	35,633	111,005	7,947	231,396
-	18,387	13,441	7,802	59,343	4,347	113,713
-	282	113	206	834	514	3,178
497	1,231	1,260	20,949	30,560	2,713	65,799
-	-	-	-	-	130	516
-	4	720	158	4,115	666	6,973
8,525	-	-	32	782	-	10,451
-	1	1	-	573	293	25,439
-	752	229	657	4,880	321	7,222
9,022	20,657	15,764	29,804	101,087	8,984	233,291
(9,022)	(151)	2,724	5,829	9,918	(1,037)	(1,895)
-	-	-	-	-	1,446	2,484
-	20	14	8	2	4	273
-	-	-	-	4	142	147
2,318	133	-	-	4,498	235	8,760
-	-	(29)	-	(803)	(1)	(833)
-	-	-	-	(87)	(159)	(261)
(91)	(5)	(203)	14	(65)	(10)	75
2,227	148	(218)	22	3,549	1,657	10,645
(6,795)	(3)	2,506	5,851	13,467	620	8,750
-	-	-	-	-	-	224
-	751	-	-	-	254	1,107
-	(266)	(154)	-	-	(233)	(1,362)
(6,795)	482	2,352	5,851	13,467	641	8,719
46,034	(16,127)	2,224	23,558	144,202	10,422	301,483
(293)	-	-	-	(260)	67	(296)
45,741	(16,127)	2,224	23,558	143,942	10,489	301,187
\$ 38,946	\$ (15,645)	\$ 4,576	\$ 29,409	\$ 157,409	\$ 11,130	\$ 309,906

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2024

(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	\$ 17,118	\$ 17,375	\$ 3,870	\$ 3,990
Payments to suppliers	(30,427)	(8,223)	(1,583)	(1,664)
Payments to employees	(444)	(5,193)	(1,353)	(1,784)
Payments for prizes, benefits, and claims	(2,206)	-	-	-
Other receipts	-	456	-	28
Other payments	-	-	(3)	-
Net cash provided by (used for) operating activities	(15,959)	4,415	931	570
Cash Flows From Noncapital Financing Activities				
Noncapital contributions	-	-	206	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Gifts	-	1,039	-	-
Net cash provided by (used for) noncapital financing activities	-	1,039	206	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(109)	(269)	-
Proceeds from the sale of capital assets	-	(2)	-	-
Transfers from other funds capital	-	102	-	-
Transfers to other funds	-	(506)	-	(203)
Capital contributions	-	-	224	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Proceeds from lease arrangements	-	24	-	189
Net cash provided by (used for) capital and related financing activities	-	(491)	(45)	(14)
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	-
Purchase of non-State Treasurer investments	-	-	-	-
Redemptions from State Treasurer investment pool	12,000	-	-	-
Investment earnings	435	-	75	-
Net cash provided by (used for) investment activities	12,435	-	75	-
Net increase (decrease) in cash and cash equivalents	(3,524)	4,963	1,167	556
Cash and cash equivalents at July 1, as previously reported	7,364	15,429	6,724	3,723
Adjustments to July 1 cash and cash equivalents	-	-	-	-
Cash and cash equivalents at July 1, as restated	7,364	15,429	6,724	3,723
Cash and cash equivalents at June 30	\$ 3,840	\$ 20,392	\$ 7,891	\$ 4,279

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ -	\$ 20,351	\$ 18,370	\$ 33,254	\$ 108,895	\$ 7,189	\$ 230,412
(428)	(2,196)	(1,608)	(23,628)	(18,800)	(3,944)	(92,501)
-	(17,944)	(13,248)	(6,718)	(54,674)	(4,622)	(105,980)
(8,630)	-	-	(31)	-	-	(10,867)
-	72	40	14	1,544	21	2,175
-	-	(203)	-	(18,472)	-	(18,678)
(9,058)	283	3,351	2,891	18,493	(1,356)	4,561
-	-	-	-	-	-	206
-	750	-	-	-	253	1,003
-	(266)	(154)	-	-	(72)	(492)
-	-	-	-	-	1,446	2,485
-	484	(154)	-	-	1,627	3,202
-	-	-	(41)	(1,548)	(122)	(2,089)
-	-	-	-	78	(39)	37
-	-	-	-	-	-	102
-	-	-	-	-	(161)	(870)
-	-	-	-	-	-	224
-	-	(584)	-	(2,415)	(139)	(3,138)
-	-	(29)	-	(793)	(1)	(823)
-	-	-	-	48	646	907
-	-	(613)	(41)	(4,630)	184	(5,650)
-	-	-	-	27,383	-	27,383
-	-	-	-	(34,163)	-	(34,163)
-	-	-	-	-	-	12,000
1,484	140	-	-	2,900	220	5,254
1,484	140	-	-	(3,880)	220	10,474
(7,574)	907	2,584	2,850	9,983	675	12,587
52,614	3,330	16,917	25,960	83,339	8,524	223,924
-	-	-	-	69	-	69
52,614	3,330	16,917	25,960	83,408	8,524	223,993
\$ 45,040	\$ 4,237	\$ 19,501	\$ 28,810	\$ 93,391	\$ 9,199	\$ 236,580

Continued

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

For the Fiscal Year Ended June 30, 2024

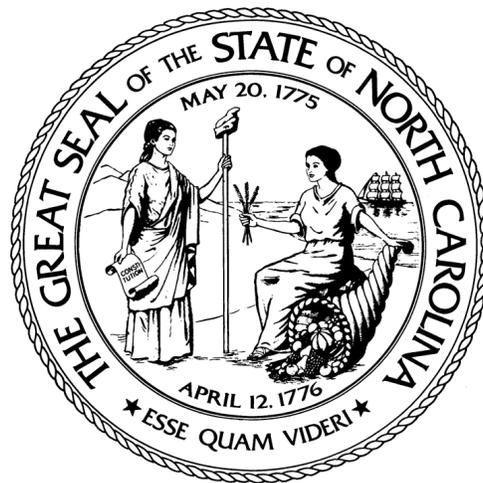
(Dollars in Thousands)

	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)	\$ (12,065)	\$ 778	\$ 49	\$ 1,082
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	936	175	199
Lease revenue (amortized deferred inflow for leases)	-	(19)	-	(692)
Nonoperating miscellaneous and other income (expense)	-	453	-	15
Change in assets and deferred outflows:				
Receivables	936	-	(36)	13
Due from other funds	-	1,298	-	-
Inventories	-	(71)	(34)	(6)
Prepaid items	(6,321)	-	861	-
Deferred outflows for pensions	125	(151)	(482)	46
Deferred outflows for OPEB	181	(821)	196	22
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(1,021)	(411)	15	7
Compensated absences	(7)	7	58	6
Workers' compensation	-	-	-	-
Unearned revenue	2,882	633	14	-
Net pension liability	(199)	577	780	(7)
Net OPEB liability	(294)	857	(626)	9
Deferred inflows for pensions	7	(236)	(279)	32
Deferred inflows for OPEB	(183)	(860)	243	(156)
Deposits payable	-	1,445	(3)	-
Net cash provided by (used for) operations	<u>\$ (15,959)</u>	<u>\$ 4,415</u>	<u>\$ 931</u>	<u>\$ 570</u>
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	\$ 893	\$ -	\$ -	\$ -
Capital asset writeoff	-	-	-	-
Assets acquired through the assumption of a liability	-	-	-	-
Change in fair value of investments	1	-	-	-
Increase in receivables related to nonoperating income	140	-	-	-
Change in securities lending collateral	221	-	182	-
Decrease in net OPEB liability related to noncapital contributions	(1)	(4)	(12)	(2)

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>
\$ (9,022)	\$ (151)	\$ 2,724	\$ 5,829	\$ 9,918	\$ (1,037)	\$ (1,895)
-	4	720	158	4,115	666	6,973
-	-	-	-	(44)	(707)	(1,462)
-	2	(204)	14	-	-	280
-	17	1	(1,672)	(369)	(73)	(1,183)
-	-	-	-	-	-	1,298
-	-	-	3	(15)	(23)	(146)
-	-	-	-	(160)	-	(5,620)
-	(148)	(93)	(5,452)	(1,371)	(131)	(7,657)
-	(676)	(776)	(17,679)	(4,204)	(227)	(23,984)
(36)	71	(5)	(1,817)	5,452	38	2,293
-	29	182	97	342	40	754
-	-	-	-	-	15	15
-	-	-	-	(398)	80	3,211
-	787	531	1,272	451	206	4,398
-	2,027	1,428	2,167	340	396	6,304
-	193	172	4,376	902	(10)	5,157
-	(1,872)	(1,329)	15,595	3,534	(606)	14,366
-	-	-	-	-	17	1,459
<u>\$ (9,058)</u>	<u>\$ 283</u>	<u>\$ 3,351</u>	<u>\$ 2,891</u>	<u>\$ 18,493</u>	<u>\$ (1,356)</u>	<u>\$ 4,561</u>
\$ 318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,211
-	-	(1,200)	-	15	120	(1,065)
-	-	1,233	-	1,336	-	2,569
59	-	-	-	556	-	616
365	-	-	-	-	(33)	472
3,244	464	-	-	3,134	429	7,674
-	(20)	(14)	(8)	(2)	(4)	(67)

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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, 2024

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Assets					
Current Assets					
Cash and cash equivalents	\$ 13,117	\$ 7,992	\$ 222	\$ 32,534	\$ 33,944
Investments	26,500	-	-	-	-
Securities lending collateral	1,124	-	-	-	-
Receivables:					
Accounts receivable, net	-	5,105	695	5,373	20,187
Interest receivable	200	-	-	-	-
Premiums receivable	911	-	-	-	-
Due from other funds	-	3,035	-	4,828	15,066
Inventories	-	75	140	-	-
Prepaid items	29,648	-	-	-	-
Total current assets	<u>71,500</u>	<u>16,207</u>	<u>1,057</u>	<u>42,735</u>	<u>69,197</u>
Noncurrent Assets					
Capital assets-nondepreciable	-	-	-	-	3,089
Capital assets-depreciable, net	-	141,893	244	821	73,250
Total noncurrent assets	<u>-</u>	<u>141,893</u>	<u>244</u>	<u>821</u>	<u>76,339</u>
Total Assets	<u>71,500</u>	<u>158,100</u>	<u>1,301</u>	<u>43,556</u>	<u>145,536</u>
Deferred Outflows of Resources:					
Deferred outflows for pensions	856	948	956	1,549	56,407
Deferred outflows for OPEB	473	845	753	1,892	61,269
Total Deferred Outflows of Resources	<u>1,329</u>	<u>1,793</u>	<u>1,709</u>	<u>3,441</u>	<u>117,676</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	5,335	4,944	41	149	4,446
Accrued payroll	-	-	-	8,231	56
Claims payable	1,057	-	-	-	-
Intergovernmental payable	-	-	-	-	44
Obligations under securities lending	1,124	-	-	-	-
Due to other funds	3,010	4	147	-	-
Due to component units	8,075	-	-	-	-
Unearned revenue	9,127	-	-	-	-
Lease liability	-	-	-	173	-
Subscription Liability	-	-	-	-	11,175
Compensated absences	22	14	16	28	1,134
Workers' compensation	102	-	15	-	149
Total current liabilities	<u>27,852</u>	<u>4,962</u>	<u>219</u>	<u>8,581</u>	<u>17,004</u>
Noncurrent Liabilities					
Compensated absences	291	203	231	384	17,535
Lease liability	-	-	-	753	-
Subscription Liability	-	-	-	-	26,742
Workers' compensation	205	-	214	-	1,166
Net pension liability	1,281	1,298	1,342	1,919	81,075
Net OPEB liability	1,751	1,831	1,893	2,707	117,932
Total noncurrent liabilities	<u>3,528</u>	<u>3,332</u>	<u>3,680</u>	<u>5,763</u>	<u>244,450</u>
Total Liabilities	<u>31,380</u>	<u>8,294</u>	<u>3,899</u>	<u>14,344</u>	<u>261,454</u>
Deferred Inflows of Resources:					
Deferred inflows for pensions	35	14	13	14	2,862
Deferred inflows for OPEB	638	543	599	777	40,093
Total Deferred Inflows of Resources	<u>673</u>	<u>557</u>	<u>612</u>	<u>791</u>	<u>42,955</u>
Net Position					
Net investment in capital assets	-	141,893	244	(105)	38,422
Unrestricted	40,776	9,149	(1,745)	31,967	(79,619)
Total Net Position	<u>\$ 40,776</u>	<u>\$ 151,042</u>	<u>\$ (1,501)</u>	<u>\$ 31,862</u>	<u>\$ (41,197)</u>

Exhibit E-1

State Telecommunications Services	Surplus Property	Total
\$ 24,574	\$ 3,868	\$ 116,251
-	-	26,500
-	-	1,124
18,581	64	50,005
-	-	200
-	-	911
6,709	-	29,638
-	-	215
-	-	29,648
<u>49,864</u>	<u>3,932</u>	<u>254,492</u>
-	-	3,089
<u>4,283</u>	<u>161</u>	<u>220,652</u>
<u>4,283</u>	<u>161</u>	<u>223,741</u>
<u>54,147</u>	<u>4,093</u>	<u>478,233</u>
-	715	61,431
-	645	65,877
-	<u>1,360</u>	<u>127,308</u>
3,636	1,581	20,132
-	-	8,287
-	-	1,057
-	-	44
-	-	1,124
-	1	3,162
-	-	8,075
-	-	9,127
-	-	173
-	23	11,198
-	10	1,224
-	23	289
<u>3,636</u>	<u>1,638</u>	<u>63,892</u>
-	146	18,790
-	-	753
-	-	26,742
-	8	1,593
-	1,001	87,916
-	<u>1,412</u>	<u>127,526</u>
-	<u>2,567</u>	<u>263,320</u>
<u>3,636</u>	<u>4,205</u>	<u>327,212</u>
-	19	2,957
-	599	43,249
-	<u>618</u>	<u>46,206</u>
4,283	138	184,875
46,228	492	47,248
<u>\$ 50,511</u>	<u>\$ 630</u>	<u>\$ 232,123</u>

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

For the Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Operating Revenues					
Sales and services	\$ -	\$ 50,542	\$ 7,995	\$ 135,695	\$ 266,287
Fees, licenses, and fines	-	-	-	-	6,479
Insurance premiums	42,607	-	-	-	-
Miscellaneous	11	188	179	41	10
Total operating revenues	<u>42,618</u>	<u>50,730</u>	<u>8,174</u>	<u>135,736</u>	<u>272,776</u>
Operating Expenses					
Personal services	2,312	3,170	2,809	133,171	161,752
Supplies and materials	52	10,648	43	4	11,174
Services	175	11,122	1,007	2,100	67,441
Cost of goods sold	-	327	4,503	-	-
Depreciation	-	21,370	50	164	9,776
Insurance and bonding	38,506	1,287	1	46	238
Other	94	75	1,097	24	24,715
Total operating expenses	<u>41,139</u>	<u>47,999</u>	<u>9,510</u>	<u>135,509</u>	<u>275,096</u>
Operating income (loss)	<u>1,479</u>	<u>2,731</u>	<u>(1,336)</u>	<u>227</u>	<u>(2,320)</u>
Nonoperating Revenues (Expenses)					
Noncapital contributions	2	2	2	4	155
Investment earnings	1,329	-	-	-	-
Insurance recoveries	2,000	23	-	-	-
Gain (loss) on sale of equipment	-	4,742	-	-	-
Interest and fees	-	-	-	(33)	(2,221)
Miscellaneous	(27)	15	-	-	-
Total nonoperating revenues (expenses)	<u>3,304</u>	<u>4,782</u>	<u>2</u>	<u>(29)</u>	<u>(2,066)</u>
Income (loss) before contributions and transfers	4,783	7,513	(1,334)	198	(4,386)
Transfers in	20,000	-	172	-	9,720
Transfers out	-	-	-	(74)	(74)
Change in net position	<u>24,783</u>	<u>7,513</u>	<u>(1,162)</u>	<u>124</u>	<u>5,260</u>
Net position — July 1, as previously reported	7,884	143,529	(339)	31,738	(46,457)
Adjustments to July 1 balances	8,109	-	-	-	-
Net position — July 1, as restated	<u>15,993</u>	<u>143,529</u>	<u>(339)</u>	<u>31,738</u>	<u>(46,457)</u>
Net position — June 30	<u>\$ 40,776</u>	<u>\$ 151,042</u>	<u>\$ (1,501)</u>	<u>\$ 31,862</u>	<u>\$ (41,197)</u>

Exhibit E-2

State Telecommunications Services	Surplus Property	Total
\$ 114,804	\$ 1,995	\$ 577,318
-	-	6,479
-	-	42,607
-	154	583
<u>114,804</u>	<u>2,149</u>	<u>626,987</u>
-	2,315	305,529
4,952	39	26,912
79,100	261	161,206
-	-	4,830
1,704	82	33,146
68	9	40,155
<u>10,887</u>	<u>19</u>	<u>36,911</u>
<u>96,711</u>	<u>2,725</u>	<u>608,689</u>
<u>18,093</u>	<u>(576)</u>	<u>18,298</u>
-	2	167
-	-	1,329
-	-	2,023
-	-	4,742
(32)	(4)	(2,290)
-	68	56
<u>(32)</u>	<u>66</u>	<u>6,027</u>
18,061	(510)	24,325
-	-	29,892
<u>(9,720)</u>	<u>-</u>	<u>(9,868)</u>
8,341	(510)	44,349
42,170	1,140	179,665
-	-	8,109
<u>42,170</u>	<u>1,140</u>	<u>187,774</u>
<u>\$ 50,511</u>	<u>\$ 630</u>	<u>\$ 232,123</u>

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2024

(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	\$ -	\$ 5,665	\$ 2,236	\$ 1,327	\$ 2,648
Receipts from other funds	41,620	38,594	6,046	131,532	249,148
Payments to suppliers	(49,307)	(20,578)	(3,824)	(2,075)	(97,311)
Payments to employees	(2,422)	(3,144)	(2,944)	(131,223)	(147,658)
Payments to other funds	(8,021)	(1,309)	(2,828)	-	(4,055)
Other receipts	2,000	205	156	-	10
Net cash provided by (used for) operating activities	(16,130)	19,433	(1,158)	(439)	2,782
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	20,000	-	-	-	9,720
Transfers to other funds	-	-	-	(74)	(74)
Net cash provided by (used for) noncapital financing activities	20,000	-	-	(74)	9,646
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(42,538)	(172)	-	(4,569)
Proceeds from the sale of capital assets	-	8,405	-	-	-
Transfers from other funds capital	-	-	172	-	-
Principal paid on capital debt	-	-	-	(131)	(18,868)
Interest paid on capital debt	-	-	-	(33)	(2,221)
Net cash used for capital and related financing activities	-	(34,133)	-	(164)	(25,658)
Cash Flows From Investing Activities					
Investment earnings	423	-	-	-	-
Net cash provided by investment activities	423	-	-	-	-
Net increase (decrease) in cash and cash equivalents	4,293	(14,700)	(1,158)	(677)	(13,230)
Cash and cash equivalents at July 1	8,824	22,692	1,380	33,211	47,174
Cash and cash equivalents at June 30	\$ 13,117	\$ 7,992	\$ 222	\$ 32,534	\$ 33,944
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income (loss)	\$ 1,479	\$ 2,731	\$ (1,336)	\$ 227	\$ (2,320)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	21,370	50	164	9,776
Nonoperating miscellaneous and other income (expense)	2,000	36	1	-	-
Change in assets and deferred outflows:					
Receivables	(164)	(3,333)	288	(3,037)	(7,931)
Due from other funds	-	(2,949)	-	203	(13,038)
Inventories	-	2	(54)	-	-
Prepaid items	(6,322)	-	-	-	-
Deferred outflows for pensions	(24)	(137)	(117)	(410)	(3,253)
Deferred outflows for OPEB	124	(153)	(134)	(528)	8,432
Change in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	(5,688)	1,565	(5)	1,649	1,915
Due to other funds	(5,941)	4	58	-	-
Due to component units	(758)	-	-	-	-
Compensated absences	6	13	1	60	303
Workers' compensation	(33)	-	6	-	(118)
Unearned revenue	(617)	-	-	-	-
Net pension liability	65	228	197	594	8,970
Net OPEB liability	64	345	302	868	15,434
Deferred inflows for pensions	15	(9)	(15)	(10)	170
Deferred inflows for OPEB	(336)	(280)	(400)	(219)	(15,558)
Net cash provided by (used for) operations	\$ (16,130)	\$ 19,433	\$ (1,158)	\$ (439)	\$ 2,782

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
\$ 17,568	\$ 755	\$ 30,199
86,571	1,802	555,313
(92,336)	(59)	(265,490)
-	(2,302)	(289,693)
(933)	(111)	(17,257)
-	220	2,591
<u>10,870</u>	<u>305</u>	<u>15,663</u>
-	-	29,720
(9,720)	-	(9,868)
<u>(9,720)</u>	<u>-</u>	<u>19,852</u>
(524)	(60)	(47,863)
-	-	8,405
-	-	172
(847)	(67)	(19,913)
(32)	(4)	(2,290)
<u>(1,403)</u>	<u>(131)</u>	<u>(61,489)</u>
-	-	423
-	-	423
(253)	174	(25,551)
24,827	3,694	141,802
<u>\$ 24,574</u>	<u>\$ 3,868</u>	<u>\$ 116,251</u>
\$ 18,093	\$ (576)	\$ 18,298
1,704	82	33,146
-	68	2,105
(5,002)	561	(18,618)
(5,662)	-	(21,446)
-	-	(52)
-	-	(6,322)
-	(71)	(4,012)
-	25	7,766
1,737	153	1,326
-	-	(5,879)
-	-	(758)
-	15	398
-	23	(122)
-	-	(617)
-	144	10,198
-	221	17,234
-	(32)	119
-	(308)	(17,101)
<u>\$ 10,870</u>	<u>\$ 305</u>	<u>\$ 15,663</u>

Continued

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

	<u>State Property Fire Insurance</u>	<u>Motor Fleet Management</u>	<u>Mail Service Center</u>	<u>Temporary Solutions</u>	<u>Computing Services</u>
Noncash Investing, Capital, and Financing Activities					
Noncash distributions from the State Treasurer					
Bond Index External Investment Pool and/or other agents	\$ 614	\$ -	\$ -	\$ -	\$ -
Change in fair value of investments	113	-	-	-	-
Increase in receivables related to nonoperating income	152	-	-	-	-
Change in securities lending collateral	957	-	-	-	-
Decrease in net OPEB liability related to noncapital contributions	(2)	(2)	(2)	(4)	(155)

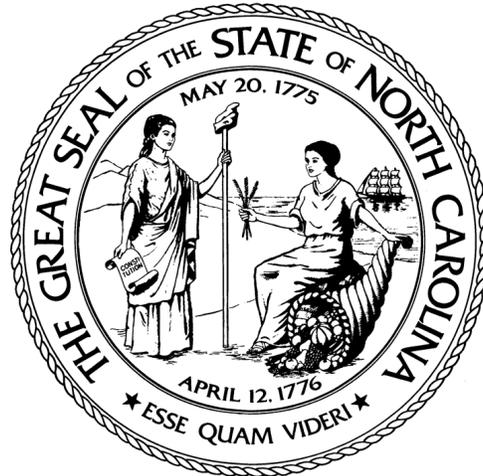
<u>State Telecommunications Services</u>	<u>Surplus Property</u>	<u>Total</u>
\$ -	\$ -	\$ 614
-	-	113
-	-	152
-	-	957
-	(2)	(167)

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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, 2024

*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	\$ 108	\$ 178,588	\$ 178,696
Investments:			
Certificates of deposit	-	49,527	49,527
Securities lending collateral	10	-	10
Interest receivable	1	-	1
Sureties	966,665	-	966,665
Total Assets	<u>966,784</u>	<u>228,115</u>	<u>1,194,899</u>
Liabilities			
Obligations under securities lending	<u>10</u>	<u>-</u>	<u>10</u>
Net Position			
Restricted for:			
Individuals, organizations, and other governments	966,774	228,115	1,194,889
Total Net Position	<u>\$ 966,774</u>	<u>\$ 228,115</u>	<u>\$ 1,194,889</u>

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

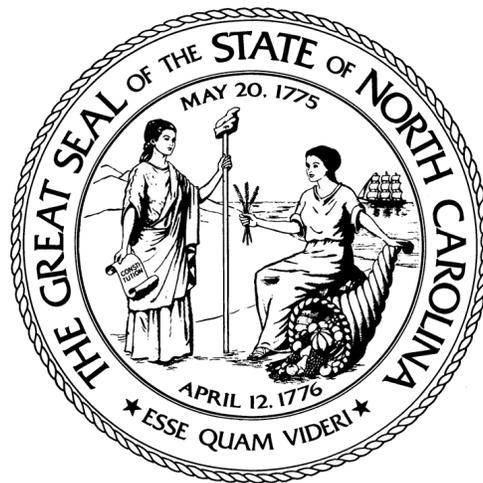
For the Fiscal Year Ended June 30, 2024

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	\$ 123,624	\$ 179,537	\$ 303,161
Investment Income:			
Investment earnings	4	180	184
Net investment income	4	180	184
Total Additions	<u>123,628</u>	<u>179,717</u>	<u>303,345</u>
Deductions			
Payments in accordance with trust arrangements	17,035	161,652	178,687
Change in net position	106,593	18,065	124,658
Net position — July 1, as previously reported	860,181	210,050	1,070,231
Net position — June 30	<u>\$ 966,774</u>	<u>\$ 228,115</u>	<u>\$ 1,194,889</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
- Departmental Funds

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

June 30, 2024

(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	\$ -	\$ 13,843	\$ -	\$ 13,843
Investments:				
Corporate bonds	-	-	-	-
Corporate stocks	-	-	-	-
Certificates of deposit	-	-	-	-
State Treasurer investment pool	723,205	716,681	460,832	1,900,718
Securities lending collateral	423	58,715	-	59,138
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Interest receivable	-	5,934	-	5,934
Due from other funds	-	-	-	-
Sureties	-	-	-	-
Capital assets-nondepreciable	-	-	-	-
Total Assets	\$ 723,628	\$ 795,173	\$ 460,832	\$ 1,979,633
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ -	\$ 636	\$ -	\$ 636
Intergovernmental payable	-	-	-	-
Obligations under securities lending	423	58,715	-	59,138
Obligations under reverse repurchase agreements	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	\$ 423	\$ 59,351	\$ -	\$ 59,774
Net Position				
Restricted for:				
Pool participants	-	735,822	460,832	1,196,654
Individuals, organizations, and other governments	723,205	-	-	723,205
Total Net Position	\$ 723,205	\$ 735,822	\$ 460,832	\$ 1,919,859

Other Custodial Funds

Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ 927,105	\$ 256,492	\$ 370,118	\$ 112,785	\$ 55,338	\$ 460	\$ 48,009	\$ 1,770,307	\$ 1,784,150
-	-	765,177	-	-	-	-	765,177	765,177
-	-	914	-	-	-	-	914	914
-	-	-	-	-	-	400	400	400
-	-	-	-	-	-	-	-	1,900,718
-	-	-	9,323	-	43	1,668	11,034	70,172
291,300	-	-	-	-	-	-	291,300	291,300
-	311	181,360	-	-	-	773	182,444	182,444
-	-	-	2	-	-	-	2	2
-	-	5,749	-	205	2	37	5,993	11,927
28,749	-	-	-	-	-	-	28,749	28,749
-	15,307	-	-	-	-	-	15,307	15,307
-	-	3,258	-	-	-	-	3,258	3,258
<u>\$ 1,247,154</u>	<u>\$ 272,110</u>	<u>\$ 1,326,576</u>	<u>\$ 122,110</u>	<u>\$ 55,543</u>	<u>\$ 505</u>	<u>\$ 50,887</u>	<u>\$ 3,074,885</u>	<u>\$ 5,054,518</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,007	1,007	1,643
1,247,154	2,745	-	112,495	-	-	317	1,362,711	1,362,711
-	-	-	9,323	-	43	1,668	11,034	70,172
-	-	-	-	-	-	2	2	2
-	-	-	-	-	-	249	249	249
-	106,692	-	-	-	-	1,673	108,365	108,365
<u>\$ 1,247,154</u>	<u>\$ 109,437</u>	<u>\$ -</u>	<u>\$ 121,818</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 4,916</u>	<u>\$ 1,483,368</u>	<u>\$ 1,543,142</u>
-	-	-	-	-	-	-	-	1,196,654
-	162,673	1,326,576	292	55,543	462	45,971	1,591,517	2,314,722
<u>\$ -</u>	<u>\$ 162,673</u>	<u>\$ 1,326,576</u>	<u>\$ 292</u>	<u>\$ 55,543</u>	<u>\$ 462</u>	<u>\$ 45,971</u>	<u>\$ 1,591,517</u>	<u>\$ 3,511,376</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

For the Fiscal Year Ended June 30, 2024

(Dollars In Thousands)

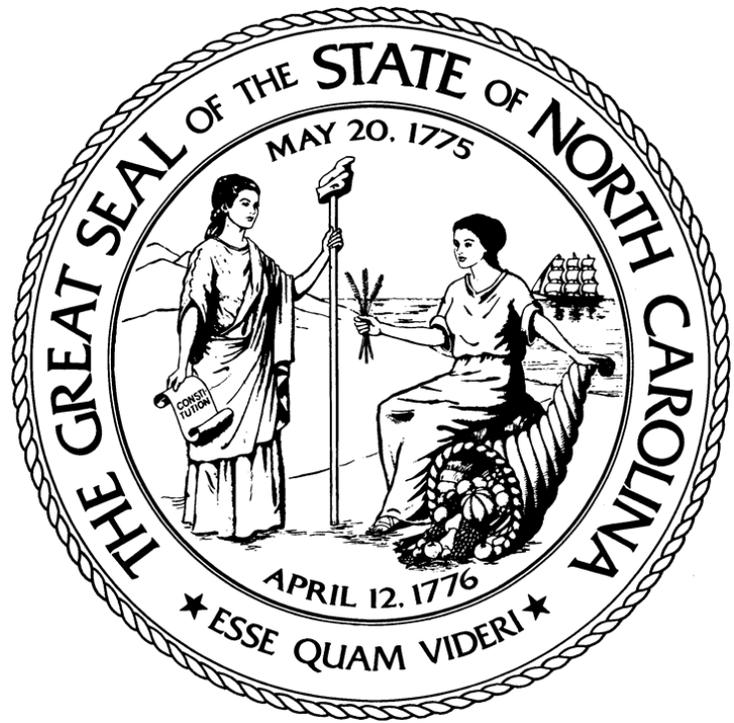
	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Additions				
Investment Income:				
Investment earnings (loss)	\$ 122,829	\$ 35,459	\$ 7,927	\$ 166,215
Less investment expenses	(166)	(1,531)	(86)	(1,783)
Net investment income (loss)	<u>122,663</u>	<u>33,928</u>	<u>7,841</u>	<u>164,432</u>
Pool share transactions:				
Reinvestment of distributions	122,663	33,928	7,841	164,432
Net share purchases/(redemptions)	(67,079)	(277,499)	204,217	(140,361)
Net pool share transactions	<u>55,584</u>	<u>(243,571)</u>	<u>212,058</u>	<u>24,071</u>
Property tax collections for local governments	-	-	-	-
Sales and use tax collections for local governments	-	-	-	-
Participant deposits	-	-	-	-
Child support deposits	-	-	-	-
Other additions:				
Sales and services	-	-	-	-
Total Additions	<u>178,247</u>	<u>(209,643)</u>	<u>219,899</u>	<u>188,503</u>
Deductions				
Distributions paid and payable	122,663	33,928	7,841	164,432
Payments of property tax to local governments	-	-	-	-
Payments of sales and use tax to local governments	-	-	-	-
Payments in accordance with custodial arrangements	-	-	-	-
Payments in accordance with child support agreements	-	-	-	-
Payments of refunds to grantors	-	-	-	-
Administrative expenses	-	-	-	-
Total deductions	<u>122,663</u>	<u>33,928</u>	<u>7,841</u>	<u>164,432</u>
Change in net position	55,584	(243,571)	212,058	24,071
Net position — July 1, as previously reported	667,621	979,393	248,774	1,895,788
Net position — June 30	<u>\$ 723,205</u>	<u>\$ 735,822</u>	<u>\$ 460,832</u>	<u>\$ 1,919,859</u>

Exhibit F-4

Other Custodial Funds

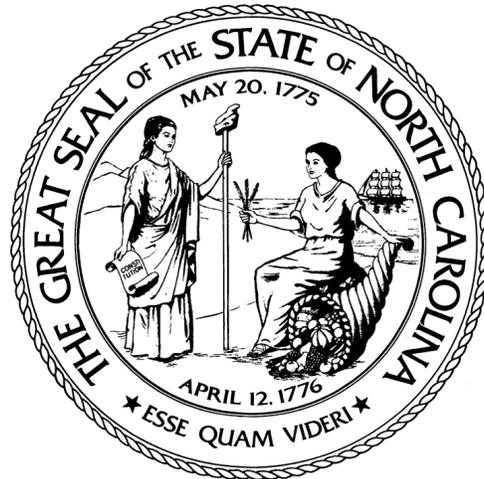
Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ -	\$ -	\$ -	\$ 162	\$ 2,231	20	\$ 310	\$ 2,723	\$ 168,938
-	-	-	(162)	-	(1)	(30)	(193)	(1,976)
-	-	-	-	2,231	19	280	2,530	166,962
-	-	-	-	-	-	-	-	164,432
-	-	-	-	-	-	-	-	(140,361)
-	-	-	-	-	-	-	-	24,071
-	-	-	1,296,471	-	-	-	1,296,471	1,296,471
5,561,797	-	-	-	-	-	-	5,561,797	5,561,797
-	580,734	1,830,534	-	-	27	109,756	2,521,051	2,521,051
-	-	-	-	-	-	683,547	683,547	683,547
-	-	-	-	-	-	103	103	103
5,561,797	580,734	1,830,534	1,296,471	2,231	46	793,686	10,065,499	10,254,002
-	-	-	-	-	-	-	-	164,432
-	-	-	1,296,393	-	-	-	1,296,393	1,296,393
5,561,797	-	-	-	-	-	-	5,561,797	5,561,797
-	608,903	679,863	-	-	-	108,507	1,397,273	1,397,273
-	-	-	-	-	-	688,721	688,721	688,721
-	-	-	-	-	27	-	27	27
-	-	-	-	-	-	930	930	930
5,561,797	608,903	679,863	1,296,393	-	27	798,158	8,945,141	9,109,573
-	(28,169)	1,150,671	78	2,231	19	(4,472)	1,120,358	1,144,429
-	190,842	175,905	214	53,312	443	50,443	471,159	2,366,947
\$ -	\$ 162,673	\$ 1,326,576	\$ 292	\$ 55,543	\$ 462	\$ 45,971	\$ 1,591,517	\$ 3,511,376

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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.
- NCInnovation

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, 2024

(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	\$ -	\$ 167,270	\$ 596	\$ 4,618	\$ 83,722
Investments	-	-	1,396,875	61,219	5,984
Securities lending collateral	-	-	-	5	94
Receivables, net	17,862	20,262	2	10,878	2,905
Due from component units	3,095	-	412	-	10,000
Inventories	-	-	-	687	-
Prepaid items	1,762	-	132	1,528	-
Notes receivable, net	184,669	297,221	15	-	814
Lease receivable	-	-	-	25,798	7,277
Restricted/designated cash and cash equivalents	858,320	990,166	-	25	-
Restricted investments	4,502,389	2,217,864	6	46,809	-
Restricted due from component units	-	-	2,062	-	-
Capital assets-nondepreciable	-	-	904	127,296	47,915
Capital assets-depreciable, net	7,370	2,262	2,031	461,150	118,180
Total Assets	5,575,467	3,695,045	1,403,035	740,013	276,891
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	-	391	-	-	-
Deferred outflows for pensions	2,252	6,175	-	10,752	515
Deferred outflows for OPEB	2,728	3,463	-	6,304	691
Total Deferred Outflows of Resources	4,980	10,029	-	17,056	1,206
Liabilities					
Accounts payable and accrued liabilities	118,156	3,747	222,660	9,265	10,108
Obligations under securities lending	-	-	-	5	94
Interest payable	375	46,930	-	786	53
Due to component units	-	-	20,480	-	2,474
Due to primary government	-	-	2,362	-	-
Unearned revenue	-	25,743	-	372	265
Advance from primary government	-	-	-	-	1,441
Deposits payable	-	2,830	-	-	-
Funds held for others	4,538,652	-	-	-	-
Hedging derivatives liability	-	391	-	125	-
Long-term liabilities:					
Due within one year	5,550	52,130	69	6,710	923
Due in more than one year	92,410	2,712,366	-	114,592	6,449
Total Liabilities	4,755,143	2,844,137	245,571	131,855	21,807
Deferred Inflows of Resources					
Deferred state aid	202,374	-	-	-	-
Deferred inflows for lease agreements	-	-	-	25,797	7,278
Deferred inflows for pensions	21	71	-	121	4
Deferred inflows for OPEB	1,508	3,873	-	5,527	458
Total Deferred Inflows of Resources	203,903	3,944	-	31,445	7,740

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.	NCInnovation	Total
\$ 39,448	\$ 10,376	\$ 6,386	\$ 4,856	\$ 25,738	\$ 3,186	\$ 346,196
-	13,218	-	-	-	-	1,477,296
-	-	-	3,540	-	-	3,639
4,383	1,442	5,282	2,592	424	13,957	79,989
-	-	-	-	-	-	13,507
-	-	-	-	-	-	687
652	339	151	-	900	59	5,523
-	11,470	-	-	-	-	494,189
-	-	-	44,445	-	-	77,520
6	-	24	33,926	10,000	-	1,892,467
119,541	-	-	-	-	255,706	7,142,315
-	-	-	-	-	-	2,062
24,270	-	-	-	-	-	200,385
139,691	7,203	1,194	90,909	1,609	29	831,628
327,991	44,048	13,037	180,268	38,671	272,937	12,567,403
-	-	-	-	-	-	391
-	-	-	137	-	-	19,831
-	-	-	-	-	-	13,186
-	-	-	137	-	-	33,408
3,322	1,326	6,707	1,450	1,340	3,208	381,289
-	-	-	3,540	-	-	3,639
-	-	-	-	-	-	48,144
-	-	-	-	-	-	22,954
-	-	-	-	-	-	2,362
10,161	-	2,471	254	27,328	-	66,594
-	-	-	-	-	-	1,441
46	-	-	-	-	-	2,876
-	-	-	-	-	-	4,538,652
-	-	-	-	-	-	516
-	-	1,149	4	1,626	-	68,161
-	-	124	184	-	-	2,926,125
13,529	1,326	10,451	5,432	30,294	3,208	8,062,753
-	-	-	-	-	-	202,374
-	-	-	41,811	-	-	74,886
-	-	-	7	-	-	224
-	-	-	-	-	-	11,366
-	-	-	41,818	-	-	288,850

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS (Continued)

June 30, 2024

(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Net Position					
Net investment in capital assets	6,738	2,262	2,935	503,274	159,174
Restricted for:					
Expendable:					
Higher education	152,418	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	694,798	10,277	46,846	91,211
Unrestricted	462,245	159,933	1,144,252	43,649	(1,835)
Total Net Position	<u>\$ 621,401</u>	<u>\$ 856,993</u>	<u>\$ 1,157,464</u>	<u>\$ 593,769</u>	<u>\$ 248,550</u>

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.	NCInnovation	Total
163,961	7,203	100	90,905	230	29	936,811
-	-	-	-	-	-	152,418
-	-	13	-	-	-	13
119,541	330	-	32,686	-	266,739	1,262,428
30,960	35,189	2,473	9,564	8,147	2,961	1,897,538
<u>\$ 314,462</u>	<u>\$ 42,722</u>	<u>\$ 2,586</u>	<u>\$ 133,155</u>	<u>\$ 8,377</u>	<u>\$ 269,729</u>	<u>\$ 4,249,208</u>

COMBINING STATEMENT OF ACTIVITIES NONMAJOR COMPONENT UNITS

For the Fiscal Year Ended June 30, 2024

(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	\$ 506,838	\$ 709,808	\$ 119,121	\$ 76,652	\$ 12,581
Program revenues:					
Charges for services	27,262	407,524	-	70,173	3,996
Operating grants and contributions:					
State aid - program	94,267	43,155	11,502	-	-
Other operating grants and contributions	404,535	123,267	-	6,228	18,516
Capital grants and contributions:					
Other capital grants and contributions	-	-	-	4,680	73,011
Net program (expense) revenue	19,226	(135,862)	(107,619)	4,429	82,942
Non-tax general revenues:					
Unrestricted investment earnings	33,624	-	155,795	-	317
State aid - general	-	55,660	25,000	45,000	863
Noncapital contributions	8	18	-	27	1
Miscellaneous	-	-	3,613	610	25
Total non-tax general revenues	33,632	55,678	184,408	45,637	1,206
Change in net position	52,858	(80,184)	76,789	50,066	84,148
Net position — July 1, as previously reported	569,043	937,177	1,074,845	543,703	166,179
Adjustments to July 1 balances	(500)	-	5,830	-	(1,777)
Net position — July 1, as restated	568,543	937,177	1,080,675	543,703	164,402
Net position — June 30	<u>\$ 621,401</u>	<u>\$ 856,993</u>	<u>\$ 1,157,464</u>	<u>\$ 593,769</u>	<u>\$ 248,550</u>

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	NCInnovation	Total
\$ 44,327	\$ 24,028	\$ 123,317	\$ 15,635	\$ 40,104	\$ 8,163	\$ 1,680,574
25,415	851	-	4,666	958	-	540,845
-	-	115,027	-	-	250,000	513,951
-	1,400	1,188	14,074	2,498	5,706	577,412
-	-	-	269	-	-	77,960
(18,912)	(21,777)	(7,102)	3,374	(36,648)	247,543	29,594
15,125	1,532	11	1,508	-	193	208,105
-	18,100	7,499	-	38,067	-	190,189
-	-	-	-	-	21,993	22,047
5,000	1,770	223	1,143	-	-	12,384
20,125	21,402	7,733	2,651	38,067	22,186	432,725
1,213	(375)	631	6,025	1,419	269,729	462,319
313,249	43,097	1,958	127,130	6,958	-	3,783,339
-	-	(3)	-	-	-	3,550
313,249	43,097	1,955	127,130	6,958	-	3,786,889
\$ 314,462	\$ 42,722	\$ 2,586	\$ 133,155	\$ 8,377	\$ 269,729	\$ 4,249,208

STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNIT

June 30, 2024

Exhibit G-3

(Dollars in Thousands)

	State Health Plan
Cash Flows From Operating Activities	
Receipts from customers	\$ 4,046,054
Payments to suppliers	(149,265)
Payments to employees	(5,523)
Payments for claims	(4,037,121)
Net cash provided by (used for) operating activities	<u>(145,855)</u>
Cash Flows From Noncapital Financing Activities	
Grant receipts	9,060
Net cash provided by (used for) noncapital financing activities	<u>9,060</u>
Cash Flows From Investing Activities	
Investment earnings	30,497
Net increase (decrease) in cash and cash equivalents	(106,298)
Cash and cash equivalents at July 1	742,359
Cash and cash equivalents at June 30	<u>\$ 636,061</u>
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities	
Operating income (loss)	\$ (61,049)
Change in assets and deferred outflows:	
Receivables	(50,252)
Deferred outflows for pensions	(40)
Deferred outflows for OPEB	51
Change in liabilities and deferred inflows:	
Accounts payable and accrued liabilities	(844)
Compensated absences	73
Unearned revenue	12,527
Medical claims payable	(46,155)
Net pension liability	208
Net OPEB liability	607
Deferred inflows for pensions	(18)
Deferred inflows for OPEB	(963)
Net cash provided by (used for) operations	<u>\$ (145,855)</u>
Noncash Investing, Capital, and Financing Activities	
Increase in receivables related to nonoperating income	1,978
Decrease in net OPEB liability related to noncapital contributions	(6)



STATISTICAL SECTION

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Index to Statistical Section

This part of the State of North Carolina's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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

NET POSITION BY COMPONENT

For the Fiscal Years 2015 - 2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental Activities					
Net investment in capital assets	\$ 66,300,651	\$ 62,491,254	\$ 59,317,526	\$ 56,843,205	\$ 55,581,833
Restricted	2,050,249	1,788,260	2,017,711	1,868,783	1,458,418
Unrestricted	15,324,422	15,508,158	9,690,546	2,007,594	(5,356,649)
Total Governmental Activities Net Position	<u>\$ 83,675,322</u>	<u>\$ 79,787,672</u>	<u>\$ 71,025,783</u>	<u>\$ 60,719,582</u>	<u>\$ 51,683,602</u>
Business-type Activities					
Net investment in capital assets	\$ 810,927	\$ 598,198	\$ 493,076	\$ 515,390	\$ 513,378
Restricted	181,140	166,230	204,494	255,800	178,212
Unrestricted	7,474,058	6,597,149	5,672,033	4,948,349	4,863,901
Total Business-type Activities Net Position	<u>\$ 8,466,125</u>	<u>\$ 7,361,577</u>	<u>\$ 6,369,603</u>	<u>\$ 5,719,539</u>	<u>\$ 5,555,491</u>
Primary Government					
Net investment in capital assets	\$ 67,111,578	\$ 63,089,452	\$ 59,810,602	\$ 57,358,595	\$ 56,095,211
Restricted	2,231,389	1,954,490	2,222,205	2,124,583	1,636,630
Unrestricted	22,798,480	22,105,307	15,362,579	6,955,943	(492,748)
Total Primary Government Net Position	<u>\$ 92,141,447</u>	<u>\$ 87,149,249</u>	<u>\$ 77,395,386</u>	<u>\$ 66,439,121</u>	<u>\$ 57,239,093</u>

Table 1

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 52,846,067	\$ 49,966,225	\$ 47,274,373	\$ 45,313,618	\$ 43,589,998
1,248,281	1,187,465	1,122,895	1,039,216	1,061,817
<u>(5,899,285)</u>	<u>(5,831,775)</u>	<u>(6,518,107)</u>	<u>376,874</u>	<u>(1,829,718)</u>
<u>\$ 48,195,063</u>	<u>\$ 45,321,915</u>	<u>\$ 41,879,161</u>	<u>\$ 46,729,708</u>	<u>\$ 42,822,097</u>
\$ 562,921	\$ 606,649	\$ 532,834	\$ 653,235	\$ 535,344
114,803	16,963	15,785	7,043	1,256
<u>5,640,685</u>	<u>5,096,931</u>	<u>4,592,444</u>	<u>3,831,415</u>	<u>2,638,877</u>
<u>\$ 6,318,409</u>	<u>\$ 5,720,543</u>	<u>\$ 5,141,063</u>	<u>\$ 4,491,693</u>	<u>\$ 3,175,477</u>
\$ 53,408,988	\$ 50,572,874	\$ 47,807,207	\$ 45,966,853	\$ 44,125,342
1,363,084	1,204,428	1,138,680	1,046,259	1,063,073
<u>(258,600)</u>	<u>(734,844)</u>	<u>(1,925,663)</u>	<u>4,208,289</u>	<u>809,159</u>
<u>\$ 54,513,472</u>	<u>\$ 51,042,458</u>	<u>\$ 47,020,224</u>	<u>\$ 51,221,401</u>	<u>\$ 45,997,574</u>

CHANGES IN NET POSITION

For the Fiscal Years 2015 - 2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Expenses					
Governmental Activities					
General government	\$ 3,086,211	\$ 2,751,093	\$ 3,032,569	\$ 2,500,096	\$ 1,441,776
Primary and secondary education	16,203,270	15,512,806	15,442,974	12,936,328	11,971,116
Higher education	6,546,740	5,665,180	5,473,516	5,142,660	4,815,552
Health and human services	34,623,699	32,313,673	30,645,511	25,629,768	21,594,958
Economic development	1,366,638	756,992	435,295	664,528	525,242
Environment and natural resources	1,188,692	865,794	816,601	821,398	708,815
Public safety, corrections, and regulation	4,775,262	4,269,861	4,777,868	4,536,568	4,228,118
Transportation	4,404,717	3,825,507	3,079,409	2,793,445	2,979,441
Agriculture	302,166	396,929	249,195	286,217	313,068
Interest on long-term debt	149,195	172,351	173,241	170,435	171,372
Total Governmental Activities Expenses	<u>72,646,590</u>	<u>66,530,186</u>	<u>64,126,179</u>	<u>55,481,443</u>	<u>48,749,458</u>
Business-type Activities					
Unemployment Compensation	232,396	276,982	672,550	7,317,289	5,707,104
N.C. State Lottery	4,291,544	3,332,492	2,960,246	2,875,899	2,290,926
EPA Revolving Loan	55,403	21,005	17,314	17,458	13,785
N.C. Turnpike Authority	187,270	224,730	235,152	193,813	186,369
Regulatory programs	168,506	152,144	138,494	130,118	131,503
Insurance programs	34,925	37,217	34,638	35,153	51,815
North Carolina State Fair	14,757	16,728	12,657	7,086	15,981
Other business-type activities	16,606	15,852	14,696	12,780	15,421
Total Business-type Activities Expenses	<u>5,001,407</u>	<u>4,077,150</u>	<u>4,085,747</u>	<u>10,589,596</u>	<u>8,412,904</u>
Total Primary Government Expenses	<u>\$ 77,647,997</u>	<u>\$ 70,607,336</u>	<u>\$ 68,211,926</u>	<u>\$ 66,071,039</u>	<u>\$ 57,162,362</u>
Program Revenues					
Governmental Activities					
Charges for Services:					
Transportation	\$ 1,146,090	\$ 1,121,438	\$ 1,089,208	\$ 1,102,786	\$ 967,438
Public safety, corrections, and regulation	638,339	690,106	640,364	565,774	577,517
General government	359,223	365,393	358,361	335,269	297,451
Health and human services	798,513	416,474	351,072	338,172	352,364
Other activities	746,083	682,174	669,000	607,223	530,640
Operating grants and contributions	31,868,809	31,073,628	30,859,243	23,540,962	19,246,548
Capital grants and contributions	1,264,471	1,266,732	1,149,590	1,281,167	1,328,260
Total Governmental Activities Program Revenues	<u>36,821,528</u>	<u>35,615,945</u>	<u>35,116,838</u>	<u>27,771,353</u>	<u>23,300,218</u>
Business-type Activities					
Charges for services:					
Unemployment Compensation	809,182	742,462	663,385	599,309	246,021
N.C. State Lottery	5,380,177	4,348,140	3,892,769	3,810,995	3,021,992
EPA Revolving Loan	15,199	16,173	19,419	15,956	19,487
N.C. Turnpike Authority	129,165	111,772	107,271	57,186	82,613
Regulatory programs	185,636	173,047	157,746	144,511	139,927
Insurance programs	13,719	14,095	22,806	17,951	18,999
North Carolina State Fair	15,520	16,508	15,160	3,212	16,504
Other business-type activities	16,667	14,019	11,103	9,145	12,022
Operating grants and contributions	335,070	320,229	695,299	6,907,326	4,737,551
Capital grants and contributions	172,643	75,564	248	21,393	3,681
Total Business-type Activities Program Revenues	<u>7,072,978</u>	<u>5,832,009</u>	<u>5,585,206</u>	<u>11,586,984</u>	<u>8,298,797</u>
Total Primary Government Program Revenues	<u>\$ 43,894,506</u>	<u>\$ 41,447,954</u>	<u>\$ 40,702,044</u>	<u>\$ 39,358,337</u>	<u>\$ 31,599,015</u>
Net (Expense) Revenue					
Governmental Activities	\$ (35,825,062)	\$ (30,914,241)	\$ (29,009,341)	\$ (27,710,090)	\$ (25,449,240)
Business-type Activities	2,071,571	1,754,859	1,499,459	997,388	(114,107)
Total Primary Government Net Expense	<u>\$ (33,753,491)</u>	<u>\$ (29,159,382)</u>	<u>\$ (27,509,882)</u>	<u>\$ (26,712,702)</u>	<u>\$ (25,563,347)</u>

Table 2

2019	2018	2017	2016	2015
\$ 1,392,293	\$ 1,284,612	\$ 1,220,572	\$ 1,064,299	\$ 1,158,892
11,697,451	11,026,473	10,721,373	10,372,787	10,224,967
4,788,720	4,390,938	4,137,922	4,003,154	3,859,549
19,567,645	19,076,459	18,871,497	18,422,804	18,705,192
505,806	518,717	475,172	402,773	408,289
666,594	603,594	549,838	547,540	490,185
3,792,606	3,564,262	3,355,432	2,960,451	2,896,088
3,907,427	3,154,210	2,953,576	2,767,006	2,673,649
392,214	204,253	196,538	179,152	165,735
163,799	138,513	194,559	199,516	216,519
<u>46,874,555</u>	<u>43,962,031</u>	<u>42,676,479</u>	<u>40,919,482</u>	<u>40,799,065</u>
169,967	196,572	238,193	255,851	349,069
2,154,116	1,938,395	1,808,537	1,752,837	1,450,494
23,657	13,974	14,648	19,047	22,965
132,456	88,703	108,845	87,467	89,004
121,652	118,917	113,780	94,857	90,397
22,362	14,646	23,828	12,502	21,632
18,197	19,006	17,459	16,183	14,975
17,015	16,065	23,293	20,903	16,269
<u>2,659,422</u>	<u>2,406,278</u>	<u>2,348,583</u>	<u>2,259,647</u>	<u>2,054,805</u>
<u>\$ 49,533,977</u>	<u>\$ 46,368,309</u>	<u>\$ 45,025,062</u>	<u>\$ 43,179,129</u>	<u>\$ 42,853,870</u>
\$ 992,925	\$ 978,504	\$ 973,237	\$ 875,603	\$ 742,586
633,050	652,818	614,165	622,044	601,407
293,563	264,692	275,983	264,708	253,506
355,483	343,247	374,624	357,597	320,100
356,404	328,341	333,437	299,269	385,081
16,980,579	16,324,807	16,197,394	15,924,934	16,152,680
1,317,197	994,934	1,064,722	940,448	942,238
<u>20,929,201</u>	<u>19,887,343</u>	<u>19,833,562</u>	<u>19,284,603</u>	<u>19,397,598</u>
505,379	585,552	933,147	1,309,907	1,552,934
2,864,962	2,610,475	2,433,036	2,388,977	1,977,486
20,888	21,918	19,217	21,908	23,955
65,155	49,647	45,520	39,147	30,710
132,263	130,375	135,783	112,525	96,155
9,142	19,455	18,425	18,628	18,641
15,694	16,416	16,102	15,539	14,985
12,394	12,987	12,658	12,042	11,239
203,779	142,370	136,200	156,515	409,351
27,578	5,249	10,317	14,932	21,251
<u>3,857,234</u>	<u>3,594,444</u>	<u>3,760,405</u>	<u>4,090,120</u>	<u>4,156,707</u>
<u>\$ 24,786,435</u>	<u>\$ 23,481,787</u>	<u>\$ 23,593,967</u>	<u>\$ 23,374,723</u>	<u>\$ 23,554,305</u>
\$ (25,945,354)	\$ (24,074,688)	\$ (22,842,917)	\$ (21,634,879)	\$ (21,401,467)
1,197,812	1,188,166	1,411,822	1,830,473	2,101,902
<u>\$ (24,747,542)</u>	<u>\$ (22,886,522)</u>	<u>\$ (21,431,095)</u>	<u>\$ (19,804,406)</u>	<u>\$ (19,299,565)</u>

Continued

CHANGES IN NET POSITION (Continued)

For the Fiscal Years 2015 - 2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes:					
Individual income tax	\$ 16,464,017	\$ 16,799,392	\$ 17,845,868	\$ 15,368,872	\$ 13,121,892
Corporate income tax	1,501,535	1,728,595	1,624,384	1,327,813	726,186
Sales and use tax	12,099,961	11,657,850	11,029,810	9,826,411	8,556,460
Motor fuels tax	2,499,716	2,619,790	2,227,883	2,067,262	2,054,235
Franchise tax	738,220	857,100	879,789	882,332	640,865
Highway use tax	1,195,898	1,186,526	1,137,060	1,003,310	847,919
Insurance tax	1,238,193	1,165,117	1,000,680	722,958	661,881
Beverage tax	591,463	592,168	559,195	533,088	462,401
Tobacco products tax	257,414	283,849	296,416	303,060	288,933
Other taxes	386,324	339,835	372,624	334,913	290,178
Tobacco settlement	119,212	156,549	171,849	167,417	148,929
Federal COVID-19	470,171	673,203	1,525,132	3,117,857	173,448
Unrestricted investment earnings (loss)	988,438	553,841	60,506	15,662	133,251
Noncapital Contributions	6,843	35,475	38,147	91,696	—
Miscellaneous	75,960	79,241	67,754	102,661	76,395
Contributions to permanent funds	11,048	9,925	9,605	7,472	5,919
Transfers	968,096	888,056	853,042	833,513	652,776
Total Governmental Activities	<u>39,612,509</u>	<u>39,626,512</u>	<u>39,699,744</u>	<u>36,706,297</u>	<u>28,841,668</u>
Business-type Activities					
Noncapital Contributions	325	747	517	1,309	—
Miscellaneous	748	—	1,318	—	—
Transfers	(968,096)	(888,056)	(853,042)	(833,513)	(652,776)
Total Business-type Activities	<u>(967,023)</u>	<u>(887,309)</u>	<u>(851,207)</u>	<u>(832,204)</u>	<u>(652,776)</u>
Total Primary Government	<u>\$ 38,645,486</u>	<u>\$ 38,739,203</u>	<u>\$ 38,848,537</u>	<u>\$ 35,874,093</u>	<u>\$ 28,188,892</u>
Change in Net Position					
Governmental Activities	\$ 3,787,447	\$ 8,712,271	\$ 10,690,403	\$ 8,996,207	\$ 3,392,428
Business-type Activities	1,104,548	867,550	648,252	165,184	(766,883)
Total Primary Government	<u>\$ 4,891,995</u>	<u>\$ 9,579,821</u>	<u>\$ 11,338,655</u>	<u>\$ 9,161,391</u>	<u>\$ 2,625,545</u>

Table 2

2019	2018	2017	2016	2015
\$ 13,242,924	\$ 12,607,563	\$ 11,950,085	\$ 11,980,791	\$ 11,288,542
779,886	750,381	805,062	1,120,553	1,272,879
8,436,190	7,951,984	7,646,658	7,184,788	6,869,090
2,118,180	2,013,961	1,945,769	1,938,849	1,945,462
754,936	676,309	749,408	521,628	556,786
838,571	798,314	784,549	728,580	653,931
577,430	588,042	517,781	503,621	529,927
435,471	411,071	394,883	380,065	360,280
294,030	296,064	284,531	291,841	279,795
276,828	315,429	298,367	296,595	292,535
155,818	162,108	140,569	136,561	137,910
—	—	—	—	—
153,490	97,346	62,683	43,551	20,139
—	—	—	—	—
84,549	60,840	50,650	35,246	42,167
4,916	4,845	4,561	4,718	4,382
613,895	607,892	665,199	518,461	416,483
<u>28,767,114</u>	<u>27,342,149</u>	<u>26,300,755</u>	<u>25,685,848</u>	<u>24,670,308</u>
—	—	—	—	—
2,879	—	535	42	4
(613,895)	(607,892)	(665,199)	(518,461)	(416,483)
(611,016)	(607,892)	(664,664)	(518,419)	(416,479)
<u>\$ 28,156,098</u>	<u>\$ 26,734,257</u>	<u>\$ 25,636,091</u>	<u>\$ 25,167,429</u>	<u>\$ 24,253,829</u>
\$ 2,821,760	\$ 3,267,461	\$ 3,457,838	\$ 4,050,969	\$ 3,268,841
586,796	580,274	747,158	1,312,054	1,685,423
<u>\$ 3,408,556</u>	<u>\$ 3,847,735</u>	<u>\$ 4,204,996</u>	<u>\$ 5,363,023</u>	<u>\$ 4,954,264</u>

FUND BALANCES OF GOVERNMENTAL FUNDS ⁽¹⁾

For the Fiscal Years 2015-2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Fund					
Nonspendable	\$ 100,658	\$ 101,336	\$ 107,026	\$ 118,773	\$ 83,763
Restricted	254,447	197,257	248,343	231,967	226,008
Committed	12,625,096	10,539,838	6,531,827	2,666,145	2,855,654
Assigned	2,552,777	3,856,183	4,299,053	531,349	1,725,771
Unassigned	5,358,214	7,705,127	7,270,258	8,413,157	1,694,412
Total General Fund	<u>\$ 20,891,192</u>	<u>\$ 22,399,741</u>	<u>\$ 18,456,507</u>	<u>\$ 11,961,391</u>	<u>\$ 6,585,608</u>
All Other Governmental Funds					
Nonspendable	285,544	264,891	251,369	256,019	228,646
Restricted	1,913,847	1,819,629	2,272,459	2,347,662	2,199,737
Committed	4,448,210	3,692,491	3,183,834	2,903,301	2,110,466
Assigned	95,372	4,321	3,926	3,562	3,763
Unassigned	-	-	(8)	—	(892,965)
Total All Other Governmental Funds	<u>\$ 6,742,973</u>	<u>\$ 5,781,332</u>	<u>\$ 5,711,580</u>	<u>\$ 5,510,544</u>	<u>\$ 3,649,647</u>

Table 3

2019	2018	2017	2016	2015
\$ 160,906	\$ 70,193	\$ 72,345	\$ 84,122	\$ 83,079
162,836	137,695	112,346	162,568	173,575
2,683,751	2,329,651	2,021,250	1,518,439	1,447,011
554,243	517,815	217,747	376,677	116,705
2,396,667	2,335,267	1,977,982	1,619,055	686,453
<u>\$ 5,958,403</u>	<u>\$ 5,390,621</u>	<u>\$ 4,401,670</u>	<u>\$ 3,760,861</u>	<u>\$ 2,506,823</u>
231,482	224,714	215,690	218,575	211,883
2,225,062	1,012,887	1,176,441	1,067,534	1,252,733
2,505,415	2,622,022	2,754,107	2,308,077	1,870,499
3,027	3,449	929	1,166	1,011
(1,345,891)	(495,336)	—	—	—
<u>\$ 3,619,095</u>	<u>\$ 3,367,736</u>	<u>\$ 4,147,167</u>	<u>\$ 3,595,352</u>	<u>\$ 3,336,126</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 2015-2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues				
Taxes	\$ 37,002,139	\$ 37,217,868	\$ 36,984,274	\$ 32,335,305
Federal funds	29,221,108	26,943,023	25,240,803	21,856,916
Local funds	234,493	155,097	165,241	153,530
Investment earnings	1,552,097	851,867	49,246	87,980
Interest earnings on loans	2,634	1,767	1,284	1,128
Sales and services	355,459	355,604	340,766	327,404
Rental and lease of property	22,537	22,621	22,560	20,801
Fees, licenses, and fines	2,921,874	2,490,165	2,418,513	2,281,719
Tobacco settlement	139,683	156,628	171,585	167,234
Contributions, gifts, and grants	215,032	180,205	192,093	231,085
Funds escheated	221,196	197,347	137,760	151,474
Federal recovery funds	3,359,408	5,474,964	7,903,387	5,602,489
Miscellaneous	200,652	232,038	250,149	219,670
Total revenues	<u>75,448,312</u>	<u>74,279,194</u>	<u>73,877,661</u>	<u>63,436,735</u>
Expenditures				
Current:				
General government	3,155,501	2,830,881	3,098,821	2,484,419
Primary and secondary education	16,172,663	15,523,249	15,474,905	12,947,489
Higher education	6,551,783	5,665,519	5,476,903	5,144,492
Health and human services	34,395,310	32,458,798	30,839,275	25,705,449
Economic development	1,389,768	764,223	443,260	674,841
Environment and natural resources	1,173,327	851,110	806,434	779,112
Public safety, corrections, and regulation	5,173,315	4,553,527	4,991,888	4,504,476
Transportation	7,383,788	6,980,842	6,188,970	4,780,981
Agriculture	323,053	424,773	284,491	286,038
Capital outlay	449,992	243,248	151,327	177,741
Debt service:				
Principal retirement (2)	751,140	790,026	852,868	646,004
Interest and fees (2)	248,617	271,155	281,419	272,026
Debt issuance costs	69	415	905	1,591
Total expenditures	<u>77,168,326</u>	<u>71,357,766</u>	<u>68,891,466</u>	<u>58,404,659</u>
Excess revenues over (under) expenditures	<u>(1,720,014)</u>	<u>2,921,428</u>	<u>4,986,195</u>	<u>5,032,076</u>
Other Financing Sources (Uses)				
Bonds issued	—	—	—	400,000
Special Indebtedness issued	—	—	300,000	700,000
GARVEE bonds issued	—	—	252,595	—
Refunding bonds issued	—	—	132,025	—
Other debt issued	192,420	148,991	34,412	—
Premium on debt issued	—	—	113,792	199,037
Payments to refunded bond escrow agent	—	—	—	—
Sale of capital assets	15,003	19,626	54,957	15,721
Insurance recoveries	17,611	26,306	26,980	56,313
Transfers in	3,636,728	2,405,460	1,829,416	1,429,460
Transfers out	<u>(2,688,656)</u>	<u>(1,519,390)</u>	<u>(975,932)</u>	<u>(595,927)</u>
Total other financing sources (uses)	<u>1,173,106</u>	<u>1,080,993</u>	<u>1,768,245</u>	<u>2,204,604</u>
Net change in fund balances	<u>\$ (546,908)</u>	<u>\$ 4,002,421</u>	<u>\$ 6,754,440</u>	<u>\$ 7,236,680</u>
Debt service as a percentage of noncapital expenditures	1.39%	1.59%	1.76%	1.66%

Table 4

2020	2019	2018	2017	2016	2015
\$ 27,654,005	\$ 27,743,450	\$ 26,401,176	\$ 25,376,794	\$ 24,942,287	\$ 24,032,552
19,218,083	17,878,544	16,987,521	16,896,580	16,325,844	16,509,242
170,937	171,986	172,815	180,725	189,786	195,962
216,341	241,587	148,974	116,006	88,114	43,574
933	994	975	900	1,094	2,864
308,687	326,316	336,952	323,677	325,883	318,411
23,413	40,218	21,921	25,682	20,906	22,400
2,050,179	1,969,177	1,947,486	1,894,212	1,813,402	1,644,450
149,194	155,926	160,653	141,054	137,230	138,622
115,001	151,950	110,742	104,856	102,217	121,750
168,851	129,913	105,127	126,701	75,105	165,062
1,156,776	—	—	—	196,752	209,492
167,997	167,298	157,480	195,388	176,847	182,507
<u>51,400,397</u>	<u>48,977,359</u>	<u>46,551,822</u>	<u>45,382,575</u>	<u>44,395,467</u>	<u>43,586,888</u>
1,343,940	1,247,648	1,195,086	1,169,676	1,136,781	1,142,043
11,978,624	11,696,298	11,022,159	10,699,781	10,381,474	10,213,160
4,816,610	4,790,041	4,390,338	4,136,832	4,002,167	3,850,111
21,612,473	19,674,618	19,121,283	18,930,282	18,501,376	18,781,793
529,115	509,626	505,695	472,037	407,575	412,783
692,030	639,449	568,828	518,631	527,448	454,602
4,097,966	3,785,440	3,382,199	3,288,609	3,029,405	2,932,540
5,637,600	6,534,522	5,669,605	4,839,716	4,313,225	4,044,532
295,349	400,471	202,592	195,562	183,389	178,282
205,341	152,880	129,798	158,793	144,674	113,689
684,065	633,309	966,248	595,300	587,628	562,820
262,181	240,896	240,013	279,631	293,503	303,433
2,582	1,653	1,986	1,009	1,398	3,048
<u>52,157,876</u>	<u>50,306,851</u>	<u>47,395,830</u>	<u>45,285,859</u>	<u>43,510,043</u>	<u>42,992,836</u>
<u>(757,479)</u>	<u>(1,329,492)</u>	<u>(844,008)</u>	<u>96,716</u>	<u>885,424</u>	<u>594,052</u>
600,000	400,000	—	200,000	—	231,360
—	300,000	—	—	—	—
—	600,000	—	—	—	264,930
—	—	949,200	—	329,360	299,020
—	2,765	32,945	630	1,875	1,622
82,392	215,733	180,865	30,018	88,066	117,506
—	—	(774,195)	—	(416,509)	(349,828)
12,887	18,501	21,867	33,289	70,263	13,432
29,082	19,308	34,842	12,125	8,881	9,039
1,403,813	1,397,089	1,047,384	1,253,047	1,036,161	1,044,348
<u>(752,027)</u>	<u>(784,123)</u>	<u>(439,966)</u>	<u>(441,561)</u>	<u>(515,965)</u>	<u>(632,660)</u>
<u>1,376,147</u>	<u>2,169,273</u>	<u>1,052,942</u>	<u>1,087,548</u>	<u>602,132</u>	<u>998,769</u>
<u>\$ 618,668</u>	<u>\$ 839,781</u>	<u>\$ 208,934</u>	<u>\$ 1,184,264</u>	<u>\$ 1,487,556</u>	<u>\$ 1,592,821</u>
1.96%	1.88%	2.74%	2.06%	2.15%	2.13%

(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, 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 2015-2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax Revenues					
Individual income tax	16,464,017	16,799,392	17,845,868	15,368,872	13,121,892
Corporate income tax	1,509,639	1,725,854	1,630,010	1,304,274	728,989
Sales and use tax	11,683,726	11,650,933	11,012,646	9,811,208	8,546,796
Franchise tax	743,281	849,080	890,406	870,914	646,414
Beverage tax	591,309	592,187	559,192	533,261	462,403
Insurance tax	1,238,560	1,164,185	1,001,625	722,936	660,905
Sports wagering	(7) 45,560	—	—	—	—
Tobacco products tax	257,240	283,827	296,701	307,333	289,317
License tax	48,652	39,541	37,052	43,458	35,033
Real estate conveyance tax	104,141	114,752	154,741	118,861	87,542
Manufacturing tax	(3) (1)	3	1,079	1,271	980
Other taxes	(1) 54,808	53,401	49,042	45,229	43,552
Total tax revenues	<u>32,740,932</u>	<u>33,273,155</u>	<u>33,478,362</u>	<u>29,127,617</u>	<u>24,623,823</u>
Non-tax Revenues					
Federal Funds:					
Departmental revenues	27,669,311	25,450,990	23,855,788	20,363,937	17,584,656
Federal COVID-19 funds	(4) 3,235,863	5,291,454	7,793,424	5,410,439	1,156,776
Federal recovery funds	(2) —	—	—	—	—
	<u>30,905,174</u>	<u>30,742,444</u>	<u>31,649,212</u>	<u>25,774,376</u>	<u>18,741,432</u>
Local Funds:					
Departmental revenues	135,625	117,400	118,239	108,692	128,634
Investment Earnings:					
Income from General Fund investments	988,437	552,775	59,932	14,821	130,042
Income from securities lending	57,008	33,180	1,416	52	5,130
Departmental revenues	253,828	127,902	5,185	19,481	16,935
	<u>1,299,273</u>	<u>713,857</u>	<u>66,533</u>	<u>34,354</u>	<u>152,107</u>
Interest Earnings on Loans:					
Departmental revenues	30	30	68	143	94
Sales and Services:					
Departmental revenues	164,798	178,258	176,750	181,018	161,579
Other non-tax revenues	91	99	111	113	118
	<u>164,889</u>	<u>178,357</u>	<u>176,861</u>	<u>181,131</u>	<u>161,697</u>
Rental and Lease of Property:					
Proceeds from rental and lease of property	176	1,157	1,565	584	5,002
Departmental revenues	14,570	14,982	15,130	13,849	11,140
	<u>14,746</u>	<u>16,139</u>	<u>16,695</u>	<u>14,433</u>	<u>16,142</u>
Fees, Licenses and Fines:					
Court fines and fees	213,172	214,487	207,596	178,537	203,244
Secretary of State service fees	187,580	190,360	166,769	158,970	141,261
Banking and investment fees	-	5,309	3,823	3,909	3,938
Permits (ABC Commission)	30,470	27,451	30,647	4,531	23,157
Probation supervision fees	7,797	8,212	8,638	9,926	10,753
Department of Insurance fees	66,257	67,306	67,987	58,873	51,182
DWI service and restoration fees	2,835	3,080	3,287	3,316	3,744
Civil penalties, fines, and forfeitures	(5) 255,784	235,035	226,338	221,391	114,645
Opioid abatement judgment	(6) 43,457	11,180	4,366	—	—
Departmental revenues	829,134	447,340	398,234	296,528	314,553
Other non-tax revenues	9,218	11,375	12,338	12,538	10,161
	<u>1,645,704</u>	<u>1,221,135</u>	<u>1,130,023</u>	<u>948,519</u>	<u>876,638</u>
Tobacco Settlement:					
Tobacco settlement	139,683	156,628	171,585	167,234	149,194
Contributions, Gifts and Grants:					
Departmental revenues	83,032	51,352	49,901	62,609	49,517
Miscellaneous:					
Local sales and use tax administration	15,071	15,199	16,897	16,676	14,677
Sales tax refunds	1,971	1,567	1,226	2,201	1,929
Departmental revenues	152,017	159,923	159,958	155,466	128,938
Other non-tax revenue	7,911	8,539	11,666	625	252
	<u>176,970</u>	<u>185,228</u>	<u>189,747</u>	<u>174,968</u>	<u>145,796</u>
Total non-tax revenues	<u>34,565,126</u>	<u>33,382,570</u>	<u>33,568,864</u>	<u>27,466,459</u>	<u>20,421,251</u>
Total Revenues	<u>\$ 67,306,058</u>	<u>\$ 66,655,725</u>	<u>\$ 67,047,226</u>	<u>\$ 56,594,076</u>	<u>\$ 45,045,074</u>

Table 5

2019	2018	2017	2016	2015
\$ 13,242,924	\$ 12,607,563	\$ 11,950,085	\$ 11,980,791	\$ 11,288,542
774,121	749,488	807,208	1,117,999	1,270,985
8,428,539	7,940,757	7,634,608	7,177,819	6,858,523
750,674	669,598	748,018	524,967	552,221
435,328	411,161	394,995	379,986	360,138
577,506	588,907	516,970	503,413	529,927
—	—	—	—	—
292,614	292,284	291,671	286,968	277,830
35,128	33,869	30,470	30,785	46,265
80,103	72,933	68,793	62,250	56,028
1,120	46,699	46,922	47,435	40,611
41,760	53,097	39,188	41,523	37,919
<u>24,659,817</u>	<u>23,466,356</u>	<u>22,528,928</u>	<u>22,153,936</u>	<u>21,318,989</u>
16,260,190	15,626,073	15,497,006	15,138,975	15,293,459
—	—	—	—	—
—	—	—	45,220	84,429
<u>16,260,190</u>	<u>15,626,073</u>	<u>15,497,006</u>	<u>15,184,195</u>	<u>15,377,888</u>
138,775	139,422	143,580	155,486	161,514
150,073	96,968	62,315	40,795	19,282
5,765	297	925	1,354	554
13,651	10,052	6,010	3,684	2,045
<u>169,489</u>	<u>107,317</u>	<u>69,250</u>	<u>45,833</u>	<u>21,881</u>
287	332	259	442	2,192
169,206	179,553	171,534	171,318	164,521
83	88	105	109	75
<u>169,289</u>	<u>179,641</u>	<u>171,639</u>	<u>171,427</u>	<u>164,596</u>
21,031	943	5,718	51	103
12,013	12,914	10,711	11,161	10,383
<u>33,044</u>	<u>13,857</u>	<u>16,429</u>	<u>11,212</u>	<u>10,486</u>
231,286	239,613	242,013	244,724	234,510
125,521	123,891	112,479	108,208	101,792
3,771	3,911	4,101	4,595	7,684
26,524	25,829	24,682	24,025	24,065
12,001	12,082	12,669	13,626	14,231
48,094	48,209	45,897	44,461	43,392
4,782	5,104	5,672	6,490	7,594
—	—	—	—	—
—	—	—	—	—
328,980	334,539	302,396	307,282	304,463
9,619	8,824	9,417	8,667	7,940
<u>790,578</u>	<u>802,002</u>	<u>759,326</u>	<u>762,078</u>	<u>745,671</u>
155,926	160,653	141,054	137,230	138,622
45,582	44,088	43,996	39,755	39,088
14,421	13,711	13,038	11,374	10,519
2,545	1,734	1,876	2,189	2,452
139,229	127,723	165,645	143,840	112,647
277	342	237	236	3,072
<u>156,472</u>	<u>143,510</u>	<u>180,796</u>	<u>157,639</u>	<u>128,690</u>
<u>17,919,632</u>	<u>17,216,895</u>	<u>17,023,335</u>	<u>16,665,297</u>	<u>16,790,628</u>
<u>\$ 42,579,449</u>	<u>\$ 40,683,251</u>	<u>\$ 39,552,263</u>	<u>\$ 38,819,233</u>	<u>\$ 38,109,617</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 and the American Rescue Plan Act (ARPA) of 2021.

(5) Beginning fiscal year ending June 30, 2021, amounts accumulated in the Civil Penalty and Forfeiture Fund pursuant to Article IX, Section 7(b) of the Constitution are recorded in the General Fund. These amounts were previously recorded in an Agency Fund. The 2020 amount is restated.

(6) Beginning fiscal year ending June 30, 2022, settlement funds are being awarded in accordance with *State of North Carolina, ex. rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc.* These funds are reported separately starting in fiscal year ending June 30, 2023, and the 2022 amount is restated.

(7) Beginning fiscal year ending June 30, 2024, the state began collecting Sports Wagering Tax pursuant to GS Chapter 18C, Article 9.

PERSONAL INCOME BY INDUSTRY

For the Fiscal Years 2013-2022

(Dollars in Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Manufacturing	\$ 41,753,321	\$ 39,621,225	\$ 37,328,032	\$ 37,562,483	\$ 36,524,398
Retail trade	26,367,716	25,162,784	22,366,127	20,877,955	19,647,379
Services	163,226,860	148,331,592	134,116,099	132,077,986	123,817,021
Agricultural, forestry, fishing, etc.	841,199	828,826	853,108	786,842	741,922
Government	69,744,773	66,490,162	65,052,900	63,366,130	61,513,589
Construction	27,610,628	25,250,243	23,507,510	22,940,369	20,740,122
Wholesale trade	22,908,574	20,680,280	19,143,249	18,145,290	17,103,374
Transportation and warehousing	14,518,169	13,121,728	11,411,226	10,854,209	10,218,858
Finance and insurance	33,342,828	30,688,879	27,417,924	24,409,927	22,475,916
Mining	397,659	261,432	347,361	230,268	245,773
Utilities	4,464,809	4,499,888	4,019,719	3,059,709	2,766,019
Information	10,766,841	10,641,937	8,931,224	8,482,082	8,683,724
Real estate and rental and leasing	15,308,810	10,518,559	9,631,706	8,235,303	7,041,309
Other	190,453,407	203,035,975	176,951,775	150,558,618	141,573,862
Total	<u>\$ 621,705,594</u>	<u>\$ 599,133,510</u>	<u>\$ 541,077,960</u>	<u>\$ 501,587,171</u>	<u>\$ 473,093,266</u>
Average Effective Rate (1):					
Individual Income Tax	2.9%	2.6%	2.4%	2.6%	2.7%

Source: United States Department of Commerce - Bureau of Economic Analysis (Data for 2023 & 2024 is not available)

Table 6

2017	2016	2015	2014	2013
\$ 35,514,754	\$ 34,451,575	\$ 33,872,442	\$ 32,622,388	\$ 31,346,163
18,772,532	18,376,661	17,726,015	17,114,287	16,283,944
116,386,505	110,910,891	106,113,132	100,831,075	93,637,742
756,575	797,386	814,817	781,092	748,204
58,738,252	56,906,532	55,983,073	53,828,285	53,796,994
19,306,596	17,972,374	16,760,323	15,458,823	14,375,380
16,926,268	15,967,837	15,599,149	14,940,716	13,966,743
9,463,824	8,847,849	8,639,904	7,976,321	7,440,048
21,151,843	19,457,680	17,858,860	17,530,363	18,047,103
294,336	190,125	170,161	166,575	193,457
2,371,754	2,093,802	2,067,624	1,820,843	1,570,360
8,162,763	8,023,951	7,805,424	7,313,308	6,399,542
6,321,396	6,411,698	5,666,782	4,961,435	4,195,653
135,650,273	128,646,568	125,682,699	118,540,540	111,139,253
<u>\$ 449,817,671</u>	<u>\$ 429,054,929</u>	<u>\$ 414,760,405</u>	<u>\$ 393,886,051</u>	<u>\$ 373,140,586</u>
2.7%	2.8%	2.7%	2.7%	3.0%

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

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2013 AND 2022
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2014-2023

North Carolina Taxable Income	Individual Income Tax Filers and Liability by Income Level							
	Tax Year 2022				Tax Year 2013			
	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
0 to \$15,000	2,219,554	43.6%	\$ 344,457,776	2.6%	2,182,788	49.9%	\$ 404,465,194	3.9%
\$15,001 to \$25,000	523,094	10.3%	511,281,876	3.8%	550,013	12.6%	613,195,291	6.0%
\$25,001 to \$50,000	878,103	17.2%	1,560,711,278	11.6%	766,055	17.5%	1,706,089,377	16.6%
\$50,001 to \$75,000	481,425	9.4%	1,442,419,574	10.7%	367,582	8.4%	1,450,327,539	14.1%
\$75,001 to \$100,000	293,136	5.8%	1,234,392,983	9.2%	192,612	4.4%	1,100,181,634	10.7%
\$100,001 to \$200,000	456,109	8.9%	3,044,369,964	22.7%	226,521	5.2%	2,087,619,310	20.3%
\$200,001 and up	242,196	4.8%	5,291,653,296	39.4%	85,585	2.0%	2,909,800,464	28.4%
	<u>5,093,617</u>	<u>100.0%</u>	<u>\$ 13,429,286,747</u>	<u>100.0%</u>	<u>4,371,156</u>	<u>100.0%</u>	<u>\$ 10,271,678,809</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. Calendar year 2022 is the most recent year for which data is available.

Federal Adjusted Gross Income	Individual Income Tax Filers and Liability by Income Level							
	Tax Year 2022				Tax Year 2013			
	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
Non-positive FAGI	102,620	2.0%	\$ 13,291,105	0.1%	70,232	1.6%	\$ 3,825,328	0.0%
\$1 to \$9,999	453,833	8.9%	\$ 2,460,669	0.0%	636,080	14.6%	\$ 34,150,769	0.3%
\$10,000 to \$24,999	844,055	16.6%	\$ 112,573,407	0.8%	1,048,238	24.0%	\$ 345,340,325	3.4%
\$25,000 to \$49,999	1,198,224	23.5%	\$ 984,875,355	7.3%	1,057,892	24.2%	\$ 1,249,749,410	12.2%
\$50,000 to \$59,999	341,009	6.7%	\$ 513,463,713	3.8%	256,842	5.9%	\$ 510,662,338	5.0%
\$60,000 to \$69,999	279,406	5.5%	\$ 513,557,870	3.8%	210,552	4.8%	\$ 505,368,818	4.9%
\$70,000 to \$79,999	231,564	4.5%	\$ 501,358,989	3.8%	177,414	4.1%	\$ 504,606,040	4.9%
\$80,000 to \$89,999	196,742	3.9%	\$ 493,289,802	3.7%	149,205	3.4%	\$ 491,374,079	4.8%
\$90,000 to \$99,999	168,534	3.3%	\$ 478,430,172	3.6%	123,294	2.8%	\$ 463,398,780	4.5%
\$100,000 to \$199,999	817,186	16.0%	\$ 3,664,561,582	27.3%	456,606	10.4%	\$ 2,688,155,650	26.2%
\$200,000 to \$499,999	337,474	6.6%	\$ 3,276,493,709	24.4%	136,614	3.1%	\$ 1,759,658,994	17.1%
\$500,000 to \$999,999	69,073	1.4%	\$ 1,164,153,999	8.7%	28,163	0.6%	\$ 681,857,039	6.6%
\$1,000,000 or more	53,897	1.1%	\$ 1,710,776,375	12.7%	20,024	0.5%	\$ 1,033,531,239	10.1%
	<u>5,093,617</u>	<u>100.0%</u>	<u>\$ 13,429,286,747</u>	<u>100.0%</u>	<u>4,371,156</u>	<u>100.0%</u>	<u>\$ 10,271,678,809</u>	<u>100.0%</u>

Note: FAGI level display is an informative indicator of revenue capacity.

Effective with tax year 2012, the Federal adjusted gross income value (as defined by the IRC for 1040 purposes) was adopted as the starting point for calculating NC taxable income.

Source: North Carolina Department of Revenue

Table 7

Individual Income Tax Rates - Last 10 Years

Tax Year 2014				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	5.8%			
Tax Years 2015-2016				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	5.75%			
Tax Years 2017-2018				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	5.499%			
Tax Years 2019-2021				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	5.250%			

Income Tax Rate and Base Structure Changes - Effective for tax years beginning on or after January 1, 2014, SL 2013- 316 (HB998), *An Act to Simplify the NC Tax Structure and to Reduce Individual and Business Tax Rates* (enacted July 23, 2013) replaces the multi- tiered bracket system with a flat rate structure.

Income Tax Rate and Base Structure Changes - The 2015 Appropriations Act reduces the personal income tax rate to 5.499% effective with taxable year 2017 and increases the withholding tax rate on or after January 1, 2016 to equal the statutory personal income tax rate plus 0.1% to reduce the incidence of deficient withholding.

Income Tax Rate and Base Structure Changes - The 2017 Appropriations Act reduces the personal income tax rate to 5.25% effective for taxable years beginning on or after January 1, 2019.

Income Tax Rate Restrictions - On or after January 1, 2019, 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."

Continued

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2013 AND 2022
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2014-2023 (Continued)

Table 7

Individual Income Tax Rates - Last 10 Years

Tax Year 2022				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	4.990%			
Tax Year 2023				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>\$0			
Tax rate	4.750%			

Income Tax Rate and Base Structure Changes
 - The 2021 Appropriations Act reduces the personal income tax rate to 4.99% effective for taxable years beginning in 2022

Income Tax Rate and Base Structure Changes
 - The 2021 Appropriations Act reduces the personal income tax rate to 4.75% effective for taxable years beginning in 2023

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TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2015-2024

(Dollars in Thousands)

	2024	2023	2022	2021	2020
General merchandise	\$ 68,776,131	\$ 66,291,925	\$ 62,226,026	\$ 56,410,899	\$ 45,601,205
Food	40,402,946	38,416,024	35,303,794	30,564,158	29,256,742
Lumber & building material	28,525,081	28,736,679	26,325,703	22,441,929	19,048,555
Automotive	13,947,249	13,536,016	12,090,992	11,018,415	9,837,130
3% and 4.75% tax group (1)	930,364	972,905	910,727	839,260	705,394
Furniture	6,172,865	6,441,201	6,201,915	5,757,054	5,050,850
Apparel	8,409,690	8,448,251	8,216,790	7,025,959	5,620,937
Unclassified	69,070,692	65,990,901	59,892,202	50,815,780	44,629,147
Total	\$ 236,235,018	\$ 228,833,902	\$ 211,168,149	\$ 184,873,454	\$ 159,749,960
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

Source: North Carolina Department of Revenue

Table 8

2019	2018	2017	2016	2015
\$ 41,960,513	\$ 38,965,273	\$ 38,193,321	\$ 35,258,344	\$ 33,018,301
29,981,154	28,318,061	27,164,722	26,204,343	24,663,183
18,383,205	16,500,032	15,426,794	13,635,227	12,711,938
9,691,420	9,098,884	9,058,317	7,667,914	6,920,644
647,756	588,128	541,143	479,938	448,267
5,182,589	4,914,916	4,778,592	4,372,666	4,160,558
6,018,989	5,700,497	5,648,766	5,414,102	5,140,968
44,693,250	41,113,549	38,358,149	35,124,312	33,241,081
<u>\$ 156,558,876</u>	<u>\$ 145,199,340</u>	<u>\$ 139,169,804</u>	<u>\$ 128,156,846</u>	<u>\$ 120,304,940</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.

SALES TAX REVENUE PAYERS BY BUSINESS GROUP

For the Fiscal Years 2015 & 2024

(Dollars in Thousands)

	2024		2015	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
General merchandise	\$ 3,272,259	25.78%	\$ 1,572,224	22.08%
Food	1,928,193	15.19%	1,178,822	16.56%
Utilities	1,444,012	11.38%	1,389,050	19.51%
Lumber & building material	1,357,068	10.69%	605,434	8.50%
Automotive	701,927	5.53%	347,722	4.88%
Furniture	294,591	2.32%	198,590	2.79%
Apparel	400,617	3.16%	244,895	3.44%
Unclassified	3,292,977	25.95%	1,583,553	22.24%
Total	\$ 12,691,644	100.00%	\$ 7,120,290	100.00%
General State Sales Tax Rate	4.75%		4.75%	

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2013-14</p>	<p>Effective January 1, 2014, the sale of a modular home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2.5% preferential rate with 20% of the proceeds shared with local governments). The sale of a manufactured home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2% preferential rate (maximum tax \$300 per article)). Service contracts (warranty agreements, maintenance agreements, repair contracts, or similar agreements or contracts by which the seller agrees to maintain or repair tangible personal property) are subject to the State general rate of 4.75% (applicable local rates apply). Previously, combined State/local use tax rates assessed on parts applied for certain transactions.</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. 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 June 1, 2014, gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent where a person occupies or has the right to occupy such on or after June 1, 2014, are subject to the 4.75% general State and applicable local and transit rates of sales and use tax and any local occupancy tax imposed by a city or county. Previously, the taxation of gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent for fewer than 15 days was deemed exempt under provisions of the Important Notice: Tax on Accommodations (Revised June 14, 2002).</p>
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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). <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). 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. 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).] The sale at retail or the storage, use, or consumption in this State of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter are exempt from sales and use tax. In this application, datacenter support equipment is property that is capitalized for tax purposes under the Code and is used within the provision of a service or function included in the business of an owner, user, or tenant of the datacenter. Effective <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>
<p>Fiscal Year 2019-20</p>	<p><i>Effective July 26, 2019</i> An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract. <i>Effective October 1, 2019 Exemptions from sales and use tax:</i> -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>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2019-20</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. <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 <u>Effective July 1, 2020</u> -exemption for sales of livestock to qualifying or conditional farmers</p>
<p>Fiscal Year 2021-22</p>	<p>The 2021 General Assembly enacted the following provisions: <u>Retroactively effective July 1, 2020</u> -exemption for sales of fowl to qualifying or conditional farmers <u>Effective October 1, 2021</u> -exemption for sales of machinery, equipment, parts, and accessories to alcoholic beverage permit holders for use in the manufacture of unfortified wine, fortified wine, malt beverages, and spirituous liquor (exemption applies for sales of supplies and ingredients used or consumed by the permittee in the manufacturing process)</p>
<p>Fiscal Year 2022-23</p>	<p>The 2022 General Assembly enacted the following provisions: <u>Effective July 1, 2022</u> -exemption for sales of qualifying items to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility (minimum investment and employment thresholds must be met to be eligible for and to maintain the exemption) <u>Effective October 1, 2022</u> -exemption for certain sales to a wildlife manager for items used for wildlife management activities. <u>Effective January 1, 2023</u> •exemption for certain sales to a qualifying or conditional farmer who operates a zoo in addition to the farmer's farming operations (the exemption applies to items purchased and used by the farmer primarily in zoo operations for the housing, raising, or feeding of animals for public display).</p>

RATIOS OF OUTSTANDING DEBT BY TYPE

For the Fiscal Years 2015-2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Governmental Activities					
General obligation bonds	\$ 1,645,060	\$ 1,975,940	\$ 2,309,790	\$ 2,648,385	\$ 2,605,380
Lease-purchase revenue bonds	—	—	—	—	—
Certificates of participation	—	—	—	—	—
Limited obligation bonds	1,887,790	2,121,490	2,348,890	2,275,750	1,774,945
GARVEE bonds	845,715	918,940	1,023,210	875,865	959,525
Issuance premium	427,772	521,621	628,794	638,351	553,093
Notes payable	—	—	—	—	—
Notes from direct borrowings (3)	70,263	37,651	43,945	40,185	43,937
Leases payable (4)	394,828	378,780	403,868	8,254	10,656
Subscription Liability (5)	170,763	180,581	187,821	—	—
Total Governmental Activities	<u>5,442,191</u>	<u>6,135,003</u>	<u>6,946,318</u>	<u>6,486,790</u>	<u>5,947,536</u>
Business-type Activities					
Revenue bonds	2,060,470	1,787,362	2,323,816	2,365,938	1,917,358
GARVEE bonds	—	—	—	—	—
Issuance discount	—	—	—	—	—
Issuance premium	149,045	130,177	155,435	179,289	122,565
Notes payable	1,941	227	—	—	—
Notes from direct borrowings (3)	681,177	684,298	186,127	185,991	177,925
Leases payable (4)	6,686	6,718	8,228	66	94
Subscription Liability (5)	2,176	2,802	—	—	—
Total Business-type Activities	<u>2,901,495</u>	<u>2,611,584</u>	<u>2,673,606</u>	<u>2,731,284</u>	<u>2,217,942</u>
Total Primary Government	<u>\$ 8,343,686</u>	<u>\$ 8,746,587</u>	<u>\$ 9,619,924</u>	<u>\$ 9,218,074</u>	<u>\$ 8,165,478</u>
Debt as a Percentage of Personal Income (1)	1.23%	1.39%	1.61%	1.56%	1.50%
Amount of Debt Per Capita (1), (2)	\$ 760	\$ 807	\$ 904	\$ 874	\$ 781

Table 10

2019	2018	2017	2016	2015
\$ 2,424,075	\$ 2,441,685	\$ 2,851,695	\$ 3,038,665	\$ 3,469,220
—	—	—	—	2,000
—	—	102,405	124,820	151,745
1,946,915	1,783,975	1,888,370	1,997,070	2,095,550
1,046,580	516,820	607,685	529,755	598,165
581,316	468,508	434,721	505,737	550,393
—	50,623	22,089	27,196	34,095
47,676	—	—	—	—
13,347	16,080	20,118	24,037	20,712
<u>6,059,909</u>	<u>5,277,691</u>	<u>5,927,083</u>	<u>6,247,280</u>	<u>6,921,880</u>
1,456,614	1,077,275	1,096,395	1,011,388	1,019,588
—	—	—	145,535	145,535
—	(410)	(498)	(1,548)	(1,664)
72,420	48,620	45,254	20,753	23,326
—	385,960	387,146	388,827	390,818
132,087	—	—	—	—
106	38	—	—	—
<u>1,661,227</u>	<u>1,511,483</u>	<u>1,528,297</u>	<u>1,564,955</u>	<u>1,577,603</u>
<u>\$ 7,721,136</u>	<u>\$ 6,789,174</u>	<u>\$ 7,455,380</u>	<u>\$ 7,812,235</u>	<u>\$ 8,499,483</u>
1.53%	1.43%	1.64%	1.81%	2.03%
\$ 736	\$ 654	\$ 726	\$ 769	\$ 847

(1) North Carolina personal income and population obtained from Table 15 for current year 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 were implemented. This statement requires additional information be disclosed for direct borrowings and direct placements separately from other debt.

(4) For fiscal year ended June 30, 2022, GASB Statement 87, Leases, was implemented and generated an increase in Leases payable. This was due to the additional lease related liabilities reported for each effected entity.

5) For fiscal year ended June 30, 2023, GASB Statement 96, Subscription based IT arrangements was implemented and a subscription liability reported for each affected entity.

RATIOS OF BONDS, SIMILAR DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES:

For the Fiscal Years 2015-2024

(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
2024	\$ 1,645,060	\$ —	\$ —	\$ 1,887,790	\$ 845,715	\$ 427,772
2023	1,975,940	—	—	2,121,490	918,940	521,621
2022	2,309,790	—	—	2,348,890	1,023,210	628,794
2021	2,648,385	—	—	2,275,750	875,865	638,351
2020	2,605,380	—	—	1,774,945	959,525	553,093
2019	2,424,075	—	—	1,946,915	1,046,580	581,316
2018	2,441,685	—	—	1,783,975	516,820	468,508
2017	2,851,695	—	102,405	1,888,370	607,685	434,721
2016	3,038,665	—	124,820	1,997,070	529,755	505,737
2015	3,469,220	2,000	151,745	2,095,550	598,165	550,393

Table 11

Lease Liability	Subscription Liability	Total	Per Capita
(3)	(4)		(1), (2)
\$ 394,828	\$ 170,763	\$ 5,371,928	\$ 489
378,780	180,581	6,097,352	563
403,868	187,821	6,902,373	645
		6,438,351	610
		5,892,943	564
		5,998,886	572
		5,210,988	502
		5,884,876	573
		6,196,047	610
		6,867,073	685

(1) North Carolina 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, 2022, GASB Statement 87, Leases, was implemented and generated an increase in Leases liability. This was due to the additional lease related liabilities reported for each effected entity.

(4) For fiscal year ended June 30, 2023, GASB Statement 96, Subscription based information technology arrangements was implemented and a subscription liability reported for each effected entity.

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 2024

(Dollars in Thousands)

Payable from General Fund Revenues

	Total General Obligation Bonds	<i>Total General Fund</i>	Refunding Series 2013B 2-20-13 5%	Refunding Series 2013C 2-28-13 3.5%-5%	Refunding Series 2014A 4-30-14 5%	General Obligation Series 2015A 4-22-15 3%-5%
Bonds Authorized and Issued:						
2004 session law	\$ 1,471,158	\$ 1,471,158	\$ 271,373	\$ 351,970	\$ 287,095	\$ 231,360
2015 session law	<u>1,600,000</u>	<u>1,600,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total bonds authorized and issued	3,071,158	3,071,158	271,373	351,970	287,095	231,360
Bonds retired	<u>1,426,098</u>	<u>1,426,098</u>	<u>216,938</u>	<u>319,315</u>	<u>266,260</u>	<u>104,130</u>
Bonds outstanding— June 30, 2024	<u>\$ 1,645,060</u>	<u>\$ 1,645,060</u>	<u>\$ 54,435</u>	<u>\$ 32,655</u>	<u>\$ 20,835</u>	<u>\$ 127,230</u>
Bond Maturity as Follows:						
2024-25	\$ 232,420	\$ 232,420	\$ 54,435	\$ 16,290	\$ 20,835	\$ 11,570
2025-26	173,320	173,320	—	16,365	—	11,570
2026-27	156,620	156,620	—	—	—	11,570
2027-28	129,230	129,230	—	—	—	11,565
2028-29	112,900	112,900	—	—	—	11,565
2029-30	112,745	112,745	—	—	—	11,565
2030-31	91,565	91,565	—	—	—	11,565
2031-32	91,565	91,565	—	—	—	11,565
2032-33	91,565	91,565	—	—	—	11,565
2033-34	91,565	91,565	—	—	—	11,565
2034-35	91,565	91,565	—	—	—	11,565
2035-36	80,000	80,000	—	—	—	—
2036-37	70,000	70,000	—	—	—	—
2037-38	70,000	70,000	—	—	—	—
2038-39	50,000	50,000	—	—	—	—
Total Bonds Outstanding	<u>\$ 1,645,060</u>	<u>\$ 1,645,060</u>	<u>\$ 54,435</u>	<u>\$ 32,655</u>	<u>\$ 20,835</u>	<u>\$ 127,230</u>

Source: Compiled by North Carolina Department of State Treasurer

Table 12

Payable from General Fund Revenues

Refunding Series 2016A 3-9-16 3%-5%	General Obligation Series 2016B 8-10-16 2%-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%
\$ 329,360	\$ —	\$ —	\$ —	\$ —
—	200,000	400,000	600,000	400,000
329,360	200,000	400,000	600,000	400,000
69,455	80,000	120,000	150,000	100,000
<u>\$ 259,905</u>	<u>\$ 120,000</u>	<u>\$ 280,000</u>	<u>\$ 450,000</u>	<u>\$ 300,000</u>
\$ 49,290	\$ 10,000	\$ 20,000	\$ 30,000	\$ 20,000
65,385	10,000	20,000	30,000	20,000
65,050	10,000	20,000	30,000	20,000
37,665	10,000	20,000	30,000	20,000
21,335	10,000	20,000	30,000	20,000
21,180	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	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
<u>\$ 259,905</u>	<u>\$ 120,000</u>	<u>\$ 280,000</u>	<u>\$ 450,000</u>	<u>\$ 300,000</u>

SCHEDULE OF SPECIAL INDEBTEDNESS DEBT

June 30, 2024

(Dollars in Thousands)

	<i>Limited Obligation Bonds</i>				
	Total Special Indebtedness Debt	<i>Total Limited Obligation Bonds</i>	Capital Improvements Series 2013A 1-30-13 2.25%-5%	Capital Improvements Refunding Series 2014B 5-21-14 5%	Limited Obligation Refunding Series 2014C 11-19-14 3%-5%
Bonds Authorized and Issued:					
Ch. 284, 2003 session law	\$ 1,367,005	\$ 1,367,005	\$ 250,000	\$ 199,570	\$ 299,020
Ch. 142, 2018 session law	1,432,025	1,432,025	—	—	—
Total bonds authorized and issued	2,799,030	2,799,030	250,000	199,570	299,020
Bonds retired	897,005	897,005	111,725	134,285	175,745
Partial defeasances	14,235	14,235	14,235	—	—
Bonds outstanding— June 30, 2024	<u>\$ 1,887,790</u>	<u>\$ 1,887,790</u>	<u>\$ 124,040</u>	<u>\$ 65,285</u>	<u>\$ 123,275</u>
Bond Maturity as Follows:					
2024-25	\$ 208,845	\$ 208,845	\$ 13,450	\$ 37,785	\$ 36,480
2025-26	205,145	205,145	13,920	27,500	27,230
2026-27	205,710	205,710	—	—	30,165
2027-28	208,460	208,460	14,945	—	29,400
2028-29	201,270	201,270	15,395	—	—
2029-30	167,010	167,010	15,855	—	—
2030-31	171,090	171,090	16,330	—	—
2031-32	142,575	142,575	16,820	—	—
2032-33	124,580	124,580	17,325	—	—
2033-34	111,685	111,685	—	—	—
2034-35	88,100	88,100	—	—	—
2035-36	26,010	26,010	—	—	—
2036-37	27,310	27,310	—	—	—
Total Bonds Outstanding	<u>\$ 1,887,790</u>	<u>\$ 1,887,790</u>	<u>\$ 124,040</u>	<u>\$ 65,285</u>	<u>\$ 123,275</u>

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

Table 13

Limited Obligation Bonds

Limited Obligation Refunding Series 2017B 8-3-17 3%-5%	Limited Obligation Series 2019A 6-27-19 4%-5%	Limited Obligation Series 2020A 10-29-20 2%-5%	Limited Obligation Refunding Series 2021A 8-5-21 5%	Limited Obligation Series 2022A 5-19-22 4%-5%
\$ 618,415	\$ —	\$ —	\$ —	\$ —
—	300,000	700,000	132,025	300,000
618,415	300,000	700,000	132,025	300,000
145,175	78,485	135,210	86,865	29,515
—	—	—	—	—
<u>\$ 473,240</u>	<u>\$ 221,515</u>	<u>\$ 564,790</u>	<u>\$ 45,160</u>	<u>\$ 270,485</u>
\$ 48,200	\$ 17,630	\$ 40,015	\$ —	\$ 15,285
59,915	18,515	42,015	—	16,050
95,140	19,440	44,115	—	16,850
79,690	20,410	46,320	—	17,695
97,230	21,430	48,635	—	18,580
58,070	22,505	51,070	—	19,510
34,995	23,630	53,620	22,030	20,485
—	24,810	56,305	23,130	21,510
—	26,050	58,620	—	22,585
—	27,095	60,875	—	23,715
—	—	63,200	—	24,900
—	—	—	—	26,010
—	—	—	—	27,310
<u>\$ 473,240</u>	<u>\$ 221,515</u>	<u>\$ 564,790</u>	<u>\$ 45,160</u>	<u>\$ 270,485</u>

PLEDGED REVENUE COVERAGE

For the Fiscal Years 2015-2024
(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Department of Transportation					
Grant Anticipation Revenue Vehicle Bonds (GARVEE)					
Pledged revenue:					
Federal transportation revenues	\$ 1,374,711	\$ 1,387,064	\$ 1,233,197	\$ 1,255,035	\$ 1,459,841
Net available revenue	<u>\$ 1,374,711</u>	<u>\$ 1,387,064</u>	<u>\$ 1,233,197</u>	<u>\$ 1,255,035</u>	<u>\$ 1,459,841</u>
Debt service:					
Principal	\$ 73,225	\$ 104,270	\$ 105,250	\$ 83,660	\$ 87,055
Interest	44,860	50,073	49,083	47,976	44,579
Coverage ratio	11.64	8.99	7.99	9.53	11.09
North Carolina Turnpike Authority					
Revenue Bonds					
Pledged revenue:					
Toll revenues (1)	\$ 89,504	\$ 89,655	\$ 75,625	\$ 42,423	\$ 66,576
Fees, licenses and fines (2)	20,021	16,620	12,736	7,363	10,615
Federal transportation revenues	—	—	—	—	—
Federal interest subsidy on debt	2,976	3,878	6,045	4,147	4,324
Interest on investments	13,623	7,541	26,378	3,302	9,053
Less: Operating expenses	—	—	(1,227)	—	—
Net available revenue	<u>\$ 126,124</u>	<u>\$ 117,694</u>	<u>\$ 119,557</u>	<u>\$ 57,235</u>	<u>\$ 90,568</u>
Debt service:					
Principal	\$ 42,002	\$ 36,994	\$ 42,122	\$ 29,860	\$ 26,210
Interest	90,420	109,873	101,329	85,957	65,048
Coverage ratio (3)	0.95	0.80	0.83	0.49	0.99

Table 14

2019	2018	2017	2016	2015
\$ 1,456,615	\$ 1,147,920	\$ 1,142,699	\$ 1,031,454	\$ 1,064,575
<u>\$ 1,456,615</u>	<u>\$ 1,147,920</u>	<u>\$ 1,142,699</u>	<u>\$ 1,031,454</u>	<u>\$ 1,064,575</u>
\$ 70,240	\$ 71,940	\$ 67,605	\$ 68,410	\$ 62,040
25,697	23,996	31,783	25,816	18,574
15.18	11.97	11.50	10.95	13.21
\$ 57,937	\$ 43,940	\$ 39,199	\$ 33,999	\$ 26,265
6,038	5,055	5,505	4,460	3,922
—	—	—	14,807	9,733
6,177	10,834	11,348	11,387	11,375
4,084	2,654	2,735	2,143	1,768
—	—	—	—	—
<u>\$ 74,236</u>	<u>\$ 62,483</u>	<u>\$ 58,787</u>	<u>\$ 66,796</u>	<u>\$ 53,063</u>
\$ 22,060	\$ 18,395	\$ 11,960	\$ 8,200	\$ 19,720
50,150	54,400	55,178	61,328	61,912
1.03	0.86	0.88	0.96	0.65

(1) Starting fiscal year 2012, the N.C. Turnpike Authority began collecting tolls.

(2) Starting fiscal year 2012, the N.C. Turnpike Authority began charging fees in connection with the tolls.

(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 2015-2024

(Dollars in Thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
University of North Carolina System					
Revenue Bonds					
Pledged revenue:					
Sales and services	\$ 71,910	\$ 67,865	\$ 66,542	\$ 65,922	\$ 189,752
Student tuition and fees	—	—	—	-	4,579
Patient services	1,582,158	1,455,193	1,320,020	1,208,853	1,116,673
Rental lease earnings	285	244	138	13	-
Investment income	28	—	—	—	566
Federal interest subsidy on debt	—	—	—	—	—
Other operating revenues	—	—	—	2	33,941
Non-operating revenues	9,419	(2,174)	32,910	128,006	—
Less: Operating expenses	<u>(1,552,573)</u>	<u>(1,453,249)</u>	<u>(1,316,815)</u>	<u>(1,045,883)</u>	<u>(1,228,550)</u>
Net available revenue	<u>\$ 111,227</u>	<u>\$ 67,879</u>	<u>\$ 102,795</u>	<u>\$ 356,913</u>	<u>\$ 116,961</u>
Debt service:					
Principal	\$ 9,575	\$ 9,305	\$ 8,980	\$ 9,560	\$ 14,695
Interest	17,127	17,236	13,994	13,789	14,125
Coverage ratio	4.17	2.56	4.47	15.29	4.06
Direct Placements (1)					
Pledged revenue:					
Sales and services	\$ 18,344	\$ 17,675	\$ 23,145	\$ 22,376	\$ 20,319
Rental lease earnings	581	609	28	27	25
Investment income	215	136	89	1,492	105
Non-operating revenues	37	11	16	16	18
Less: Operating expenses	<u>(13,615)</u>	<u>(16,557)</u>	<u>(22,006)</u>	<u>(15,910)</u>	<u>(17,971)</u>
Net available revenue	<u>\$ 5,562</u>	<u>\$ 1,874</u>	<u>\$ 1,272</u>	<u>\$ 8,001</u>	<u>\$ 2,496</u>
Debt service:					
Principal	\$ 1,562	\$ 1,487	\$ 1,375	\$ 1,324	\$ 1,183
Interest	697	739	772	744	735
Coverage ratio	2.46	0.84	0.59	3.87	1.30
Special Indebtedness					
Pledged revenue:					
Sales and services	\$ 11,319	\$ 10,888	\$ 10,006	\$ 8,580	\$ 9,369
Rental lease earnings	6	—	—	—	—
Investment income (loss)	343	111	7	21	74
Other operating revenues	547	369	341	307	29
Less: Operating expenses	<u>(3,059)</u>	<u>(2,830)</u>	<u>(2,815)</u>	<u>(1,850)</u>	<u>(2,229)</u>
Net available revenue	<u>\$ 9,156</u>	<u>\$ 8,538</u>	<u>\$ 7,539</u>	<u>\$ 7,058</u>	<u>\$ 7,243</u>
Debt service:					
Principal	\$ 3,743	\$ 3,932	\$ 3,766	\$ 3,631	\$ 3,082
Interest	2,490	2,779	2,931	3,091	3,784
Coverage ratio	1.47	1.27	1.13	1.05	1.05
Notes from Direct Borrowings					
Pledged revenue:					
Sales and services	\$ 17,968	\$ 16,115	\$ 7,873	\$ 4,598	\$ —
Rental lease earnings	12	10	—	—	—
Investment income (loss)	143	75	—	—	—
Non-operating revenues	25	6	—	—	—
Less: Operating expenses	<u>(10,046)</u>	<u>(9,420)</u>	<u>(986)</u>	<u>(2,319)</u>	<u>—</u>
Net available revenue	<u>\$ 8,102</u>	<u>\$ 6,786</u>	<u>\$ 6,887</u>	<u>\$ 2,279</u>	<u>\$ —</u>
Debt service:					
Principal	\$ 2,893	\$ 386	\$ 377	\$ —	\$ —
Interest	560	559	444	215	—
Coverage ratio	2.35	7.18	8.39	10.60	—

Table 14

2019	2018	2017	2016	2015
\$ 193,640	\$ 207,349	\$ 193,570	\$ 199,685	\$ 231,306
3,468	4,014	4,344	4,552	5,214
1,105,697	1,060,817	1,017,713	934,687	842,845
123	2,002	1,815	3,098	3,998
1,013	1,194	1,018	326	820
—	—	—	371	362
185,703	2,403	2,548	32,859	—
—	42	1	—	18
(1,233,620)	(1,177,224)	(1,110,601)	(1,038,199)	(1,035,252)
<u>\$ 256,024</u>	<u>\$ 100,597</u>	<u>\$ 110,408</u>	<u>\$ 137,379</u>	<u>\$ 49,311</u>
\$ 15,675	\$ 16,415	\$ 16,915	\$ 17,025	\$ 16,720
10,456	9,779	10,700	12,084	8,298
9.80	3.84	4.00	4.72	1.97
\$ 19,481	\$ —	\$ —	\$ —	\$ —
23	—	—	—	—
348	—	—	—	—
3	—	—	—	—
(18,669)	—	—	—	—
<u>\$ 1,186</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 635	\$ —	\$ —	\$ —	\$ —
93	—	—	—	—
1.60	—	—	—	—
\$ 11,217	\$ 8,859	\$ 8,914	\$ 8,144	\$ 1,007
—	1,986	2,206	849	3,129
64	37	23	16	(1)
45	48	53	240	—
(2,336)	(2,389)	(2,410)	(2,375)	(2,021)
<u>\$ 8,990</u>	<u>\$ 8,541</u>	<u>\$ 8,786</u>	<u>\$ 6,874</u>	<u>\$ 2,114</u>
\$ 3,447	\$ 3,268	\$ 3,099	\$ 2,535	\$ 730
3,838	3,956	4,304	3,591	1,107
1.23	1.18	1.19	1.12	1.15
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<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

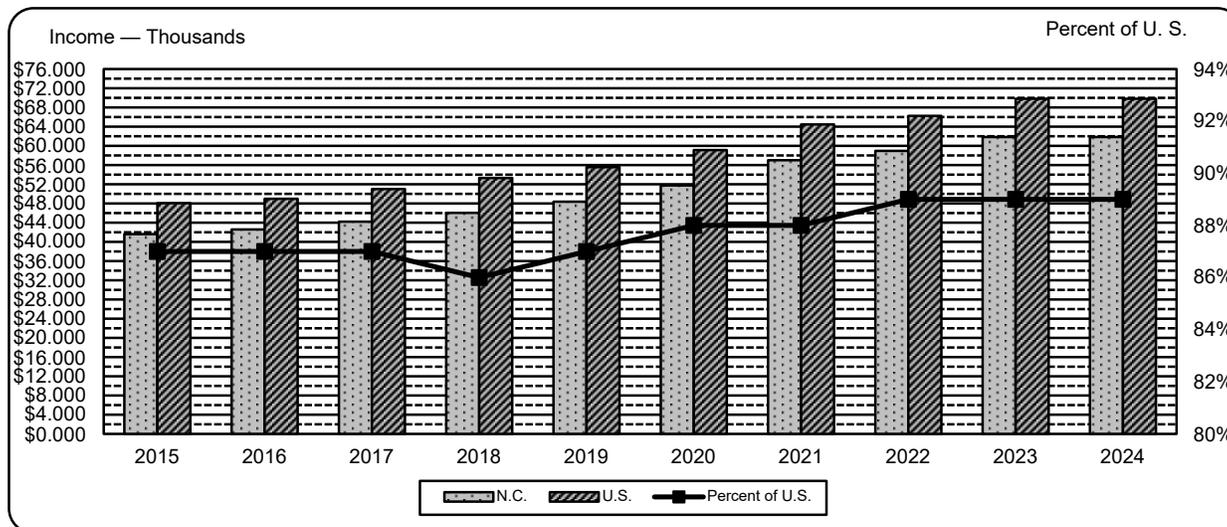
For the Fiscal Years 2015-2024

Year	Population				Per Capita Income			Personal Income (millions)	
	(1)	(1)	(1)	(3)	(2)	(2)	(4)	(2)	(2)
	United States Population	U.S. Increase from Prior Period	North Carolina Population	N.C. Incr/Decr from Prior Period	United States	North Carolina	N.C. as a Percentage of U.S.	United States	North Carolina
2024	336,566,484	0.49%	10,976,837	1.30%	\$ 69,811	61,840	88.58%	\$ 23,496,043	\$ 678,808
2023	334,914,895	0.49%	10,835,491	1.30%	69,810	61,839	88.58%	23,380,269	670,051
2022	333,271,411	0.37%	10,695,965	1.22%	66,244	58,953	88.99%	22,077,232	630,559
2021	332,048,977	0.16%	10,567,100	1.08%	64,460	57,008	88.44%	21,403,979	602,410
2020	331,526,933	1.00%	10,453,812	(0.33%)	59,123	51,758	87.54%	19,600,945	541,068
2019	328,239,523	0.48%	10,488,084	1.03%	55,566	48,369	87.05%	18,349,584	501,618
2018	326,687,501	0.52%	10,381,615	1.10%	53,309	46,040	86.36%	17,514,402	473,093
2017	324,985,539	0.63%	10,268,233	1.12%	51,004	44,207	86.67%	16,658,962	449,818
2016	322,941,311	0.72%	10,154,788	1.23%	48,971	42,582	86.95%	15,884,741	429,055
2015	320,635,163	0.73%	10,031,646	0.99%	48,060	41,617	86.59%	15,467,113	414,760

Sources:

- (1) Census estimates based on 2010 census (July 1) for years 2015 - 2019. Census estimates based on 2020 (April 1) census for years 2020-2023. 2024 is an Office of the State Controller estimate based on 2022 and 2023.
- (2) U.S. Department of Commerce Bureau of Economic Analysis used for years 2015 - 2023. Since the 2024 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 2024 U.S. Per Capita Income, and the previous year N.C. as a Percentage of U.S. was used to project the 2024 Per Capita Income for North Carolina. U.S. and N.C. Personal Income was not available, so year 2024 is calculated from sources 3 and 4.

**Per Capita Income
North Carolina Compared to United States
2015 to 2024**



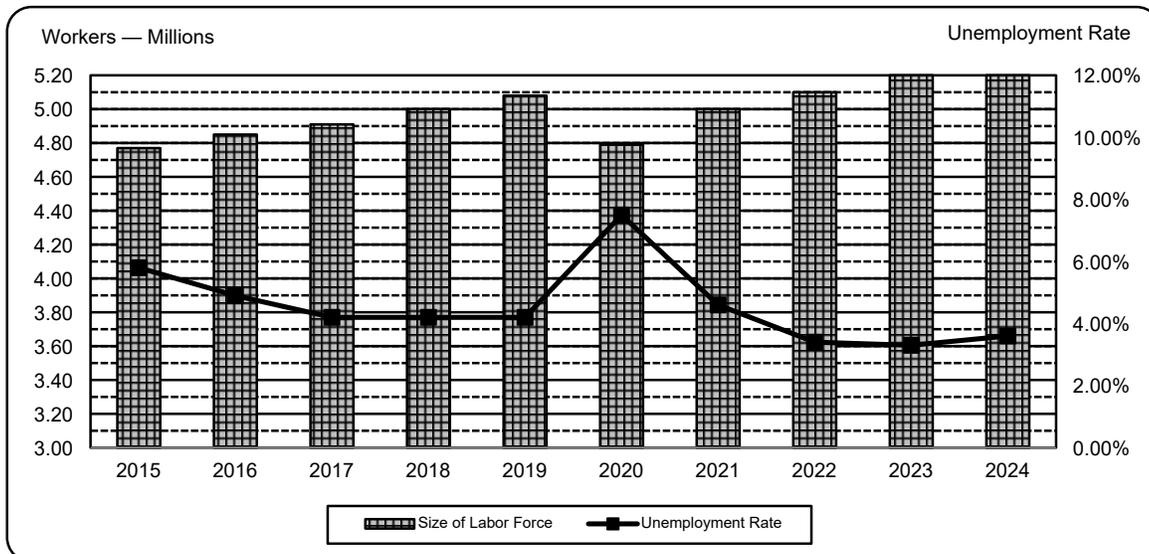
- (3) Population
- (4) Per Capita Income

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⁾
2024	5,269,449	5,079,071	190,378	3.60%	10,329,557	49,721
2023	5,220,556	5,047,952	172,604	3.30%	10,493,355	49,507
2022	5,101,330	4,929,061	172,269	3.40%	10,344,024	50,527
2021	5,000,933	4,769,039	231,894	4.60%	10,245,443	45,417
2020	4,787,234	4,430,134	357,100	7.50%	9,876,946	36,244
2019	5,078,853	4,868,076	210,777	4.20%	9,548,341	34,313
2018	4,997,161	4,787,584	209,577	4.20%	9,403,076	36,166
2017	4,908,517	4,700,760	207,757	4.20%	9,513,210	30,055
2016	4,853,581	4,614,694	238,887	4.90%	9,328,899	27,230
2015	4,770,538	4,493,898	276,640	5.80%	9,076,874	26,293

**Civilian Labor Force Trends
With Unemployment Percentages
2015 to 2024**



Sources: (5) Seasonally Adjusted Labor Force Data - As of June 30

N.C. Division of Employment Security

(6) Motor Vehicle Registrations - For the Fiscal Year Ended June 30

N.C. Division of Motor Vehicles

(7) Residential Housing Permits

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

PRINCIPAL EMPLOYERS

For the Fiscal Years 2015 & 2024

Table 16

	2024			2015		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	175,000-179,999	1	3.49%	175,000-179,999	1	3.95%
Federal Government	80,000-84,999	2	1.62%	65,000-69,999	2	1.50%
Wal-Mart Associates, Inc	60,000-64,999	3	1.23%	45,000-59,999	3	1.17%
Duke University	40,000-44,999	4	0.84%	30,000-34,999	6	0.72%
Atrium Health	40,000-44,999	5	0.84%	-	-	-
Food Lion LLC	35,000-39,999	6	0.74%	30,000-34,999	5	0.72%
Wells Fargo Bank NA	30,000-34,999	7	0.64%	25,000-29,999	7	0.61%
Amazon Fulfillment services Inc	20,000-24,999	8	0.44%	-	-	-
Wake County Public Schools	20,000-24,999	9	0.44%	20,000-24,999	9	0.50%
Bank of America NA	20,000-24,999	10	0.44%	15,000-19,999	10	0.39%
Charlotte Mecklenburg Hospital	-	-	-	30,000-34,999	4	0.72%
Charlotte-Mecklenburg Board of Edu	-	-	-	20,000-24,999	8	0.50%
Total	<u>520,000-569,990</u>		<u>10.72%</u>	<u>455,000-514,990</u>		<u>10.78%</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 2015-2024

	2024	2023	2022	2021	2020
	(2)	(2)	(2)	(2)	(2)
General government (1)	5,798	5,859	5,811	5,769	5,631
Primary and secondary education	157,860	153,595	156,512	156,712	156,693
Higher education:					
Universities	72,476	68,209	67,987	65,824	67,166
Community colleges	16,882	17,002	17,025	17,122	17,761
Health and human services	18,423	18,432	18,286	18,270	18,270
Economic development	1,944	2,083	2,280	2,236	2,554
Environment and natural resources (1)	4,999	4,869	4,295	4,222	4,157
Public safety, corrections and regulation	35,157	35,267	35,232	34,205	34,963
Transportation	11,439	11,421	11,423	11,624	11,669
Agriculture	2,119	2,128	2,127	2,136	2,159
Total	327,097	318,865	320,978	318,120	321,023

Source: North Carolina Office of State Budget and Management

Table 17

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
(2)	(2)			
5,501	4,983	5,160	4,857	5,270
155,755	151,263	153,236	154,079	153,165
65,697	64,028	63,345	62,194	62,152
18,095	18,028	18,021	18,129	18,471
18,098	18,038	17,970	17,552	17,620
2,141	2,136	2,340	3,365	2,893
4,140	4,128	4,112	4,148	3,471
34,034	34,089	34,009	33,966	33,558
11,666	12,141	12,578	12,591	12,758
2,088	2,082	2,077	2,066	2,080
<u>317,215</u>	<u>310,916</u>	<u>312,848</u>	<u>312,947</u>	<u>311,438</u>

(1) 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.

(2) Counts for fiscal year end 2018, 2019, 2020, 2021, 2022, 2023, and 2024 are projected from prior year data.

OPERATING INDICATORS BY FUNCTION

For the Fiscal Years 2015-2024

	2024	2023	2022	2021	2020
General Government					
Department of Revenue					
Number of tax returns filed electronically	11,522,993	11,099,109	10,661,970	10,849,874	9,292,526
Number of tax returns processed	12,830,456	12,525,216	12,229,201	12,772,595	11,102,781
Number of individual refunds direct deposited	2,224,464	2,313,252	2,013,686	2,223,632	1,850,823
Number of individual refunds processed	3,114,662	3,010,256	2,664,561	2,963,570	2,539,044
Number of pieces of incoming mail	2,786,742	2,789,629	3,201,916	3,759,578	3,608,395
Number of pieces of outgoing mail	7,179,042	4,752,256	5,245,111	7,453,330	6,355,203
Department of Administration					
Construction projects administered	3	1	5	4	3
Construction value excluding design fee (thousands)	\$ 161,916	\$ 43,623	\$ 16,715	\$ 8,845	\$ 4,935
USS North Carolina Battleship Commission					
Visitation to USS North Carolina Battleship	232,033	187,771	209,530	126,225	173,919
Primary and Secondary Education					
Public School (K-12)					
Public school enrollment	1,578,765	1,573,840	1,563,458	1,558,633	1,580,754
Total high school graduates	109,797	107,531	101,244	107,375	109,518
Graduate intention to pursue further education	75.8%	76.2%	75.6%	75.4%	78.8%
Higher Education					
Community Colleges					
Number of students (annualized FTE)	241,304	227,974	219,655	214,608	239,554
Number of certificates and degrees awarded	61,836	56,163	63,831	61,690	63,438
Universities					
Number of regular term students (FTE)	221,637	217,906	221,485	220,391	219,021
Number of certificates and degrees awarded	64,049	62,649	62,930	60,692	57,939
Health and Human Services (4)					
Department of Health and Human Services					
Medicaid recipients	2,906,417	2,861,926	2,618,162	2,423,504	2,097,451
Food stamp recipients	2,014,547	1,974,325	2,002,376	1,809,263	1,739,775
Clients served by mental health facilities	1,367	1,075	1,386	1,826	2,167
Clients served by developmental disabilities facilities	712	751	805	895	954
Clients served by substance abuse facilities	2,963	1,974	2,572	3,564	3,883
Clients served by neuro-meds facilities	302	333	379	436	502
Children served through subsidized child care	65,259	92,846	85,825	85,273	119,550
Participation in Special Supplemental Nutrition Program	235,902	265,272	253,547	252,719	220,455
Clients served through Work First	23,973	31,594	29,631	30,276	34,022
NC Health Choice annual enrollment	-	-	78,021	101,032	120,729

Source: Financial reporting entities listed in the table.

Table 18

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
9,163,552	8,837,553	8,418,279	7,941,295	7,263,173
11,323,904	11,217,334	11,150,416	10,946,995	10,363,073
1,875,194	1,806,510	1,825,815	1,453,984	1,412,624
2,717,162	2,683,039	2,753,655	2,308,133	2,311,764
4,186,563	4,160,827	4,580,005	5,219,418	5,090,535
8,814,460	8,934,110	9,050,706	9,083,964	9,219,001
3	1	2	8	8
\$ 139	\$ -	\$ 33,309	\$ 72,824	\$ 63,552
187,570	211,596	218,479	212,369	202,447
1,579,332	1,582,118	1,545,614	1,538,310	1,520,985
107,095	103,261	101,991	99,183	96,477
81%	82%	85.9%	83.8%	83.8%
230,140	219,176	222,461	220,312	225,135
65,305	63,226	62,131	58,960	49,592
216,959	213,218	209,401	205,119	202,447
55,874	54,838	53,236	51,799	51,850
2,073,052	2,247,663	2,200,011	2,198,496	2,054,975
1,797,272	1,345,157	1,436,586	1,609,669	1,649,754
3,017	3,062	3,110	3,146	3,301
985	1,136	1,156	1,161	1,199
3,374	3,466	3,496	3,512	3,698
515	612	644	683	721
120,017	122,924	105,755	112,545	120,471
221,206	230,071	240,691	244,652	248,575
38,576	27,436	26,415	31,015	33,598
109,644	94,698	90,589	81,897	78,407

Continued

OPERATING INDICATORS BY FUNCTION (Continued)

For the Fiscal Years 2015-2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Economic Development</u>					
Economic Development Partnership of North Carolina					
Jobs generated company recruitment/expansion	13,888	13,887	30,546	25,796	18,304
Capital investment (thousands)	\$ 10,500,000	\$ 9,670,000	\$ 13,250,000	\$ 9,275,000	\$ 5,630,000
Department of Commerce					
Total employed	5,079,071	5,047,952	4,929,061	4,769,039	4,430,134
Percentage of unemployment	3.6%	3.3%	3.4%	4.6%	7.5%
<u>Environment and Natural Resources</u>					
Department of Environmental Quality					
Public drinking water systems in compliance	99%	99%	99%	99%	98%
Department of Natural and Cultural Resources					
Visitation to state parks	20,261,169	19,540,013	20,924,142	23,459,561	17,391,643
Visitation to historical sites and museums	4,550,811	4,404,132	4,019,105	2,950,439	2,451,425
Visitation to state aquariums	1,363,494	1,409,637	1,309,703	862,418	801,738
Visitation to N.C. Zoo	1,060,354	966,263	1,008,296	636,448	490,829
Wildlife Resources Commission					
Hunting licenses sold	195,182	196,974	201,869	200,969	186,284
Fishing licenses sold (inland and coastal)	707,193	725,590	771,624	920,244	790,572
Combination hunting/fishing licenses sold	126,470	151,818	168,079	167,682	162,681
Vessels registered	171,483	170,078	182,146	188,883	186,594
<u>Public Safety, Corrections and Regulation (3)</u>					
Department of Public Safety & Department of Adult Corrections					
Incarcerated adult offenders	31,943	30,815	29,977	29,113	31,506
Supervised adult offenders	71,486	77,654	76,292	77,463	94,937
Juvenile offenders	5,262	5,270	5,361	4,299	4,632
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%
<u>Agriculture</u>					
Department of Agriculture and Consumer Services					
Motor fuel dispensers tested (1)	80,504	101,898	100,061	5,061	81,907
Rejection rate	3.9%	8.2%	6.92%	12.6%	6.1%
Retail scales tested (2)	30,447	27,919	38,484	1,479	23,028
Rejection rate	2.8%	5.5%	5.16%	12.9%	8.3%

Table 18

2019	2018	2017	2016	2015
22,061	20,794	15,748	14,806	14,812
\$ 3,325,257	\$ 3,580,000	\$ 3,831,981	\$ 4,245,981	\$ 2,388,677
4,868,076	4,787,584	4,700,760	4,614,694	4,493,898
4.2%	4.2%	4.2%	4.9%	5.8%
98%	98%	99%	97%	96%
17,866,517	19,153,780	19,038,513	18,053,654	16,293,380
4,506,115	4,014,046	5,488,204	5,480,871	4,627,997
690,809	1,376,820	1,347,641	1,233,070	1,268,467
864,138	839,963	870,882	755,567	721,432
176,847	144,380	141,448	145,029	145,729
742,253	743,316	779,184	789,049	795,878
139,878	146,772	152,801	161,847	191,244
173,732	173,740	176,585	179,485	146,305
36,053	37,104	37,487	37,440	37,793
100,348	97,798	99,313	100,881	102,790
5,349	6,075	6,613	7,170	8,037
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
117,459	116,709	106,614	91,525	95,811
33.06%	27.7%	11.49%	13%	16%
27,110	33,630	31,994	33,270	26,091
7.6%	7.7%	8.7%	9.4%	8.8%

(1) Governed by Gasoline and Oil Inspection Law (General Statute 119)

(2) Governed by North Carolina Weights and Measures Act (General Statute 81A)

(3) Beginning in fiscal year 2023, The Department of Adult Corrections is displayed in the title as it was created as a separate agency in fiscal year 2023.

(4) The NC Health choice program no longer exists and shows a 100% decrease in fiscal year 2023 compared to fiscal year 2022, due to a legislative change resulting in an increase in enrollment for Medicaid.

CAPITAL ASSET STATISTICS BY FUNCTION

For the Fiscal Years 2015-2024

	2024	2023	2022	2021	2020
Primary Government					
General Government					
Department of Administration					
Buildings	63	65	64	65	67
Parking lots	24	24	24	24	24
Parking spaces	8,165	8,369	8,433	8,433	8,425
Motor Fleet vehicles	8,529	8,138	7,894	7,957	7,806
Health and Human Services					
Mental Health Institutions	12	13	13	13	13
Number of certified beds	3,622	3,979	4,029	3,986	3,964
Environment and Natural Resources					
Department of Natural and Cultural Resources					
Number of state park lands	35	35	35	35	34
Acres of state park lands	175,331	174,848	171,546	172,759	165,168
Number of state recreation areas	4	4	4	4	4
Acres of state recreation areas (8)	12,400	13,256	13,256	13,256	13,256
Number of state natural areas	25	25	25	24	24
Acres of state natural areas (9)	42,054	35,646	35,509	33,259	29,830
Number of state lakes	7	7	7	7	7
Acres of state lakes	29,113	29,135	29,135	29,135	29,135
Zoo animals	1,391	1,236	1,247	1,270	1,326
Vehicles (4)	1,078	932	945	856	880
Boats/trailers (4)	382	300	351	333	336
Scientific equipment (4)	419	323	348	342	391
Department of Environmental Quality					
Vehicles (5)	144	141	143	157	158
Boats/trailers (5)	460	423	457	430	433
Aircraft	2	2	2	2	2
Scientific equipment (5)	613	641	534	1,298	1,233
Wildlife Resources Commission					
Number of game lands	72	72	94	72	71
Acres of game lands	542,000	540,076	544,481	533,595	532,733
Vehicles	546	551	534	543	568
Boats/trailers	954	983	605	969	1,033
Aircraft	2	2	2	2	2
Public Safety, Corrections and Regulation					
Department of Adult Corrections (7)					
Close security prisons	14	13	14	13	19
Medium security prisons	19	20	19	19	17
Minimum security prisons	22	23	20	23	25
Adult Correction Vehicles:					
Passenger/cargo vans	223	217	206	177	183
Inmate transfer vans/buses	483	460	453	595	555
Inmate work crew vans/buses (6)	—	—	—	—	—
Pickup trucks	340	282	280	143	124
Roving patrol pickups	103	99	106	111	105
One ton maintenance trucks	83	85	92	341	334
Specialty/other trucks (1)	89	81	77	346	358

Source: Financial reporting entities listed in the table.

Table 19

2019	2018	2017	2016	2015
71	74	82	87	107
24	24	24	25	25
8,391	8,434	8,434	8,423	8,526
7,538	7,657	7,591	7,465	7,602
13	13	12	13	13
4,008	3,916	4,041	4,087	4,111
34	34	35	35	35
165,168	163,159	162,294	160,891	157,856
4	4	4	4	4
13,256	13,256	13,256	13,256	13,256
24	28	24	24	20
28,328	28,024	26,114	26,000	24,662
7	7	7	7	7
29,135	29,135	29,135	29,135	29,135
1,672	1,393	1,533	1,341	1,767
868	853	850	863	—
351	352	341	316	—
165	50	53	49	—
173	179	181	178	889
434	416	430	443	519
2	4	2	3	3
1,049	734	716	743	749
70	70	69	66	64
509,600	501,617	492,950	488,589	481,665
575	571	570	563	463
913	898	906	870	796
2	3	3	3	3
15	14	14	15	14
19	19	18	17	18
21	22	23	26	26
239	180	183	129	127
616	347	536	497	490
—	148	191	208	218
348	425	450	361	376
109	106	123	100	95
104	184	190	104	106
71	152	160	114	108

Continued

CAPITAL ASSET STATISTICS BY FUNCTION (Continued)

For the Fiscal Years 2015-2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Department of Adult Corrections (7)					
Enterprise Vehicles:					
Passenger/cargo vans	26	26	20	18	18
Inmate workcrew buses	14	14	19	16	16
Pickup trucks	53	53	47	42	42
One ton maintenance trucks	34	34	64	64	64
Specialty/other trucks	91	91	95	95	95
Department of Public Safety					
Youth facilities	14	10	10	11	11
Number of vehicles:					
Alcohol Law Enforcement Cars/SUV's	181	163	166	167	171
State Highway Patrol Vehicles					
Cars/SUV's (10)	1,922	1,753	1,819	1,766	1,693
Trucks/vans	546	537	416	383	403
Motorcycles	38	37	42	36	35
State Highway Patrol Aircraft Helicopters	5	3	2	4	2
State Bureau of Investigation					
Cars/SUV's	215	239	238	271	266
Trucks/vans	167	182	159	145	141
Transportation					
Department of Transportation					
Pavement in lane-miles:					
Primary subsystem (2)	—	15,212	15,187	15,205	15,176
Secondary subsystem (2)	—	65,268	65,197	65,113	65,066
Bridges:					
Number of bridges (2)	—	13,749	13,689	13,570	13,587
Number of culverts (2)	—	4,894	4,860	4,807	4,756
Vehicles	7,846	8,013	7,932	7,846	7,763
Heavy equipment	16,552	16,448	15,948	15,877	15,287
Component Units					
Higher Education					
Community Colleges					
Buildings	1,382	1,360	1,337	1,313	1,277
Universities					
Academic/administrative buildings	1,066	1,071	1,071	1,057	1,050
Dormitories/auxiliary buildings	811	815	810	800	792
Medical (3)	26	24	24	24	25
University System Hospitals					
Administration	13	13	17	17	16
Clinical	35	35	30	30	30
Facility services	9	9	9	9	9
Hospital	14	14	14	11	10

Table 19

2019	2018	2017	2016	2015
16	16	17	16	16
18	18	18	19	18
56	55	52	53	52
20	20	20	19	21
112	116	113	114	117
10	10	10	10	10
175	156	175	178	225
1,699	1,649	1,672	1,738	1,805
362	372	407	418	525
38	37	38	41	46
4	6	6	6	6
292	275	284	257	308
115	90	93	74	78
15,164	15,142	15,125	15,125	15,062
64,995	64,901	64,830	64,544	64,522
13,476	13,413	13,522	13,494	13,519
4,739	4,653	4,654	4,592	4,520
8,007	8,779	8,276	872	9,191
15,636	15,948	14,840	14,799	15,237
1,275	1,271	1,238	1,234	1,199
1,045	1,053	1,052	1,044	1,070
790	789	786	744	721
25	35	35	36	49
12	16	16	16	18
32	47	61	52	51
9	10	10	10	10
9	9	9	9	8

(1) Includes boom trucks, cranes, flat beds, rollbacks, yard trucks, dump trucks, semi-trucks, etc.

(2) Recent data from the source was not available, as of the date of publication.

(3) East Carolina Teaching Hospital

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

(5) Starting in fiscal year 2016, vehicles, boats/trailers, and scientific equipment decreased because five divisions are now included in the Department of Natural and Cultural Resources; whereas in prior years the divisions were included with the Department of Environmental Quality, formerly Department of Environment and Natural Resources.

(6) In fiscal year 2019, vehicle statistics were changed by vehicle type as vehicles were repurposed.

(7) Effective January 1, 2023, the Division of Adult Corrections of the Department of Public Safety became the Department of Adult Corrections and is shown separately in FY2023

(8) In fiscal year 2024, acreages were recalculated based on survey and/or GIS (Geographical Information System) determination which are more accurate.

(9) In FY2024, there was a recalculation of Bald Head Island, additional 1,149 acres acquired for Bakers Lake, Lower Haw River State Natural Area added another 332 acres, and Mount Jefferson State Park added 45 acres.

(10) In FY2024, NCDPS purchased additional SUV's.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND
For the Fiscal Years 2015-2024

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 2015-2024

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.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1) Required contribution and investment revenue:										
Earned	\$ 14,563	\$ 19,099	\$12,518	\$12,585	\$ 19,931	\$20,473	\$10,521	\$ 6,974	\$ 13,682	\$14,766
Ceded	3,545	3,665	3,386	3,298	3,952	6,396	18,750	22,266	26,901	24,115
Net earned	11,018	15,434	9,132	9,287	15,979	14,077	(8,229)	(15,292)	(13,219)	(9,349)
2) Unallocated expenses	635	600	659	583	564	619	446	434	509	556
3) Estimated claims and expenses, end of policy year:										
Incurred	10,524	943	16,149	1,271	62,387	7,357	4,976	7,280	2,156	917
Ceded	—	—	—	—	(45,500)	—	—	—	—	—
Net incurred	10,524	943	16,149	1,271	16,887	7,357	4,976	7,280	2,156	917
4) Paid (cumulative) as of:										
End of policy year	1,448	872	4,188	1,015	10,969	2,861	2,914	1,956	904	998
One year later	5,389	1,078	10,189	1,735	40,580	8,461	5,950	4,460	904	
Two years later	5,389	1,078	12,381	1,735	45,887	9,106	6,046	4,460		
Three years later	5,389	1,078	12,381	1,735	45,887	9,106	6,046			
Four years later	5,389	1,078	12,381	1,735	45,887	9,106				
Five years later	5,389	1,078	12,381	1,735	45,887					
Six years later	5,389	1,078	12,381	1,735						
Seven years later	5,389	1,078	12,381							
Eight years later	5,389	1,078								
Nine years later	5,389									
5) Reestimated ceded claims and expenses	—	—	2,834	—	—	—	—	—	—	—
6) Reestimated net incurred claims and expenses:										
End of policy year	10,524	943	16,149	1,271	16,887	2,867	6,853	3,945	1,252	(81)
One year later	10,669	917	18,622	1,800	55,177	8,467	9,648	7,749	1,252	
Two years later	10,669	917	12,547	1,800	60,484	8,467	9,648	7,749		
Three years later	10,669	917	12,547	1,800	60,484	8,467	9,648			
Four years later	10,669	917	12,547	1,800	60,484	8,467				
Five years later	10,669	917	12,547	1,800	60,484					
Six years later	10,669	917	12,547	1,800						
Seven years later	10,669	917	12,547							
Eight years later	10,669	917								
Nine years later	10,669									
7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	145	(26)	(3,602)	529	43,597	1,110	4,672	469	(904)	(998)

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