Office of the
State Controller

State of North Carolina

Annual Comprehensive Financial Report

Fiscal Year Ending June 30, 2023

On the cover:

This year's Annual Comprehensive Financial Report (ACFR) is dedicated to Dr. Linda Combs who served as North Carolina's State Controller from 2014 – 2022, and previously served as the Controller for the United States from 2005 – 2007. Dr. Combs passed away suddenly on October 19, 2023, and left behind a legacy of excellence in public service.

Bass Lake, also known as Cone Lake, was a favorite spot for her and her husband Dave. This lake is a 22-acre man-made lake or reservoir located in Blowing Rock, Watauga County, North Carolina. The Moses H. Cone estate, also called Flat Top Manor, is on a hillside overlooking the lake, whose elevation is 3,563 feet. The cover photo was provided by Dave Combs.

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2023

ROY COOPER
GOVERNOR

NELS C. ROSELAND
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

https://www.osc.nc.gov

This report was prepared by the
Statewide Accounting staff of the North Carolina Office of the State Controller.

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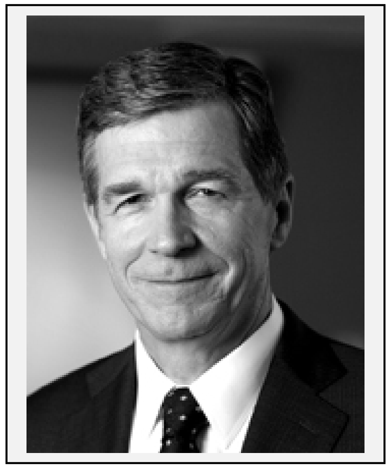
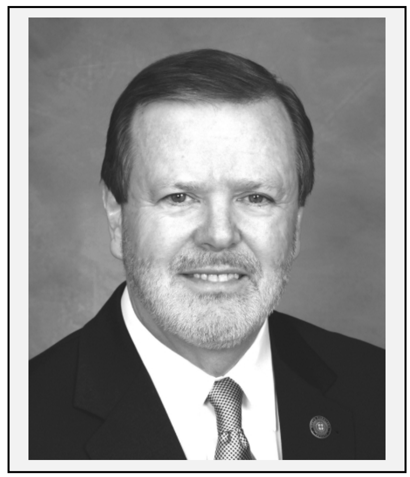
Special appreciation is given to the chief fiscal officers and the dedicated accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.



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, 2023

INTRODUCTORY SECTION

State of North Carolina
Office of the State Controller

NELS C. ROSELAND
STATE CONTROLLER

December 6, 2023

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 2023 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.

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 is located in Raleigh, in the central piedmont. Charlotte, Raleigh, Greensboro, Durham, and Winston-Salem are North Carolina's largest cities and there are 100 counties.

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

Government

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

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

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

State Reporting Entity and Its Services

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

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

Budgetary Control

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

Economic Condition

Overview

Throughout fiscal year 2022-23, economic indicators showed that amid uncertainty, North Carolina's economy was continuing the expansion phase of the business cycle that had begun after the pandemic shock. However, growth slowed significantly from the early recovery due to rapid inflation not seen in several decades. The Federal Reserve responded to this by raising interest rates to reduce the money supply and slow economy-wide spending. Adding to the economic uncertainty this action created, short term shocks to commodity prices driven by the war in Ukraine caused additional unease about the resilience of the economy. This led to fears of a recession, but a resilient labor market caused hopes of a "soft landing" in which monetary policy could bring down inflation without causing a large uptick in unemployment.

Aggressive interest rate increases by the Federal Reserve appear to have been successful in bringing down inflation from the high levels seen in fiscal year 2021-22. The annualized rate of inflation growth fell from 5.4% to 2.7% when comparing the first and last quarters of fiscal year 2022-23. Meanwhile, the nationwide unemployment rate held steady, hovering between 3.5% and 3.6% for the year. Corporate profits and retail sales, while slowing their growth rate from the double-digit numbers seen in the previous year, remained robust. This gave companies the confidence to compete in a tight labor market by offering higher wages. Driven by this, personal income growth increased nationwide and surpassed growth rates from the previous year.

North Carolina was overall in line with nationwide figures on major economic indicators. Personal income growth was slightly higher than the national figure, driven by increases in wages and salaries. Unemployment stayed low as well, dropping below the national average at 3.3% for the fourth quarter of the fiscal year. The overall size of the labor force continued to increase, though at a much slower rate than in fiscal year 2021-22. This was because the pool of workers in reserve was depleted after a rapid return to employment following the pandemic; demographic factors such as the overall aging population structure also limited the size of the labor pool.

With inflation moderating, the Federal Reserve slowed the pace of rate hikes while keeping the overall interest rate level higher than it had been during the post-Great Recession period. This established the background for the projections of key economic indicators used to generate the forecast for the next biennium (fiscal year 2023-24 and fiscal year 2024-25.) While stronger-than-expected wage growth in the current fiscal year has slightly improved the outlook for consumer spending, the biennial forecast assumes that inflation will moderate and the economy will experience what has been described as a "slowcession", where economic growth stays low without slipping into reverse for any extended period. The risk of an outright recession remains high, though dampened from the outlook in fiscal year 2021-22.

Economic Indicators

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Projected	FY 2024-25 Projected
United States Indicators				
Real Gross Domestic Product Growth	3.9%	1.6%	1.9%	1.3%
Personal Income Growth	3.3%	5.1%	4.8%	4.1%
Corporate Pre-Tax Profit Growth	11.7%	5.3%	-1.4%	-1.3%
Retail Sales Growth	11.4%	4.8%	2.6%	2.7%
Average Unemployment Rate	4.2%	3.6%	3.9%	4.2%
Average Consumer Price Index Growth	7.2%	6.3%	3.1%	2.4%
Average 30-yr Fixed Mortgage Interest Rate	3.7%	6.3%	6.9%	6.3%
North Carolina Indicators				
Real Gross State Product Growth	3.9%	0.7%	2.1%	1.8%
Personal Income Growth	5.6%	5.8%	5.5%	4.6%
Wages and Salaries Growth	11.2%	7.9%	7.2%	5.0%
Retail Sales Growth	11.8%	7.2%	4.8%	4.8%
Average Unemployment Rate	4.0%	3.7%	3.7%	4.1%
Nonfarm Employment Growth	6.9%	2.0%	1.7%	0.5%

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 2022-23, the balance was $40 million. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of $584 thousand were transferred from the General Fund. During the fiscal year, $40.584 million was transferred out of the Solvency Reserve to TSERS and RHBF, resulting in the reserve ending the year with a zero balance.

Medicaid Expansion

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. Of these savings, the budget appropriated $220 million toward the NC Care initiative to improve access to health care, $216 million to various community colleges for capital projects focused on health care and health sciences, and over $200 million for workforce development, programs, and capital projects to strengthen the state's behavioral health infrastructure.

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. Through the fiscal year ended June 2023, project spending has amounted to approximately $61 million out of the $90 million appropriated.

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 2023, the Office of State Budget and Management, along with the Fiscal Research Division of the General Assembly, recommended a target of 11.8% of the prior fiscal year's General Fund operating budget appropriations. At June 30, 2023, the Savings Reserve was $4.75 billion, which represents 18.21% 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 2022-74, the Office of the State Controller was authorized to transfer $3.18 billion from the Unreserved Fund Balance to the SCIF Reserve for fiscal year 2023. During fiscal year 2023, all but $500.9 million was appropriated to support General Fund debt service, state agency and university capital projects, community college projects, grants in aid to local governments, and grants in aid to non-profits. Session Law 2022-74 also changed the General Fund statutory contribution to the amount reflected above.

Connect NC Bond Act Amendment

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

Justification & Expected Long-term benefits of Tax Abatements

The Jobs Development Investment Grant (JDIG Program) is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to twelve years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. In adopting the JDIG Program in the 2001-2002 Session, the General Assembly intended "to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State." The long-term benefits to the state of North Carolina generated by the fiscal year 2022-2023 grant payments include 1) the creation of 28,104 jobs, 2) capital investment of $5.15 billion, and 3) $11.6 million contributed to the Utility Fund for infrastructure grants to rural counties.

State Fiscal Recovery Reserve and State Fiscal Recovery Fund

In response to the Coronavirus pandemic, Session Law 2021-25 was signed into law on May 24, 2021. This bill created the State Fiscal Recovery Reserve and State Fiscal Recovery Fund (SFRF) to manage federal funds received from the federal government under the American Rescue Plan Act (ARPA) of 2021, P.L.117-2. North Carolina received $5.4 billion in federal funds from ARPA for the SFRF. At June 30, 2023, $1.9 billion had been spent on COVID-19 relief and $3.54 billion was reported as unearned revenue.

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 2023 study indicated over the ten-year planning horizon, the State's revenue projections show a positive growth trend not excessively impacted from earlier declines in economic activity caused by the COVID-19 pandemic or recent increases in interest rates. The study found that the State's General Fund has debt capacity of $1.603 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 2.16% in fiscal year 2023. 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 thirteen 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, 2022. This was the 29th consecutive year (1994 to 2022) the State has received the prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Acknowledgments

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

Respectfully submitted,

Nels C. Roseland

Nels C. Roseland
State Controller

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, 2022

Christopher P. Morrill

Executive Director/CEO

ORGANIZATION OF NORTH CAROLINA STATE GOVERNMENT INCLUDING PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

Council of State

Governor
Roy Cooper

Lieutenant Governor
Mark K. Robinson*

Secretary of State
Elaine F. Marshall

State Auditor
Beth A. Wood

State Treasurer
Dale R. Folwell, CPA

State Superintendent of Public Instruction
Catherine Truitt

Attorney General
Josh Stein

Commissioner of Agriculture
Steven W. Troxler

Commissioner of Labor
Josh Dobson

Commissioner of Insurance
Mike Causey

Cabinet Secretaries — Appointed by the Governor

Administration
Pamela B. Cashwell

Adult Corrections
Todd Ishee

Commerce
Machelle Baker Sanders

Environmental Quality
Elizabeth S. Biser

Health and Human Services
Kody H. Kinsley

Information Technology
James A. Weaver

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

Natural and Cultural Resources
D. Reid Wilson

Public Safety
Eddie M. Buffaloe Jr.

Revenue
Ronald G. Penny

Transportation
J. Eric Boyette

Appointed by Governor, Confirmed by Legislature

State Controller
Nels C. Roseland

Appointed by State Board of Community Colleges

Community College System
Jeff Cox
President

Appointed by University Board of Governors

University of North Carolina System
Peter Hans
President

LEGISLATIVE BRANCH

Senate

President Pro Tempore
Philip Berger

Deputy Pres. Pro Tempore
Ralph Hise

Majority Leader
Paul Newton

Minority Leader
Dan Blue

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

House of Representatives

Speaker
Tim Moore

Speaker Pro Tempore
Sarah Stevens

Majority Leader
John R. Bell, IV

Minority Leader
Robert T. Reives, II

JUDICIAL BRANCH

North Carolina Supreme Court

Chief Justice
Paul Newby

Associate Justices
Richard Dietz
Trey Allen
Michael Morgan
Anita Earls
Philip Berger Jr.
Tamara Barringer

Administrative Office of the Courts
Ryan S. Boyce
Director

Component Units

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

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

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FINANCIAL SECTION

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of and for the year ended June 30, 2023, 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, 2023, 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 75 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 3 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Housing Finance Agency, which represent 5 percent and 3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.

- The North Carolina State Education Assistance Authority, which represent 9 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc., which represent 2 percent of the assets of the aggregate discretely presented component units.
- The University of North Carolina System - University of North Carolina Health Care System - Rex Healthcare, Inc., which represent 3 percent and 6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The Supplemental Retirement Income Plan of North Carolina, which represent 9 percent of the assets of the aggregate remaining fund information.
- The North Carolina Public Employee Deferred Compensation Plan, which represent 1 percent of the assets of the aggregate remaining fund information.
- The North Carolina Department of State Treasurer Investment Programs, which represent 29 percent and 1 percent, respectively, of the assets and revenues of the governmental activities; 13 percent of the assets of the business-type activities; 7 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; and 88 percent and 27 percent, respectively, of the assets and revenues 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 maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

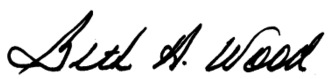
The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 6, 2023, on our consideration of the State of North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Carolina's internal control over financial reporting and compliance. The report on internal control over financial reporting and on compliance and other matters will be published at a later date in the State of North Carolina's *Single Audit Report*.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 6, 2023

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, 2023. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

— The State's total net position increased by $9.56 billion or 12.35% as a result of this year's operations. Net position of governmental activities increased by $8.72 billion (12.28%) and net position of business-type activities increased by $838 million (or 13.16%). At year-end, net position of governmental activities and business-type activities totaled $79.75 billion and $7.21 billion, respectively.

— Component units reported net position of $26.19 billion, an increase of $2.6 billion or 11.04% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financial Statements

— The fund balance of the General Fund increased from $18.46 billion at June 30, 2022 (as restated) to $22.37 billion at June 30, 2023, an increase of 21.18%.

— The Highway Fund reported a fund balance of $1.2 billion at June 30, 2023, an increase of $18.73 million from the previous year with a restated fund balance of $1.18 billion at June 30, 2022. With the implementation of GASB 94, the Highway Fund restated a deferred inflow that restated and decreased the prior year's ending fund balance in the amount of $70.2 million. While this restatement created the comparative increase in fund balance, the primary activity of the Highway Fund indicates a decrease during the fiscal year. 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 $1.08 billion, a decrease of 33.93% from the previous year. The fund balance decrease is attributable to the overall increase in capital outlay expenditures outpacing revenues.

— The Unemployment Compensation Fund reported net position of $4.43 billion at June 30, 2023 compared to $3.79 billion at June 30, 2022, an increase of $639.90 million or 16.86%. The increase in net position is related to various fluctuations, many of which continue to relate to the impacts from the Coronavirus pandemic. Unemployment rates remained low during the 2022-23 fiscal year, with the lowest rate of 3.3% reported in June 2023.

— The N.C. State Lottery Fund reported net ticket sales of $4.34 billion, an increase of 11.72% from the previous year. As required by law, the Lottery transferred $1.016 billion to the General Fund to support educational programs.

— The N.C. Turnpike Authority (NCTA) reported net position of $325.44 million, an increase of 38.11% from the previous year. The NCTA reported operating income of $2.31 million, which represents an increase of $3.5 million from the prior year, related to a $4.5 million increase in operating revenues. NCTA also had a $23.11 million increase in nonoperating expenses due to a $9.13 million decrease in investment earnings and a $13.57 million increase in interest and fees related to interest paid on NCTA's bond debt during the fiscal year. NCTA also reported a $75.36 million increase in capital contributions and a $55.96 million increase in transfers in, which contributed to the increase in net position.

— The EPA Revolving Loan Fund reported net position of $2.19 billion, an increase of 5.43% from the previous year. Operating income was $7.33 million, and net nonoperating revenues of $86.63 million consisted primarily of federal capitalization grants.

Capital Assets

— The State's investment in capital assets (net of accumulated depreciation) was $69.21 billion, an increase of 5.34% from the previous fiscal year-end.

— Significant year-end construction in progress amounts were for state highway projects ($3.24 billion), an expressway project ($745.42 million), a new system for managing and administering social service benefits ($768.67 million), a relocation project for the DHHS campus ($55.56 million), a new statewide accounting system ($33.4 million) and a new skilled nursing facility for state veterans ($46.73 million).

Long-term Debt

— The State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of $7.53 billion, a decrease of 8.62% 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

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

Government-wide Financial Statements
The Statement of Net Position and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better off or worse off as a result of this year’s activities? These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year’s revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Position (pages 50 and 51) presents all of the State’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the sum of these components reported as “net position.” Over time, increases and decreases in net position measure whether the State’s financial position is improving or deteriorating.

The Statement of Activities (pages 52 and 53) 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 266 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 $86.95 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, 2023 and 2022
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2023	2022 (as restated)	2023	2022 (as restated)	2023	2022 (as restated)	2022-23
Current and other non-current assets	$40,470,214	$35,833,931	$8,125,245	$ 7,641,834	$48,595,459	$43,475,765	11.78%
Capital assets, net	66,316,777	63,025,149	2,895,271	2,681,232	69,212,048	65,706,381	5.34%
Total assets	106,786,991	98,859,080	11,020,516	10,323,066	117,807,507	109,182,146	7.90%
Total deferred outflows of resources	4,056,216	3,276,214	88,088	73,654	4,144,304	3,349,868	23.72%
Long-term liabilities	16,558,592	16,718,011	2,824,217	2,871,214	19,382,809	19,589,225	(1.05%)
Other liabilities	11,831,809	11,040,860	1,001,354	1,081,746	12,833,163	12,122,606	5.86%
Total liabilities	28,390,401	27,758,871	3,825,571	3,952,960	32,215,972	31,711,831	1.59%
Total deferred inflows of resources	2,707,431	3,350,640	75,171	74,157	2,782,602	3,424,797	(18.75%)
Net position:							
Net investment in capital assets	62,526,432	59,317,526	598,131	493,076	63,124,563	59,810,602	5.54%
Restricted	1,788,260	2,017,711	166,230	204,494	1,954,490	2,222,205	(12.05%)
Unrestricted	15,430,683	9,690,546	6,443,501	5,672,033	21,874,184	15,362,579	42.39%
Total net position	$79,745,375	$71,025,783	$7,207,862	$ 6,369,603	$86,953,237	$77,395,386	12.35%

The largest component of the State's net position (72.6% for fiscal year 2023) 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 ($1.97 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 $15.43 billion at June 30, 2023, an increase of $5.74 billion from the prior year. The strong financial results for fiscal year 2023 (i.e., the excess of revenues over expenses of $7.82 billion) contributed to the increase in unrestricted net position. The State also had an increase of cash in fiscal year 2023 of $2.82 billion (10.57% increase). The increase in cash is attributable to $1.71 billion in new inflation and stabilization reserves. 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 $5.54 billion of bonds and special indebtedness outstanding for governmental activities at June 30, 2023, approximately $2.32 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, 2023, the State's governmental activities have significant unfunded liabilities for compensated absences of $593.32 million, pension liabilities of $3.76 billion, net OPEB liabilities of $4.67 billion, workers' compensation of $617.25 million, and claims and judgments payable of $731.7 million (see Note 8 to the financial statements).

The State's overall net position increased $9.56 billion or 12.35% (total primary government) from the prior fiscal year. The net position of the governmental activities increased $8.72 billion or 12.28% and business-type activities increased $838.26 million or 13.16%. The following financial information was derived from the government-wide Statement of Activities:

Changes in Net Position for the Fiscal Years Ended June 30, 2023 and 2022
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2023	2022 (as restated)	2023	2022 (as restated)	2023	2022 (as restated)	2022-23
Revenues:							
Program revenues							
Charges for services	$3,279,413	$3,108,005	$5,436,186	$4,889,659	$8,715,599	$7,997,664	8.98%
Operating grants and contributions	31,055,694	30,859,243	320,229	695,299	31,375,923	31,554,542	(0.57%)
Capital grants and contributions	1,266,732	1,149,590	75,564	248	1,342,296	1,149,838	16.74%
General revenues							
Taxes:							
Individual income tax	16,799,392	17,845,868	—	—	16,799,392	17,845,868	(5.86%)
Corporate income tax	1,728,595	1,624,384	—	—	1,728,595	1,624,384	6.42%
Sales and use tax	11,657,850	11,029,810	—	—	11,657,850	11,029,810	5.69%
Motor fuels tax	2,619,790	2,227,883	—	—	2,619,790	2,227,883	17.59%
Franchise tax	857,100	879,789	—	—	857,100	879,789	(2.58%)
Highway use tax	1,186,526	1,137,060	—	—	1,186,526	1,137,060	4.35%
Insurance tax	1,165,117	1,000,680	—	—	1,165,117	1,000,680	16.43%
Beverage tax	592,168	559,195	—	—	592,168	559,195	5.90%
Tobacco products tax	283,849	296,416	—	—	283,849	296,416	(4.24%)
Other taxes	339,835	372,624	—	—	339,835	372,624	(8.80%)
Tobacco settlement	156,549	171,849	—	—	156,549	171,849	(8.90%)
Federal COVID-19	673,203	1,525,132	—	—	673,203	1,525,132	(55.86%)
Unrestricted investment earnings	553,841	60,506	—	—	553,841	60,506	815.35%
Noncapital contributions	35,475	38,147	747	517	36,222	38,664	(6.32%)
Miscellaneous	79,241	67,754	—	1,318	79,241	69,072	14.72%
Total revenues	74,330,370	73,953,935	5,832,726	5,587,041	80,163,096	79,540,976	0.78%
Expenses:							
General government	2,764,844	3,032,569	—	—	2,764,844	3,032,569	(8.83%)
Primary and secondary education	15,512,806	15,442,974	—	—	15,512,806	15,442,974	0.45%
Higher education	5,665,180	5,473,516	—	—	5,665,180	5,473,516	3.50%
Health and human services	32,313,673	30,645,511	—	—	32,313,673	30,645,511	5.44%
Economic development	756,992	435,295	—	—	756,992	435,295	73.90%
Environment and natural resources	865,794	816,601	—	—	865,794	816,601	6.02%
Public safety, corrections and regulation	4,269,861	4,777,868	—	—	4,269,861	4,777,868	(10.63%)
Transportation	3,790,329	3,079,409	—	—	3,790,329	3,079,409	23.09%
Agriculture	396,929	249,195	—	—	396,929	249,195	59.28%
Interest on long-term debt	172,351	173,241	—	—	172,351	173,241	(0.51%)
Unemployment compensation	—	—	276,982	672,550	276,982	672,550	(58.82%)
N.C. State Lottery	—	—	3,332,492	2,960,246	3,332,492	2,960,246	12.57%
EPA Revolving Loan	—	—	50,852	17,314	50,852	17,314	193.70%
N.C. Turnpike Authority	—	—	224,730	235,152	224,730	235,152	(4.43%)
Regulatory programs	—	—	151,784	138,494	151,784	138,494	9.60%
Insurance programs	—	—	36,924	34,638	36,924	34,638	6.60%
North Carolina State Fair	—	—	16,728	12,657	16,728	12,657	32.16%
Other business-type activities	—	—	15,919	14,696	15,919	14,696	8.32%
Total expenses	66,508,759	64,126,179	4,106,411	4,085,747	70,615,170	68,211,926	3.52%
Increase in net position before contributions and transfers	7,821,611	9,827,756	1,726,315	1,501,294	9,547,926	11,329,050	(15.72%)
Contributions to permanent funds	9,925	9,605	—	—	9,925	9,605	3.33%
Transfers	888,056	853,042	(888,056)	(853,042)	—	—	—
Increase (decrease) in net position	8,719,592	10,690,403	838,259	648,252	9,557,851	11,338,655	(15.71%)
Net position - beginning - restated	71,025,783	60,335,380	6,369,603	5,721,351	77,395,386	66,056,731	17.17%
Net position - ending	$79,745,375	$71,025,783	$7,207,862	$6,369,603	$86,953,237	$77,395,386	12.35%

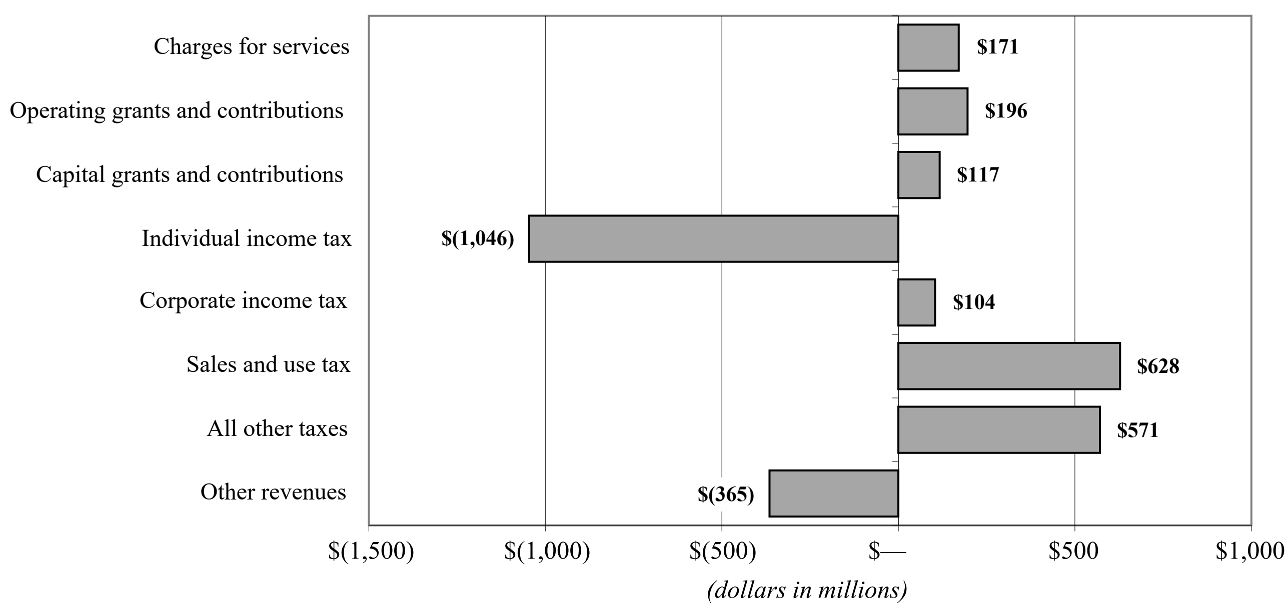
Governmental Activities. For fiscal year 2023, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State's business-type activities, an increase in net position of $8.72 billion (12.28%) resulted for governmental activities. Total revenues increased by 0.51% ($376.44 million) while total expenses increased by 3.72% ($2.38 billion). Contributing to the increase in total revenues was a significant increase in investment earnings of $493.34 million (815.35%) due largely to higher interest rates during the year which increased the overall interest earnings on cash balances on hand. For fiscal year 2023, overall tax revenues increased by $256.51 million (0.69%) from last year. Corporate and sales and use taxes showed the largest increases primarily due to a continued strength in consumer spending during the year. Insurance taxes also increased because of an increase in the amount of taxable premiums written by insurers. While total expenses increased this year, the general government function expenses decreased $267.73 million (8.83%) primarily because of a decrease in grants, state aid and subsidies. The general government received less in federal funds for the Emergency Rental Assistance (ERA) and Homeowners Assistance Fund (HAF) grants. Primary and secondary education also received less in federal funds for its grant programs as well as Child Nutrition, while health and human services received reduced federal funds for programs such as testing/detection programs, low-income heating subsidy programs and Child Care subsidies.

In March 2021, the United States Congress enacted the American Rescue Plan Act (ARPA) and established the Coronavirus State and Local Fiscal Recovery Fund. These funds were allocated to each state, local government, and tribal government individually. The State Fiscal Recovery Funds reduced the impacts of the COVID-19 pandemic and decreased the spread of the virus; replaced lost revenue for governments; supported economic stabilization caused by the pandemic; and addressed public health and economic challenges that contributed to the unequal impact of the pandemic. North Carolina did not receive any additional Coronavirus State Fiscal Recovery funds in fiscal year 2023. The existing Coronavirus State Fiscal Recovery funds must be obligated by December 31, 2024 and expended by December 31, 2026.

For fiscal year 2023, the State's governmental activities recognized $5.47 billion of federal COVID-19 funds; $4.8 billion is included in operating grants and contributions (i.e., program revenues) and $673.2 million is reported as federal COVID-19, which is included in the other revenues source shown in the table above (i.e., general revenues). This was a decrease of $2.43 billion or 30.73%. The primary factor for the decrease is due to lower amounts of federal funds received for the ERA and HAF grants that are part of the COVID-19 relief. Also, the CARES ACT federal funds have been completely recognized, as that program has ended. Decreased federal funds for COVID-19 immunizations, testing and detection programs, Child Care subsidies funded by the CARES Act and ARPA ACT, and Child Nutrition services also contributed to the decrease in the federal COVID-19 funds during fiscal year 2023.

The following chart reflects the dollar change in governmental activities revenues by source between fiscal years 2022 and 2023:

Dollar Change in Governmental Activities Revenues by Source
Between Fiscal Years 2022 and 2023



For fiscal year 2023, although spending increased in the majority of the State's functional areas, there were also decreases in spending in the functional areas of general government, health and human services and public safety. As noted above, general government expenditures decreased by $268 million in fiscal year 2023 primarily because of a decrease in grants, state aid and subsidies.

Public safety, corrections and regulation spending decreased by $508 million or 10.63% in fiscal year 2023. The primary factor in the decrease is in grants, state aid and subsidies. At the Department of Public Safety, many of the one-time COVID-19 grants were phased out, such as the Emergency Rental Assistance program.

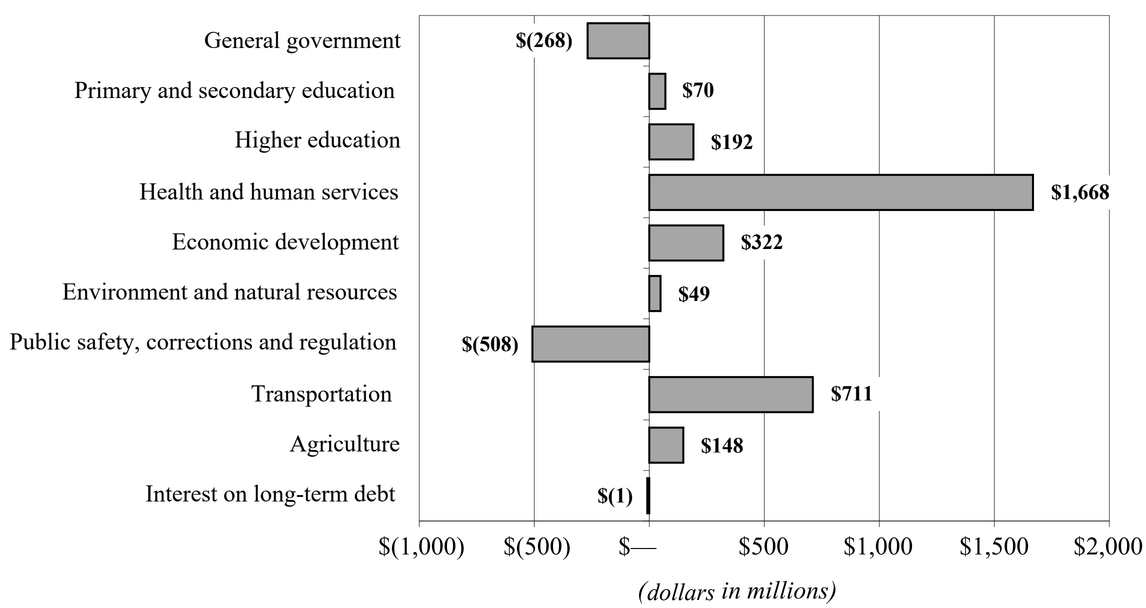
Total health and human services (HHS) spending increased by 5.44% or $1.67 billion in 2023. For comparison, HHS spending increased by 19.57% and 18.68% in fiscal years 2022 and 2021 respectively. The increase in expenditures is primarily due to an increase in federal reimbursement for the Healthcare Access and Stabilization Program and claims for fiscal year 2023. In fiscal year 2022, the DHHS had large increases in expenses due to software maintenance agreements for related COVID-19 projects established for pandemic response, testing and tracing. With the completion of these projects, the remainder was moved to operations and maintenance, thus resulting in a decrease in maintenance agreement charges in fiscal year 2023.

The largest increase in functional expenses is in transportation. Total expenses increased 23.09% ($711 million) from last year. The growth in this functional area is primarily due to increases in both the Highway Fund and the Highway Trust Fund. The Highway Fund expenditures increased due to the implementation of the ARIBA procurement system, higher outlay costs and increased spending for contract resurfacing and bridge projects. The Highway Trust Fund expenditures increased due to the increased activity in the STI Program, representing continued growth of statewide construction activities after the COVID-19 shutdown and cash restraints of fiscal year 2020. Economic development also had a large increase in functional expenses of $322 million (73.90%) from the prior fiscal year. The increase is attributed to $259 million in grants for new state grant programs such as Economic Development Partnership for the NC Travel and Tourism initiative and increased funding for film incentives.

The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2022 and 2023:

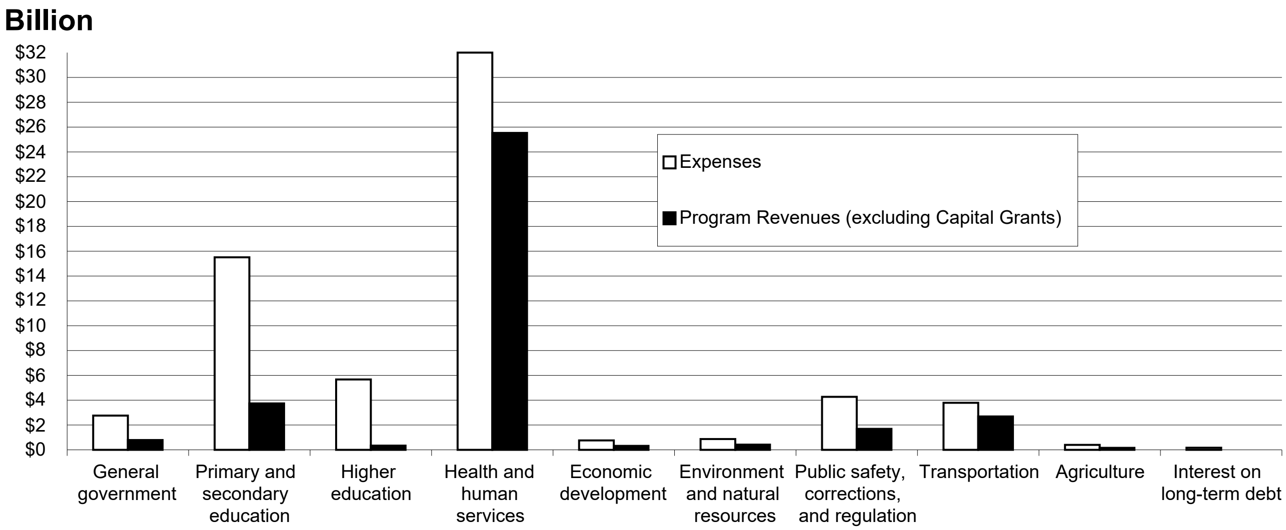
Dollar Change in Governmental Activities Functional Expenses

Between Fiscal Years 2022 and 2023



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, 2023



Business-type Activities. Business-type activities reflect an overall increase in net position of $838.26 million or 13.16%, primarily due to the increase in net position in the Unemployment Compensation Fund. The increase in net position of $639.9 million or 16.86% in the Unemployment Compensation Fund (Trust Fund) related to various fluctuations, many of which continue to relate to the impacts from the Coronavirus pandemic. The Trust Fund had a $476.1 million increase in operating income related to a $60.35 million or 9.14% increase in employer unemployment contributions and a $397.01 million decrease in unemployment benefits paid as the economy recovered and the need for benefits declined. Corresponding to the decrease in unemployment benefits paid, the Trust Fund also had a $452.48 million or 72.54% decrease in nonoperating revenues related to a $467.81 million decrease in federal COVID-19 aid received. The N.C. Turnpike Authority's (NCTA) net position increased by $89.81 million or 38.11% primarily due to a $75.36 million increase in capital contributions and a $55.96 million increase in transfers in from the Highway and Highway Trust Funds. There was also a $23.11 million or 29.7% increase in nonoperating expenses that offset the increases for the NCTA identified above. Nonoperating revenues (expenses) included $115.14 million of interest and fees expense related to debt issued, $10.41 million in investment earnings, and $3.88 million in Federal interest subsidy debt revenue. The net position increase of $112.83 million or 5.43% 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, 2023, the State's governmental funds reported combined fund balances of $28.15 billion, an increase of 16.46% from the prior fiscal year-end (as restated). Of this amount, $7.67 billion is classified as unassigned fund balance in the General Fund (available for spending at the State's discretion). The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (e.g., inventories), 2) restricted for particular purposes by external sources, 3) committed for particular purposes by the General Assembly, or 4) assigned for particular purposes by the Office of State Budget and Management. The major governmental funds are discussed individually below.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2023, the fund balance of the General Fund increased 21.18% ($3.91 billion) to $22.37 billion. While the General Fund revenues decreased by $409.44 million (0.61%), the expenditures also decreased by $265.87 million (.43%). The decrease in revenues is primarily due to decreased individual income tax revenues and decreased federal and federal COVID-19 relief funds. For the current fiscal year, the General Fund recognized $5.29 billion in federal COVID-19 relief funds, a decrease of $2.5 billion or 32.1% from the prior year. The Coronavirus Relief Funds (CRF) program has ended and the deadline for expending those funds was December 31, 2021. Also, the federal funding for grants such as the ERA and HEF were reduced from the prior year. The majority of the ARPA Act federal funds have been received, however, not recognized as revenue since the eligibility requirements have not been met. The decrease in expenditures is primarily due to a decrease in grants, state aid and subsidies. The Office of State Budget and Management (OSBM) had the largest decrease, $525.71 million or 29.76%, in grants, state aid and subsidies for COVID-19 programs providing general aid to local governments, hospitals, nonprofits, universities, community colleges and other component units of the State. The Department of Public Safety (DPS) had a decrease of $392.77 million or 44.62%, in grants, state aid and subsidies due to one-time COVID-19 grants being discontinued such as individual grants to sheriff departments, counties and formula grants to nongovernmental entities.

One of the major budget drivers for the General Fund, historically, has been the Medicaid program. Medicaid enrollment increased by 9.17% to 2.93 million individuals (27.06% of North Carolina's population). The enrollment growth was mostly attributable to the FFCRA requirement that any beneficiary receiving the enhanced FMAP coverage would not be dropped or reduced to a lesser benefit category during the COVID-19 PHE. The Federal government ended the PHE on May 11, 2023 and the Division of Health Benefits (DHB) has restarted terminations. State appropriation expenditures for Medicaid increased $734.48 million or 18.41%. Revenues decreased $1 million, mostly related to the phase-down of the 6.2 percentage point increase in FMAP. The rate dropped to 5 percentage points for the last quarter of fiscal year 2023. The Medicaid program ended the fiscal year with unspent state appropriations of $119 million, which were reverted to the General Fund. This is the tenth consecutive year the Medicaid Program has finished with cash on hand. Prior to fiscal year 2014, the Medicaid program experienced shortfalls of nearly $2 billion over a four-year period.

North Carolina's labor market has continued to grow through June 2023. The number of payroll jobs in North Carolina has increased steadily since the pandemic shutdown in 2020, according to the Bureau of Labor Statistics. By June 2023, the seasonally-adjusted unemployment rate had fallen to 3.3% and the number of nonfarm jobs was nearly 4.95 million. In June 2023, there were 116,000 more jobs than in June 2022 and 320,700 more than in June 2021. The trend annualized growth rate for employment was 2.1% during the fiscal year, which slowed from the prior year.

Total tax revenues in the General Fund decreased by $205.21 million or .61% in fiscal year 2023. The major driver in the tax revenue decrease is individual income tax revenues which decreased $1.05 billion or 5.86% in fiscal year 2023. The decrease can be attributed to a decrease of $812.9 million in net individual income tax collections on a cash basis, which was due to legislative tax law changes that impacted withholding amounts for tax years 2022 and 2023. Session Law 2021-180 lowered the individual income tax rate from 5.25% to 4.99% effective January 1, 2022, and to 4.75% effective January 1, 2023. While the overall tax revenues decreased, there was some increase in several of the tax categories. Corporate income tax increased $95.84 million or 5.88%, sales and use tax increased $638.29 million (5.80%), and insurance tax increased $162.56 million (16.23%) from the prior year. Sales and use tax revenues increased because of the growth in personal consumption expenditures. The Bureau of Economic Analysis reported that North Carolina's personal income has shown substantial growth during the fiscal year (5.8%).

Wage and salary income and personal consumption expenditures impact major sources of the State's tax revenues, such as personal income taxes and sales and use taxes. In fiscal year 2023, wage and salary income has increased 7.9% over the prior fiscal year, supporting larger income tax withholding. Despite the growth in wages and salaries, withholding tax collections increased less than 1% this fiscal year, due in large part to an increase in standard deduction amounts in tax year 2022 and decreases in tax rates for tax years 2022 and 2023. The National Bureau of Economic Analysis's data shows continued growth in personal consumption expenditures during the fiscal year, leading to growth in sales and use taxes as well as other state excise taxes.

The corporate income tax revenue remained fairly level, with only a minimal increase in fiscal year 2023. Corporate profits in the U.S. rose after the COVID-19 pandemic for several quarters. The profits peaked in the second quarter of 2022 and have leveled off in recent quarters. The corporate profits are a main contributor of the corporate income tax base, thus impacting the tax revenues. Because the corporations are required to make estimated tax payments each quarter, this lessened the growth of revenues being collected during fiscal year 2023. Insurance tax revenues increased primarily due to an increase in the amount of taxable premiums written by insurers, which resulted in an increase in gross premium tax liability and also the amount of installment payments made toward 2023 premium tax liabilities.

General Fund Budget Variances

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

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

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

Variances – Original and Final Budget

In general, the variances between original and final budget are attributable to the timing and length of the budget preparation process as well as budget adjustments that occurred during fiscal year 2022-23. In January 2021, OSBM finalized the two-year base budget used by the General Assembly for the 2021-23 biennium. This was approximately 11 months prior to the ratification of the biennial budget which started July 1, 2021, and 18 months before the start of fiscal year 2022-23. The amounts budgeted for federal, intra-governmental transfers, fees/licenses/fines, contributions, gifts, grants, and miscellaneous receipts were all estimates. The final budget reflects all budget revisions made throughout the fiscal year based on adjustments to agency grant and receipt revenue and movement from state reserves. Consequently, significant variances are very likely to occur when the original budget is compared to the final budget.

Additional factors leading to variances between the original and final budget in fiscal year 2022-23 include the following:

1) Awarding of new unanticipated federal grants and increases and decreases in amounts for long standing federally supported programs. North Carolina received $5.4 billion in fiscal year 2021-22 from the ARPA in State Fiscal Recovery Funds. The funds were budgeted in fiscal year 2021-22 on a non-recurring basis, with budget adjustments totaling $1.5 billion made in fiscal year 2022-23 to reflect planned expenditures.
2) Statewide encumbrance carry-forward budgeted amounts from fiscal year 2021-22 totaled $1.2 billion, which increased the budget for fiscal year 2022-23 through administrative action.
3) Allocation of hurricane disaster funds that were appropriated and authorized in prior years but not expended until fiscal year 2022-23. 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 Reserve, Film and Entertainment grants, Rural Economic Development Infrastructure grants, and the Industrial Development Fund Utility Account.
5) Allocation of statewide reserves to agencies and universities, including salary pay plan reserve, disaster relief funding from the State Emergency Response and Disaster Relief fund, the Hurricane Florence Disaster Relief Reserve, Information

Technology Reserve, Retirement Supplement Reserve, Clean Water and Drinking Water Reserve, and State Capital and Infrastructure Fund.

6) Receipts and budgeting of over-realized receipts, prior year earned revenues, and unanticipated donations and grants.
7) Creation of the new Department of Adult Correction (DAC), formerly part of the Department of Public Safety (DPS), resulting in intergovernmental transactions that caused DPS's expenditures to exceed its certified budget due to transfers from DAC.

Variances - Final Budget and Actual Results

Actual total own-source General Fund revenue collected (tax, non-tax and tobacco settlement) was 13.14% higher than budgeted revenue amounts in fiscal year 2023. Tax revenues were 12.24% higher than anticipated primarily due to better-than-expected individual income, corporate income, and sales tax revenues. Non-tax revenues were also higher due to an increase in investment income. Due to the State's historically large cash balance, including both unappropriated General Fund money and reserves, along with rising interest rates, investment income revenues were 689% higher than anticipated. Investment income increased from $60 million in fiscal year 2022 to $480 million this fiscal year.

Collections for individual income taxes, which accounted for 50.64% of total General Fund tax revenue collections, were $1.33 billion (8.61%) higher than the budgeted revenue primarily due to higher-than-expected non-withholding tax payments. Non-withholding tax payments include quarterly estimated payments, final and extension payments and interest and penalties. Combined non-withholding payments were $893 million (18%) above the year-end target. Rising business profits for pass-through entities caused higher than expected collections in non-withholding payments. Withholding payments from wage earnings were $402 million (3.2%) above the year-end target. Sales and use tax collections, which comprised 35.14% of total General Fund tax revenues in fiscal year 2023, were $1.48 billion (14.49%) above the budgeted revenue. Inflation remained elevated for longer than anticipated in the May 2022 revised consensus revenue forecast, thus resulting in higher consumer spending. This higher inflation, rising consumer demand, as well as slower transition to service spending all account for the additional sales and use tax collections. Corporate income tax collections which accounted for 4.9% of total General Fund tax revenues in fiscal year 2023, were $480.31 million (41.6%) above their respective budgeted revenues.

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, driver's license fees, and 2% of sales tax revenues.

The Highway Fund reported a fund balance of $1.2 billion at June 30, 2023, an increase of $18.73 million from the previous year with a restated fund balance of $1.18 billion at June 30, 2022. With the implementation of GASB 94, the Highway Fund restated a deferred inflow that restated and decreased the prior year's ending fund balance in the amount of $70.2 million. While this restatement created the comparative increase in fund balance, the primary activity of the Highway Fund indicates a decrease during the fiscal year. 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 $4.68 billion, an increase of 9.91% or $421.68 million, and total expenditures increased by 11.9% from $4.36 billion at June 30, 2022 to $4.88 billion at June 30, 2023. The primary factor for the increase in revenues and expenditures is the enaction of House Bill 103, Section 42.3.(a) (HB 103) which is effective for the fiscal year. This bill required the net proceeds of tax collected on aviation gasoline and jet fuel to be transferred to the Highway fund. HB 103 also required a percentage of the net proceeds from the State's sales tax to be transferred and used for transportation needs. For fiscal year 2023, 2% was transferred to the Highway Fund. In fiscal year 2024, the percentage transferred to the Highway Fund decreases to 1% and in fiscal year 2025 and thereafter, the percentage transferred will be 1.5%. Effective January 1, 2023, the motor fuels tax rate increased from 38.5 cents to 40.5 cents per gallon. Revenues also increased because of an increase in the monthly average of STIF interest rate from .02% in fiscal year 2022 to 2.22% in fiscal year 2023. Expenditures increased due to the implementation costs of the ARIBA procurement system, higher capital outlay costs, and increased spending for contract resurfacing and bridge projects. HB 103 required a transfer of $110 million from the Highway fund to the Highway Trust Fund for the purchase of property under the Undue Hardship Advance Acquisition Program.

The State issued $252.6 million in GARVEE bonds in September 2021. This innovative financing tool was used to accelerate the construction on a variety of transportation improvement projects across the State by leveraging future federal transportation revenues. At June 30, 2023, $31.05 million of original GARVEE proceeds were unspent.

Transportation is fundamental in continuing North Carolina's prosperity and quality of life as the state's population continues to grow. To address the growing demand on the transportation system, increased cost of supplies, and slow growing revenues, NCDOT continues to seek innovative solutions to meet the growing stress on the transportation system. Session Law 2020-91 revised the motor fuels tax distribution formula. Effective July 1, 2020, the distribution of motor fuels tax revenue for the Highway Fund increased from 71% to 81%. Effective July 1, 2021, the distribution increased to 80% and effective July 1, 2022, the distribution was reduced to 75%. Session Law 2020-91 also established a motor fuels tax floor. Beginning January 1, 2022, Session Law 2020-91 also required the motor fuel tax rate be calculated pursuant to the formula set in General Statute 105-449.80(a) using as the amount for the preceding calendar year the amount that the motor fuel tax rate would have been for the period beginning July 1, 2021 and ending December 31, 2021.

According to the N.C. Division of Highways, from 2021 to 2022, paved lane miles grew by 0.18%. Vehicle miles traveled increased by 0.92% from 2021 to 2022 as conditions from the COVID-19 pandemic continue to rebound. From 2021 to 2022, bridge deck area grew by 0.3%. 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.

New legislation affecting the Highway fund, Session Law 2023-134, Section 2.2.(j), establishes a Transportation Reserve of $450 million for fiscal year 2024 and $100 million for fiscal year 2025. Session Law 2023-134, Section 41.14C.(a)-(f) affects the operations of the Division of Motor Vehicles (DMV) by requiring NCDOT to conduct a study to determine if privatization of DMV operations would improve the Division's delivery of services. In addition, Section 41.14E,(a)-(b) required DMV to develop a plan for adding a fee to transactions where it accepts electronic payments to offset charges the Division pays for electronic payment service. Section 41.14D.(a) increases the fees for certain electric vehicles and plug-in hybrid vehicles.

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 33.93% to $1.08 billion at June 30, 2023. The fund balance decrease is attributable to expenditures for the Strategic Transportation Improvement Program (STIP) and other projects surpassing revenues.

Total revenues were $1.87 billion, an increase of 14.26% from the prior year. Gasoline taxes increased 33.24% or $148.91 million and highway use taxes increased 4.98% or $51.2 million. As with the Highway fund, legislative action contributed to the increase in revenues for the Highway Trust Fund. The motor fuels distribution percentage increased from 20% in fiscal year 2022 to 25% in fiscal year 2023. Effective January 1, 2023, the motor fuels tax rate increased from 38.5 cents to 40.5 cents per gallon. The increase in highway use tax was due to an increase in the number of transactions to title a motor vehicle in fiscal year 2023 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 $2.41 billion in total transportation expenditures, an increase of 15.01% or $314.54 million from the prior year. The increase in expenditures is due to increased activity in the STIP, representing continued growth of statewide construction activities after the COVID-19 pandemic and cash restraints of fiscal year 2020. Expenditures also increased because of project participation from the Highway Trust Fund to Turnpike projects as well as the first payment of the Build NC Series 2022 bonds being made in fiscal year 2023.

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, 2023, the unspent original proceeds of the Build NC Bonds (including Service Reserve Funds) were $183.5 million.

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

HB 103, Section 42.3.(a) applies to the Highway Trust Fund as well. Beginning in fiscal year 2024, 3% of the net proceeds from the State's sales tax will be transferred to the Highway Trust Fund. In fiscal year 2025 and thereafter, the percentage 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 $4.43 billion at June 30, 2023 compared to $3.79 billion at June 30, 2022. The $639.90 million or 16.86% increase in net position is related to various fluctuations, many of which continue to relate to the impacts from the Coronavirus pandemic. Unemployment rates in North Carolina remained low during the 2023 fiscal year. The highest unemployment rates were experienced in the fall of 2022, with rates of 3.9%, and the lowest unemployment rate of 3.3% was reported in June 2023.

The Trust Fund's operating margin (operating revenues less operating expenses) was $468.07 million for fiscal year 2023, a $476.08 million increase (5,937.68%) from the prior year, predominantly as a result of a $397.01 million decrease (59.13%) in unemployment benefits paid. The unemployment benefits paid decreased significantly as the federal pandemic funding ended. Employer unemployment contributions were $720.98 million in the current fiscal year, an increase of $60.35 million related to an available quarterly tax credit for employers in the prior fiscal year, which was not available in the current year.

The Trust Fund reported $171.32 million in nonoperating revenues, which was a $452.48 million decrease (72.54%) from the prior fiscal year. This decrease is almost entirely due to a $467.81 million decrease in federal COVID-19 funds provided through the CARES ACT and the American Rescue Plan (ARP). Nonoperating revenues in the current fiscal year also included $68.98 million in investment earnings, an increase of $16.68 million (31.89%) due to higher interest rates and the 16.86% increase in net position mentioned above.

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 $1.016 billion to the General Fund in 2023 to support educational programs for the State. The amount transferred in 2022 was $929.8 million.

For fiscal year 2022-23, net ticket sales increased 11.72% or $455.53 million from the previous fiscal year to $4.34 billion. With this increase in ticket sales, the NCEL saw a corresponding increase in prize payouts of 12.57% or $319.7 million, and an overall increase in operating income of 8.89% or $82.96 million. Significant financial highlights include the following: awarded $1 million or more to an NCEL player for the 882nd time; and released 50 new instant scratch-off games into the marketplace generating gross instant ticket sales of $3 billion.

N.C. Turnpike Authority

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

- The Complete 540 project is a greenfield project in the greater Raleigh area in North Carolina that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1 will extend the existing Triangle Expressway approximately 17.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh to partially complete the "Outer Loop". Unlimited Notice to Proceed was issued for three Design-Build Contracts on September 26, 2019. As of June 30, 2023, design for Phase 1 is complete except for minor design revisions encountered during construction. Right-of-way acquisition, utility relocations and construction are well underway for all three contracts. All 648 right-of-way parcels have been acquired or have entered the condemnation process, and construction is approximately 87% complete. Phase 1 is currently expected to open to traffic in Spring 2024.

The NCTA reported operating income of $2.31 million for fiscal year 2023, which represents an increase in net operating income (loss) of $3.5 million or 293.38% from the prior year. Contributing to the increase was a $4.5 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 $5.35 million increase in toll revenues. Operating expenses only increased by .92% or $1 million, which is insignificant. In addition to the NCTA's operating income, there was also $100.94 million in nonoperating expenses (net), which represents a $23.11 million increase in net expenses (29.7%) or decrease in nonoperating revenues (expenses) from the prior year. Contributing to the decrease was a $9.13 million (46.73%) decrease in investment earnings as a result of NCTA investments getting drawn down to fund the construction of the Complete 540 project. In addition, there was a $13.57 million increase (13.36%) in interest and fees paid related to a NCTA's bond refunding in fiscal year 2023, resulting in no premium amortization for the year, which has been an offset to debt interest in prior years.

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 2023 and the Federal Highway Administration State match. While the amount received from NCDOT's Highway Trust Fund for gap funding remained unchanged at $49 million, the transfers in from NCDOT's Highway Trust Fund increased by $38.41 million and by $17.57 million from the Highway Fund, a total increase of $55.98 million or 98.22% related to project participation for the construction of the Southern Wake Expressway (Complete 540 project). In addition, National Highway Performance Program (FHWA) funding was added and billed in fiscal year 2023 for the construction of Complete 540, providing additional funding of $75.36 million in federal capital grants.

NCTA's operating income, nonoperating net expenses and additional funding from transfers and federal capital grants all contributed to an increase of $89.81 million or 38.11% in net position to $325.44 million at the end of fiscal year 2023. In addition to factors identified above, the Complete 540 project has significant impacts on NCTA's balance sheet. Restricted investments decreased by $171.34 million or 35.29% as NCTA continues to use restricted investments for the construction of the Complete 540 project. Land and permanent easements increased by $34.71 million due to the continued right of way acquisitions for the project, and construction in progress increased by $212.28 million or 30.39% as the Complete 540 project construction continues.

EPA Revolving Loan Fund

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

The net position of the Loan Fund increased 5.43% or $112.83 million to $2.19 billion in fiscal year 2023. This increase in net position is due to the Loan Fund continuing to focus on streamlining its processes (requiring municipalities to follow specified timelines that resulted in more infrastructure projects being completed during the year), using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grants for these projects (as opposed to funds from other sources). The amount of new loans issued during the current year was $142.23 million, an increase of $3.99 million or 2.88%, and the amount of principal received on existing loans during the year was $86.57 million, a $7.78 million or 8.24% decrease. As a result, Notes Receivable increased by $55.65 million. Funds are managed with a long-term focus, typically with more loans issued over time and growth in the net position represents the long-term focus in managing the portfolio.

Operating income (operating revenues less operating expenses) was $7.33 million, a decrease of $2.52 million. Operating revenues and expenses did not vary significantly from the prior year.

Net nonoperating revenues were $86.63 million, a $66.18 million or 323.62% increase from the prior year. Nonoperating revenues consist of noncapital grants (federal capitalization grants) and investment earnings, and nonoperating expenses consist primarily of payments for grants, aid, and subsidies. Noncapital grants were $115.71 million, a $43.8 million or 60.9% increase from the prior year, related to federal grants received for Drinking Water State Revolving Fund projects, including a $23.92 million increase in federal funding for the EPA State Revolving Fund and a $19.86 million increase in grants related to the EPA Drinking Water State Revolving Fund. Investment earnings were $12.88 million, an increase of $36.51 million or 154.52%. In the prior fiscal year, the EPA Revolving Loan Fund reported a $29.5 million unrealized loss, whereas the unrealized loss was only $6.8 million in the current fiscal year, a decrease in the unrealized loss of $22.7 million or 76.95%. Short-Term Investment Fund earnings increased by $13.39 million or 998.97%. Payments for grants, aid, and subsidies increased by $13.47 million or 48.36%. In addition, the EPA Revolving Loan Fund received $18.87 million in transfers for appropriated state match funds for Clean Water and Drinking Water projects, a $4.86 million or 34.63% increase from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2023, the State's investment in capital assets was $69.21 billion, an increase of 5.34% 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	**2022 (as restated)**	**2023**	**2022 (as restated)**	**2023**	**2022 (as restated)**
Land and permanent easements	$22,328,922	$21,478,222	$ 604,102	$ 569,389	$22,933,024	$ 22,047,611
Buildings	3,022,422	3,080,842	56,972	60,642	3,079,394	3,141,484
Machinery and equipment	872,120	800,731	7,344	7,530	879,464	808,261
Infrastructure:						
State highway system	34,111,784	32,430,494	—	—	34,111,784	32,430,494
NC toll road system	—	—	1,299,269	1,328,953	1,299,269	1,328,953
General infrastructure	230,241	234,036	5,844	6,174	236,085	240,210
Computer software	285,864	303,276	380	521	286,244	303,797
Subscription asset	246,142	189,976	2,691	—	248,833	189,976
Art, literature, and other artifacts	187,454	150,492	1,293	1,293	188,747	151,785
Construction in progress	3,632,415	3,038,804	911,150	698,766	4,543,565	3,737,570
Computer software in development	1,010,516	903,675	—	—	1,010,516	903,675
RTU Land and permanent easements	460	501	—	—	460	501
RTU Buildings	385,893	411,073	5,925	7,585	391,818	418,658
RTU Machinery and equipment	1,454	1,662	301	379	1,755	2,041
RTU General infrastructure	1,090	1,365	—	—	1,090	1,365
Total	$66,316,777	$63,025,149	$ 2,895,271	$ 2,681,232	$69,212,048	$ 65,706,381
Total percent change between fiscal years 2022 and 2023	**5.22 %**		**7.98 %**		**5.34 %**	

The largest component of capital assets is the state highway system. North Carolina has an 80,384 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- The NCDOT reported year-end construction in progress of $3.16 billion for state highway projects. Additionally, the NCTA (business-type activity) reported year-end construction in progress of $745.42 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway approximately 17.8 miles. NCTA also has $38.73 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 Office of the State Controller (OSC) began replacing the State of North Carolina's legacy financial systems with the North Carolina Financial System (NCFS), an Oracle cloud-based solution, in 2021. The NCFS was implemented in three releases over the past three years, with the first release in April 2021 for the cash management system and the second release in July 2021 for the financial reporting system. At June 30, 2023, the OSC recorded $33.4 million in computer software in development for release three. On October 10, 2023, the OSC successfully launched release three of the NCFS for the accounting system.
- The Department of Military and Veterans Affairs (DMVA) constructed a skilled nursing care facility with 120 private rooms for state veterans in Kernersville, North Carolina. The Kernersville facility is the fifth full-service state veterans' home in North Carolina. The funding for the facility was through a $25.2 million grant from the U.S. Department of Veterans Affairs, State Veterans Home Construction Grant Program. At June 30, 2023, the DMVA recorded $46.73 million in construction and progress. The construction of the facility has since been completed and a ribbon cutting ceremony was held October 31, 2023 officially opening the facility to new residents.
- 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, Section 1.(c). 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 April 2026. At June 30, 2023, the DOA reported $55.56 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 $768.67 million.

As further detailed in Note 21E to the financial statements, the State has commitments of $6.41 billion for the construction of highway infrastructure ($6.23 billion for governmental activities and $178.58 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 $330.48 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 $7.53 billion, a decrease of 8.62% 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	
	2023	2022 (as restated)	2023	2022	2023	2022 (as restated)
General obligation bonds	$ 1,975,940	$ 2,309,790	$ —	$ —	$ 1,975,940	$ 2,309,790
Special Indebtedness:						
Limited obligation bonds	2,121,490	2,348,890	—	—	2,121,490	2,348,890
GARVEE bonds	918,940	1,023,210	—	—	918,940	1,023,210
Revenue bonds	—	—	1,787,362	2,323,816	1,787,362	2,323,816
Notes from direct borrowings	37,651	43,945	684,525	186,127	722,176	230,072
Total	$ 5,054,021	$ 5,725,835	$ 2,471,887	$ 2,509,943	$ 7,525,908	$ 8,235,778
Total percent change between fiscal years 2022 and 2023	**(11.73)%**		**(1.52)%**		**(8.62)%**	

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, 2023.

The State's total long-term debt (bonds, special indebtedness, and notes from direct borrowings) reported in governmental activities has increased from $3.48 billion in 2002 to $5.05 billion in 2023, 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 $2.45 billion in 2023.

The following is a summary of recent debt authorizations.

Build NC Bond Act of 2018

The 2017-18 Session of the General Assembly authorized the issuance of up to $300 million annually over ten years, not to exceed $3 billion in total, of special indebtedness. The maturity of the bonds is limited to 15 years and the issuance is contingent upon the N.C. State Treasurer's recommendation. The Build NC Bonds will be repaid from appropriations from the Highway Trust Fund. The proceeds will enable the N.C. Department of Transportation to accelerate Regional and Divisional transportation projects authorized pursuant to the State's Strategic Transportation Investments Act (STI), 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 $1.1 billion remained outstanding at June 30, 2023.

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

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

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

State of North Carolina
General Obligation Bond Credit Ratings

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

These ratings are the highest attainable from all three rating agencies. In 2023, 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 budget provides compensation increases for educators and state employees, reservation of billions of dollars for significant statewide purposes, and additional investment in state and local capital and infrastructure. Specific priorities of the Appropriations Act include:

- Nearly $0.8 billion in fiscal year 2023-24 and $1.2 billion in fiscal year 2024-25 for salary increases for state employees and state-funded local employees: most state agency employees will receive a 4% pay increase in fiscal year 2023-24 and 3% increase in fiscal year 2024-25.
- Adjusted teacher salary schedule, with those paid on statewide teacher salary schedule receiving a 6.7% increase on average over the biennium as well as increased starting teacher pay to $39 thousand in fiscal year 2023-24 and $41 thousand in fiscal year 2024-25.
- New judicial pay structure, added Juvenile Justice positions to the Correctional Officer experience-based salary schedule and additional increases for certain other position types.
- $5 billion for capital projects and retiring state debt.
- $2.8 billion over the biennium for water and sewer infrastructure projects.
- $1.25 billion for a Regional Economic Development Reserve to fund local projects across the state.

House Bill 259 accelerates the personal income tax rate reductions over the next three years:

- from 4.6% to 4.5% in 2024,
- from 4.5% to 4.25% in 2025, and
- from 4.25% to 3.99% in 2026.

These reductions are expected to reduce General Fund revenue by $162 million in fiscal year 2023-24 and $620 million in fiscal year 2024-25. 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.

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, 2023

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	$ 29,500,283	$ 5,161,636	$ 34,661,919	$ 5,144,062
Investments (Note 3)	390,083	424,849	814,932	5,873,347
Securities lending collateral (Note 3)	641,026	20,982	662,008	106,754
Receivables, net (Note 4)	7,138,278	1,102,612	8,240,890	2,110,092
Due from component units (Note 18)	78,139	-	78,139	5,921
Due from primary government (Note 18)	-	-	-	141,351
Internal balances	234,997	(234,997)	-	-
Inventories	238,248	1,529	239,777	177,523
Prepaid items	23,326	33,081	56,407	159,650
Hedging derivatives asset	-	-	-	926
Advances to component units	1,441	-	1,441	-
Advances to outside entities	5,303	-	5,303	16,936
Notes receivable, net (Note 4)	50,840	1,244,310	1,295,150	629,406
Lease receivable	7,068	5,099	12,167	221,733
Investment in joint venture	-	-	-	237,477
Equity interest in component unit	313,249	-	313,249	-
Securities held in trust	61,961	-	61,961	-
Restricted/designated cash and cash equivalents (Note 3)	1,180,400	52,021	1,232,421	3,785,151
Restricted investments (Note 3)	590,245	314,123	904,368	13,017,996
Restricted due from primary government (Note 18)	-	-	-	3,141
Restricted due from component units (Note 18)	-	-	-	6,533
Beneficial interest in assets held by others	-	-	-	3,829
Net pension asset (Note 12)	15,327	-	15,327	-
Capital assets-nondepreciable (Note 5)	27,159,307	1,516,545	28,675,852	2,622,685
Capital assets-depreciable, net (Note 5)	39,157,470	1,378,726	40,536,196	19,359,734
Total Assets	106,786,991	11,020,516	117,807,507	53,624,247
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	-	-	-	52,138
Deferred loss on refunding	25,974	18,171	44,145	45,874
Forward funded state aid	330,705	-	330,705	-
Deferred outflows for asset retirement obligation	-	-	-	13,981
Deferred outflows for pensions (Note 12)	2,433,599	36,121	2,469,720	2,014,000
Deferred outflows for OPEB (Note 14)	1,265,938	33,796	1,299,734	1,632,796
Other deferred outflows	-	-	-	1,164
Total Deferred Outflows of Resources	4,056,216	88,088	4,144,304	3,759,953
Liabilities				
Accounts payable and accrued liabilities	2,214,242	762,392	2,976,634	1,701,542
Medical claims payable	2,781,955	-	2,781,955	415,033
Unemployment benefits payable	-	2,170	2,170	-
Tax refunds payable	1,167,167	-	1,167,167	-
Obligations under securities lending	641,026	20,982	662,008	106,754
Interest payable	28,590	149,370	177,960	68,469
Short-term debt (Note 6)	-	-	-	19,000
Due to component units (Note 18)	144,492	-	144,492	12,454
Due to primary government (Note 18)	-	-	-	78,139
Unearned revenue	4,766,344	48,153	4,814,497	818,935
Advance from primary government	-	-	-	1,441
Deposits payable	6	18,287	18,293	30,521
Funds held for others	87,987	-	87,987	3,890,560
Hedging derivatives liability (Note 7)	-	-	-	52,271
Long-term liabilities (Note 8):				
Due within one year	923,641	55,439	979,080	721,087
Due in more than one year	15,634,951	2,768,778	18,403,729	18,699,479
Total Liabilities	28,390,401	3,825,571	32,215,972	26,615,685

STATEMENT OF NET POSITION

June 30, 2023 *Exhibit A-1*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred Inflows of Resources				
Deferred gain on refunding	5,428	19,579	25,007	-
Deferred inflows for PPP arrangements	68,732	-	68,732	334,251
Deferred state aid	-	-	-	330,705
Deferred inflows for lease agreements	6,978	5,407	12,385	224,002
Deferred inflows for pensions (Note 12)	165,581	3,383	168,964	104,130
Deferred inflows for OPEB (Note 14)	2,460,712	46,802	2,507,514	3,561,140
Deferred inflows irrevocable split-interest agreements	-	-	-	23,228
Accumulated increase in fair value of hedging derivatives	-	-	-	926
Other deferred inflows	-	-	-	3,157
Total Deferred Inflows of Resources	2,707,431	75,171	2,782,602	4,581,539
Net Position				
Net investment in capital assets	62,526,432	598,131	63,124,563	15,004,441
Restricted for:				
Nonexpendable:				
Environment and natural resources	127,844	-	127,844	-
Higher education	-	-	-	3,742,686
Expendable:				
Primary and secondary education	4,748	-	4,748	-
Higher education	9,055	-	9,055	6,328,441
Higher education student aid	1,255,395	-	1,255,395	-
Health and human services	94,691	-	94,691	495,157
Economic development	33,209	1,129	34,338	1,031,839
Environment and natural resources	94,216	-	94,216	-
Public safety, corrections, and regulation	76,785	-	76,785	-
Transportation	3,310	19,475	22,785	-
Highway construction/preservation	10,056	-	10,056	-
Agriculture	1,662	-	1,662	-
Debt service	56,236	142,613	198,849	-
Capital projects/repairs and renovations	4,725	-	4,725	-
Other purposes	16,328	3,013	19,341	-
Unrestricted	15,430,683	6,443,501	21,874,184	(415,588)
Total Net Position	$ 79,745,375	$ 7,207,862	$ 86,953,237	$ 26,186,976

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 2,764,844	$ 365,393	$ 424,662	$ 1,377	$ (1,973,412)
Primary and secondary education	15,512,806	245,541	3,493,019	-	(11,774,246)
Higher education	5,665,180	197,857	138,816	-	(5,328,507)
Health and human services	32,313,673	416,474	25,113,493	-	(6,783,706)
Economic development	756,992	3,420	315,467	-	(438,105)
Environment and natural resources	865,794	206,123	180,866	28,898	(449,907)
Public safety, corrections, and regulation	4,269,861	690,106	998,282	3,927	(2,577,546)
Transportation	3,790,329	1,121,438	340,943	1,230,755	(1,097,193)
Agriculture	396,929	33,061	50,146	1,775	(311,947)
Interest on long-term debt	172,351	-	-	-	(172,351)
Total Governmental Activities	66,508,759	3,279,413	31,055,694	1,266,732	(30,906,920)
Business-type Activities					
Unemployment Compensation	276,982	742,462	173,908	-	639,388
N.C. State Lottery	3,332,492	4,348,140	2,499	-	1,018,147
EPA Revolving Loan	50,852	16,173	128,589	-	93,910
N.C. Turnpike Authority	224,730	111,772	14,308	75,454	(23,196)
Regulatory programs	151,784	173,047	(5,453)	-	15,810
Insurance programs	36,924	14,095	824	-	(22,005)
North Carolina State Fair	16,728	16,508	2,512	-	2,292
Other business-type activities	15,919	13,989	3,042	110	1,222
Total Business-type Activities	4,106,411	5,436,186	320,229	75,564	1,725,568
Total Primary Government	$ 70,615,170	$ 8,715,599	$ 31,375,923	$ 1,342,296	$ (29,181,352)
Component Units					
University of North Carolina System	$ 15,878,572	$ 11,489,349	$ 1,987,874	$ 256,913	$ (2,144,436)
Community Colleges	2,534,777	310,331	1,107,477	433,357	(683,612)
State Health Plan	4,140,785	3,986,768	28,581	-	(125,436)
Other component units	1,447,854	622,406	549,459	11,928	(264,061)
Total Component Units	$ 24,001,988	$ 16,408,854	$ 3,673,391	$ 702,198	$ (3,217,545)

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023 *Exhibit A-2*

(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Position				
Net (expense) revenue	$ (30,906,920)	$ 1,725,568	$ (29,181,352)	$ (3,217,545)
General Revenues:				
Taxes:				
Individual income tax	16,799,392	-	16,799,392	-
Corporate income tax	1,728,595	-	1,728,595	-
Sales and use tax	11,657,850	-	11,657,850	-
Motor fuels tax	2,619,790	-	2,619,790	-
Franchise tax	857,100	-	857,100	-
Highway use tax	1,186,526	-	1,186,526	-
Insurance tax	1,165,117	-	1,165,117	-
Beverage tax	592,168	-	592,168	-
Tobacco products tax	283,849	-	283,849	-
Other taxes	339,835	-	339,835	-
Tobacco settlement	156,549	-	156,549	-
Federal COVID-19	673,203	-	673,203	-
Unrestricted investment earnings	553,841	-	553,841	82,464
State aid - coronavirus	-	-	-	88,915
State aid	-	-	-	5,373,939
Noncapital contributions	35,475	747	36,222	64,863
Miscellaneous	79,241	-	79,241	23,846
Contributions to permanent funds	9,925	-	9,925	-
Contributions to endowments	-	-	-	187,682
Transfers	888,056	(888,056)	-	-
Total general revenues, contributions, and transfers	39,626,512	(887,309)	38,739,203	5,821,709
Change in net position	8,719,592	838,259	9,557,851	2,604,164
Net position — July 1, as restated (Note 23)	71,025,783	6,369,603	77,395,386	23,582,812
Net position — June 30	$ 79,745,375	$ 7,207,862	$ 86,953,237	$ 26,186,976

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023 *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)	$ 24,593,137	$ 1,883,049	$ 863,574	$ 2,018,721	$ 29,358,481
Investments (Note 3)	20,301	-	-	344,010	364,311
Securities lending collateral (Note 3)	558,905	28,012	17,786	36,156	640,859
Receivables, net: (Note 4)					
Taxes receivable	2,948,831	172,310	56,465	9,002	3,186,608
Accounts receivable	392,965	47,140	36	17,138	457,279
Intergovernmental receivable	3,393,901	22,138	3,692	1,022	3,420,753
Interest receivable	24,523	4,468	2,356	5,662	37,009
Contributions receivable	98	-	-	-	98
Other receivables	-	4,184	-	-	4,184
Due from other funds (Note 10)	178,553	88,480	15,990	17,978	301,001
Due from component units (Note 18)	35,274	40,000	-	2,865	78,139
Inventories	101,239	109,723	-	27,123	238,085
Advances to other funds (Note 10)	-	-	32,840	-	32,840
Advances to component units	-	1,441	-	-	1,441
Advances to outside entities	5,303	-	-	-	5,303
Notes receivable, net (Note 4)	12,666	132	3	38,039	50,840
Lease receivable	6,945	-	-	123	7,068
Securities held in trust	15	4,177	-	57,769	61,961
Restricted/designated cash and cash equivalents (Note 3)	350,225	-	-	830,175	1,180,400
Restricted investments (Note 3)	1,991	35,167	214,915	338,172	590,245
Total Assets	32,624,872	2,440,421	1,207,657	3,743,955	40,016,905
Deferred Outflows of Resources					
Forward funded state aid	277,633	-	-	53,072	330,705
Total Assets and Deferred Outflows	$ 32,902,505	$ 2,440,421	$ 1,207,657	$ 3,797,027	$ 40,347,610
Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	$ 389,438	$ 379,007	$ 105,093	$ 51,750	$ 925,288
Accrued payroll	3,911	43,713	-	109	47,733
Intergovernmental payable	779,652	161,944	4,290	7,709	953,595
Claims payable	-	-	-	110,000	110,000
Medical claims payable	2,781,955	-	-	-	2,781,955
Tax refunds payable	1,159,275	5,919	1,973	-	1,167,167
Obligations under securities lending	558,905	28,012	17,786	36,156	640,859
Due to fiduciary funds (Note 10)	149,434	-	-	-	149,434
Due to other funds (Note 10)	69,180	16,430	-	12,385	97,995
Due to component units (Note 18)	122,640	1,769	-	3,141	127,550
Unearned revenue	4,243,609	509,106	3,345	540	4,756,600
Deposits payable	-	-	-	6	6
Funds held for others	3,048	27,036	-	57,903	87,987
Total Liabilities	10,261,047	1,172,936	132,487	279,699	11,846,169
Deferred Inflows of Resources					
Unavailable revenue	268,993	1,798	-	8,008	278,799
Deferred inflows for PPP arrangements	-	68,732	-	-	68,732
Deferred inflows for lease agreements	6,865	-	-	113	6,978
Total Deferred Inflows of Resources	275,858	70,530	-	8,121	354,509
Fund Balances (Note 11)					
Nonspendable	101,336	109,723	-	155,168	366,227
Restricted	197,257	38,477	214,914	1,566,238	2,016,886
Committed	10,539,838	1,048,755	860,256	1,783,480	14,232,329
Assigned	3,856,183	-	-	4,321	3,860,504
Unassigned	7,670,986	-	-	-	7,670,986
Total Fund Balances	22,365,600	1,196,955	1,075,170	3,509,207	28,146,932
Total Liabilities, Deferred Inflows and Fund Balances	$ 32,902,505	$ 2,440,421	$ 1,207,657	$ 3,797,027	$ 40,347,610

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, 2023 *Exhibit B-1a*

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		$ 28,146,932
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)	$ 67,168,810	
Less: Accumulated depreciation (excluding internal service funds)	(1,064,720)	
Net capital assets		66,104,090
– **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.		278,799
– **Equity interest in component unit** is not a financial resource and, therefore, is not reported in the funds.		313,249
– **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).		15,327
– **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.		25,974
– **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.		(5,428)
– **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).		2,376,180
– **Deferred outflows for OPEB** (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 14).		1,192,295
– **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	(1,975,940)	
Limited obligation bonds payable	(2,121,490)	
GARVEE bonds payable	(918,940)	
Unamortized debt premiums (to be amortized as interest expense)	(521,621)	
Notes from direct borrowings	(37,651)	
Lease liability (excluding internal service funds)	(371,478)	
Subscription liability (excluding internal service funds)	(168,157)	
Net long-term debt		(6,115,277)
– **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	(28,590)	
Compensated absences (excluding internal service funds)	(573,701)	
Obligations for workers' compensation (excluding internal service funds)	(615,241)	
Death benefit payable	(37)	
Pollution remediation payable	(6,982)	
Claims and judgments payable	(731,703)	
Pension liability (excluding internal service funds)	(3,685,310)	
Net OPEB liability (excluding internal service funds)	(4,561,763)	
Total other liabilities		(10,203,327)
– **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).		(162,742)
– **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).		(2,400,362)
– **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).		179,665
Total net position - governmental activities (see Exhibit A-1)		$ 79,745,375

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, 2023 *Exhibit B-2*

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Individual income tax	$ 16,799,392	$ -	$ -	$ -	$ 16,799,392
Corporate income tax	1,725,854	-	-	-	1,725,854
Sales and use tax	11,650,933	-	-	8,263	11,659,196
Motor fuels tax	-	1,994,708	596,940	27,282	2,618,930
Franchise tax	849,080	-	-	-	849,080
Highway use tax	-	106,532	1,079,994	-	1,186,526
Insurance tax	1,164,185	-	-	-	1,164,185
Beverage tax	592,187	-	-	-	592,187
Tobacco products tax	283,827	-	-	-	283,827
Other taxes	207,697	-	-	130,994	338,691
Federal funds	25,433,056	1,379,946	-	112,087	26,925,089
Local funds	117,400	14,359	10,434	12,904	155,097
Investment earnings (losses)	713,857	37,311	34,276	66,423	851,867
Interest earnings on loans	30	-	228	1,509	1,767
Sales and services	178,357	5,679	-	171,568	355,604
Rental and lease of property	16,139	3,551	681	2,250	22,621
Fees, licenses, and fines	1,221,135	958,468	148,210	162,352	2,490,165
Tobacco settlement	156,628	-	-	-	156,628
Contributions, gifts, and grants	51,352	52,942	1,346	74,565	180,205
Funds escheated	-	-	-	197,347	197,347
Federal COVID-19 funds	5,291,454	99,408	-	84,102	5,474,964
Miscellaneous	185,228	23,947	2,022	20,841	232,038
Total revenues	66,637,791	4,676,851	1,874,131	1,072,487	74,261,260
Expenditures					
Current:					
General government	2,760,946	-	-	75,577	2,836,523
Primary and secondary education	15,523,249	-	-	-	15,523,249
Higher education	5,567,602	-	-	97,917	5,665,519
Health and human services	32,371,521	-	-	87,277	32,458,798
Economic development	761,156	-	-	3,067	764,223
Environment and natural resources	654,610	-	-	196,500	851,110
Public safety, corrections, and regulation	4,272,517	-	-	281,010	4,553,527
Transportation	-	4,693,000	2,287,842	-	6,980,842
Agriculture	321,494	-	-	103,279	424,773
Capital outlay	-	-	-	243,248	243,248
Debt service:					
Principal retirement	586,489	131,035	67,110	5,392	790,026
Interest and fees	162,999	52,242	54,830	1,084	271,155
Debt issuance costs	17	274	124	-	415
Total expenditures	62,982,600	4,876,551	2,409,906	1,094,351	71,363,408
Excess revenues over (under) expenditures	3,655,191	(199,700)	(535,775)	(21,864)	2,897,852
Other Financing Sources (Uses)					
Other debt issued	87,134	61,698	-	159	148,991
Sale of capital assets	5,552	9,202	1,006	3,866	19,626
Insurance recoveries	2,513	17,569	-	6,224	26,306
Transfers in (Note 10)	1,199,650	316,480	109,835	779,495	2,405,460
Transfers out (Note 10)	(1,040,947)	(186,524)	(127,097)	(164,822)	(1,519,390)
Total other financing sources (uses)	253,902	218,425	(16,256)	624,922	1,080,993
Net change in fund balances	3,909,093	18,725	(552,031)	603,058	3,978,845
Fund balances — July 1, as restated (Note 23)	18,456,507	1,178,230	1,627,201	2,906,149	24,168,087
Fund balances — June 30	$ 22,365,600	$ 1,196,955	$ 1,075,170	$ 3,509,207	$ 28,146,932

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, 2023 *Exhibit B-2a*

(Dollars in Thousands)

Net change in fund balances - total governmental funds (see Exhibit B-2)		$ 3,978,845
Amounts reported for governmental activities in the Statement of Activities are different because:		
– **Capital outlays** are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays (including construction-in-progress and computer soft. in develop.)	$ 4,669,210	
Less: Depreciation expense (excluding internal service funds)	(1,291,699)	
Net capital outlay adjustment		3,377,511
– **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.		(70,168)
– **Donations of capital assets** do not appear in the governmental funds because they are not financial resources, but increase net position in the Statement of Activities.		1,971
– **Pension Contributions** (excluding internal service funds) to defined benefit pension plans in the current fiscal year are not included on the Statement of Activities.		737,256
– **OPEB Contributions** (excluding internal service funds) to defined benefit OPEB plans in the current fiscal year are not included on the Statement of Activities.		308,126
– **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).		22,789
– **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)	(31,729)	
Subscriptions (excluding internal service funds)	(117,262)	
Principal repayments:		
Bonds, notes, and similar debt	671,814	
Leases (excluding internal service funds)	41,568	
Subscriptions (excluding internal service funds)	76,644	
Net debt adjustments		641,035
– **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.		29,506
– **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.		(58,337)
– **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	753	
Compensated absences (excluding internal service funds)	(6,177)	
Workers' compensation (excluding internal service funds)	33,801	
Pension expense (excluding internal service funds)	(792,962)	
OPEB expense (excluding internal service funds)	410,637	
Pollution remediation	346	
Amortization of deferred amounts	98,051	
Net expense accruals		(255,551)
– **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).		6,609
Change in net position - governmental activities (see Exhibit A-2)		$ 8,719,592

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2023

(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)	$ 4,050,523	$ 765,036	$ 123,979	$ -
Investments (Note 3)	-	218,380	7,671	-
Securities lending collateral (Note 3)	1,022	14,630	2,376	1,020
Receivables: (Note 4)				
Accounts receivable, net	764,350	-	28,176	58,125
Intergovernmental receivable	355	280	-	25,582
Interest receivable	19,820	2,025	226	-
Premiums receivable	-	-	-	-
Contributions receivable, net	196,344	-	-	-
Other receivable	-	-	-	-
Notes receivable	-	104,344	-	-
Lease receivable	-	-	-	-
Due from other funds (Note 10)	36,831	2,512	-	-
Inventories	-	-	-	1,075
Prepaid items	-	-	-	-
Restricted cash and cash equivalents (Note 3)	-	-	-	-
Total current assets	5,069,245	1,107,207	162,428	85,802
Noncurrent Assets				
Investments (Note 3)	-	-	66,514	-
Notes receivable	-	1,139,717	-	-
Lease receivable	-	-	-	-
Prepaid items	-	-	2,764	4,279
Restricted/designated cash and cash equivalents (Note 3)	-	-	-	50,195
Restricted investments (Note 3)	-	-	-	314,123
Capital assets-nondepreciable (Note 5)	-	-	-	1,501,247
Capital assets-depreciable, net (Note 5)	-	-	4,540	1,299,269
Total noncurrent assets	-	1,139,717	73,818	3,169,113
Total Assets	5,069,245	2,246,924	236,246	3,254,915
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	18,171
Deferred outflows for pensions	-	3,360	11,419	1,250
Deferred outflows for OPEB	-	3,740	8,805	1,597
Total Deferred Outflows of Resources	-	7,100	20,224	21,018
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ 49,962	$ 4	$ 28,517	$ 30,346
Accrued payroll	-	-	1,782	-
Intergovernmental payable	577,914	31,015	-	2,006
Claims payable	-	-	-	-
Unemployment benefits payable	2,170	-	-	-
Obligations under securities lending	1,022	14,630	2,376	1,020
Interest payable	-	-	-	56,476
Due to fiduciary funds (Note 10)	-	-	457	-
Due to other funds (Note 10)	959	-	130,250	111,590
Due to component units (Note 18)	-	-	-	-
Unearned revenue	2,678	-	-	91
Deposits payable	-	-	-	14,231
Annuity and life income payable (Note 8)	-	-	7,671	-
Notes from direct borrowings (Note 8)	-	-	-	227
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	793	-
Bonds payable (Note 8)	-	-	-	42,002
Compensated absences (Note 8)	-	70	319	37
Workers' compensation (Note 8)	-	-	26	-
Total current liabilities	634,705	45,719	172,191	258,026

Exhibit B-3

		Governmental Activities —
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 222,098	$ 5,161,636	$ 141,802
101,623	327,674	25,772
1,934	20,982	167
1,259	851,910	31,551
3,254	29,471	-
1,406	23,477	49
1,410	1,410	540
-	196,344	-
-	-	207
-	104,344	-
625	625	-
1,299	40,642	8,192
454	1,529	163
25,748	25,748	23,326
1,755	1,755	-
362,865	6,787,547	231,769
30,661	97,175	-
249	1,139,966	-
4,474	4,474	-
290	7,333	-
71	50,266	-
-	314,123	-
15,298	1,516,545	3,089
74,917	1,378,726	209,598
125,960	4,508,608	212,687
488,825	11,296,155	444,456
-	18,171	-
20,092	36,121	57,419
19,654	33,796	73,643
39,746	88,088	131,062
$ 13,594	$ 122,423	$ 18,120
119	1,901	6,727
2	610,937	-
25,143	25,143	3,345
-	2,170	-
1,934	20,982	167
2	56,478	-
-	457	-
-	242,799	9,041
-	-	16,942
45,384	48,153	9,744
4,056	18,287	-
-	7,671	-
1,194	1,421	-
1,562	1,562	304
-	793	18,749
-	42,002	-
1,538	1,964	1,447
-	26	234
94,528	1,205,169	84,820

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)

June 30, 2023

(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	-	-	-	92,892
Advances from other funds (Note 10)	-	-	-	32,840
Annuity and life income payable (Note 8)	-	-	66,514	-
Notes from direct borrowings (Note 8)	-	-	-	665,735
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	1,848	-
Bonds payable, net (Note 8)	-	-	-	1,875,537
Compensated absences (Note 8)	-	906	2,445	348
Workers' compensation (Note 8)	-	-	-	-
Net pension liability (Note 8)	-	4,740	18,679	1,712
Net OPEB liability (Note 8)	-	6,615	26,746	2,451
Total noncurrent liabilities	-	12,261	116,232	2,671,515
Total Liabilities	634,705	57,980	288,423	2,929,541
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	19,579
Deferred inflow for lease agreements	-	-	-	-
Deferred inflows for pensions	-	230	255	40
Deferred inflows for OPEB	-	4,715	12,489	1,336
Total Deferred Inflows of Resources	-	4,945	12,744	20,955
Net Position				
Net investment in capital assets	-	-	1,899	531,139
Restricted for:				
Expendable:				
Economic development	-	-	-	-
Transportation	-	-	-	19,475
Debt service	-	-	-	142,613
Other purposes	-	-	-	-
Unrestricted	4,434,540	2,191,099	(46,596)	(367,790)
Total Net Position	$ 4,434,540	$ 2,191,099	$ (44,697)	$ 325,437

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

Exhibit B-3

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
1,531	1,531	-
-	92,892	-
-	32,840	-
-	66,514	-
17,369	683,104	-
5,150	5,150	926
-	1,848	38,800
-	1,875,537	-
7,269	10,968	18,170
33	33	1,770
26,633	51,764	77,718
38,048	73,860	110,460
96,033	2,896,041	247,844
190,561	4,101,210	332,664
-	19,579	-
5,407	5,407	-
2,858	3,383	2,839
28,262	46,802	60,350
36,527	75,171	63,189
65,093	598,131	153,980
1,129	1,129	-
-	19,475	-
-	142,613	-
3,013	3,013	-
232,248	6,443,501	25,685
$ 301,483	$ 7,207,862	$ 179,665

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

For the Fiscal Year Ended June 30, 2023

(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	$ 720,975	$ -	$ -	$ -
Federal funds	2,204	-	-	-
Sales and services	-	5,408	4,342,536	991
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	10,765	-	-
Rental and lease earnings	-	-	-	-
Fees, licenses, and fines	-	-	5,295	18,640
Toll revenues	-	-	-	77,442
Insurance premiums	-	-	-	-
Miscellaneous	19,283	-	309	14,699
Total operating revenues	742,462	16,173	4,348,140	111,772
Operating Expenses				
Personal services	-	6,970	27,750	3,190
Supplies and materials	-	200	1,713	43,910
Services	-	1,217	430,581	18,892
Cost of goods sold	-	-	-	608
Depreciation	-	-	1,173	29,684
Lottery prizes	-	-	2,863,660	-
Claims	-	-	-	-
Unemployment benefits	274,397	-	-	-
Insurance and bonding	-	5	308	-
Other	-	447	7,100	13,179
Total operating expenses	274,397	8,839	3,332,285	109,463
Operating income (loss)	468,065	7,334	1,015,855	2,309
Nonoperating Revenues (Expenses)				
Noncapital grants	100	115,707	-	-
Noncapital gifts, net	-	-	-	-
Noncapital contributions	-	50	203	19
Lease interest revenue	-	-	-	-
Investment earnings (losses)	68,983	12,882	2,499	10,407
Insurance recoveries	-	-	-	23
Grants, aid, and subsidies	-	(41,337)	-	-
Gain (loss) on sale of equipment	-	-	(60)	-
Federal interest subsidy on debt	-	-	-	3,878
Federal COVID-19 funds	104,770	-	-	-
Interest and fees	-	-	(38)	(115,143)
Miscellaneous	(2,530)	(676)	(109)	(124)
Total nonoperating revenues (expenses)	171,323	86,626	2,495	(100,940)
Income (loss) before contributions and transfers	639,388	93,960	1,018,350	(98,631)
Capital contributions	-	-	-	75,454
Transfers in (Note 10)	514	18,874	-	112,983
Transfers out (Note 10)	-	-	(1,018,350)	-
Change in net position	639,902	112,834	-	89,806
Net position — July 1, as restated (Note 23)	3,794,638	2,078,265	(44,697)	235,631
Net position — June 30	$ 4,434,540	$ 2,191,099	$ (44,697)	$ 325,437

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

Exhibit B-4

		Governmental Activities —
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ -	$ 720,975	$ -
98	2,302	-
1,948	4,350,883	471,941
19	19	-
-	10,765	-
8,052	8,052	-
191,557	215,492	6,056
-	77,442	-
14,035	14,035	36,987
1,783	36,074	763
217,492	5,436,039	515,747
99,762	137,672	262,398
5,412	51,235	20,706
60,372	511,062	132,492
420	1,028	367
7,572	38,429	28,839
-	2,863,660	-
9,201	9,201	14,850
-	274,397	-
27,994	28,307	34,881
9,576	30,302	18,836
220,309	3,945,293	513,369
(2,817)	1,490,746	2,378
1,402	117,209	-
2,439	2,439	-
475	747	838
148	148	-
(4,497)	90,274	285
1,460	1,483	11
-	(41,337)	-
(64)	(124)	2,664
-	3,878	-
-	104,770	-
(863)	(116,044)	(1,531)
1	(3,438)	(22)
501	160,005	2,245
(2,316)	1,650,751	4,623
110	75,564	-
1,371	133,742	2,964
(3,448)	(1,021,798)	(978)
(4,283)	838,259	6,609
305,766	6,369,603	173,056
$ 301,483	$ 7,207,862	$ 179,665

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2023

(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	$ 700,506	$ 5,010	$ 4,050,563	$ 78,460
Receipts from federal agencies	2,205	-	-	-
Receipts from program loan - interest	-	10,765	-	-
Receipts from program loan - principal	-	86,574	-	-
Receipts from other funds	-	-	-	-
Payments to suppliers	-	(1,988)	(140,570)	(57,216)
Payments to employees	-	(7,516)	(29,201)	(3,022)
Payments for prizes, benefits, and claims	(286,607)	-	(2,864,341)	-
Payments for program loans issued	-	(142,227)	-	-
Payments to other funds	-	-	-	-
Other receipts	19,339	-	295	18,131
Other payments	(2,228)	-	(219)	(53)
Net cash provided by (used for) operating activities	433,215	(49,382)	1,016,527	36,300
Cash Flows From Noncapital Financing Activities				
Grant receipts	102	115,708	-	-
Grants, aid, and subsidies	-	(31,428)	-	-
Federal aid - COVID-19	106,157	-	-	-
Noncapital contributions	-	-	-	-
Advances from other funds	-	-	-	2,416
Transfers from other funds	514	18,874	-	-
Transfers to other funds	-	-	(1,015,933)	-
Gifts	126	-	-	-
Insurance recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	106,899	103,154	(1,015,933)	2,416
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(483)	(246,041)
Proceeds from the sale of capital assets	-	-	-	-
Proceeds from capital debt	-	-	-	499,462
Transfers from other funds	-	-	-	112,983
Capital contributions	-	-	-	56,040
Principal paid on capital debt	-	-	(754)	(536,454)
Interest paid on capital debt	-	-	(39)	(98,387)
Federal subsidy for interest on debt	-	-	-	3,878
Insurance recoveries	-	-	-	23
Proceeds from lease arrangements	-	-	-	-
Bond issuance costs	-	-	-	(71)
Net cash provided by (used for) capital and related financing activities	-	-	(1,276)	(208,567)
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	576,824
Purchase of non-State Treasurer investments	-	-	-	(403,574)
Redemptions from State Treasurer investment pool	-	-	-	-
Investment earnings	63,012	13,059	2,398	8,448
Net cash provided by investment activities	63,012	13,059	2,398	181,698

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
$ 216,083	$ 5,050,622	$ 23,626
-	2,205	-
-	10,765	-
-	86,574	-
-	-	490,055
(94,505)	(294,279)	(214,977)
(99,202)	(138,941)	(255,247)
(10,338)	(3,161,286)	-
-	(142,227)	-
-	-	(6,705)
2,028	39,793	2,746
(16,878)	(19,378)	-
(2,812)	1,433,848	39,498
1,403	117,213	-
-	(31,428)	-
-	106,157	-
193	193	-
-	2,416	-
1,412	20,800	2,964
(3,489)	(1,019,422)	(978)
2,439	2,565	-
1,461	1,461	-
3,419	(800,045)	1,986
(1,660)	(248,184)	(36,297)
76	76	6,780
-	499,462	-
-	112,983	-
110	56,150	-
(2,745)	(539,953)	(3,031)
(852)	(99,278)	(1,531)
-	3,878	-
-	23	11
1,740	1,740	-
-	(71)	-
(3,331)	(213,174)	(34,068)
31,053	607,877	-
(36,378)	(439,952)	-
22,000	22,000	-
2,347	89,264	518
19,022	279,189	518

Continued

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2023

(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	603,126	66,831	1,716	11,847
Cash and cash equivalents at July 1, as restated	3,447,397	698,205	122,263	38,348
Cash and cash equivalents at June 30	$ 4,050,523	$ 765,036	$ 123,979	$ 50,195
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income (loss)	$ 468,065	$ 7,334	$ 1,015,855	$ 2,309
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	-	1,173	29,684
Lease revenue (amortized deferred inflow for leases)	-	-	-	-
Management fees	-	-	-	(53)
Nonoperating miscellaneous and other income (expense)	(2,470)	-	(219)	(124)
Change in assets and deferred outflows:				
Receivables	65,006	-	(3,424)	(17,100)
Intergovernmental receivables	-	-	-	(2,492)
Due from other funds	(8,356)	(397)	-	1,128
Inventories	-	-	-	(160)
Prepaid items	-	-	1,160	-
Net OPEB asset	-	4	17	1
Notes receivable	-	(55,654)	-	-
Deferred outflows for pensions	-	(1,107)	(4,883)	(443)
Deferred outflows for OPEB	-	509	(704)	219
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(89,328)	(119)	3,102	2,822
Due to other funds	298	-	-	16,709
Due to component units	-	-	-	-
Due to fiduciary funds	-	-	16	-
Compensated absences	-	(23)	304	57
Workers' compensation	-	-	13	-
Unearned revenue	-	-	-	(150)
Net pension liability	-	3,307	13,072	1,200
Net OPEB liability	-	(1,467)	(5,586)	(482)
Deferred inflows for pensions	-	(1,908)	(6,830)	(629)
Deferred inflows for OPEB	-	139	3,461	243
Deposits payable	-	-	-	3,561
Net cash provided by (used for) operations	$ 433,215	$ (49,382)	$ 1,016,527	$ 36,300
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ -	$ (25,224)	$ -	$ -
Change in construction in progress as a result of accrual of accounts payable	-	-	-	22,916
Capital asset writeoff	-	-	60	-
Assets acquired through the assumption of a liability	-	-	3,395	149
Change in fair value of investments	-	22,704	-	(4,289)
Increase in receivables related to nonoperating income	5,911	1,666	211	19,414
Change in securities lending collateral	(873)	(8,969)	(1,833)	(4,171)
Decrease in net OPEB liability related to noncapital contributions	-	(50)	203	(19)

Exhibit B-5

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
16,298	699,818	7,934
207,626	4,513,839	133,868
$ 223,924	$ 5,213,657	$ 141,802
$ (2,817)	$ 1,490,746	$ 2,378
7,572	38,429	28,839
(1,210)	(1,210)	-
-	(53)	-
124	(2,689)	4
(245)	44,237	18,772
-	(2,492)	-
(1,299)	(8,924)	(1,897)
4	(156)	68
(5,212)	(4,052)	(5,809)
24	46	74
-	(55,654)	-
(8,599)	(15,032)	(18,842)
(2,198)	(2,174)	12,830
(3)	(83,526)	1,851
(2)	17,005	931
-	-	(9,168)
-	16	-
143	481	1,143
1	14	277
2,917	2,767	(2,317)
17,763	35,342	52,613
(5,721)	(13,256)	(28,525)
(8,987)	(18,354)	(29,439)
2,159	6,002	15,715
2,774	6,335	-
$ (2,812)	$ 1,433,848	$ 39,498
$ 1,369	$ (23,855)	$ 508
-	22,916	-
27	87	307
100	3,644	-
(1,586)	16,829	(805)
607	27,809	39
(1,122)	(16,968)	(547)
(283)	(149)	(838)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2023 *Exhibit B-6*

(Dollars in Thousands)

	Pension and Other Employee Benefit Trust	Private-Purpose Trust Funds	Custodial Funds: External Investment Pools and Investment Account	Custodial Funds: Other Custodial Funds
Assets				
Cash and cash equivalents (Note 3)	$ 1,561,856	$ 168,305	$ 5,188	$ 1,423,299
Investments (Note 3):				
Corporate bonds	-	-	-	20,083
Corporate stocks	-	-	-	7
Certificates of deposit	-	41,830	-	400
Collective investment funds	54,307	-	-	-
State Treasurer investment pool	115,784,274	-	1,887,250	-
Unallocated insurance contracts	256,350	-	-	-
Synthetic guaranteed investment contracts	2,166,667	-	-	-
Non-State Treasurer pooled investments	11,391,706	-	-	-
Securities lending collateral (Note 3)	1,017,797	2	17,544	2,458
Receivables:				
Taxes receivable	-	-	-	288,000
Accounts receivable	30,552	-	-	70,334
Intergovernmental receivable	35	-	-	2
Interest receivable	5,024	-	3,967	665
Contributions receivable	258,486	-	-	-
Due from other funds (Note 10)	111,732	-	-	38,159
Due from component units	37,531	-	-	-
Notes receivable	268,658	-	-	-
Sureties	-	860,096	-	25,594
Capital assets-nondepreciable	-	-	-	69
Total Assets	132,944,975	1,070,233	1,913,949	1,869,070
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	1,144	-	617	1,002
Intergovernmental payable	-	-	-	1,342,396
Benefits payable	5,850	-	-	-
Obligations under securities lending	1,017,797	2	17,544	2,458
Deposits payable	-	-	-	275
Funds held for others	6,103	-	-	51,780
Total Liabilities	1,030,894	2	18,161	1,397,911
Net Position				
Restricted for:				
Pension benefits	126,340,302	-	-	-
Other postemployment benefits	3,459,233	-	-	-
Other employment benefits	2,114,546	-	-	-
Pool participants	-	-	1,228,167	-
Individuals, organizations, and other governments	-	1,070,231	667,621	471,159
Total Net Position	$ 131,914,081	$ 1,070,231	$ 1,895,788	$ 471,159

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, 2023 *Exhibit B-7*

(Dollars in Thousands)

			Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	Private-Purpose Trust Funds	External Investment Pools and Investment Account	Other Custodial Funds
Additions				
Contributions:				
Employer Contributions	$ 5,814,285	$ -	$ -	$ -
Members Contributions	2,152,342	-	-	-
Trustee deposits	-	213,370	-	-
Other contributions	95,107	-	-	-
Total contributions	8,061,734	213,370	-	-
Investment income:				
Investment earnings	3,894,297	176	106,942	1,798
Less investment expenses	(520,276)	-	(1,198)	(122)
Net investment income	3,374,021	176	105,744	1,676
Pool share transactions:				
Reinvestment of dividends	-	-	105,792	-
Net share purchases/(redemptions)	-	-	93,956	-
Net pool share transactions	-	-	199,748	-
Property tax collections for local governments	-	-	-	1,259,364
Sales and use tax collections for local governments	-	-	-	5,391,747
Participant deposits	-	-	-	768,972
Child support deposits	-	-	-	694,893
Other additions:				
Sales and services	-	-	-	28
Fees, licenses, and fines	3,178	-	-	-
Interest earnings on loans	13,138	-	-	-
Miscellaneous	5,097	-	-	-
Total other additions	21,413	-	-	28
Total additions	11,457,168	213,546	305,492	8,116,680
Deductions				
Claims and benefits	8,408,131	-	-	-
Medical insurance premiums	1,120,623	-	-	-
Refund of contributions	223,276	-	-	-
Distributions paid and payable	-	-	105,792	-
Payments in accordance with trust arrangements	-	159,499	-	-
Payments of property tax to local governments	-	-	-	1,259,122
Payments of sales and use tax to local governments	-	-	-	5,391,747
Payments in accordance with custodial arrangements	-	-	-	805,245
Payments in accordance with child support arrangements	-	-	-	697,484
Payments of grants to local governments	-	-	-	343,228
Payments of refunds to grantors	-	-	-	9,464
Administrative expenses	36,438	-	-	154,404
Other deductions	754	-	-	-
Total deductions	9,789,222	159,499	105,792	8,660,694
Change in net position	1,667,946	54,047	199,700	(544,014)
Net position — July 1, as restated (Note 23)	130,246,135	1,016,184	1,696,088	1,015,173
Net position — June 30	$ 131,914,081	$ 1,070,231	$ 1,895,788	$ 471,159

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

INDEX

DETAIL NOTES ON ALL FUNDS AND ACTIVITIES

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

Fiduciary Component Units

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

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

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

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

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

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.

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

Community Colleges

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

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

The following are the State's 58 community colleges:

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

State Health Plan

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

Discretely Presented Component Units - Other

The Golden LEAF (Long-term Economic Advancement Foundation), Inc.

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

North Carolina Housing Finance Agency

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

State Education Assistance Authority

The State Education Assistance Authority (Authority) is a legally separate authority created to provide a system of financial assistance, consisting of grants, loans, work-study or other employment, and other aids, to qualified students to obtain an education by attending public or private educational institutions. The Authority is governed by a nine-member board of directors, four of whom are appointed by the Governor, three of whom are appointed by the UNC Board of Governors, and two of whom serve ex officio by virtue of their positions with the North Carolina Community College System and the 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 designee, and two members appointed jointly by the mayors of all the cities in Wake County. The facility is located on land owned by the State and leased to the Authority at an annual rent of $1 per year. Therefore, a financial benefit/burden relationship exists between the State and the Authority.

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

Availability of Financial Statements

Complete financial statements for the Supplemental Retirement Plan of North Carolina (the 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
P.O. Box 28066
Raleigh, NC 27611-8066

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

Economic Development Partnership of North Carolina
150 Fayetteville St. 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

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

B. Basis of Presentation

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

The financial statements are presented as of and for the fiscal year ended June 30, 2023, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 2022, 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, 2022. Occupational licensing boards have financial statements with various fiscal year ending dates.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The State reports the following major governmental funds:

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

Additionally, the State reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

F. Securities Lending

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

G. Receivables and Payables

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

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

H. Inventories and Prepaid Items

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

I. Securities Held in Trust

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

J. Restricted/Designated Assets

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

K. Capital Assets

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

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

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.

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.

- 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 2023, the OSBM along with the Fiscal Research Division of the General Assembly recommended a Savings Reserve target balance of 11.8% of prior fiscal year's General Fund operating budget appropriations. At June 30, 2023, the balance of the Savings Reserve was $4.75 billion, which represents 18.21% of the prior year's General Fund appropriation budget. The Savings Reserve is included with unassigned fund balance.

Q. Revenues and Expenses

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

R. Food and Nutrition Services

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

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2023, the State implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 91, *Conduit Debt Obligations,*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,*
- Statement No. 96, *Subscription-Based Information Technology Arrangements,*
- Statement No. 99, *Omnibus 2022,*
- Implementation Guide 2020-1 (Questions 4.6-4.17 and 4.19-4.21), and
- Implementation Guide 2021-1 (Question 4.1-4.21, 4.23, 5.2-5.4).

Statement No. 91 provides a single method for reporting conduit debt obligations by issuers and eliminates diversity in practice associated with the commitments extended by issuers, the arrangements associated with conduit debt obligations, and the related note disclosures. It clarifies the definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves the required note disclosures. This statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations.

Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership agreements (PPPs) and providing guidance for availability payment arrangements (APAs). The statement establishes the definition of PPPs and APAs, including those that meet the definition of a service concession arrangement. It also provides guidance on accounting and financial reporting for transactions that meet those definitions, requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions.

Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The statement defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. It provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and requires note disclosures regarding a SBITA. To the extent relevant, this standard is based on Statement No.87, *Leases*, as amended.

Statement No.99 provides clarification on several previously issued standards including Leases, PPPs, and SBITAs.

Implementation Guide No. 2020-1 provides additional guidance on the requirements of Statement No. 87 *Leases*, and Statement No. 91 *Conduit Debt Obligations.*

Implementation Guide 2021-1 provides guidance and clarification for questions related to derivative instruments, fiduciary activities, leases, nonexchange transactions, sales and pledges of receivables and future revenues and intra-entity transfers of assets and future revenues, Implementation Guide 2021-2 also clarifies the appropriateness of reporting fines as general revenues and the allowability of reporting a particular fund as a major fund for a specific period only.

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.

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, 2023, $217.26 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.

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	$127,989	37

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, 2023 ($127.99 million) and are classified as Level 2 in the fair value hierarchy. The valuation technique for these securities is the market approach where the pricing vendor gathers real-time market data and uses direct observations to compute an independent price.

Equity Index Investment Account (EIF)

The State Treasurer has contracted with an external party (Trustee) to create the equity index investment account (EIF). The primary participants of this equity index investment account are public hospitals and the Local Government OPEB Trust (OPEB) funds. Other participants include local government LEOSSA trusts, 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, 2023, there were 27 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, 2023, there were three participants consisting of the Margaret R. Pardee Hospital, Columbus Regional Healthcare, and Watauga Medical Center. Two public hospitals also participate in the BIF. Each participant is responsible for making its own decision.

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

Escheat Investment Account

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

Investments Measured at the NAV	Fair Value 6/30/2023	Unfunded Commitments
Private credit limited partnership	$ 11,126	$ 309
Private equity investment partnerships	43,087	7,378
Total investments measured at the NAV	$ 54,213	

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	$ 4,509

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	$ 417,137
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	1,469
Total	$ 418,606

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, 2022, 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 $11.4 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 four synthetic guaranteed investment contracts, a separate account guaranteed investment contract, and a short-term investment fund.

		Investment Maturities (in Years)			
Investment Type	Carrying Amount	Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	$ 1,233,880	$ 118,376	$ 790,187	$ 229,228	$ 96,089
U.S. agencies	80,375	2,734	37,243	26,657	13,741
Mortgage pass-throughs	729,316	167,300	2,433	18,810	540,773
Collateralized mortgage obligations	56,745	25,834	1,499	398	29,014
State and local government	62,622	5,188	24,506	24,031	8,897
Asset-backed securities	408,049	42,483	155,286	41,820	168,460
Fixed income collective investment funds	81,181	-	-	81,181	-
Debt mutual funds	34,412	-	19,650	14,762	-
Pooled debt funds	1,026,631	-	-	1,026,631	-
Domestic corporate bonds	782,752	57,477	369,579	227,580	128,116
Foreign corporate bonds	177,342	18,137	113,880	26,914	18,411
Foreign government bonds	13,396	546	2,038	9,575	1,237
	4,686,701	$ 438,075	$ 1,516,301	$ 1,727,587	$ 1,004,738
Other investments:					
Equity collective investment trusts	3,930,732				
Unallocated insurance contracts	256,350				
Domestic stocks	2,349,109				
Foreign stocks	1,811,016				
Short-term investment collective trust	189,347				
Hedge/commodity/debt collective investment trust	492,117				
Total investments	$ 13,715,372				

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 $153.66 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, 2022, 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):

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
Investment Type	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	$ -	$ 80,375	$ -	$ -	$ -	$ -
Mortgage pass-throughs	-	669,684	-	-	-	-
Collateralized mortgage obligations	15,064	13,026	212	1,320	23,563	3,560
State and local government	14,031	46,207	2,198	186	-	-
Asset-backed securities	368,714	13,185	1,964	2,662	20,479	1,045
Fixed income collective investment funds	-	-	-	-	-	81,181
Debt mutual funds	-	-	-	-	-	34,412
Pooled debt funds	-	-	-	-	-	1,026,631
Domestic corporate bonds	42,750	34,488	216,618	427,119	33,995	27,782
Foreign corporate bonds	2,857	10,282	78,366	82,451	3,341	45
Foreign government bonds	-	2,212	3,241	3,768	4,175	-
	$ 443,416	$ 869,459	$ 302,599	$ 517,506	$ 85,553	$ 1,174,656

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

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The 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, 2022, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Carrying Amount Foreign stocks
Euro	$ 480,831
Japanese Yen	346,100
Pound Sterling	225,293
Hong Kong Dollar	176,149
Swiss Franc	78,325
New Taiwan Dollar	74,549
Indian Rupee	64,703
Swedish Krona	62,657
Canadian Dollar	52,195
Danish Krone	44,203
South Korean Won	44,158
Australian Dollar	28,182
Chinese Yuan Renminbi	28,051
Singapore Dollar	24,682
South African Rand	16,712
Norwegian Krone	16,113
Brazilian Real	12,874
Indonesian Rupiah	11,153
Mexican Peso	7,152
Thai Baht	5,273
Polish Zloty	5,078
Israeli Shekel	2,746
Vietnamese Dong	2,171
Malaysian Ringgit	1,495
Turkish Lira	909
UAE Dirham	858
Czech Koruna	469
Qatari Riyal	303
New Zealand Dollar	298
Egyptian Pound	255
Hungarian Forint	35
Total	$ 1,813,972

Note: The total in this table does not agree to the total disclosed in the investment table above because the foreign currency total of $1.814 billion includes $1.811 billion of foreign corporate stocks and $3 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.

At December 31, 2022, the investments of these Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

	6/30/2023	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 1,233,880	$ -	$ 1,233,880
U.S. agencies	80,375	-	80,375
Mortgage pass-throughs	729,316	-	729,316
Collateralized mortgage obligations	56,745	-	56,745
State and local government	62,622	-	62,622
Asset-backed securities	408,049	-	408,049
Domestic corporate bonds	782,752	-	782,752
Foreign corporate bonds	177,342	-	177,342
Foreign government bonds	13,396	-	13,396
Domestic stocks	2,349,109	2,349,109	-
Foreign stocks	1,811,016	1,811,016	-
Total investments by fair value level	7,704,602	$ 4,160,125	$ 3,544,477
Investments measured at the net asset value (NAV)			
Short-term investment collective trust	189,347		
Hedge/commodity/debt collective investment trust	492,117		
Fixed income collective investment funds	81,181		
Debt mutual funds	34,412		
Pooled mutual funds	1,026,631		
Equity collective investment trusts	3,930,732		
Total investments measured at the NAV	5,754,420		
Total investments measured at fair value	$ 13,459,022		

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 6/30/2023	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Short-term investment collective trust	$ 189,347	Daily	1 day
Hedge/commodity/debt collective investment trust	492,117	Daily	1 day
Fixed income collective investment funds	81,181	Daily	1 day
Debt mutual funds	34,412	Daily	1 day
Pooled debt funds	1,026,631	Daily	1 day
Equity collective investment trusts	3,930,732	Daily	1 day
Total investments measured at the NAV	$ 5,754,420		

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

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

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

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

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

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

Other Primary Government Investments

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

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

		Investment Maturities (in Years)			
Investment Type	Carrying Amount	Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	319,854	266,140	53,714	-	-
U.S. agencies	16,947	10,915	6,032	-	-
Repurchase agreements	88,506	88,506	-	-	-
Annuity contracts	74,185	7,671	30,684	30,684	5,146
Money market mutual funds	178,073	178,073	-	-	-
Debt mutual funds	2,870	-	1,667	1,203	-
Pooled debt funds	4,227	4,227	-	-	-
	684,662	$ 555,532	$ 92,097	$ 31,887	$ 5,146
Other investments:					
Domestic stocks	150,513				
Equity mutual funds	7,374				
Total investment securities	$ 842,549				

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

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

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
Investment Type	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	$ 16,947	$ -	$ -	$ -	$ -	$ -
Annuity contracts	-	74,185	-	-	-	-
Money market mutual funds	178,073	-	-	-	-	-
Debt mutual funds	2,013	72	373	403	4	5
Pooled debt funds	-	-	-	-	-	4,227
Total	$ 197,033	$ 74,257	$ 373	$ 403	$ 4	$ 4,232

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

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

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

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

		Fair Value Measurements Using	
	6/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 319,854	$ 300,260	$ 19,594
U.S. agencies	16,947	-	16,947
Annuity contracts	74,185	74,185	-
Pooled debt funds	4,227	-	4,227
Debt mutual funds	2,870	2,870	-
Equity mutual funds	7,374	7,374	-
Domestic stocks	150,513	150,513	-
Total investments by fair value level	575,970	$ 535,202	$ 40,768
Total investments measured at fair value	$ 575,970		

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

U.S. Treasuries classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques. Matrix pricing is used to value U.S. agencies. 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	$ 578,817	$ 522,586	$ 55,377	$ 716	$ 138
U.S. agencies	46,921	1	9,210	7,236	30,474
Collateralized mortgage obligations	18,817	-	866	1,100	16,851
Asset-backed securities	30,343	101	2,259	22,924	5,059
Collective investment funds	165,731	132,216	-	33,515	-
Annuity contracts	167	167	-	-	-
Debt mutual funds	563,504	24,819	383,210	143,924	11,551
Money market mutual funds	512,032	512,032	-	-	-
Pooled debt funds	399	-	-	399	-
Domestic corporate bonds	838	-	500	296	42
Other	20	-	-	20	-
	1,917,589	$ 1,191,922	$ 451,422	$ 210,130	$ 64,115
Other investments:					
Balanced mutual funds	2,679				
International mutual funds	34,856				
Equity mutual funds	92,829				
Investments in real estate	100,306				
Real estate investment trust	92,292				
Hedge funds	4,379,910				
Private equity limited partnerships	4,574,144				
Real assets limited partnerships	739,417				
Other limited partnerships	394,792				
Domestic stocks	388,209				
Foreign stocks	25,499				
Other	3,657				
Total investments	$ 12,746,179				

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

	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
Investment Type	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	$ 115	$ 46,806	$ -	$ -	$ -	$ -
Collateralized mortgage obligations	-	1,111	517	1,816	10,497	4,876
Asset-backed securities	101	-	526	330	25,002	4,384
Collective investment funds	-	33,515	-	-	-	132,216
Annuity contracts	-	-	-	-	-	167
Debt mutual funds	51,764	59,020	281,918	152,631	3,743	14,428
Money market mutual funds	507,327	-	-	-	-	4,705
Pooled debt funds	-	-	-	-	-	399
Domestic corporate bonds	20	39	327	452	-	-
Other	20	-	-	-	-	-
Total	$ 559,347	$ 140,491	$ 283,288	$ 155,229	$ 39,242	$ 161,175

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

	Carrying Amount
Investment Type	Held by Counterparty
Domestic stocks	$ 18,986
Foreign stocks	13
Total	$ 18,999

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

	Carrying Amount		
Currency	Hedge funds	Private equity limited partnerships	Real assets limited partnerships
Euro	$ 24,258	$ 182,462	$ 440
British Pound Sterling	-	81,881	-
Canadian Dollar	-	3,506	-
Australian Dollar	-	7	-
Total	$ 24,258	$ 267,856	$ 440

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):

		Fair Value Measurements Using		
	6/30/2023	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	$ 578,817	$ 578,030	$ 787	$ -
U.S. agencies	46,921	25	46,896	-
Collateralized mortgage obligations	18,817	-	18,817	-
Asset-backed securities	30,343	-	30,343	-
Collective investment funds	165,731	165,731	-	-
Annuity contracts	167	-	167	-
Debt mutual funds	563,504	563,504	-	-
Money market mutual funds	482,848	482,848	-	-
Pooled debt funds	399	399	-	-
Balanced mutual funds	2,679	2,679	-	-
International mutual funds	34,856	34,856	-	-
Equity mutual funds	92,829	92,829	-	-
Domestic corporate bonds	838	838	-	-
Domestic stocks	388,209	373,554	-	14,655
Foreign stocks	25,499	25,382	117	-
Investments in real estate	100,306	1,304	89,277	9,725
Real estate investment trust	90,736	90,736	-	-
Other	3,403	150	-	3,253
Total investments by fair value level	2,626,902	$ 2,412,865	$ 186,404	$ 27,633
Investments measured at the net asset value (NAV)				
Real estate investment trust	1,556			
Hedge funds	4,379,910			
Private equity limited partnerships	4,574,144			
Real assets limited partnerships	739,417			
Other limited partnerships	394,792			
Other	274			
Total investments measured at the NAV	10,090,093			
Total investments measured at fair value	$ 12,716,995			

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

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

Investments Measured at the NAV	Fair Value 6/30/2023	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	$ 4,375,409	$ 2,092	Ranges from 30 days to 3+ years with certain notices	30-180 days
Private equity limited partnerships	4,383,118	1,378,628	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Real assets limited partnerships	739,171	522,202	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	$ 9,497,698			

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

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

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

NOTE 4: RECEIVABLES

Receivables at June 30, 2023, are reported net of allowances for doubtful accounts as follows (dollars in thousands):

Governmental Activities:

	General Fund	Highway	Highway Trust Fund	Other Governmental Funds	Internal Service Fund	Total
Receivables, gross (excluding notes)	$ 9,098,548	$ 256,535	$ 62,549	$ 312,505	$ 32,347	$ 9,762,484
Allowance for doubtful accounts	(2,338,230)	(6,295)	-	(279,681)	-	(2,624,206)
Receivables, net	$ 6,760,318	$ 250,240	$ 62,549	$ 32,824	$ 32,347	$ 7,138,278
Notes receivable, gross	$ 12,666	$ 132	$ 3	$ 38,074	$ -	$ 50,875
Allowance for doubtful accounts	-	-	-	(35)	-	(35)
Notes receivable, net	$ 12,666	$ 132	$ 3	$ 38,039	$ -	$ 50,840

Within governmental activities, the significant receivables not expected to be collected within one year total $162.61 million. Amounts not expected to be collected within one year in the General Fund are $131.43 million, $1.84 million in Special Revenue Funds, and $29.34 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)	$ 1,086,676	$ 2,305	$ 28,402	$ 118,220	$ 7,330	$ 1,242,933
Allowance for doubtful accounts	(105,807)	-	-	(34,513)	(1)	(140,321)
Receivables, net	$ 980,869	$ 2,305	$ 28,402	$ 83,707	$ 7,329	$ 1,102,612

NOTE 5: CAPITAL ASSETS

Primary Government A summary of changes in capital assets for the year ended June 30, 2023 is presented below (dollars in thousands).

Governmental Activities	**Balance July 1, 2022 (as restated)**	**Increases**	**Decreases**	**Balance June 30, 2023**
Capital Assets, nondepreciable				
Land and permanent easements	$ 21,478,222	$ 887,134	$ (36,434)	$ 22,328,922
Art, literature, and other artifacts	150,492	37,450	(488)	187,454
Construction in progress	3,038,804	3,292,965	(2,699,354)	3,632,415
Computer software in development	903,675	106,841	-	1,010,516
Total Capital Assets-nondepreciable	25,571,193	4,324,390	(2,736,276)	27,159,307
Capital Assets, depreciable				
Buildings	4,698,948	25,851	(5,925)	4,718,874
Machinery and equipment	2,122,875	207,302	(141,383)	2,188,794
General infrastructure	384,594	4,559	(819)	388,334
State highway system	46,952,576	2,673,818	(186,612)	49,439,782
Computer software	433,470	-	(529)	432,941
Subscription asset	189,976	118,122	-	308,098
Right to use lease assets, depreciable				
Land and permanent easements	542	2	(30)	514
Buildings	460,277	52,465	(36,570)	476,172
Machinery and equipment	3,762	988	(292)	4,458
General infrastructure	1,632	4	(2)	1,634
Total Capital Assets-depreciable	55,248,652	3,083,111	(372,162)	57,959,601
Less accumulated depreciation for				
Capital assets, depreciable				
Buildings	(1,618,106)	(81,171)	2,825	(1,696,452)
Machinery and equipment	(1,322,144)	(113,808)	119,278	(1,316,674)
General infrastructure	(150,558)	(8,229)	694	(158,093)
State highway system	(14,522,082)	(988,795)	182,879	(15,327,998)
Computer software	(130,194)	(17,106)	223	(147,077)
Subscription asset	-	(61,956)	-	(61,956)
Right to use lease assets, depreciable				
Land and permanent easements	(41)	(16)	3	(54)
Buildings	(49,204)	(47,472)	6,397	(90,279)
Machinery and equipment	(2,100)	(1,707)	803	(3,004)
General infrastructure	(267)	(278)	1	(544)
Total accumulated depreciation	(17,794,696)	(1,320,538)	313,103	(18,802,131)
Total Capital Assets-depreciable, net	37,453,956	1,762,573	(59,059)	39,157,470
Governmental activities				
Capital Assets, net	$ 63,025,149	$ 6,086,963	$ (2,795,335)	$ 66,316,777

NOTES TO THE FINANCIAL STATEMENTS

Business-type Activities

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, nondepreciable				
Land and permanent easements	$ 569,389	$ 34,713	$ -	$ 604,102
Art, literature, and other artifacts	1,293	-	-	1,293
Construction in progress	698,766	212,384	-	911,150
Total Capital Assets-nondepreciable	1,269,448	247,097	-	1,516,545
Capital Assets, depreciable				
Buildings	114,529	100	(1)	114,628
Machinery and equipment	26,151	1,872	(962)	27,061
General infrastructure	20,240	-	-	20,240
NC toll road system	1,534,469	-	-	1,534,469
Computer software	1,835	56	-	1,891
Subscription asset	-	3,395	-	3,395
Right to use lease assets, depreciable				
Buildings	9,537	-	(70)	9,467
Machinery and equipment	729	164	(276)	617
Total Capital Assets-depreciable	1,707,490	5,587	(1,309)	1,711,768
Less accumulated depreciation for Capital Assets, depreciable				
Buildings	(53,887)	(3,770)	1	(57,656)
Machinery and equipment	(18,621)	(1,856)	760	(19,717)
General infrastructure	(14,066)	(330)	-	(14,396)
NC toll road system	(205,516)	(29,684)	-	(235,200)
Computer software	(1,314)	(197)	-	(1,511)
Subscription asset	-	(704)	-	(704)
Right to use lease assets, depreciable				
Buildings	(1,952)	(1,660)	70	(3,542)
Machinery and equipment	(350)	(228)	262	(316)
Total accumulated depreciation	(295,706)	(38,429)	1,093	(333,042)
Total Capital Assets-depreciable, net	1,411,784	(32,842)	(216)	1,378,726
Business-type activities Capital Assets, net	$ 2,681,232	$ 214,255	$ (216)	$ 2,895,271

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

Governmental activities		
General government	$	57,159
Primary and secondary education		16,708
Higher education		1,498
Health and human services		72,415
Economic development		3,542
Environment and natural resources		28,522
Public safety, corrections, and regulation		80,847
Transportation		1,049,264
Agriculture		10,583
Total depreciation expense	$	1,320,538
Business-type activities		
N.C. State Lottery	$	1,173
N.C. Turnpike Authority		29,684
Regulatory programs		4,782
North Carolina State Fair		1,010
Other business-type activities		1,780
Total depreciation expense	$	38,429

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 $68.73 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, 2023.

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 $798 thousand in sales and services related to Park revenues in fiscal year 2023. DNCR reported capital assets for the park and the associated public facilities with a carrying value of $1.25 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, 2023, was as follows (dollars in thousands):

University of North Carolina System

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, nondepreciable				
Land and permanent easements	$ 522,015	$ 22,909	$ (113)	$ 544,811
Art, literature, and other artifacts	249,376	10,184	(105)	259,455
Construction in progress	989,438	503,906	(478,473)	1,014,871
Computer software in development	845	8,813	(2,593)	7,065
Other intangible assets	9,917	-	-	9,917
Total Capital Assets-nondepreciable	1,771,591	545,812	(481,284)	1,836,119
Capital Assets, depreciable				
Buildings	17,184,901	395,821	(41,054)	17,539,668
Machinery and equipment	3,099,403	314,731	(92,923)	3,321,211
Art, literature, and artifacts	202	-	-	202
General infrastructure	2,360,682	97,588	(6,077)	2,452,193
Computer software	433,603	21,295	(10)	454,888
Subscription asset	267,977	40,743	-	308,720
Other intangible assets	1,371	-	-	1,371
Right to use lease assets, depreciable				
Land and permanent easements	833	9,732	(15)	10,550
Buildings	711,766	80,333	(22,497)	769,602
Machinery and equipment	34,640	1,344	(1,713)	34,271
General infrastructure	6,573	-	-	6,573
Total Capital Assets-depreciable	24,101,951	961,587	(164,289)	24,899,249
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(5,840,748)	(405,141)	17,389	(6,228,500)
Machinery and equipment	(2,006,213)	(180,237)	79,339	(2,107,111)
Art, literature, and other artifacts	(196)	(1)	-	(197)
General infrastructure	(1,055,092)	(63,965)	1,071	(1,117,986)
Computer software	(335,311)	(40,967)	10	(376,268)
Subscription asset	-	(87,723)	-	(87,723)
Other intangible assets	(2,325)	(234)	-	(2,559)
Right to use lease assets, depreciable				
Land and permanent easements	(116)	(156)	15	(257)
Buildings	(151,475)	(108,693)	3,443	(256,725)
Machinery and equipment	(7,618)	(6,468)	1,106	(12,980)
General infrastructure	(766)	(766)	-	(1,532)
Total accumulated depreciation	(9,399,860)	(894,351)	102,373	(10,191,838)
Total Capital Assets-depreciable, net	14,702,091	67,236	(61,916)	14,707,411
University of North Carolina System Capital Assets, net	$ 16,473,682	$ 613,048	$ (543,200)	$ 16,543,530

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2023, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of $65.421 million and net depreciable capital assets of $131.029 million.

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 $23.9 million at year-end and a related deferred inflow of resources of $21.2 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 $324.92 million at year-end and a related deferred inflow of resources of $313.05 million.

Community Colleges

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, nondepreciable				
Land and permanent easements	$ 223,525	$ 9,099	$ (3,952)	$ 228,672
Art, literature, and other artifacts	984	176	-	1,160
Construction in progress	223,052	230,719	(141,627)	312,144
Other intangible assets	1,134	2,292	(1,135)	2,291
Total Capital Assets-nondepreciable	448,695	242,286	(146,714)	544,267
Capital Assets, depreciable				
Buildings	4,206,148	140,141	(1,097)	4,345,192
Machinery and equipment	641,511	67,938	(19,324)	690,125
Art, literature, and artifacts	771	-	-	771
General infrastructure	276,899	5,022	(922)	280,999
Computer software	-	60	-	60
Subscription asset	5,835	21,841	(403)	27,273
Right to use lease assets, depreciable				
Land and permanent easements	592	1,211	(143)	1,660
Buildings	59,736	736	(4,128)	56,344
Machinery and equipment	10,159	3,228	(1,823)	11,564
General infrastructure	9,464	-	-	9,464
Total Capital Assets-depreciable	5,211,115	240,177	(27,840)	5,423,452
Less accumulated depreciation for Capital Assets, depreciable				
Buildings	(1,205,040)	(83,601)	643	(1,287,998)
Machinery and equipment	(295,132)	(35,551)	15,336	(315,347)
Art, literature, and other artifacts	(277)	(20)	-	(297)
General infrastructure	(84,527)	(7,512)	401	(91,638)
Computer software	-	(7)	-	(7)
Subscription asset	-	(8,420)	403	(8,017)
Right to use lease assets, depreciable				
Land and permanent easements	(50)	(797)	3	(844)
Buildings	(10,831)	(4,831)	5,085	(10,577)
Machinery and equipment	(3,504)	(2,678)	863	(5,319)
General infrastructure	(1,603)	(531)	-	(2,134)
Total accumulated depreciation	(1,600,964)	(143,948)	22,734	(1,722,178)
Total Capital Assets-depreciable, net	3,610,151	96,229	(5,106)	3,701,274
Community Colleges Capital Assets, net	$ 4,058,846	$ 338,515	$ (151,820)	$ 4,245,541

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2023, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of $12.273 million and net depreciable capital assets of $6.795 million.

NOTE 6: SHORT-TERM DEBT

Primary Government

Business-type Activities

The North Carolina Real Estate Commission (an occupational licensing board) renewed a revolving line of credit agreement for an amount up to $500 thousand. As of June 30, 2023, the total amount outstanding on the revolving line of credit was zero resulting in an unused line of credit of $500 thousand. In an event of default, the agreement will immediately terminate, and all indebtedness will become due and payable at the lender's option. Accelerations shall be automatic and not optional if the event of default is due to insolvency.

Component Units

University of North Carolina System

The University of North Carolina at Chapel Hill issued commercial paper to provide interim financing for the construction of capital projects. In June of 2012, the Board of Governors for the University of North Carolina issued a resolution to limit the cumulative amount of commercial paper for the University of North Carolina at Chapel Hill under this program to $250 million. As of June 30, 2023, 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, 2023 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, 2023, the total amount outstanding on the revolving line of credit was zero resulting in an unused line of credit of $300 thousand. The outstanding line of credit contains an event of default provision that if the North Carolina State University Partnership Corporation is unable to make any payment when due, all commitments and obligations of the lender immediately will terminate and, at lender's option, all indebtedness immediately will become due and payable. Also, upon default, the interest rate on the line of credit will be increased by an additional 3% margin, subject to the maximum interest rate limitations under applicable law.

Rex Healthcare has unused revolving lines of credit totaling $100 million.

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, 2023, 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, 2023	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)	Notional
UNC at Chapel Hill:					
Cash flow hedges:					
Pay-fixed interest rate swaps	$ 17,259	$ (51,274)	$ -	$ (51,274)	$ 250,000
Investment derivatives:					
Pay-fixed interest rate swaps	$ 306	$ (161)	$ -	$ (161)	$ 5,955
U.S. dollar equity futures	$ 49,419	$ 7,076	$ 7,076	$ -	$ 329,886
Total	$ 49,725	$ 6,915	$ 7,076	$ (161)	

(a) For the fiscal year ended June 30, 2023, the changes in fair value of cash flow hedges are classified as *deferred outflows of resources* and the changes in fair value of investment derivatives are classified as *investment income*.

(b) At June 30, 2023, the fair value balances of cash flow hedges outstanding are classified as *hedging derivative liability*. The fair value balances of investment derivatives outstanding are classified as *investments*, except that investment derivatives with a negative fair value are classified as *accounts payable and accrued liabilities*.

For the UNC System, the total fair value of cash flow hedges that are classified as both hedging derivative asset and hedging derivative liability at June 30, 2023, was negative $51.21 million.

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

B. Hedging Derivative Instruments

Component Unit – University of North Carolina System

The following table displays the objectives and terms of the UNC System's significant hedging derivative instruments outstanding at June 30, 2023 (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

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, 2023. The fair values are calculated as of June 30, 2023, and based on the implied forward rate for 67% of SOFR plus 7.4 basis points, which trended up during fiscal year 2023. 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, 2023. 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, 2023, SIFMA was 4.01%. The interest rate swap has a notional amount of $5.96 million and matures November 1, 2025.

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), and one SGIC with Transamerica Life Insurance Company (Transamerica Life) which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.25%, 1.82%, 1.98%, and 2.05%, respectively. The fair value of the securities covered by the contracts as of December 31, 2022, is $1.69 billion and the contract value is $1.82 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 and one SGIC with Transamerica Life which are all fully benefit responsive. The SGICs provided an average credit rating yield of 2.25%, 1.82%, 1.98%, and 2.05%, respectively. The fair value of the securities covered by the contracts as of December 31, 2022, is $320.07 million and the contract value is $344.5 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, and Transamerica Life to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, American General, and Transamerica Life were determined to have no value.

NOTE 8: LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Primary Government. Long-term liability activity for the year ended June 30, 2023, was as follows (dollars in thousands):

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Governmental Activities					
Bonds and similar debt payable:					
General obligation bonds	$ 2,309,790	$ -	$ (333,850)	$ 1,975,940	$ 310,880
Special indebtedness:					
Limited obligation bonds	2,348,890	-	(227,400)	2,121,490	233,700
GARVEE bonds	1,023,210	-	(104,270)	918,940	73,225
Issuance premium	628,794	-	(107,173)	521,621	-
Total bonds and similar debt payable	6,310,684	-	(772,693)	5,537,991	617,805
Notes from direct borrowings	43,945	-	(6,294)	37,651	5,823
Lease liability	403,868	31,729	(62,889)	372,708	36,223
Subscription liability	187,821	117,262	(79,377)	225,706	75,458
Compensated absences	585,998	344,892	(337,572)	593,318	46,321
Pension liability (Note 12)	1,485,910	2,297,337	(20,219)	3,763,028	22,789
Net OPEB liability (Note 14)	6,309,947	5,572	(1,643,296)	4,672,223	-
Workers' compensation	650,770	88,117	(121,642)	617,245	118,873
Death benefit payable	37	-	-	37	-
Pollution remediation payable	7,328	-	(346)	6,982	349
Claims and judgments payable	731,703	-	-	731,703	-
Governmental activity long-term liabilities	$ 16,718,011	$ 2,884,909	$ (3,044,328)	$ 16,558,592	$ 923,641
Business-type Activities					
Bonds payable:					
Revenue bonds	$ 2,323,816	$ -	$ (536,454)	$ 1,787,362	$ 42,002
Issuance premium	155,435	-	(25,258)	130,177	-
Total bonds payable	2,479,251	-	(561,712)	1,917,539	42,002
Notes from direct borrowings	186,127	499,462	(1,064)	684,525	1,421
Lease liability	8,228	165	(1,681)	6,712	1,562
Subscription liability	-	3,395	(754)	2,641	793
Annuity and life income payable	81,016	3,794	(10,625)	74,185	7,671
Compensated absences	12,460	10,877	(10,405)	12,932	1,964
Net pension liability (Note 12)	16,421	35,343	-	51,764	-
Net OPEB liability (Note 14)	87,666	516	(14,322)	73,860	-
Workers' compensation	45	27	(13)	59	26
Business-type activity long-term liabilities	$ 2,871,214	$ 553,579	$ (600,576)	$ 2,824,217	$ 55,439

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 $19.617 million, net pension liability of $77.718 million, net OPEB liability of $110.460 million, workers' compensation liability of $2.004 million, lease liability of $1.23 million, and subscription liability of $57.549 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.

Governmental Activities

The Master Trust Indenture of the State's outstanding limited obligation bonds of $2.121 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 $32.202 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 $665.962 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 $9.380 million.

Component Unit (University of North Carolina System). Long-term liability activity for the year ended June 30, 2023, was as follows (dollars in thousands):

	Balance July 1, 2022 (as restated)	Increases	Decreases	Balance June 30, 2023	Due Within One Year
University of North Carolina System					
Bonds payable:					
Revenue bonds	$ 4,449,873	$ 20,455	$ (154,814)	$ 4,315,514	$ 163,504
Direct placements	200,679	-	(21,418)	179,261	80,542
Certificates of participation	3,172	-	(357)	2,815	368
Limited obligation bonds	217,480	5,695	(48,725)	174,450	8,875
Issuance premium	292,143	3,764	(17,152)	278,755	-
Issuance discount	(3,472)	-	763	(2,709)	-
Total bonds payable	5,159,875	29,914	(241,703)	4,948,086	253,289
Notes from direct borrowings	334,717	3,533	(27,430)	310,820	38,259
Lease liability	615,383	121,646	(157,869)	579,160	105,494
Subscription liability	188,780	34,762	(54,759)	168,783	69,650
Annuity and life income payable	51,925	3,872	(4,091)	51,706	863
Compensated absences	554,786	530,153	(489,325)	595,614	108,446
Net pension liability (Note 12)	832,158	1,548,966	(30,144)	2,350,980	-
Net OPEB liability (Note 14)	7,905,263	5,468	(1,892,630)	6,018,101	-
Workers' compensation	53,301	8,258	(13,219)	48,340	12,045
Pollution remediation payable	4,208	600	(435)	4,373	433
Asset retirement obligation	15,102	498	-	15,600	-
Liability insurance trust fund payable	26,765	7,713	(4,728)	29,750	7,713
Total long-term liabilities	$ 15,742,263	$ 2,295,383	$ (2,916,333)	$ 15,121,313	$ 596,192

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 $253.481 million, of which $34.888 million was due within one year and $218.593 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.

Revenue Bonds

Various universities within the University of North Carolina System (UNC System) have outstanding revenue bonds totaling $2.02 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 $1.74 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 $397.465 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, 2023, the amount pledged as collateral is $482.515 million. In the event of default, the bonds will become immediately due and payable. At such time, the Board of Governors may require a sum sufficient to pay all matured installments of principal and interest due, be deposited with the Hospitals' Trustee. Additionally, the bonds can be replaced with a replacement indenture. The owners of the outstanding bonds may be required to accept the replacement bonds in lieu of the bonds held by them. Any such replacement may result in a reduction or material alteration in the covenants and other provisions provided to secure payment of the outstanding bonds.

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

Direct Placement Bonds

Various universities within the UNC System have outstanding direct placement bonds totaling $94.746 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 $84.515 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 ($77.351 million) or a period of 60 days after written notice ($7.164 million).

Special Indebtedness

The University of North Carolina at Wilmington has outstanding limited obligation bonds (LOBs) of $97.05 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 $42.465 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 $20.89 million. These bonds are secured by revenues which include rentals payable by the University under leases and use agreements on the funded project. The LOBs are further secured by a deed of trust on the property. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

Fayetteville State University has outstanding limited obligation bonds totaling $14.045 million and the University of North Carolina School of the Arts has outstanding certificates of participation totaling $2.815 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 $2.815 million.

Notes from Direct Borrowings

Various universities within the UNC System have outstanding notes from direct borrowings totaling $79.902 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 $76.085 million. These agreements contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

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

Elizabeth City State University has outstanding notes from direct borrowings of $18.987 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 $19.091 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 ($14.675 million) or a period of 30 days after written notice ($4.416 million). Appalachian State University has pledged land for its outstanding notes from direct borrowings of $14.675 million. The University of North Carolina at Pembroke has pledged machinery and equipment as security for its outstanding notes from direct borrowings of $2.421 million.

Gateway Research Park has outstanding notes from direct borrowings of $17.237 million secured with collateral of real estate and a vehicle.

Rex Healthcare has outstanding notes from direct borrowings of $13.754 million collateralized by certain property of Rex Wakefield Enterprises.

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

Bonds, special indebtedness, direct placements and notes from direct borrowings at June 30, 2023 were as follows (dollars in thousands):

	Interest Rates	Maturing Through Fiscal Year	Original Borrowing	Outstanding Balance
Primary Government				
Governmental activities				
General obligation bonds	1.50% - 5.00%	2040	$ 3,071,158	$1,975,940
Special indebtedness:				
Limited obligation bonds	2.00% - 5.00%	2037	2,799,030	2,121,490
GARVEE bonds	2.00% - 5.00%	2036	1,342,165	918,940
Notes from direct borrowings	2.10% - 3.75%	2033	84,451	37,651
Business-type activities				
Revenue bonds**	1.83% - 7.10%	2058	$ 2,732,775	$1,787,362
Notes from direct borrowings	1.83% - 3.29%	2058	690,020	684,525
Component Units				
University of North Carolina System				
Revenue bonds**	0.30% - 6.52%*	2053	$ 5,342,970	$4,315,514
Direct Placements	1.29% - 6.18%*	2051	254,347	179,261
Certificates of participation	2.00% - 2.00%	2030	5,400	2,815
Limited obligation bonds	2.00% - 6.23%	2043	214,260	174,450
Notes from direct borrowings**	0.00% - 7.50%*	2057	454,407	310,820

* For variable rate debt, interest rates in effect at June 30, 2023 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 $216.93 million for the primary government and $30.96 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, 2023, the State had no authorized but unissued general obligation bonds. At June 30, 2023, the State had no authorized but unissued special indebtedness supported by the General Fund. At June 30, 2023, 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, 2023, a total of $271.3 million of such contracts have been entered into by the State and universities.

D. Demand Bonds

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

Component Unit

University of North Carolina System

The University of North Carolina at Chapel Hill

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

General Revenue Bonds, Series 2012D

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

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

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

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

The unpaid principal balance of the 2012D Bond outstanding from time to time will bear interest at the Adjusted SOFR Rate. "Adjusted SOFR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2023, no accrued interest payable remained for the 2012D direct placement bond.

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

General Revenue Bonds, Series 2021A

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

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

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

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

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

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

The University of North Carolina Hospitals

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

Revenue Bonds, Series 2001A and Series 2001B

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

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

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

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

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

Under the Agreements, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate, the Federal Funds Rate plus 0.5% or 3%) until 180 days after the initial purchase date and thereafter bear interest at the Base Rate plus 1% per annum and thereafter. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2023, there were no Bank Bonds held by the 2001 Liquidity Facility.

Included in the Agreements is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, the Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Agreements allow the Hospitals to redeem Bank Bonds in monthly installments of principal beginning on the first business day of the month until the fourth anniversary of the purchase date, until fully paid. If the take-out agreement were to be exercised because the entire outstanding $75.6 million of demand bonds was "put" and not resold, the Hospitals would be required to pay $24.65 million, $23.28 million, $21.56 million, and $19.83 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 8.25% (Prime Rate) for the first 180 days and a rate of 9.25% (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, 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, Hospitals entered into a Standby Bond Purchase Agreement with TD Bank, N.A. replacing Wells Fargo Bank, N.A. Also, on July 24, 2020, the Hospitals exercised its prerogative under Section 9.4 of the Series Indenture and signed a new remarketing agent agreement with TD Securities (USA) LLC (Series 2003B) removing Wells Fargo Bank, N.A. as remarketing agent.

While in the weekly mode, the bonds are subject to purchase on demand with seven days' notice to the Remarketing Agent and delivery to the bond Tender Agent, U.S. Bank, National Association. 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 Hospitals, Bank of America, N.A. (Series 2003A) and TD Securities (USA) LLC (Series 2003B), Liquidity Facilities have been established for the Tender Agent to draw amounts sufficient to pay the purchase price on bonds delivered for purchase when remarketing proceeds or other funds are not available.

The 2003A Agreement with Bank of America, N.A. required a Commitment Fee of 0.31% for fiscal year 2023. Payments are made quarterly in arrears, on the first business day of each November, February, May, and August thereafter until the expiration date or termination date of the Agreement. The Commitment Rate remains in effect over the life of the Agreement so long as the rating assigned to Parity Debt by Moody's and S&P is A1/A+ or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A1 or A+, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

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

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

Under the 2003A Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Interest Rate (equal to the greater of the Prime Rate plus 1.5% or the Federal Funds Rate plus 3%), the Base Rate, for the first 90 days and then the Base Rate plus 0.5% from the 91st day to the 367th day following the date of purchase and the Base Rate plus 1% from the 368th day following such date of purchase and thereafter subject to a maximum rate as permitted by law. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2023, there were no Bank Bonds held by the 2003A Liquidity Facility.

Included in the 2003A Agreement is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 367 days of the "put" date. In this situation, the Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003A Agreement allows 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 $29.36 million of demand bonds was "put" and not resold, the Hospitals would be required to pay $12.51 million, $11.63 million, and $10.57 million in years one, two and three respectively, following the termination date under the installment loan agreement assuming a Base Rate of 9.75% (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 2023. Payments are to be made quarterly in arrears, on the first business day of each February, May, August, and November, commencing August 3, 2020. The Commitment Rate remains in effect over the life of the Agreement, so long as the rating assigned to Parity Debt by Moody's and S&P is A+/A1 or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A+ or A1, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

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

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

Under the 2003B Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate, 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, 2023, 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, Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003B Agreement allows 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 $15.79 million of demand bonds was "put" and not resold, Hospitals would be required to pay $5.15 million, $4.86 million, $4.50 million, and $4.14 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 8.25% (Prime Rate) for the first 180 days and a rate of 9.25% (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, 2023 and assume that current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

Primary Government

	Governmental Activities			
	General Obligation Bonds		Limited Obligation Bonds	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2024	$ 310,880	$ 80,742	$ 233,700	$ 97,789
2025	232,420	65,198	208,845	86,251
2026	173,320	53,577	205,145	76,010
2027	156,620	44,911	205,710	66,136
2028	129,230	37,311	208,460	55,850
2029-2033	500,340	109,828	806,525	147,101
2034-2038	403,130	39,350	253,105	18,380
2039-2043	70,000	2,025	-	-
Total	$ 1,975,940	$ 432,942	$ 2,121,490	$ 547,517

	Governmental Activities			
	GARVEE Bonds		Notes from Direct Borrowings	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2024	$ 73,225	$ 44,860	$ 5,823	$ 874
2025	76,885	41,198	6,111	717
2026	80,730	37,354	6,262	553
2027	84,775	33,318	4,577	384
2028	89,010	29,079	3,667	284
2029-2033	395,710	79,856	11,211	599
2034-2038	118,605	6,589	-	-
Total	$ 918,940	$ 272,254	$ 37,651	$ 3,411

	Business-type Activities			
	Revenue Bonds		Notes from Direct Borrowings	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2024	$ 42,002	$ 74,227	$ 1,421	$ 5,356
2025	44,361	72,456	1,960	6,173
2026	47,579	70,556	2,371	8,538
2027	51,723	68,729	2,260	10,887
2028	55,580	66,560	2,441	12,465
2029-2033	312,398	328,146	22,654	77,031
2034-2038	361,691	370,778	25,528	74,609
2039-2043	372,394	195,924	105,311	74,631
2044-2048	263,884	154,276	234,561	63,442
2049-2053	170,260	47,980	180,245	34,909
2054-2058	65,490	3,701	105,773	12,840
Total	$ 1,787,362	$ 1,453,333	$ 684,525	$ 380,881

Component Unit

University of North Carolina System

Fiscal Year Ending June 30	Revenue Bonds		Direct Placements		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 154,133	$ 161,575	$ 20,542	$ 6,265	$ 368	$ 56
2025	159,327	155,739	17,529	5,870	378	49
2026	166,934	149,938	17,207	5,512	390	41
2027	171,226	144,108	13,442	5,169	401	34
2028	176,219	138,073	12,072	4,901	413	26
2029-2033	1,005,370	590,178	29,061	21,555	865	26
2034-2038	1,048,335	380,624	8,598	19,094	-	-
2039-2043	850,195	212,458	30,810	16,540	-	-
2044-2048	469,520	74,269	-	9,265	-	-
2049-2053	114,255	5,547	30,000	4,941	-	-
Total	$ 4,315,514	$ 2,012,509	$ 179,261	$ 99,112	$ 2,815	$ 232

Fiscal Year Ending June 30	Limited Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	$ 8,875	$ 7,147	$ 38,259	$ 12,155
2025	9,290	6,722	23,433	11,359
2026	9,700	6,319	22,371	10,461
2027	10,110	5,909	38,201	9,411
2028	10,525	5,488	28,465	8,048
2029-2033	59,100	20,331	97,903	15,890
2034-2038	56,500	8,297	47,462	6,534
2039-2043	10,350	1,048	5,552	1,230
2044-2048	-	-	3,215	892
2049-2053	-	-	3,595	512
2054-2058	-	-	2,364	108
Total	$ 174,450	$ 61,261	$ 310,820	$ 76,600

For revenue bonds and direct placements of the University of North Carolina System, the fiscal year 2023 principal requirements exclude demand bonds classified as current liabilities (see Note 8D).

F. Bond Defeasances

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

Primary Government

Business-type Activities

On January 17, 2023, the North Carolina Turnpike Authority drew $499.46 million against the Transportation Infrastructure Finance and Innovation Act (TIFTA) Loan agreement to defease $499.46 of outstanding North Carolina Turnpike Authority Senior Lien Revenue Bonds, Series 2020. A portion of the proceeds of the loan along with other resources were used to purchase U.S. government securities. The U.S. government securities were deposited in an irrevocable trust to provide for all future debt service on the defeased bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the statement of net position. This defeasance was undertaken to realize approximately $15.5 million in net present value benefit. At June 30, 2023, the outstanding balance of the defeased bonds was $499.46 million.

Component Unit

University of North Carolina System

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

Fayetteville State University

On January 13, 2023, Fayetteville State University issued $15.72 million in General Revenue Refunding Bonds, Series 2023, with an average interest rate of 4.99%. The bonds were issued for a current refunding of $19.73 million of outstanding General Revenue Bonds, Series 2013A, with an average interest rate of 5.11%. The refunding was undertaken to reduce total debt service payments by $6.97 million over the next 21 years and resulted in an economic gain of $4.41 million.

Western Carolina University

On June 1, 2023, Western Carolina University issued $5.695 million in Limited Obligation Refunding Bonds, Series 2023, with an average interest rate of 3.47%. The bonds were issued for a current refunding of $5.55 million of outstanding Limited Obligation Bonds, Series 2013, with an average interest rate of 4.24%. The refunding was undertaken to reduce total debt service payments by $215 thousand over the next 10 years and resulted in an economic gain of $187 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, 2023, the primary government had no outstanding balance of prior year defeased bonds. The outstanding balance of prior year defeased bonds was $360.6 million for the University of North Carolina System (component unit). The substitution of essentially risk-free securities with securities that are not essentially risk-free is not prohibited for $151.7 million of the prior year defeased bonds for the University of North Carolina System (component unit).

G. Pollution Remediation Payable

Primary Government

Governmental Activities

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

At year-end, the State recognized a pollution remediation liability of $6.979 million for leaking underground fuel tanks at DOT. The liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Component Unit

University of North Carolina System

N.C. State University recognized a pollution remediation liability of $4.343 million for remediation of a lot the University used as a burial site for hazardous chemical and low level radioactive waste generated in its laboratories. The amount of the liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

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

H. Asset Retirement Obligation

Component Unit

University of North Carolina System

N.C. State University has asset retirement obligations arising from federal regulations to perform certain decommissioning activities at the time of disposal of its PULSTAR reactor facility. These activities include removal of all activated reactor components, demolition of the reactor biological shield, and disposal costs for radioactive materials. The liability was estimated by analyzing the actual decommissioning costs of a representative university reactor facility and adjusting the costs to be consistent with the N.C. State PULSTAR facility. Costs were also adjusted for the effects of inflation. At year-end, the estimated remaining useful life of the PULSTAR reactor facility was 40 years. In accordance with 10 CFR 50.75(e)(1)(iv), the University has provided the following Statement of Intent regarding decommissioning funding. The decommissioning funding obligations are fully backed by the State of North Carolina. Decommissioning funds will be appropriated when necessary following the provisions of General Statute 116-11(9)(a).

NOTE 9: LEASE AND SUBSCRIPTION LIABILITY OBLIGATIONS

A. Summary Information

Primary Government – Lease activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Right-to-Use Land	$ (429)	$ (18)	2 - 26	3.25% - 3.30%
Right-to-Use Buildings	(369,146)	(35,107)	1 - 36	2.50% - 8.25%
Right-to-Use Machinery and Equipment	(2,419)	(1,007)	1 - 5	2.10% - 4.99%
Right-to-Use General Infrastructure	(714)	(91)	3 - 11	3.25%
Total	$ (372,708)	$ (36,223)		
Lessor:				
Right-to-Use Land	$ 142	$ 67	3 - 20	3.25% - 7.00%
Right-to-Use Buildings	5,266	619	1 - 10	3.30% - 7.00%
Right-to-Use General Infrastructure	1,660	64	15 - 26	3.25%
Total	$ 7,068	$ 750		
Business-type Activities				
Lessee:				
Right-to-Use Buildings	(6,240)	(1,385)	1 - 8	2.83% - 6.00%
Right-to-Use Machinery and Equipment	(472)	(177)	1 - 5	2.57% - 4.53%
Total	$ (6,712)	$ (1,562)		
Lessor:				
Right-to-Use Land	$ 4,693	$ 363	1 - 25	3.30% - 8.30%
Right-to-Use Buildings	406	262	1 - 10	2.76% - 4.00%
Total	$ 5,099	$ 625		

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, 2023, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2023	Current Portion	Subscription Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Subscription Asset	$ (225,706)	$ (75,458)	1 - 23	3.25% - 8.95%
Total	$ (225,706)	$ (75,458)		
Business-type Activities				
Lessee:				
Subscription Asset	$ (2,641)	$ (793)	1.4 - 10	4.85%
Total	$ (2,641)	$ (793)		

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 NC Department of Information Technology recognized outflow of resources of $10.49 million that were excluded from the above table.

Component Units - Lease activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Right-to-Use Land	$ (2,028)	$ (492)	2 - 99	1.34% - 7.50%
Right-to-Use Buildings	(480,113)	(98,455)	1 - 73	0.32% - 10.00%
Right-to-Use Machinery and Equipment	(21,795)	(5,770)	1 - 38	0.25% - 8.90%
Right-to-Use General Infrastructure	(5,465)	(777)	1 - 49	0.75% - 5.25%
Total	$ (509,401)	$ (105,494)		
Lessor:				
Right-to-Use Land	43,009	1,219	1 - 91	0.20% - 8.50%
Right-to-Use Buildings	69,039	19,941	1 - 99	0.19% - 9.50%
Right-to-Use Machinery and Equipment	2,954	210	2 - 20	2.69% - 3.18%
Right-to-Use General Infrastructure	310	179	1 - 3	0.90% - 1.10%
Total	$ 115,312	$ 21,549		

Classification:	Lease Receivable (Liability) June 30, 2023	Current Portion	Lease Terms in Years	Interest Rate
Community Colleges				
Lessee:				
Right-to-Use Land	$ (2,467)	$ (440)	1 - 38	0.29% - 8.00%
Right-to-Use Buildings	(47,452)	(2,831)	0.9 - 30	0.29% - 6.41%
Right-to-Use Machinery and Equipment	(5,945)	(2,396)	0.3 - 25	0.53% - 8.00%
Right-to-Use General Infrastructure	(3,761)	(765)	7.5 - 40	3.25% - 8.74%
Total	$ (59,625)	$ (6,432)		
Lessor:				
Right-to-Use Land	$ 23	$ 11	3	6.25%
Right-to-Use Buildings	773	344	1.5 - 5	3.00% - 15.00%
Right-to-Use General Infrastructure	2,282	318	3 - 19	1.24% - 4.25%
Total	$ 3,078	$ 673		

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 $26.44 million. UNC Healthcare recognized a lease receivable as the lessor of $26.80 million. UNC Chapel Hill's reported lease liability amount and UNC Healthcare's reported lease receivable amount differ by $358 thousand due to each entity using different interest rates in their calculations. 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 $44.19 million. NCSU's reported lease liability amount and the Centennial

Authority's reported lease receivable amount differ by $868 thousand 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.

Subscription liability activity for the year ended June 30, 2023, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2023	Current Portion	Subscription Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Subscription Asset	$ (168,783)	$ (69,650)	1 - 9	1.55% - 9.76%
Total	$ (168,783)	$ (69,650)		
Community Colleges				
Lessee:				
Subscription Asset	$ (17,192)	$ (7,482)	0.5 - 10	1.58% - 8.25%
Total	$ (17,192)	$ (7,482)		

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2023, were as follows (dollars in thousands):

	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 36,223	$ 12,111	$ 1,562	$ 207	$ 105,494	$ 17,523	$ 6,493	$ 2,085
2025	33,017	10,931	1,435	160	95,902	14,137	5,297	1,878
2026	28,056	9,885	886	117	84,703	11,027	4,445	1,712
2027	27,247	8,938	790	87	74,907	8,253	3,690	1,585
2028	32,226	10,096	658	66	60,468	5,973	2,957	1,474
2029 - 2033	103,475	27,238	1,381	68	103,927	12,969	10,568	6,044
2034 - 2038	58,079	13,701	-	-	8,852	6,671	8,098	4,490
2039 - 2043	36,683	5,490	-	-	593	6,387	9,299	2,773
2044 - 2048	16,947	1,241	-	-	608	6,299	8,778	766
2049 - 2053	755	-	-	-	182	6,157	-	-
2054 - 2058	-	-	-	-	59	6,038	-	-
2059 - 2063	-	-	-	-	65	5,834	-	-
2064 - 2068	-	-	-	-	2,212	5,529	-	-
2069 - 2073	-	-	-	-	3,826	5,092	-	-
2074 - Beyond	-	-	-	-	37,362	13,008	-	-
	$ 372,708	$ 99,631	$ 6,712	$ 705	$ 579,160	$ 130,897	$ 59,625	$ 22,807

C. Principal and Interest Requirements for Subscription Liability

Future principal and interest subscription liability payments as of June 30, 2023, were as follows (dollars in thousands):

	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 75,458	$ 10,081	$ 793	$ 38	$ 69,650	$ 5,337	$ 7,911	$ 476
2025	61,334	7,125	766	37	50,413	3,018	4,490	265
2026	33,713	4,369	660	32	25,135	1,490	2,156	153
2027	21,232	2,784	422	20	14,596	634	1,518	78
2028	9,126	1,769	-	-	5,090	293	494	33
2029 - 2033	12,192	4,941	-	-	3,851	136	623	27
2034 - 2038	9,816	2,047	-	-	25	7	-	-
2039 - 2043	2,835	105	-	-	23	2	-	-
2044 - 2048	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-
2064 - 2068	-	-	-	-	-	-	-	-
2069 - 2073	-	-	-	-	-	-	-	-
2074 - Beyond	-	-	-	-	-	-	-	-
	$ 225,706	$ 33,221	$ 2,641	$ 127	$ 168,783	$ 10,917	$ 17,192	$ 1,032

NOTE 10: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Due To/From Fiduciary Funds

The General Fund balance of $149.43 million due to fiduciary funds is composed of $38.16 million related to local sales taxes collected in the General Fund and due to the custodial fund, as well as $111.27 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, 2023 consisted of the following (dollars in thousands):

	Due From Other Funds								
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	Other Enterprise Funds	Internal Service Funds	Total
Due To Other Funds									
General Fund	$ —	$16,401	$ —	$ 8,344	$ 36,831	$ 2,512	$ —	$ 5,092	$ 69,180
Highway Fund	12,026	—	—	1,960	—	—	—	2,444	16,430
Other Governmental Funds	11,797	—	—	22	—	—	—	566	12,385
Unemployment Compensation Fund	959	—	—	—	—	—	—	—	959
N.C. State Lottery Fund	130,250	—	—	—	—	—	—	—	130,250
N.C. Turnpike Authority	23,521	72,079	15,990	—	—	—	—	—	111,590
Internal Service Funds	—	—	—	7,652	—	—	1,299	90	9,041
Total	$178,553	$88,480	$15,990	$ 17,978	$ 36,831	$ 2,512	$ 1,299	$ 8,192	$349,835

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 $32.84 million to the N.C. Turnpike Authority from the Highway Trust Fund is related to operating costs.

B. Interfund Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2023, consisted of the following (dollars in thousands):

	Transfers In									
Transfers Out	General Fund	Highway Fund	Highway Trust Funds	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC Turnpike Authority	Other Enterprise Funds	Internal Service Funds	Total
General Fund	$ -	$281,241	$ -	$ 737,351	$ 514	$18,874	$ -	$ 1,359	$1,608	$1,040,947
Highway Fund	37,322	-	109,835	17,700	-	-	21,667	-	-	186,524
Highway Trust Fund	542	35,239	-	-	-	-	91,316	-	-	127,097
Other Governmental Funds	142,789	-	-	21,570	-	-	-	12	451	164,822
N.C. State Lottery Fund	1,017,350	-	-	1,000	-	-	-	-	-	1,018,350
Other Enterprise Funds	1,574	-	-	1,874	-	-	-	-	-	3,448
Internal Service Funds	73	-	-		-	-	-	-	905	978
Total	$1,199,650	$316,480	$109,835	$ 779,495	$ 514	$18,874	$112,983	$ 1,371	$2,964	$2,542,166

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 $1.016 billion were made to the Education Lottery Fund for this fiscal year, as set forth in General Statute 18C-164. The remaining $2.1 million transfer to the General Fund was made to the Alcohol Law Enforcement Branch for gambling enforcement activities as directed by House Bill 97 [Session Law 2015-241].

House Bill 817 [Session Law 2013-183], amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the N.C. Turnpike Authority (NCTA) to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Connector/Bypass. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and $91.32 million was transferred to the NCTA during fiscal year 2023. House Bill 103 [Session Law 2022-74] Section 41.7(a) directed a $109.84 million transfer from the Highway Fund to advance Right-of-Way Acquisition, so Highway Trust Fund could purchase property under the Undue Hardship Program.

Senate Bill 105 [Session Law 2021-180], as amended by House Bill 103 [Session Law 2022-74] Section 11.9(a), directed a $215.16 million transfer of funds during fiscal year 2023 from the Department of Commerce to the Department of Transportation for public roadwork and associated wetlands mitigation needed to support economic development projects. Per House Bill 103 [Session Law 2022-74] Section 2.2.(m)&(9), the Department of Environment Quality received a transfer of $325.99 million for the Clean Water and Drinking Water Reserve.

NOTE 11: FUND BALANCE

Fund Balance. The details of the fund balance classifications for governmental funds at June 30, 2023 are as follows (dollars in thousands):

	Governmental Funds				
Fund Balance	*General Fund*	*Highway Fund*	*Highway Trust Fund*	*Other Governmental Funds*	*Total Governmental Funds*
Nonspendable:					
Inventories	$ 101,239	$ 109,723	$ -	$ 27,123	$ 238,085
Permanent corpus	-	-	-	128,045	128,045
Long-term portion of notes receivable	97	-	-	-	97
Restricted for:					
General government	9,541	-	-	6,788	16,329
Primary and secondary education	4,748	-	-	-	4,748
Higher education	5,655	-	-	3,400	9,055
Higher education student aid	-	-	-	1,255,395	1,255,395
Health and human services	93,021	-	-	1,470	94,491
Economic development	33,209	-	-	-	33,209
Environment and natural resources	21,009	-	-	73,208	94,217
Public safety, corrections, and regulation	30,074	-	-	31,384	61,458
Transportation	-	3,310	-	-	3,310
Highway construction/preservation	-	35,167	68,032	-	103,199
Agriculture	-	-	-	1,662	1,662
Debt service	-	-	146,882	44,424	191,306
Capital projects/repairs and renovations	-	-	-	148,507	148,507
Committed to:					
General government	3,970,983	-	-	47,302	4,018,285
Primary and secondary education	530,482	-	-	-	530,482
Public school capital projects/repairs and renovations	1,183,376	-	-	-	1,183,376
Higher education	466,780	-	-	-	466,780
Health and human services	1,092,144	-	-	90,283	1,182,427
Economic development	1,362,579	-	-	658	1,363,237
Environment and natural resources	285,567	-	-	503,902	789,469
Public safety, corrections, and regulation	428,419	-	-	303,228	731,647
Transportation	-	212,652	-	195	212,847
Highway construction/preservation	-	836,103	860,256	-	1,696,359
Agriculture	98,721	-	-	60,626	159,347
Disaster relief	933,352	-	-	-	933,352
Capital projects/repairs and renovations	187,435	-	-	777,286	964,721
Assigned to:					
Subsequent year's budget	3,423,790	-	-	-	3,423,790
General government	9,975	-	-	557	10,532
Primary and secondary education	12,460	-	-	-	12,460
Higher education	1,939	-	-	-	1,939
Health and human services	283,614	-	-	798	284,412
Economic development	1,466	-	-	-	1,466
Environment and natural resources	14,793	-	-	2,585	17,378
Public safety, corrections, and regulation	105,261	-	-	381	105,642
Agriculture	2,885	-	-	-	2,885
Unassigned	7,670,986	-	-	-	7,670,986
Total fund balance	$ 22,365,600	$ 1,196,955	$ 1,075,170	$ 3,509,207	$ 28,146,932

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, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly. At June 30, 2023, the number of participating employers was as follows:

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

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, 2023 was 17.38% of covered payroll. This was equal to the actuarially determined contribution. The actuarially determined contribution included 1.24% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.20.(a) of Session Law 2022-74 and paid in October 2022. 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, 2023, the number of participating local governments was as follows:

Cities	429
Counties	100
Special Districts	366
	895

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

Benefits provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with 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, 2023, all employers made contributions of 13.10% of covered payroll for law enforcement officers and 12.10% for general employees and firefighters. These were different than the actuarially determined contributions inclusive of the cost of the one-time supplement for retirees approved by the LGERS Board of Trustees in January 2022 and paid in October 2022. The employer contribution rate for law enforcement officers was less than the actuarially determined contribution of 13.44%. The employer contribution rate for general employees and firefighters was greater than the actuarially determined contribution of 11.66%. 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, 2023, there were 1,658 participating fire and rescue units.

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

Benefits provided. FRSWPF provides retirement, disability and survivor benefits. The present retirement benefit is $170 per month. Plan members are eligible to receive the monthly retirement benefit at age 55 with 20 years of fully credited service as a firefighter or rescue squad worker regardless of whether the member has terminated paid employment. Disabled members may be able to receive benefits after attaining age 55 under certain plan provisions. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected. A survivorship benefit 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. 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, 2023, there were 105 individuals receiving benefits in the plan with 100 counties participating. Benefit provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. The State's only cost in the plan is administration.

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

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

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

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

Contributions. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution for the fiscal year ending 2023 is zero. Registers of Deeds do not contribute.

Single-Employer Defined Benefit Plans

5. CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Consolidated Judicial Retirement System (CJRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys, public defenders and clerks of court. Benefit provisions are established by 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. 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, 2023 was 39.95% of covered payroll. This was greater than the actuarially determined contribution of 39.65%. The actuarially determined contribution included 2.64% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.20.(b) of Session Law 2022-74 and paid in October 2022. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

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

6. LEGISLATIVE RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Legislative Retirement System (LRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide retirement and disability benefits for members of the General Assembly. The benefit will not be payable while the retiree is employed in a position making him eligible to participate in either the Teachers' and State Employees' Retirement System or Consolidated Judicial Retirement System. Benefit provisions are established by 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 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, 2023, the State's contractually required contribution was 24.91% of covered payroll. This was greater than the actuarially determined contribution of 24.61%. The actuarially determined contribution included 2.56% of covered payroll to satisfy the cost of the one-time cost of living supplement for retirees enacted through Section 39.20.(c) of Session Law 2022-74 and paid in October 2022. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

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

7. NORTH CAROLINA NATIONAL GUARD PENSION FUND

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

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

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

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

8. SPECIAL SEPARATION ALLOWANCE

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

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

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

Defined Contribution Plans

9. SHERIFFS' SUPPLEMENTAL PENSION FUND

Plan administration. This plan is a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. At June 30, 2023, there were 108 sheriffs and no beneficiaries enrolled in the plan with 80 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, 2023, the Clerks remitted $692 thousand and $631 thousand was invoiced to the county governments, with $596 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.

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, 2022, there were approximately 281,300 employees enrolled with 1,009 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, 2022, 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.

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, 2022, 53 state agencies and component units along with 435 local governmental units outside the reporting entity contributed the required 5%. In addition, six state agencies and 510 local government employers contributed to the NC 401(k) Plan on a voluntary basis. There were approximately 13,900 LEOs actively contributing to the NC 401(k) Plan and approximately 25,600 LEOs receiving employer contributions as of December 31, 2022.

The NC 401(k) Plan reported total member contributions of $467.36 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2022, amounted to $334.72 million for the State, $33.27 million for universities, and $9.67 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for $16.74 million, by universities for $1.66 million, and by the remaining component units, public schools and community colleges for $483 thousand. In addition, the State contributed $279 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, 2023, the plan had 23,014 participants with 19 constituent institutions of the UNC System participating.

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

Participants contribute 6% of compensation and the university contributes 6.84%. The universities contributed $156.96 million for the fiscal year ended June 30, 2023. Annual covered payroll was $2.29 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 $137.68 million for the fiscal year ended June 30, 2023. The amount of pension expense recognized in the current fiscal year related to ORP was $135.15 million. Forfeitures reduced the universities' pension expense by $21.81 million for the fiscal year ended June 30, 2023. Any liabilities reported by the universities are immaterial to this ACFR.

C. Plan Membership

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

	Cost-Sharing, Multiple-Employer				Single-Employer			
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
Inactive plan members or beneficiaries currently receiving benefits	246,374	82,466	15,014	101	816	288	4,681	1,044
Inactive plan members entitled to but not yet receiving benefits	214,465	101,818	111	-	60	108	2,885	-
Active plan members	302,293	135,706	43,268	104	581	170	5,614	4,934
	763,132	319,990	58,393	205	1,457	566	13,180	5,978
Valuation date	12-31-22	12-31-22	12-31-22	12-31-22	12-31-22	12-31-22	12-31-22	12-31-21

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, 2023:

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

The preceding table reflects an investment allocation which became effective July 1, 2022. 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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was:

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Money-weighted Rate of Return	5.27%	5.27%	5.25%	(1.16%)	5.25%	5.19%	5.12%

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, 2023, were as follows (dollars in thousands):

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
Total pension liability	$ 97,921,037	$ 37,828,184	$ 505,749	$ 33,626	$ 883,416	$ 30,433	$ 143,712
Plan fiduciary net position	81,249,054	31,205,097	496,440	45,643	682,362	28,748	175,727
Net pension liability (asset)	$ 16,671,983	$ 6,623,087	$ 9,309	$ (12,017)	$ 201,054	$ 1,685	$ (32,015)
Plan fiduciary net position as a percentage of the total pension liability	82.97%	82.49%	98.16%	135.74%	77.24%	94.46%	122.28%

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2022 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, 2021 valuation for the Special Separation Allowance were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

	Cost-Sharing, Multiple-Employer				Single-Employer		
	Teachers' and State Employees'	Local Govern-mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard
	(1)	(1)		(1)	(1)	(1)	
Valuation date	12/31/22	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%	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 2022, as granted by the North Carolina General Assembly for the fiscal year ending 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 ending 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 will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 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, 2023 (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	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30 year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Discount rate. The discount rate used to measure the total pension liability was 6.5% except for Registers of Deeds' Supplemental Pension Fund which was 3% for the December 31, 2022 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plans' net pension liability to changes in the discount rate. The following presents the net pension liability of the plans at June 30, 2023 calculated using the discount rate of 6.5% (3% for RODSPF), as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%; RODSPF 2%) or 1-percentage-point higher (7.5%; RODSPF 4%) than the current rate (dollars in thousands):

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Cost-Sharing, Multiple-Employer			
TSERS' net pension liability	$ 28,621,888	$ 16,671,983	$ 6,813,699
LGERS' net pension liability	11,474,238	6,623,087	2,629,165
FRSWPF's net pension liability (asset)	73,581	9,309	(43,243)
Single-Employer			
CJRS' net pension liability	$ 294,847	$ 201,054	$ 121,206
LRS' net pension liability (asset)	4,515	1,685	(736)
NCNG's net pension asset	(14,784)	(32,015)	(46,119)

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
Cost-Sharing, Multiple-Employer			
ROD's net pension asset	$ (8,203)	$ (12,017)	$ (15,233)

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, 2023 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government	$ 691,588	$ 19,702	$ 34,952	$ 901	$ 11,032	$ 758,175
Component Units						
University of North Carolina System	$ 472,508	$ —	$ —	$ —	$ —	$ 472,508
Community Colleges	174,534	—	—	—	—	174,534
Other Component Units	6,710	—	—	—	—	6,710
Total Contributions	$ 1,345,340	$ 19,702	$ 34,952	$ 901	$ 11,032	$ 1,411,927

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

As of June 30, 2023, the primary government and component units reported pension liabilities for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System (1)	Community Colleges	Other Component Units
Proportionate Share of the Net Pension Liability				
Teachers' and State Employees' Retirement System	$ 3,308,833	$ 2,212,675	$ 820,596	$ 28,700
Firefighters' and Rescue Squad	19,662	—	—	—
Consolidated Judicial	174,571	—	—	—
Legislative	1,530	—	—	—
Pension Liability				
Special Separation Allowance	310,196	—	—	—
Total Pension Liability	$ 3,814,792	$ 2,212,675	$ 820,596	$ 28,700

(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, 2023, Rex Healthcare had a net pension liability of $138.31 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, 2023, Centennial Authority did not have a net pension liability.

As of June 30, 2023, the primary government reported a net pension asset of $15.33 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, 2022, and the total pension liability used to calculate each net pension liability was determined by an actuarial valuation as of December 31, 2021. Update procedures were used to roll forward the total pension liability to

June 30, 2022. For TSERS, the primary government's and each component unit's proportion of the collective net pension liability was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net pension liability was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year pension contributions.

The primary government's pension liability was measured as of June 30, 2022. The total pension liability was determined by an actuarial valuation as of December 31, 2021. Update procedures were used to roll forward the total pension liability to June 30, 2022. The discount rate used to measure the total pension liability was 3.54% at June 30, 2022. 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, 2022 and 2021 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, 2022	22.29%	14.91%	5.53%	0.19%
Proportion – June 30, 2021	23.50%	15.26%	5.58%	0.18%
Change – Increase (Decrease)	(1.21)	(0.35)	(0.05)	0.01

For the year ended June 30, 2023, 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	$ 748,150	$ 467,377	$ 170,933	$ 6,854
Consolidated Judicial	46,900	–	–	–
Legislative	196	–	–	–
Special Separation Allowance	38,748	–	–	–
Total Pension Expense	$ 833,994	$ 467,377	$ 170,933	$ 6,854

As a result of its requirement to contribute, the primary government recognized expense of $5.1 million for FRSWPF and $(10.8) million for NGPF for the year ended June 30, 2023. 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, 2022 and 2021.

At June 30, 2023, the primary government and component units reported deferred outflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources						
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	Total
Primary Government:							
Difference between actual and expected experience	$ 14,413	$ 410	$ 20,039	$ —	$ —	$ 34,726	$ 69,588
Changes of assumptions	261,087	3,261	23,310	—	—	39,300	326,958
Net difference between projected and actual earnings on pension plan investments	1,086,578	29,665	41,049	1,772	10,464	—	1,169,528
Change in proportion and differences between agency's contributions and proportionate share of contributions	122,682	—	—	—	—	—	122,682
Contributions subsequent to the measurement date	691,588	19,702	34,952	901	11,032	—	758,175
Transactions subsequent to the measurement date	—	—	—	—	—	22,789	22,789
Total	$ 2,176,348	$ 53,038	$ 119,350	$ 2,673	$ 21,496	$ 96,815	$ 2,469,720

Component Units:

University of North Carolina System	
Difference between actual and expected experience	$ 9,634
Changes of assumptions	174,572
Net difference between projected and actual earnings on pension plan investments	726,731
Change in proportion and differences between agency's contributions and proportionate share of contributions	23,014
Contributions subsequent to the measurement date	472,508
Total (1)	$ 1,406,459
Community Colleges	
Difference between actual and expected experience	$ 3,573
Changes of assumptions	64,742
Net difference between projected and actual earnings on pension plan investments	269,517
Change in proportion and differences between agency's contributions and proportionate share of contributions	13,301
Contributions subsequent to the measurement date	174,534
Total	$ 525,667
Other Component Units	
Difference between actual and expected experience	$ 125
Changes of assumptions	2,264
Net difference between projected and actual earnings on pension plan investments	9,426
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,552
Contributions subsequent to the measurement date	6,710
Total (2)	$ 20,077

(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, 2023, Rex Healthcare had deferred outflows of resources of $61.680 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, 2023, Centennial Authority had deferred outflows of resources of $117 thousand.

At June 30, 2023, the primary government and component units reported deferred inflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources						
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	Total
Primary Government:							
Difference between actual and expected experience	$ 45,101	$ 9,561	$ —	$ 140	$ 13,367	$ —	$ 68,169
Changes of assumptions	—	2,531	—	—	—	26,639	29,170
Change in proportion and differences between agency's contributions and proportionate share of contributions	71,625	—	—	—	—	—	71,625
Total	$ 116,726	$ 12,092	$ —	$ 140	$ 13,367	$ 26,639	$ 168,964
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	$ 30,159						
Change in proportion and differences between agency's contributions and proportionate share of contributions	34,751						
Total(1)	$ 64,910						
Community Colleges							
Difference between actual and expected experience	$ 11,185						
Change in proportion and differences between agency's contributions and proportionate share of contributions	12,136						
Total	$ 23,321						
Other Component Units							
Difference between actual and expected experience	$ 391						
Change in proportion and differences between agency's contributions and proportionate share of contributions	103						
Total(2)	$ 494						

(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, 2023, Rex Healthcare had deferred inflows of resources of $15.401 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, 2023, Centennial Authority had deferred inflows of resources of four 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, 2024. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Teachers' and State Employees'

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2024	$ 399,075	$ 237,211	$ 88,221	$ 3,748
2025	349,384	214,063	82,047	3,293
2026	98,811	69,392	28,345	1,314
2027	520,764	348,375	129,199	4,518

Other Plans

	Primary Government				
Year Ending June 30	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
2024	$ 2,529	$ 27,584	$ 244	$ (11,121)	$ 16,835
2025	3,155	26,812	347	2,122	14,747
2026	1,254	10,270	196	1,343	9,344
2027	14,306	19,732	845	4,753	6,120
2028	–	–	–	–	1,854
Thereafter					(1,513)

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, 2023, 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	$ 15,430,683	$ 6,443,501	$ 21,874,184	$ (1,538,273)
Effect on unrestricted net position				
TSERS	$ (1,230,186)	$ (19,026)	$ (1,249,212)	$ 5,102,900
FRSWPF	21,284	—	21,284	—
CJRS	(55,221)	—	(55,221)	—
LRS	1,003	—	1,003	—
SSA	(310,126)	—	(310,126)	—
Total effect on unrestricted net position	$ (1,573,246)	$ (19,026)	$ (1,592,272)	$ 5,102,900
Restricted net position	$ 1,788,260	$ 166,230	$ 1,954,490	$ 11,446,347
Effect on restricted net position				
NCNG	$ 1,960	$ —	$ 1,960	$ —
Total effect on restricted net position	$ 1,960	$ —	$ 1,960	$ —

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability in the December 31, 2021 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	12/31/21	12/31/21	12/31/21	12/31/21	12/31/21	12/31/21
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
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 3.5% inflation and productivity factor.
(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.
(3) - Salary increases include 2.5% inflation and 1% real wage growth.
N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	29%	1.1%
Global Equity	42%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	7.5%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS

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

	Net Pension Liability (Asset)		
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Teachers' and State Employees' Proportionate Share			
Primary Government	$ 5,850,181	$ 3,308,833	$ 1,211,149
University of North Carolina System	3,912,080	2,212,675	809,909
Community Colleges	1,450,858	820,596	300,368
Other Component Units	50,752	28,700	10,507
Firefighters' and Rescue Squad	$ 83,428	$ 19,662	$ (32,480)
Consolidated Judicial	$ 262,462	$ 174,571	$ 99,648
Legislative	$ 4,335	$ 1,530	$ (870)
North Carolina National Guard	$ 2,485	$ (15,327)	$ (29,932)

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 3.54%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate (dollars in thousands):

	Total Pension Liability		
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Special Separation Allowance	$ 332,684	$ 310,196	$ 289,511

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, 2023 (dollars in thousands):

	Consolidated Judicial	Legislative	Special Separation Allowance
Total pension liability			
Service Cost	$ 14,320	$ 796	$ 14,136
Interest	51,397	1,925	6,924
Changes of benefit terms	2,127	94	-
Differences between expected and actual experience	22,417	(281)	9,854
Changes of assumptions	-	-	(31,526)
Benefit payments, including refunds of member contributions	(53,819)	(2,358)	(19,608)
Net change in total pension liability	36,442	176	(20,220)
Total pension liability - beginning (a)	802,893	29,974	330,416
Total pension liability - ending (c)	$ 839,335	$ 30,150	$ 310,196
Plan fiduciary net position			
Contributions-employer	$ 33,428	$ 1,029	$ —
Contributions-member	5,470	253	—
Net investment income	(51,610)	(2,183)	—
Benefit payments, including refunds of member contributions	(53,819)	(2,358)	—
Administrative expense	(29)	(15)	—
Other	4	(1)	
Net change in plan fiduciary net position	(66,556)	(3,275)	
Plan fiduciary net position - beginning (b)	731,320	31,895	—
Plan fiduciary net position - ending (d)	$ 664,764	$ 28,620	$ —
Net pension liability - beginning (a) - (b)	71,573	(1,921)	—
Net pension liability - ending (c) - (d)	$ 174,571	$ 1,530	$ —

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 Prudential Retirement Insurance and Annuity Company (Prudential) to perform recordkeeping, administration, and education services. On April 1, 2022, Empower acquired the full-service retirement business of Prudential. The full migration to the Empower platform is expected to be completed by the end of the 2023 calendar year. At December 31, 2022, there were approximately 56,740 plan members with 602 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, 2022 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) PLANS

Effective January 1, 2009, the University of North Carolina System established the UNC System 403(b) Plan for all constituent institutions. Employees can participate in tax-sheltered annuity contracts and custodial accounts created under Internal Revenue Code (IRC) Section 403(b). All employees who receive compensation reportable on a W-2 and pay FICA are eligible to participate in the 403(b) Plan, so long as the employee elects to contribute at least $200 each calendar year. The University System administers the UNC 403(b) Plan and Teachers Insurance and Annuity Association (TIAA) and Fidelity serve as the record keepers of the plan. The plan is designed to provide a low-cost retirement savings option to university employees. At December 31, 2022, there were 16,333 employees participating in the plan. No direct costs are incurred by the State.

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

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, 2023, the number of participating employers was as follows:

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

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. For the fiscal year ended June 30, 2023, the State and the other employers contributed the legislatively mandated 6.89% of covered payroll. This amount, combined with investment income, funds the benefits received during the year. RHBF is reported as an employee benefit trust fund. Actual contributions are reported in Section F of this note.

2. DISABILITY INCOME

Plan administration. As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of the Teachers' and State Employees' Retirement System which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and Local Education Agencies (LEAs) which are not part of the reporting entity, and the University Employees' Optional Retirement Program. At June 30, 2023, the number of participating employers was as follows:

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

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

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

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

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

Contributions. Although the DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2023, the State and the other employers made a statutory contribution of 0.10% 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	249,026	N/A
Retired members and survivors of deceased members currently receiving benefits	N/A	4,322
Terminated members entitled to but not yet receiving benefits	51,616	-
Active members	287,783	318,895
Total	588,425	323,217
Date of valuation	*12/31/22*	*12/31/22*

N/A - Not Applicable

D. Investments

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

The adopted asset allocation policies for the Disability Income Plan of North Carolina are primarily in the Bond Index Investment Pool as of June 30, 2023 as described in Note 3. The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2023:

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

The preceding table reflects an investment allocation which became effective July 1, 2022.

Rate of return. For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was:

	Cost-Sharing, Multiple-Employer	
	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Money-weighted Rate of Return	3.89%	(1.21%)

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

E. Net OPEB Liability of Participating Employers

The components of the net OPEB liability of the participating employers at June 30, 2023, were as follows (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Total OPEB liability	$ 29,850,087	$ 283,168
Plan fiduciary net position	3,202,661	256,572
Net OPEB liability	$ 26,647,426	$ 26,596
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	90.61%

Actuarial Assumptions. The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund (1)	Disability Income Plan of N.C. (1)
Valuation Date	12/31/2022	12/31/2022
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 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, 2023.

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2023 (see the discussion of the OPEB plans' investment policy in Section D) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

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

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 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 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2023 compared to 3.08% for June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3%, 3% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the plans at June 30, 2023, as well as what the plans' 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 discount rate (dollars in thousands):

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF net OPEB liability	$ 31,435,710	$ 26,647,426	$ 22,747,687

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC net OPEB liability	$ 31,972	$ 26,596	$ 21,122

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 the plans' 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%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare 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%)
RHBF net OPEB liability	$ 21,999,839	$ 26,647,426	$ 32,640,392

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

F. GASB Statement 75 Employer Reporting

1. EMPLOYER AND NONEMPLOYER CONTRIBUTIONS

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at June 30, 2023 (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government	$ 280,380	$ 3,979	$ 284,359
Component Units			
University of North Carolina System	$ 347,911	$ 5,049	$ 352,960
Community Colleges	68,524	1,010	69,534
Other Component Units	2,681	39	2,720
Total Contributions	$ 699,496	$ 10,077	$ 709,573

In fiscal year 2022, the State Health Plan (the Plan) transferred $180.51 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, 2023, 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	$ 36,032	$ 45,687	$ 8,595	$ 305

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

As of June 30, 2023, the primary government and component units reported net OPEB liabilities for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Liability				
Retiree Health Benefit Fund	$ 4,740,298	$ 6,010,509	$ 1,130,722	$ 40,107
Disability Income Plan of N.C.	5,785	7,592	1,426	50
	$ 4,746,083	$ 6,018,101	$ 1,132,148	$ 40,157

NOTES TO THE FINANCIAL STATEMENTS

Each net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate each net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to June 30, 2022. 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, 2022 and 2021 were as follows:

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Retiree Health Benefit Fund				
Proportion – June 30, 2022	19.96%	25.31%	4.76%	0.17%
Proportion – June 30, 2021	20.69%	25.57%	4.77%	0.16%
Change – Increase (Decrease)	(0.73)	(0.26)	(0.01)	0.01
Disability Income Plan of N.C.				
Proportion – June 30, 2022	19.45%	25.52%	4.79%	0.17%
Proportion – June 30, 2021	20.54%	25.30%	4.88%	0.16%
Change – Increase (Decrease)	(1.09)	0.22	(0.09)	0.01

For the fiscal year ended June 30, 2023, the primary government and component units recognized OPEB expense for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

		Component Units		
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
OPEB Expense				
Retiree Health Benefit Fund	$ (416,748)	$ (688,874)	$ (150,840)	$ (1,052)
Disability Income Plan of N.C.	8,407	10,600	2,098	71
Total OPEB Expense	$ (408,341)	$ (678,274)	$ (148,742)	$ (981)

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2023, the primary government and component units reported deferred outflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	$ 46,021	$ 6,485	$ 52,506
Changes of assumptions	379,523	372	379,895
Net difference between projected and actual earnings on OPEB plan investments	41,045	6,119	47,164
Change in proportion and differences between agency's contributions and proportionate share of contributions	534,050	1,760	535,810
Contributions subsequent to the measurement date	280,380	3,979	284,359
Total	$ 1,281,019	$ 18,715	$ 1,299,734
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	$ 58,354	$ 8,510	$ 66,864
Changes of assumptions	481,219	488	481,707
Net difference between projected and actual earnings on OPEB plan investments	52,048	8,030	60,078
Change in proportion and differences between agency's contributions and proportionate share of contributions	404,507	657	405,164
Contributions subsequent to the measurement date	347,911	5,049	352,960
Total	$ 1,344,039	$ 22,734	$ 1,366,773
Community Colleges			
Difference between actual and expected experience	$ 10,978	$ 1,598	$ 12,576
Changes of assumptions	90,529	92	90,621
Net difference between projected and actual earnings on OPEB plan investments	9,792	1,508	11,300
Change in proportion and differences between agency's contributions and proportionate share of contributions	66,269	451	66,720
Contributions subsequent to the measurement date	68,524	1,010	69,534
Total	$ 246,092	$ 4,659	$ 250,751
Other Component Units			
Difference between actual and expected experience	$ 389	$ 56	$ 445
Changes of assumptions	3,211	3	3,214
Net difference between projected and actual earnings on OPEB plan investments	347	53	400
Change in proportion and differences between agency's contributions and proportionate share of contributions	8,473	20	8,493
Contributions subsequent to the measurement date	2,681	39	2,720
Total	$ 15,101	$ 171	$ 15,272

At June 30, 2023, the primary government and component units reported deferred inflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	$ 13,123	$ —	$ 13,123
Changes of assumptions	2,157,339	1,072	2,158,411
Change in proportion and differences between agency's contributions and proportionate share of contributions	334,867	1,113	335,980
Total	$ 2,505,329	$ 2,185	$ 2,507,514
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	$ 16,632	$ —	$ 16,632
Changes of assumptions	2,735,524	1,406	2,736,930
Change in proportion and differences between agency's contributions and proportionate share of contributions	176,922	1,197	178,119
Total	$ 2,929,078	$ 2,603	$ 2,931,681
Community Colleges			
Difference between actual and expected experience	$ 3,129	$ —	$ 3,129
Changes of assumptions	514,619	264	514,883
Change in proportion and differences between agency's contributions and proportionate share of contributions	91,967	116	92,083
Total	$ 609,715	$ 380	$ 610,095
Other Component Units			
Difference between actual and expected experience	$ 111	$ —	$ 111
Changes of assumptions	18,255	9	18,264
Change in proportion and differences between agency's contributions and proportionate share of contributions	973	16	989
Total	$ 19,339	$ 25	$ 19,364

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, 2024. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (dollars in thousands):

Retiree Health Benefit Fund

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2024	$ (538,381)	$ (599,420)	$ (152,038)	$ (2,356)
2025	(321,525)	(430,685)	(109,539)	(1,259)
2026	(405,711)	(561,387)	(112,266)	(1,972)
2027	(239,084)	(341,458)	(58,304)	(1,332)
2028	11	–	–	–

Disability Income Plan of N.C.

		Component Units		
Year Ending June 30	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
2024	$ 3,237	$ 3,816	$ 824	$ 27
2025	3,658	4,368	928	30
2026	2,592	3,148	662	22
2027	2,032	2,413	525	17
2028	525	436	153	4
Thereafter	507	901	177	7

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	$ 15,430,683	$ 6,443,501	$ 21,874,184	$ (1,538,273)
Effect on unrestricted net position				
RHBF	$ (5,877,582)	$ (87,024)	$ (5,964,606)	$ (9,134,237)
DIPNC	10,586	158	10,744	15,489
Total effect on unrestricted net position	(5,866,996)	(86,866)	(5,953,862)	(9,118,748)

Actuarial assumptions. The total OPEB liability in the December 31, 2021 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	12/31/21	12/31/21
Inflation	2.5%	2.5%
Salary Increases	3.25% - 8.05%	3.25% -8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative (3)	3%	N/A

(1) - Salary increases include 3.5% 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

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, 2022:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.1%
Global Equity	42%	6.5%
Real Estate	8%	5.9%
Alternatives	8%	7.5%
Opportunistic Fixed Income	7%	5.0%
Inflation Sensitive	6%	2.7%
Total	100%	

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):

	Net OPEB Liability		
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	$ 5,583,523	$ 4,740,298	$ 4,051,609
University of North Carolina System	7,079,687	6,010,509	5,137,281
Community Colleges	1,331,860	1,130,722	966,447
Other Component Units	47,241	40,107	34,280

	Net OPEB Liability		
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	$ 7,123	$ 5,785	$ 4,443
University of North Carolina System	9,348	7,592	5,831
Community Colleges	1,755	1,426	1,095
Other Component Units	61	50	38

NOTES TO THE FINANCIAL STATEMENTS

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

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4% Administrative - 2%)	Current Healthcare Trend Rates (Medical - 5% -6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5% Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6% Administrative - 4%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	$ 3,902,022	$ 4,740,298	$ 5,823,886
University of North Carolina System	4,947,610	6,010,509	7,384,457
Community Colleges	930,765	1,130,722	1,389,195
Other Component Units	33,015	40,107	49,275

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.

NOTE 15: RISK MANAGEMENT AND INSURANCE

A. Public Entity Risk Pool

State Public Education Property Insurance Fund

The State Public Education Property Insurance Fund (the Fund) is a public entity risk pool reported within the enterprise funds. In accordance with Chapter 115C, Article 38, of the General Statutes, the purpose of the Fund is to insure the Local Education Agencies (LEAs), in order to safeguard the property investments made in the public schools of North Carolina. The community colleges, which are component units, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each LEA and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the LEAs and the community colleges and interest is earned on the Fund's cash balance. Each board has to give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 75 out of 123 LEAs and 31 out of 58 community colleges.

Claim liabilities are based on estimates of the ultimate cost of losses that have been reported but not settled. There are no salvage claims since any salvage is adjusted in the claim settlement. There are no subrogation claims pending. Since claims are reviewed by adjusters and the actual loss projection is computed in a short time after the claim is reported, the claim adjustment expense associated with the unpaid claim liability will be reflected in the current period. The Fund does not hold any annuity contracts. The Fund does not agree to structured settlements to pay specific amounts on fixed or determinable dates.

The only acquisition costs are related to proposal costs and inspection costs for insured members. Since the Fund can only insure the LEAs and the community colleges, new contracts are immaterial. Since existing contracts are renewed once a year, the Fund's costs are for policy maintenance. Therefore, acquisition costs do not need to be amortized.

The following schedule shows the changes in the reported liability for the past two years (dollars in thousands):

	Fiscal Year	
	2023	**2022**
Unpaid claims at beginning of year (as restated)	$ 8,119	$ 4,174
Incurred claims:		
Provision for insured events of the current year	2,156	7,280
Increases (decreases) in provision for insured events of prior years	(1,706)	2,261
Total incurred claims	450	9,541
Payments:		
Claims attributable to insured events of the current year	904	1,956
Claims attributable to insured events of the prior years	2,609	3,640
Total payments	3,513	5,596
Total unpaid claims at end of the year	$ 5,056	$ 8,119

With the collection of premiums from the insured educational units, payment of valid claims becomes the responsibility of the Fund. All claims greater than $10 million per occurrence are covered by reinsurance contracts. Maximum recoverable from reinsurance for any one catastrophic event is $250 million per occurrence. Losses in excess of the reinsurance limit would be paid by the Fund from long-term investments, subject to the maximum amount of available funds. Annual aggregate limits of $15 million apply separately with respect to flood and earthquake. Coverage applies to "all risk" perils. Boiler and machinery coverage is provided under separate contract underwritten by Hartford Steam & Boiler with a combined limit of $50 million per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund’s reinsurance policies. As of June 30, 2023, there were no claims for reinsurance. There were no premium deficiencies in fiscal year 2023. 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 2022 and in Calendar Year 2023. Contributions for employee and retiree coverage are made by the State, its participating component units, LEAs, and other qualified employing units. Some of the plans also require an employee or retiree contribution, depending on the plan selected or the employee's or retiree's willingness to participate in wellness activities that reduce employee contributions. Contributions for dependent coverage are made by employees and retirees. As described in Note 14, coverage is also extended to certain individuals as an other postemployment benefit. The Plan has contracted with third parties to process claims.

The Plan pays most expenses that are medically necessary and eligible for coverage based on allowed amounts for Preferred Provider Organization (PPO) plan members. Claims are subject to specified annual deductible and co-payment requirements. The Plan provides an unlimited lifetime benefit for the PPO plans. The authority for the PPO plans is provided in General Statute 135-48.2.

Claim liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported). Claim liabilities do not include nonincremental claims adjustment expenses. Changes in the Plan's aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 299,784	$ 3,842,672	$ (3,733,398)	$ 409,058
2022-23	409,058	3,961,616	(3,955,641)	415,033

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, 2022 to June 30, 2023, 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 2022 to June 2023.

These benefits are established by General Statute 135-5(1) and may be amended only by the North Carolina General Assembly. Claims liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported).

Changes in the aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 4,268	$ 55,192	$ (55,861)	$ 3,599
2022-23	3,599	76,722	(76,132)	4,189

3. Disability Income Plan of North Carolina

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a pension and other employee benefit trust fund, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina System, community colleges, certain participating proprietary component units and the University Employees' Optional Retirement Program. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Short-term benefits are payable after a waiting period of 60 continuous calendar days from the onset of disability. The 60 day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day following at least 365 calendar days of employment as a State teacher or State employee, whichever is later. Short-term benefits are provided to currently active employees and the related liability is not measurable. Short-term benefits during the initial short-term disability period are payable by the employer outside of DIPNC, for a period of up to 365 days following the waiting period. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for benefits that were effective on or after July 1, 2019. The Board of Trustees may extend the short-term disability benefits of a beneficiary beyond the benefit period of 365 days for an additional period of not more than 365 days, provided the Medical Board determines that the beneficiary's disability is temporary and likely to end within the extended period of short-term disability benefits. During the extended period of short-term disability benefits, payment of benefits shall be made by DIPNC directly to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

C. Other Risk Management and Insurance Activities

1. Automobile, Fire and Other Property Losses

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

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

The State Property Fire Insurance Fund (the Fund), an internal service fund of the State, was created by Chapter 58, Article 31, of the General Statutes. The Fund insures State owned buildings and contents for fire, extended coverage, and other property losses. The Fund does not charge premiums for fire insurance for operations that are supported by the State's General Fund. Those operations that are not supported by the State's General Fund are charged for fire coverage. Agencies of the State can purchase extended coverage and other property coverage such as sprinkler leakage, business interruption, vandalism, theft, and "all risk" for buildings and contents through the Fund. For those that elect to receive any of this other coverage, the Fund charges premiums. The Fund insures losses up to $10 million per occurrence. All losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. If aggregate uninsured losses sustained by the Fund, in excess of $50,000 per loss, other than flood and earthquake losses and wind losses by named storms, reach $10 million in any one annual period, the Fund's retention for the remainder of the annual period is $100,000 per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Claims of $10,000 or higher are paid when the Council of State approves the request for payment. Claims less than $10,000 are paid without Council of State approval. Claims costs are recognized when they are approved by the Council of State and are outstanding for payment; when known estimates of losses are waiting to be submitted to the Council of State for approval; or when a loss occurs and can be reasonably estimated. Changes in the balances of claims liabilities for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 34,104	$ 12,042	$ (10,257)	$ 35,889
2022-23	35,889	14,850	(21,501)	29,238

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, 2022 and June 30, 2023, 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, 2022 and June 30, 2023, 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, 2023, 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 $26.765 million and $29.750 million are the present values of the aggregate actuarially determined claims liabilities of $27.278 million and $27.016 million, discounted at 2.5% at June 30, 2022 and 2.5% at June 30, 2023.

These estimates are reviewed annually, and as adjustments become necessary, such adjustments are reflected in current operations. Claims against participants are paid from the corpus of the Trust Fund. Changes in the Trust Fund's aggregate liabilities for claims for the past two fiscal years are as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 22,631	$ 6,884	$ (2,750)	$ 26,765
2022-23	26,765	7,713	(4,728)	29,750

3. Public Officers' and Employees' Liability Insurance

In accordance with Chapter 58, Article 32, Part 15, of the General Statutes, public officers' and employees' liability insurance is provided by private insurers for all employees of the State and participating component units except for doctors and dentists. The policy provides $10 million excess insurance over the $1 million statutory limit payable for any one claim under the State Tort Claims Act. The first $150,000 of an award against a state agency is the responsibility of the state agency's General Fund budget code or up to $1 million if a Non-General Fund budget code. For General Fund budget codes, any award greater than $150,000 but less than $1 million is funded by proportionate shares of estimated lapse salaries from all agencies' General Fund budget codes. Since state agencies and component units are responsible for funding any tort claims of $1 million or less from their budget and/or lapse salaries, total claims liabilities are not measurable. Employers are charged a premium for the excess insurance based on a composite rate. The employers pay the premiums directly to the private insurer. Settled claims have not exceeded coverage in any of the past three fiscal years.

4. Employee Dishonesty and Computer Fraud

Blanket public employee dishonesty and computer fraud insurance is provided for agencies of the State and its component units with a limit of $5 million per occurrence, subject to a 10% participation in each loss and a $100,000 deductible. This coverage is placed with a private insurance company and is handled by the North Carolina Department of Insurance. Agencies of the State and its component units are charged premiums by the private insurance company. A small number of state agencies and component units of the State require faithful performance coverage in addition to employee dishonesty coverage. In these instances, separate policies have been purchased. The amounts of coverage and the deductibles vary among these separate policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

5. Statewide Workers' Compensation Program

The State has two separate workers' compensation programs that cover employees statewide. The workers' compensation program authorized by Chapter 143, Article 63 administered by the Office of State Human Resources (OSHR) covers workplace injuries of State employees (excluding Department of Public Instruction (DPI)), 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 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 (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 751,842	$ 74,057	$ (134,017)	$ 691,882
2022-23	704,116	96,402	(134,874)	665,644

6. Workers' Compensation Fund

The Workers' Compensation Fund (the Fund) is an insurance enterprise reported within the enterprise funds. The Fund is created in the Department of Insurance (the Department) and is administered by the State Fire and Rescue Commission (the Commission) through a service contract with a third-party administrator. In accordance with Chapter 58, Article 87, of the General Statutes, the purpose of the Workers' Compensation Fund is to provide workers' compensation benefits to members of "eligible units," which consist of volunteer fire departments or volunteer rescue/EMS units that are not part of a unit of local government and are exempt from state income tax under General Statute 105-130.11. These eligible units are not part of the reporting entity. Benefits are payable for compensable injuries or deaths which occurred on or after July 1, 1996. The Fund is financed by transfers from General Fund and by per capita fixed dollar amounts for each member of a participating eligible unit's roster. The per capita fixed dollar amount is set annually by the Commission and is paid by the eligible units to the Commission on or before July 1 of each year for credit to the Fund. If payment is not received by July 1, the eligible unit shall not receive workers' compensation coverage for that fiscal year. As of June 30, 2023, the Fund consisted of 1,111 eligible units representing approximately 41,995 members.

The liability for unpaid claims is based on an actuarial determination and represents a reasonable estimate of the ultimate cost of open claims and claim settlement expenses that are unpaid as of the fiscal year end, including incurred but not reported losses. The liability for unpaid claims is continually reviewed, and as adjustments become necessary such adjustments are included in current operations. Claim liabilities do not include nonincremental claims adjustment expenses. The Fund considers anticipated investment income in determining if a premium deficiency exists. The Fund recognizes subrogation from third parties as a reduction to claim and claim settlement expenses incurred. As of June 30, 2023, there was no reduction for subrogation.

NOTES TO THE FINANCIAL STATEMENTS

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

The Fund maintains both specific excess of loss and aggregate reinsurance coverage. The specific excess of loss coverage provides for statutory limits above the Fund's retention of $500,000 per occurrence and a $1.5 million limit for employer's liability above the Fund's retention of $500,000 per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund's excess of loss and aggregate reinsurance policies. As of June 30, 2023, the amount of claims recoverable from reinsurers was $18,902. This amount fluctuates from year to year.

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

	Beginning of Fiscal Year Liability (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2021-22	$ 23,868	$ 3,877	$ (6,491)	$ 21,254
2022-23	18,794	8,083	(6,790)	20,087

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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, 2023 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

(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	$ 189,805	$ 444	$ 592	$ 377	$ 10,250	$ 76,341
Investments:						
Collective investment funds	-	-	-	-	-	-
Unallocated insurance contracts	-	-	-	-	-	-
Synthetic guaranteed investment contracts	-	-	-	-	-	-
State Treasurer investment pool	80,842,302	678,651	28,135	496,059	165,446	31,016,903
Non-State Treasurer pooled investments	-	-	-	-	-	-
Securities lending collateral	697,612	5,838	253	4,268	1,617	267,883
Receivables:						
Accounts receivable	6,433	-	26	1	-	2,489
Intergovernmental receivable	-	-	-	-	-	-
Interest receivable	1,138	6	2	7	31	393
Contributions receivable	108,261	-	-	-	-	109,644
Due from other funds	82,714	3,305	-	-	-	-
Due from component units	25,095	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	81,953,360	688,244	29,008	500,712	177,344	31,473,653
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	-	-	-	-	-	-
Benefits payable	756	-	5	4	-	643
Obligations under securities lending	697,612	5,838	253	4,268	1,617	267,883
Funds held for others	5,938	44	2	-	-	30
Total Liabilities	704,306	5,882	260	4,272	1,617	268,556
Net Position						
Restricted for:						
Pension benefits	81,249,054	682,362	28,748	496,440	175,727	31,205,097
Other postemployment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Total Net Position	$ 81,249,054	$ 682,362	$ 28,748	$ 496,440	$ 175,727	$ 31,205,097

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	Totals
$ -	$ -	$ 9,685	$ 1,270,848	$ 2,154	$ 1,281	$ 79	$ 1,561,856
45,672	8,635	-	-	-	-	-	54,307
215,590	40,760	-	-	-	-	-	256,350
1,822,168	344,499	-	-	-	-	-	2,166,667
-	-	416,692	1,861,761	232,839	-	45,486	115,784,274
10,115,063	1,276,643	-	-	-	-	-	11,391,706
-	-	124	40,136	39	25	2	1,017,797
1	-	2	633	20,967	-	-	30,552
-	-	-	-	-	35	-	35
-	-	24	3,411	9	3	-	5,024
9,478	813	812	28,984	416	-	78	258,486
-	-	458	24,902	353	-	-	111,732
-	-	138	12,122	176	-	-	37,531
248,840	19,818	-	-	-	-	-	268,658
12,456,812	1,691,168	427,935	3,242,797	256,953	1,344	45,645	132,944,975
900	168	76	-	-	-	-	1,144
-	-	4,189	-	253	-	-	5,850
-	-	124	40,136	39	25	2	1,017,797
-	-	-	-	89	-	-	6,103
900	168	4,389	40,136	381	25	2	1,030,894
12,455,912	-	-	-	-	1,319	45,643	126,340,302
-	-	-	3,202,661	256,572	-	-	3,459,233
-	1,691,000	423,546	-	-	-	-	2,114,546
$ 12,455,912	$ 1,691,000	$ 423,546	$ 3,202,661	$ 256,572	$ 1,319	$ 45,643	$ 131,914,081

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For Fiscal Year Ended June 30, 2023

(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	$ 3,034,897	$ 34,952	$ 901	$ -	$ -	$ 1,050,570
Members Contributions	1,059,460	6,103	259	2,471	-	524,830
Other contributions	77	-	-	19,702	11,032	-
Total contributions	4,094,434	41,055	1,160	22,173	11,032	1,575,400
Investment income:						
Investment earnings (loss)	4,426,575	37,155	1,565	27,160	9,263	1,695,959
Less investment expenses	(350,640)	(2,954)	(124)	(2,152)	(724)	(134,230)
Net investment income (loss)	4,075,935	34,201	1,441	25,008	8,539	1,561,729
Other additions:						
Fees, licenses, and fines	-	-	-	-	-	2,486
Interest earnings on loans	-	-	-	-	-	-
Miscellaneous	1,941	-	-	22	1	454
Total other additions	1,941	-	-	22	1	2,940
Total additions	8,172,310	75,256	2,601	47,203	19,572	3,140,069
Deductions						
Claims and benefits	5,497,513	57,544	2,421	30,654	9,080	1,781,644
Medical insurance premiums	-	-	-	-	-	-
Refund of contributions	139,213	43	27	222	-	83,771
Administrative expenses	16,095	71	24	843	144	6,408
Other deductions	439	-	1	-	2	282
Total deductions	5,653,260	57,658	2,473	31,719	9,226	1,872,105
Change in net position	2,519,050	17,598	128	15,484	10,346	1,267,964
Net position — July 1	78,730,004	664,764	28,620	480,956	165,381	29,937,133
Net position — June 30	$ 81,249,054	$ 682,362	$ 28,748	$ 496,440	$ 175,727	$ 31,205,097

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
$ 272,983	$ 5,177	$ 26,761	$ 1,366,928	$ 19,677	$ 547	$ 892	$ 5,814,285
467,360	91,859	-	-	-	-	-	2,152,342
-	-	29,289	35,007	-	-	-	95,107
740,343	97,036	56,050	1,401,935	19,677	547	892	8,061,734
(2,142,424)	(272,781)	(4,920)	120,034	(2,795)	33	(527)	3,894,297
(18,039)	(2,435)	(103)	(8,806)	(57)	(1)	(11)	(520,276)
(2,160,463)	(275,216)	(5,023)	111,228	(2,852)	32	(538)	3,374,021
-	-	-	-	-	692	-	3,178
12,173	965	-	-	-	-	-	13,138
2,358	321	-	-	-	-	-	5,097
14,531	1,286	-	-	-	692	-	21,413
(1,405,589)	(176,894)	51,027	1,513,163	16,825	1,271	354	11,457,168
793,316	118,308	76,722	-	37,470	1,609	1,850	8,408,131
-	-	-	1,120,623	-	-	-	1,120,623
-	-	-	-	-	-	-	223,276
9,196	1,753	544	148	969	224	19	36,438
-	-	-	-	30	-	-	754
802,512	120,061	77,266	1,120,771	38,469	1,833	1,869	9,789,222
(2,208,101)	(296,955)	(26,239)	392,392	(21,644)	(562)	(1,515)	1,667,946
14,664,013	1,987,955	449,785	2,810,269	278,216	1,881	47,158	130,246,135
$ 12,455,912	$ 1,691,000	$ 423,546	$ 3,202,661	$ 256,572	$ 1,319	$ 45,643	$ 131,914,081

NOTE 17: PLEDGED REVENUES

Primary Government

Governmental Activities

The State has pledged future federal transportation revenues to repay $918.940 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2023. These bonds were issued in May 2015, August 2017, June 2019 and September 2021. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is $1.191 billion, payable through fiscal year 2036. For the current fiscal year, principal and interest paid and total federal transportation revenues were $154.343 million and $1.387 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, 2023, the Triangle Expressway had $1.361 billion of Appropriation and Revenue bonds payable and a $499.462 million TIFIA line of credit. The Monroe Expressway had $426.577 million of Appropriation and Revenue bonds payable and a $166.500 million TIFIA line of credit. For the Senior Lien and Toll Revenue bonds and TIFIA, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The State has elected to treat the State Annual Appropriation Revenue Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018. The total principal and interest remaining to be paid on the bonds is $3.241 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 $146.867 million and $117.694 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

Component Units

University of North Carolina System

The University of North Carolina System has pledged future revenues, net of specific operating expenses, to repay revenue bonds, direct placements, special indebtedness, and notes from direct borrowings as shown in the table below (dollars in thousands):

		Future Revenues Pledged		Current Year			
Purpose	Revenue Source	(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments	Final Maturity Date	Payable as of 6/30/2023
Revenue Bonds							
Millennial Campus	University Charges to Athletics and Auxiliary Services	$ 70,125	100%	$ 2,221	$ 1,847	2049	$ 39,090
Health Care Facilities	Patient Service Revenues	652,183	37.6%	65,658	24,694	2050	402,495
Total		$ 722,308		$ 67,879	$ 26,541		$ 441,585
Direct Placements							
Utilities	Utilities Revenues	$ 8,196	45%	$ 649	$ 819	2040	$ 7,530
Student Housing System	Housing Revenues	20,568	52.5%	1,225	1,407	2035	16,445
Total		$ 28,764		$ 1,874	$ 2,226		$ 23,975
Special Indebtedness							
Student Housing System	Housing Revenues	$ 73,352	40% - 83%	$ 8,538	$ 6,711	2041	$ 66,170
Notes from Direct Borrowings							
Utilities	Utilities Revenues	$ 4,844	48%	$ 357	$ 123	2034	$ 3,500
Student Housing System	Housing Revenues	7,959	8%	6,429	822	2057	18,987
Total		$ 12,803		$ 6,786	$ 945		$ 22,487

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

NOTE 18: COMPONENT UNITS – FINANCIAL INFORMATION

Financial statements as of and for the fiscal year ended June 30, 2023 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	$ 3,636,600	$ 523,710	$ 742,359	$ 241,393	$ 5,144,062
Investments	4,322,619	185,470	-	1,365,258	5,873,347
Securities lending collateral	85,390	7,240	12,998	1,126	106,754
Receivables, net	1,744,986	113,942	175,667	75,497	2,110,092
Due from component units	1,149	1,216	-	3,556	5,921
Due from primary government	141,351	-	-	-	141,351
Inventories	163,070	13,742	-	711	177,523
Prepaid items	142,524	12,866	-	4,260	159,650
Hedging derivatives asset	926	-	-	-	926
Notes receivable, net	109,190	1,284	-	518,932	629,406
Lease receivable	142,110	3,078	-	76,545	221,733
Investment in joint venture	237,477	-	-	-	237,477
Restricted/designated cash and cash equivalents	1,863,488	390,965	-	1,530,698	3,785,151
Restricted investments	7,229,229	412,394	-	5,376,373	13,017,996
Restricted due from primary government	-	3,141	-	-	3,141
Restricted due from component units	-	4,059	-	2,474	6,533
Advances to outside entities	-	-	-	16,936	16,936
Beneficial interest in assets held by others	3,829	-	-	-	3,829
Capital assets-nondepreciable	1,901,540	556,540	-	164,605	2,622,685
Capital assets-depreciable, net	14,838,440	3,708,069	-	813,225	19,359,734
Total Assets	36,563,918	5,937,716	931,024	10,191,589	53,624,247
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	52,138	-	-	-	52,138
Deferred loss on refunding	45,874	-	-	-	45,874
Deferred outflows for asset retirement obligation	13,981	-	-	-	13,981
Deferred outflows for pensions	1,468,139	525,667	2,018	18,176	2,014,000
Deferred outflows for OPEB	1,366,773	250,751	1,800	13,472	1,632,796
Other deferred outflows	-	1,164	-	-	1,164
Total Deferred Outflows of Resources	2,946,905	777,582	3,818	31,648	3,759,953
Liabilities					
Accounts payable and accrued liabilities	1,312,793	90,387	26,471	271,891	1,701,542
Medical claims payable	-	-	415,033	-	415,033
Interest payable	42,568	3	-	25,898	68,469
Obligations under securities lending	85,390	7,240	12,998	1,126	106,754
Short-term debt	19,000	-	-	-	19,000
Due to component units	-	-	-	12,454	12,454
Due to primary government	9,954	-	-	68,185	78,139
Unearned revenue	650,809	26,066	89,883	52,177	818,935
Advance from primary government	-	-	-	1,441	1,441
Deposits payable	26,715	-	-	3,806	30,521
Funds held for others	35,237	10,005	-	3,845,318	3,890,560
Hedging derivatives liability	52,138	-	-	133	52,271
Long-term liabilities:					
Due within one year	631,080	31,927	35	58,045	721,087
Due in more than one year	14,743,714	2,120,155	7,832	1,827,778	18,699,479
Total Liabilities	17,609,398	2,285,783	552,252	6,168,252	26,615,685

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	334,251	-	-	-	334,251
Deferred state aid	150,840	-	-	179,865	330,705
Deferred inflows for lease agreements	146,341	2,927	-	74,734	224,002
Deferred inflows for pensions	80,311	23,321	128	370	104,130
Deferred inflows for OPEB	2,931,681	610,095	2,687	16,677	3,561,140
Deferred inflows for irrevocable split-interest agreements	23,228	-	-	-	23,228
Accumulated increase in fair value of hedging derivatives	926	-	-	-	926
Other deferred inflows	3,157	-	-	-	3,157
Total Deferred Inflows of Resources	3,670,735	636,343	2,815	271,646	4,581,539
Net Position					
Net investment in capital assets	10,020,535	4,112,159	-	871,747	15,004,441
Restricted for:					
Nonexpendable:					
Higher education	3,452,001	290,685	-	-	3,742,686
Expendable:					
Higher education	5,598,963	599,149	-	130,329	6,328,441
Health and human services	495,136	-	-	21	495,157
Economic development	-	-	-	1,031,839	1,031,839
Unrestricted	(1,335,945)	(1,208,821)	379,775	1,749,403	(415,588)
Total Net Position	$ 18,230,690	$ 3,793,172	$ 379,775	$ 3,783,339	$ 26,186,976

Statement of Activities

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Total expenses	$ 15,878,572	$ 2,534,777	$ 4,140,785	$ 1,447,854	$ 24,001,988
Program revenues:					
Charges for services [1]	11,489,349	310,331	3,986,768	622,406	16,408,854
Operating grants and contributions:					
Federal aid - COVID-19	227,481	122,862	-	-	350,343
State aid - program	-	-	-	208,383	208,383
Other operating grants and contributions	1,760,393	984,615	28,581	341,076	3,114,665
Capital grants and contributions:					
State capital aid	83,532	99,288	-	-	182,820
Other capital grants and contributions	173,381	334,069	-	11,928	519,378
Net program (expense) revenue	(2,144,436)	(683,612)	(125,436)	(264,061)	(3,217,545)
Non-tax general revenues:					
Unrestricted investment earnings	-	-	-	82,464	82,464
State aid - coronavirus	75,515	13,400	-	-	88,915
State aid - general	3,779,992	1,237,447	-	356,500	5,373,939
Noncapital contributions	55,932	8,633	31	267	64,863
Miscellaneous	7,007	157	-	16,682	23,846
Total non-tax general revenues	3,918,446	1,259,637	31	455,913	5,634,027
Contributions to endowments	174,040	13,642	-	-	187,682
Change in net position	1,948,050	589,667	(125,405)	191,852	2,604,164
Net position — July 1, as restated	16,282,640	3,203,505	505,180	3,591,487	23,582,812
Net position — June 30	$ 18,230,690	$ 3,793,172	$ 379,775	$ 3,783,339	$ 26,186,976

[1] The State Health Plan's charges for services include $1.6 billion from the primary government.

Significant Transactions Between Component Units

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
State Health Plan - premium revenue (expense)	$ (396,514)	$ (109,144)	$ 508,960	$ (3,302)	$ -

Intra-Entity Balances — Between Primary Government and Component Units

	Due From/Restricted Due From Component Units				Due From/Restricted Due From Primary Government		
	General Fund	Highway Fund	Other Governmental Funds	Total	University of North Carolina System	Community Colleges	Total
Due To Component Units:							
General Fund	$ —	$ —	$ —	$ —	$ 122,640	$ —	$ 122,640
Highway Fund	—	—	—	—	1,769	—	1,769
Other Governmental Funds	—	—	—	—	—	3,141	3,141
Other Funds	—	—	—	—	16,942	—	16,942
Due To Primary Government:							
University of North Carolina System	9,954	—	—	9,954	—	—	—
Other Component Units	25,320	40,000	2,865	68,185	—	—	—
Total	$ 35,274	$ 40,000	$ 2,865	$ 78,139	$ 141,351	$ 3,141	$ 144,492

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.

NOTE 20: RELATED PARTY TRANSACTIONS

Primary Government

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

General Statute 135-96 established the Supplemental Retirement Board of Trustees (Board) to administer both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan. The Plan document for each Plan designates that the general administration and responsibility for carrying out the provisions of the Plan, as directed by the Board, shall be placed with the Retirement Systems Division of the Department of State Treasurer (Department) as Primary Administrator. The Board and Primary Administrator currently have an agreement with Prudential Financial, Inc. to perform recordkeeping, administration, and investment management services for both Plans.

The Plans contract with Galliard, a subsidiary of Allspring Global Investments (Allspring), to act as a delegated fiduciary investment manager for the North Carolina Stable Value Fund. Allspring commenced operations as a result of the acquisition of Wells Fargo Asset Management by GTCR LLC and Reverence Capital Partners, L.P. Galliard, which was included in that transaction, provides collective investment vehicles and custodial and trustee services for the North Carolina Stable Value Fund. Galliard has discretion over the benefit responsive contracts and the underlying investment managers. Galliard also has the authority to invest in securities subject to guidelines in Galliard's contract with the Board and the Department. As an advisor, Galliard is primarily responsible for ensuring that negotiated investment contracts are adhered to by the insurance companies, banks or other eligible providers who have entered into such contracts. Not less than quarterly, Galliard reports the financial condition of the investment contracts and whether the contracts are being administered according to their respective terms. The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees.

The Contractor, Prudential Retirement, which was acquired by Empower on April 1, 2022, a specialized unit of the Prudential Financial Investment Division, provides recordkeeping, communications, and participant services for the Plans. The fee to Prudential is deducted from the participants' account balances.

One of the funds within the North Carolina Fixed Income Fund is a commingled vehicle offered by Prudential Trust Company and managed by Prudential Investment Management, Inc. Jennison Associates, a registered investment advisory division within Prudential Global Investment Management, manages a portion of the North Carolina Stable Value Fund. Affiliates of Prudential Retirement also are a wrap provider ("Prudential Insurance Company of America") and an investment manager ("PGIM, Inc.") for the North Carolina Stable Value Fund.

The Bank of New York Mellon serves as the custodian for the Plans and provides global custody services related to the Pooled Account. On April 1, 2021, the Bank of New York Mellon became the custodian of the separately managed accounts of the North Carolina Stable Value Fund. Fees for custodial services are charged based on a percentage of net asset value and are paid from the assets of the respective funds. The Bank of New York Mellon also provides a short-term cash vehicle for the temporary investment of funds until they are invested on a longer-term basis.

Component Units

University of North Carolina System and Community College Foundations

The University of North Carolina (UNC) System and community colleges have separately incorporated not-for-profit foundations that are associated with constituent institutions of the UNC System or individual colleges. These organizations serve as a fundraising arm of the respective institutions through which individuals, corporations, and other organizations support institution programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the institution’s overall academic environment. These affiliated organizations are not included as component units since the economic resources received or held by an individual organization are not significant to the primary government. Therefore, the financial statements of the UNC System and community colleges do not include the assets, liabilities, net position, or operational transactions of these foundations, except for support from each organization to constituent institutions or colleges. For the fiscal year ended June 30, 2023, this support totaled $103.83 million for the UNC System and $2.88 million for community colleges.

The receivables from related parties as of June 30, 2023 were $4.26 million for the University of North Carolina System and $156 thousand for community colleges. The payables to related parties as of June 30, 2023 were $1.26 million for the University of North Carolina System. The community colleges did not have any payables to related parties as of June 30, 2023.

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, 2023, was $4.75 billion with interest rates varying from .75% to 6%.

The North Carolina Capital Facilities Finance Agency (Agency) is authorized by the State to issue tax-exempt bonds and notes to finance industrial and manufacturing facilities, pollution control facilities for industrial (in connection with manufacturing) or pollution control facilities and to finance facilities and structures at private nonprofit colleges and universities, and institutions providing kindergarten, elementary and secondary education, and various other nonprofit entities. The Agency's authority to issue bonds and notes also includes financing private sector capital improvements for activities that constitute a public purpose. The bonds issued by the Agency are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. 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, 2023, was $1.35 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. The NCDOT is 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, which is capped at $12 million in any operating year and $75 million in aggregate during the DRAM Period. The DRAM is triggered when the projected annual net revenue after payment of operating expenses is not sufficient to pay the scheduled debt service payments and is available until the earlier of the final maturity of the TIFIA loan or the date the Project debt is refinanced. As of June 30, 2023, 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 suit in Superior Court requesting a declaration that the public education system of North Carolina, including its system of funding, violates the State constitution by failing to provide adequate or substantially equal educational opportunities, by denying due process of law, and by violating various statutes relating to public education. Five other school boards and students therein intervened, alleging claims for relief on the basis of the high proportion of at-risk and high-cost students in their counties' systems.

The suit is similar to a number of suits in other states, some of which resulted in holdings that the respective systems of public education funding were unconstitutional under the applicable state law. The State filed a motion to dismiss, which was denied. On appeal, the North Carolina Supreme Court upheld the present funding system against the claim that it unlawfully discriminated against low wealth counties but remanded the case for trial on the claim for relief based on the Court's conclusion that the constitution guarantees every child the opportunity to obtain a sound basic education. Trial on the claim of one plaintiff-county was held in the fall of 1999. On October 26, 2000 the trial court, in Section Two of a projected three-part ruling, concluded that at-risk children in North Carolina are constitutionally entitled to such pre-kindergarten educational programs as may be necessary to prepare them for higher levels of education and the "sound basic education" mandated by the Supreme Court. On March 26, 2001, the Court issued Section Three of the three-part ruling, in which the judge ordered all parties to investigate certain school systems to determine why they are succeeding without additional funding. The State filed a Notice of Appeal to the Court of Appeals, which resulted in the Court's decision to re-open the trial and call additional witnesses. That proceeding took place in the fall of 2001. On April 4, 2002, the Court entered Section Four of the ruling, ordering the State to take such actions as may be necessary to remedy the constitutional deficiency for those children who are not being provided with access to a sound basic education and to report to the Court at 90-day intervals remedial actions being implemented. On July 30, 2004, the North Carolina Supreme Court affirmed the majority of the trial court's orders, thereby directing the executive and legislative branches to take corrective action necessary to ensure that every child has the opportunity to obtain a sound, basic education. Thereafter, the State took steps to respond to the trial court's orders.

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 Reponses to those Reports. The Court scheduled a hearing on September 8, 2021, to "address issues raised in the reports and responses."

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

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

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 supersedas 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.

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 14 April 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. The case is currently pending before the Supreme Court as the parties complete briefing.

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 (3) 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 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, we believe that there is only a remote likelihood that Plaintiff's claims can continue against CJRS and LRS. 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 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.

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. Plaintiff's proffered experts have estimated damages in excess of $385 million. This matter is set for trial in the NC Business Court before the honorable Judge Julianna Earp on February 19, 2024.

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 2000 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 NC 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 expert and fourteen 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.

Therefore, Intersal's remaining claims (absent some peripheral, smaller claims) are lost licensing fees/lost profits for photographs posted to the internet, lost profits from an exhibition tour and lost fees from improperly posting/producing videos. Additionally, NCDNCR has already been found to have breached the contract with Intersal. Therefore, the jury will be instructed that Intersal is entitled to damages, even if they are nominal damages. Intersal proffered several expert witnesses who intend to provide damages estimates. They have identified the bulk of Intersal's damages as relating to lost license fees for the photographs, approximately $365 million and lost profits from a commercial tour of QAR artifacts approximately $20 million. DNCR has already indicated to the trial court that it intends to file a Daubert motion challenging Intersal's experts opinions on both.

The court intends to hear and rule on the parties' Motions in Limine in December which will determine what, if any, lost profit or lost license fees damages Intersal is able to request from the jury. While Plaintiffs's estimate of damages is substantial per opinion of Plaintiff's expert and a judgment against the State is possible, it is unlikely that the actual fiscal exposure of the State is substantial.

***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 Department of Justice (DOJ) attorneys participated. On April 27, 2023, the Order removing 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 Legionaries' disease, one case of Pontiac Fever, ninety-six hospitalizations, and four deaths.

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. 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 7 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.

Map Act Litigation (Kirby v. North Carolina Department of Transportation and subsequent cases) — The Transportation Corridor Official Map Act (Map Act) was enacted in 1987 to provide the NCDOT with the authority to record corridor maps that imposed restrictions on a landowner's rights to improve, develop, and subdivide property within the corridor, which restrictions may remain indefinitely. The Map Act did not require NCDOT to purchase the property at the time of the filing of a future corridor map. Starting in 1989, NCDOT filed 27 separate maps that affected approximately 8,500 parcels of land. In June of 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners' rights to improve, develop, and subdivide their property. Under state law, whether a property owner should be paid for the property, and how much, are determined on a case-by-case basis.

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

Landowners' attorneys have also recently raised two new theories of recovery, one of which is raised in a case before the state Court of Appeals. If those theories prevail, NCDOT's potential liability will be expanded beyond the current number of known cases.

Buffkin v. Hooks — The American Civil Liberties Union of North Carolina and North Carolina Prisoner Legal Services, Inc., filed this class action on June 15, 2018, on behalf of three named individual offenders infected with hepatitis-C (HCV) against the North Carolina Department of Public Safety (DPS) and four individual state employees, including the Secretary of DPS. The suit seeks class certification for "all current and future prisoners in DPS custody who have or will have HCV and have not been treated with direct-acting antiviral drugs." The plaintiffs seek relief in the form of a declaratory judgment that DPS' policy for treating inmates infected with HCV violates the Eighth Amendment, and that failure to screen all persons in DPS for the virus violates the Eighth Amendment and the Americans with Disabilities Act. To that end, plaintiffs are requesting injunctive relief from the court ordering DPS to (1) formulate and implement an HCV treatment policy that meets the current standard of medical care, including identifying and monitoring persons with HCV; (2) treat the class members with appropriate direct-acting antiviral drugs; and (3) provide named plaintiffs and class members with an appropriate and accurate assessment of their level of fibrosis or cirrhosis, counseling on drug interactions, and ongoing medical care for complications and symptoms of HCV. The three individual plaintiffs are seeking compensatory and punitive damages. If the plaintiffs are successful in their suit, the defendant may be responsible for costs and attorneys' fees.

The plaintiffs moved for class certification, which was granted March 20, 2019. The plaintiffs also moved for preliminary injunctive relief, which was denied through the same March 20 order. The parties are currently engaged in the discovery process. Ranges of infected inmate populations vary greatly from state to state. More than 30,000 inmates are incarcerated in North Carolina prisons, with more than 30,000 being introduced into the system each year. If the certified class is successful in the litigation, potential costs of complying with the injunctive relief ordered could exceed $200 million.

The parties resolved this litigation through a negotiated resolution which the Court recently approved and entered as a consent decree. Plaintiffs' counsel are now seeking attorneys' fees just shy of $1 million.

The parties were able to resolve Plaintiffs' claim for attorney fees through a negotiated resolution wherein the Department of Public Safety paid $450 thousand in fees in exchange for a full and final release of such claims. The resolution of the attorney fees claim concludes all active litigation in this matter. However, the case will remain open for several more years as the Department of Public Safety is obligated (under the settlement agreement/consent decree) to meet certain benchmarks and make regular reports to Plaintiffs' counsel regarding treatment of HCV in state prisons.

Pasquotank Prison Litigation. In October 2017, four inmates at Pasquotank Correctional Institution murdered four employees and injured additional employees during an escape attempt. The estates of the four employees who were killed and two injured employees have brought multiple lawsuits in the Industrial Commission, state court, and federal court against individual state defendants as well as against state officials, the Department of Public Safety, and Correction Enterprises (a division of the Department of Public Safety). The State is defending the individual State defendants under the Defense of State Employees Act. While the State has limited insurance coverage for claims against individual defendants in excess of $1 million, the potential exposure to the State is nonetheless significant if the State does not prevail on available legal defenses.

The State has resolved the lawsuit filed by one of the estates (Howe), and the parties are in the process of seeking necessary court approval for that settlement. Several other federal court lawsuits and actions in the Industrial Commission remain pending.

Monarch v. Penny, Secretary of Department of Revenue. Monarch formed structured investment partnerships for investment by North Carolina taxpayers related to renewable energy, mill restoration, and historic redevelopment. Its business model used partnerships to aggregate investments to fund such projects, and to then attempt to allocate to investors tax credits for the projects. Monarch claims that the Department of Revenue has unconstitutionally administered North Carolina tax law in a manner that has caused Monarch business damages and denied North Carolina taxpayers, including but not limited to Monarch customers, the benefit of the investment tax credits. The Department of Revenue denies liability. Plaintiffs' most recent estimate of damages was $344 million.

Lexington/AIG v. NC, POELIC, et al. This matter is related to McCollum and Brown v. Red Springs, et al., which is a Section 1983 action filed against a local police department, a county sheriff's office, and two former State Bureau of Investigation (SBI) agents. The plaintiffs in that case alleged various constitutional violations by the law enforcement defendants related to their confessions, subsequent convictions, and incarceration. A jury returned a verdict of $75 million dollars against the two SBI agents (all other defendants settled out before a jury reached a verdict). That verdict is now on appeal with briefing in that matter closing this past spring. After the jury's verdict and while the matter has been on appeal, Lexington Insurance Company (AIG) filed a declaratory judgement action against POELIC seeking a determination that the excess policies it provided to POELIC do not provide coverage (or provide limited coverage) for the jury's verdict against the SBI agents. We approached AIG about a consent stay of the declaratory judgment action pending the full and final resolution on the appeal of the underlying litigation—pointing out that obligations under an indemnity only policy (like the policies at issue in the declaratory judgment action), coverage is dictated by the determinations made by the finder of fact. Since those are currently on appeal, coverage litigation is premature. AIG agreed and we secured a stay in the case.

Lannan v. UNC Board of Governors and Dieckhaus v. UNC Board of Governors. Students who attended constituent institutions in the UNC System have sued 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 NC 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 and will be heard before the NC Supreme Court seeking that the decisions by the NC Carolina Court of Appeals and trial court be reversed. 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.

Samantha R. v. NC and DHHS**,** filed in state court in May 2017 in Wake County Superior Court. The six individual plaintiffs and plaintiff organization Disability Rights North Carolina (DRNC) assert that the State of North Carolina and DHHS have violated the North Carolina Persons with Disabilities Act and the State Constitution. Plaintiffs seek an injunction requiring the defendants to administer publicly funded behavioral health programs in compliance with the Act and the North Carolina Constitution. As Plaintiffs do not seek monetary damages, it is hard to put a dollar amount on the litigation. However, if the Court does enter some sort of injunction, DHHS anticipates that substantial funds would be needed for implementation of any service or systems modification. Attorney General (AG) staff attorneys are representing DHHS and the State. DHHS' motion to dismiss was denied. After the completion of discovery, all parties filed Motion for Summary Judgment. The trial court denied the State's Motion for Summary Judgment and granted Plaintiff's partial Motion for Summary Judgment by order dated February 4, 2020. The Court ruled that the State was in violation of North Carolina General Statute 169A-7(b) of the North Carolina Persons with Disabilities Protection Act. At the Court's direction, the parties briefed the question of the proper remedy for the violation of the integration mandate. The Court heard the issue on May 12, 2022. On July 21, 2022, the Court directed the parties to submit a proposed order adopting specific and measurable goals along the lines of the proposal submitted by plaintiff; the Court also will consider the State's proposed alternate timelines, numbers, or percentages. The parties filed a proposed order with redlines on August 15, 2022. The parties filed competing proposed orders and arguments in August of 2022 and are awaiting the Court's decision. On November 2, 2022, the Court entered its Order, in the form of an injunction directing North Carolina and DHHS to transition individuals from institutions to community settings; to reduce the Registry/Wait List; and to collect and report data to DRNC on direct care professionals. On November 30, 2022, North Carolina and DHHS filed a Notice of Appeal and Motion to Stay the Court's decision.

Halikierra Community Services, LLC; Dwaylon Whitley; Michael Scales v. NC DHHS, DHB; Medical Review of North Carolina, Inc. d/b/a Carolinas Center for Medical Excellence; Kay Cox in her individual capacity; Patrick Piggott in his individual capacity**,** (Wake Co. Superior Court; case certified for Business Court). Two State Constitutional claims are asserted against DHHS: 1) Violation of Substantive Due Process (Art. I, Sec. 19); and 2) Violation of Equal Protection (Art. I, Sec. 19). Plaintiffs also sued two DHHS employees (Cox and Piggott) in their individual capacities; both employees requested Attorney General Office representation, which has been approved. The claims against Cox and Piggott in their respective individual capacities are Conspiracy in Restraint of Trade, Civil Conspiracy, and Punitive Damages. Damages requested are in excess of $100 million. DHHS disputes the claims and damages. Motions to Dismiss and Answers were filed on behalf of Defendants DHHS, Patrick Piggott, and Brenda Kay Cox. The hearing on Defendants Motions to Dismiss occurred November 18, 2020. Per the judge's request, Defendants submitted supplemental briefing on December 16, 2020 and Plaintiffs submitted supplemental briefing on January 4, 2021. DHHS served Plaintiffs with its discovery responses on January 6, 2021. Plaintiffs deposed Pat Meyer on February 25, 2021, and plan to depose Patrick Piggott and Kay Cox on April 7, 2021 or April 9, 2021. Mediation is scheduled for April 6, 2021. The case management order issued on October 7, 2020 set discovery deadlines throughout 2021 and a trial date for fall 2021. The trial court granted in part our motions to dismiss, but many claims remain. DHHS and the DHHS employees are represented by the AG's office. The parties filed a joint motion to extend discovery 90 days until November 1, 2021. On August 31, 2021, the Business Court transferred the matter from Judge Adam Conrad to Judge Michael Robinson without explanation. Halikierra's owners, Whitley and Scales, were deposed on September 10, 2021 and September 13, 2021, respectively. A Motion for Summary Judgment was filed on December 1, 2021 on behalf of North Carolina DHHS, Cox and Piggott. Plaintiff's Memorandum in Opposition to the Motion for Summary Judgment was filed on January 10, 2022. The court granted the motion for extension of time to file Reply Brief and to increase the word limit for Defendant. Defendant filed Reply Brief on January 27, 2022. Hearing on Motion for Summary Judgment was heard on April 12, 2022. On September 26, 2022, the Court issued an Order granting North Carolina DHHS's Motion for Summary Judgment and dismissed the case. On October 27, 2022, Plaintiff filed a Notice of Appeal with the North Carolina Supreme Court.

UNC School of the Arts Litigation, NC Industrial Commission and Forsyth County Civil Superior Court. More than fifty plaintiffs have sued the UNC School of the Arts in the North Carolina Industrial Commission and Forsyth County Civil Superior Court alleging that they were sexually abused by faculty at the School and that the administration was negligent in preventing and responding to this conduct. The allegations arise over a large number of years. While the NC Industrial Commission has cap of $1 million for an award, plaintiffs are arguing that each offense is separate and potentially the cap could be awarded numerous times to the same plaintiff. Given the number of plaintiffs and their many allegations of conduct, if plaintiffs were successful and the School was found liable, damages could possibly be in the tens or hundreds of millions of dollars. The matters are currently stayed pending litigation in a similar action where the constitutionality of the Safe Child Act (which revived the statute of limitations for the plaintiffs to file their claims for a period of time) is litigated.

Vidant Hospital, UNC Hospitals, DHB/Provider Audit. Vidant filed annual cost reports for fiscal years 2010 through 2016. Provider Audit (Jim Flower's team) disagreed with certain issues on the cost reports and made audit adjustments in Notices of Program Reimbursements dated January 12, 2017, April 13, 2018, March 18, 2019, and May 31, 2019. Vidant appealed all in 2017 through 2019 by requesting reconsideration. The parties were not able to resolve one issue, known as "zero paid claims." Vidant has appealed this issue for all seven fiscal years. Vidant and Division of Health Benefits (DHB) have both submitted position papers to the hearing officer. 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 UNC has appealed the same "zero paid claims" issue for multiple cost years, and Department of Health and Human Services (DHHS) leadership has participated in several high- level discussions with UNC. UNC estimates the value of these claims is about $13 million. The situation with UNC is complicated as UNC may have received some overpayments from DHB. On 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 agreement to resolve the total $36.25 million of 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 appeal with claims in dispute of about $13 million has not been resolved.

Other Litigation. The State is involved in numerous other claims and legal proceedings, many of which are normal for governmental operations. A review of the status of outstanding lawsuits involving the State by the North Carolina Attorney General did not disclose other proceedings that are expected to have a material adverse effect on the financial position of the State.

C. Federal Grants

The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the State.

An audit conducted by the United States Department of Health and Human Services Office of Inspector General concluded that the State did not comply with Federal and State requirements when making Medicaid 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, 2023, the State had not received a demand for recovery from CMS.

For the fiscal years 2011-2013, the State received more than $34.8 million in unallowable performance bonus payments under the Children's Health Insurance Program Reauthorization Act. The overpayments were the result of the overstatement of the enrollment numbers in its request. CMS has issued a disallowance and a demand for recovery. The State disagrees with the findings and has appealed. Other states also appealed, and the matters were consolidated for a decision by the Departmental Appeals Board (DAB). The DAB issued its decision on, finding that CMS had erred in its interpretation of the statute, but also remanded the case to CMS to determine if there were overpayments made. The State is awaiting further information and guidance from CMS.

As of June 30, 2023, 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, 2023, the amount due to CMS was $215.53 million.

D. Highway Construction

The State has placed on deposit in court $265.10 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 $83.77 million in these proceedings. As of June 30, 2023, the State had no outstanding verified contractor's claims.

E. Construction and Other Commitments

At June 30, 2023, the State had commitments of $6.42 billion for construction of highway infrastructure. Of this amount, $3.68 billion relates to the Highway Fund, $178.58 million relates to the N.C. Turnpike Authority, and $2.56 billion relates to the Highway Trust Fund. The other commitments for construction and improvements of state government facilities totaled $330.48 million, including $192.72 million for the Department of Administration, $38.027 million for the Department of Agriculture, $30.194 million for the Department of Natural and Cultural Resources, and $17.16 million for the Department of Public Safety, and $14.387 million for the Department of Adult Correction.

At June 30, 2023, the University of North Carolina System (component unit) had outstanding construction commitments of $567.13 million (including $156.99 million for University of North Carolina Chapel Hill, $104.47 million for University of North Carolina Health Care System, $58.67 million for North Carolina State University, $48.17 million for Western Carolina University, and $44.64 million for the University of North Carolina at Wilmington).

At June 30, 2023, community colleges (component units) had outstanding construction commitments of $112.49 million (including $41.56 million for Wake Technical Community College, $15.6 million for Western Piedmont Community College, $10.39 million for South Piedmont Community College, $7.88 million for Fayetteville Technical Community College, and $7.25 million for Central Piedmont Community College).

The Department of Environmental Quality has other significant commitments of $378.73 million for clean water and other cost reimbursement grants. At June 30, 2023, the Department of Natural and Cultural Resources had other outstanding commitments of $161.89 million for clean water grants to nongovernmental organizations and local and state government. The Department of Public Instruction has other significant commitments of $803.27 million for needs-based public school building capital fund cost reimbursement grants awarded to Local Education Agencies (LEAs) for school capital projects.

The 911 Board (Board), part of the Department of Information Technology Services, sets aside a portion of its fund balance annually to support local Public Safety Answering Points (PSAPs). The PSAPs apply to the Board for the funds with improvement project proposals that the Board evaluates and either approves or denies. At June 30, 2023, the 911 Fund (special revenue fund) had outstanding commitments on these cost-reimbursement grants and contracts to the PSAPs totaling $31.29 million.

At June 30, 2023, the Administrative Office of the Courts had outstanding software in development contract commitments of $7.06 million. During the same period, Project Kitty Hawk had similar contractual commitments of $5.57 million.

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

The UNC Investment Fund, LLC (UNC Investment Fund) at the University of North Carolina at Chapel Hill has entered into agreements with limited partnerships to invest capital. These agreements represent the funding of capital over a designated period of time and are subject to adjustments. As of June 30, 2023, the UNC Investment Fund had approximately $1.9 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 $3.74 billion in MSA payments. In the early years of MSA, participating states received initial payments that were distinct from annual payments. The initial payments were made for five years: 1998 and 2000 through 2003. The annual payments began in 2000 and will continue indefinitely. However, these payments are subject to a number of adjustments including an inflation adjustment and a volume adjustment. Some adjustments (e.g., inflation) should result in an increase in the payments while others (e.g., domestic cigarette sales volume) may decrease the payments. Also, future payments may be impacted by continuing and potential litigation against the tobacco industry and changes in the financial condition of the tobacco companies. At year-end, the State recognizes a receivable and revenue in the government-wide statements for the tobacco settlement based on the underlying domestic shipment of cigarettes. This accrual estimate is based on the projected payment schedule in the MSA adjusted for historical payment trends.

G. Other Contingencies

The Civil Rights Division of the U.S. Department of Justice investigated the state's mental health system and found the State to be in violation of Title II of the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. Sec 12131, and the following, as interpreted by the U.S. Supreme Court in *Olmstead v. L.C.*, 527 U.S. 581 (1999), and Section 504 of the Rehabilitation Act of 1973 (Rehab Act), 29 U.S.C. Sec 794(a). On August 23, 2012, the Civil Rights Division and the State entered into an agreement that addresses the corrective measures that will ensure that the State will willingly meet the requirements of the ADA, Section 504 of the Rehab Act, and the *Olmstead* decision. Through the agreement, it is intended that the goals of community integration and self-determination will be achieved. Both parties of the agreement have selected a reviewer to monitor the State's implementation of this agreement. The reviewer has authority to independently assess, review, and report annually on the State's implementation of and compliance with the provisions of this agreement. The potential liability to the State cannot be reasonably estimated. If the State fails to comply with this agreement, the United States can seek an appropriate judicial remedy. To date, the State has demonstrated good faith effort by providing sufficient funding essential to meeting the settlement requirements. The State is responsible for determining and identifying the amount of appropriation funding that is needed to fulfill this agreement which was originally going to be phased in over eight years (2013-2020). The settlement agreement was first extended for an additional year to July 1, 2021 in order to give the State more time to meet the requirements. In March of 2021, the parties signed an agreement acknowledging the State's compliance in some areas of the agreement but extending other items for an additional two years. In 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 Session Law 2012-142 Section 10.23A.(e), $10.3 million was appropriated as recurring funds to support the Department of Health and Human Services in the implementation of its plan for transitioning individuals with severe mental illness to community living arrangements, including establishing a rental assistance program. In Session Law 2013-360, additional money was appropriated in the expansion budget for $3.83 million for fiscal 2014 and $9.39 million for fiscal 2015. Funding has continued each budget year at appropriate levels to meet the terms of the agreement.

In Session Law 2015-241, the North Carolina Housing Finance Agency (NCHFA), in consultation with the Department of Health and Human Services (DHHS), was authorized to administer the Community Living Housing Fund (CLHF) in order to provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness. The funds are first transferred from DHHS and then must be appropriated by the General Assembly in order for the NCHFA to expend the funds. DHHS transferred $2.89 million to the Community Living Housing Fund in fiscal 2015. House Bill 1030 authorized the NCHFA to expend receipts of $5.52 million transferred from DHHS to the CLHF in fiscal 2017. Session Law 2017-57 and Session Law 2018-5 provided funds of $4.2 million and $3.96 million, respectively, transferred from DHHS to the CLHF. In fiscal years 2019 through 2021, DHHS transferred $10.47 million to the CLHF and Session Law 2020-97 appropriated those funds for the State to meet its commitment to the supported housing requirements of the agreement. At present, the work continues with the funds available through continuing budget provisions. DHHS did not transfer any funds to the CLHF for fiscal year 2022 or fiscal year 2023 as no funds remained in accordance with the law.

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

NOTE 22: TAX ABATEMENTS

As of June 30, 2023, 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, 2023 on an accrual basis as a result of the agreements with the State is $39.20 million. The State has made no other commitments other than to abate taxes.

NOTE 23: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). The adjustments in the "GASB 94 Implementation" column and adjustments in the "GASB 96 Implementation" column are due to the State's adoption of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* as discussed in Note 2. Amounts in the "Adjustments" column are primarily due to the correction of errors related to prior periods.

	July 1, 2022 Fund Equity as Previously Reported	GASB 94 Implementation	GASB 96 Implementation	Adjustments	July 1, 2022 Fund Equity as Restated
Primary Government					
Major Governmental Funds:					
General Fund	$ 18,427,595	$ —	$ —	$ 28,912	$ 18,456,507
Highway Fund	1,248,440	(70,210)	—	—	1,178,230
Highway Trust Fund	1,627,201	—	—	—	1,627,201
Other Governmental Funds:					
Special Revenue Funds	2,129,909	—	—	(8)	2,129,901
Capital Projects Funds	609,313	—	—	—	609,313
Permanent Funds	166,935	—	—	—	166,935
Total Governmental Funds	24,209,393	(70,210)	—	28,904	24,168,087
Internal Service Funds	173,056	—	—	—	173,056
Government-wide adjustments:					
Equity interest in component unit	371,586	—	—	—	371,586
Capital assets	63,005,022		126,780	(316,001)	62,815,801
Deferred losses on refundings	36,662	—	—	—	36,662
Deferred gain on refundings	(6,994)				(6,994)
Deferred outflows for pensions	1,460,585	—	—	—	1,460,585
Deferred inflows for pensions	(1,454,455)	—	—	—	(1,454,455)
Deferred outflows for OPEB	1,417,851	—	—	—	1,417,851
Deferred inflows for OPEB	(1,739,552)	—	—	—	(1,739,552)
Unavailable revenue	251,777	—	—	(2,484)	249,293
Long-term liabilities	(16,334,378)		(124,384)	(12,309)	(16,471,071)
Accrued interest payable	(29,343)	—	—	—	(29,343)
Pension assets	31,046	—	—	—	31,046
OPEB assets	3,231	—	—	—	3,231
Total Government-wide adjustments	47,013,038	—	2,396	(330,794)	46,684,640
Total Governmental Activities	$ 71,395,487	$ (70,210)	$ 2,396	$ (301,890)	$ 71,025,783
Business-type Activities - Enterprise Funds:					
Unemployment Compensation Fund	3,794,638	—	—	—	3,794,638
EPA Revolving Loan Fund	2,055,937	—	—	22,328	2,078,265
N.C. State Lottery Fund	(44,697)	—	—	—	(44,697)
N.C. Turnpike Authority	260,631	—	—	(25,000)	235,631
Other enterprise funds	304,945	—	—	821	305,766
Total Business-type Activities - Enterprise Funds	$ 6,371,454	$ —	$ —	$ (1,851)	$ 6,369,603

NOTES TO THE FINANCIAL STATEMENTS

	July 1, 2022 Fund Equity as Previously Reported	GASB 94 Implementation	GASB 96 Implementation	Adjustments	July 1, 2022 Fund Equity as Restated
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	130,246,135	—	—	—	130,246,135
Private Purpose Trust Funds	1,016,184	—	—	—	1,016,184
Custodial Funds					
External Investment Pools and Accounts	1,696,088	—	—	—	1,696,088
Other Custodial Funds	1,048,920	—	—	(33,747)	1,015,173
Total Fiduciary Funds	$ 134,007,327	$ —	$ —	$ (33,747)	$ 133,973,580
Total Primary Government	$ 211,774,268	$ (70,210)	$ 2,396	$ (337,488)	$ 211,368,966
Component Units					
University of North Carolina System	16,274,918	(772)	50,495	(42,001)	16,282,640
Community Colleges	3,189,308	—	293	13,904	3,203,505
State Health Plan	505,180	—	—	—	505,180
Other component units	3,582,858	—	—	8,629	3,591,487
Total Component Units	$ 23,552,264	$ (772)	$ 50,788	$ (19,468)	$ 23,582,812

NOTE 24: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity Deficit

Primary Government

At June 30, 2023, the following internal service funds reported a net position deficit: Mail Service Center, $339 thousand; Computing Services, $46.46 million.

At June 30, 2023, the following nonmajor enterprise fund reported a net position deficit: Utilities Commission, $16.13 million.

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)

	2023	2022	2021	2020	2019
Teachers' and State Employees'					
Total pension liability					
Service Cost	$ 1,932,122	$ 1,918,712	$ 1,906,954	$ 1,851,058	$ 1,782,475
Interest	6,027,474	5,874,188	5,857,546	5,663,045	5,460,427
Changes of benefit terms	213,711	205,169	-	-	-
Differences between expected and actual experience	1,812,215	(175,206)	(141,796)	258,502	535,860
Changes of assumptions	-	-	2,341,992	-	-
Benefit payments, including refunds of member contributions	(5,636,727)	(5,324,253)	(5,055,075)	(4,934,999)	(4,835,144)
Net change in total pension liability	4,348,795	2,498,610	4,909,621	2,837,606	2,943,618
Total pension liability - beginning	93,572,242	91,073,632	86,164,011	83,326,405	80,382,787
Total pension liability - ending (a)	$ 97,921,037	$ 93,572,242	$ 91,073,632	$ 86,164,011	$ 83,326,405
Plan fiduciary net position					
Contributions-employer	$ 3,034,897	$ 2,761,946	$ 2,373,252	$ 2,055,075	$ 1,915,146
Contributions-member	1,059,460	1,030,635	981,051	964,544	951,566
Net investment income	4,075,935	(6,118,110)	14,023,684	3,050,585	4,514,117
Benefit payments, including refunds of member contributions	(5,636,727)	(5,324,253)	(5,055,075)	(4,934,999)	(4,835,144)
Administrative expense	(16,093)	(13,945)	(13,870)	(12,910)	(11,815)
Other	1,578	2,700	(25)	271	(1,120)
Net change in plan fiduciary net position	2,519,050	(7,661,027)	12,309,017	1,122,566	2,532,750
Plan fiduciary net position - beginning	78,730,004	86,391,031	74,082,014	72,959,448	70,426,698
Plan fiduciary net position - ending (b)	$ 81,249,054	$ 78,730,004	$ 86,391,031	$ 74,082,014	$ 72,959,448
TSERS's net pension liability - ending (a) - (b)	$ 16,671,983	$ 14,842,238	$ 4,682,601	$ 12,081,997	$ 10,366,957
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.14%	94.86%	85.98%	87.56%
Covered payroll	$ 17,462,008	$ 16,861,697	$ 16,057,185	$ 15,844,834	$ 15,582,963
Net pension liability as a percentage of covered payroll	95.48%	88.02%	29.16%	76.25%	66.53%
Local Governmental Employees'					
Total pension liability					
Service Cost	$ 917,160	$ 904,200	$ 876,765	$ 841,148	$ 798,120
Interest	2,312,550	2,225,081	2,139,954	2,037,306	1,934,144
Changes of benefit terms	-	33,159	-	-	-
Differences between expected and actual experience	885,328	(31,778)	296,054	177,954	252,859
Changes of assumptions	-	-	1,125,778	-	-
Benefit payments, including refunds of member contributions	(1,865,415)	(1,732,564)	(1,630,148)	(1,551,217)	(1,472,856)
Net change in total pension liability	2,249,623	1,398,098	2,808,403	1,505,191	1,512,267
Total pension liability - beginning	35,578,561	34,180,463	31,372,060	29,866,869	28,354,602
Total pension liability - ending (a)	$ 37,828,184	$ 35,578,561	$ 34,180,463	$ 31,372,060	$ 29,866,869
Plan fiduciary net position					
Contributions-employer	$ 1,050,570	$ 880,449	$ 745,308	$ 640,969	$ 534,107
Contributions-member	524,830	477,001	453,112	436,754	420,437
Net investment income	1,561,729	(2,331,589)	5,283,300	1,139,009	1,675,331
Benefit payments, including refunds of member contributions	(1,865,415)	(1,732,564)	(1,630,148)	(1,551,217)	(1,472,856)
Administrative expense	(6,407)	(5,415)	(5,295)	(4,889)	(4,634)
Other	2,657	2,384	1,956	2,061	1,302
Net change in plan fiduciary net position	1,267,964	(2,709,734)	4,848,233	662,687	1,153,687
Plan fiduciary net position - beginning	29,937,133	32,646,867	27,798,634	27,135,947	25,982,260
Plan fiduciary net position - ending (b)	$ 31,205,097	$ 29,937,133	$ 32,646,867	$ 27,798,634	$ 27,135,947
LGERS's net pension liability (asset) - ending (a) - (b)	$ 6,623,087	$ 5,641,428	$ 1,533,596	$ 3,573,426	$ 2,730,922
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%
Covered payroll	$ 8,479,177	$ 7,570,499	$ 7,166,423	$ 6,914,444	$ 6,665,378
Net pension liability (asset) as a percentage of covered payroll	78.11%	74.52%	21.40%	51.68%	40.97%

2018	2017	2016	2015	2014
$ 1,630,323	$ 1,469,395	$ 1,580,544	$ 1,562,846	$ 1,556,027
5,281,004	5,195,104	4,937,464	4,803,766	4,648,995
44,339	449,563	35,605	-	355,224
815,911	229,339	(190,178)	(278,170)	(345,392)
1,637,700	381,934	1,743,836	-	-
(4,666,391)	(4,545,296)	(4,339,637)	(4,184,410)	(3,989,397)
4,742,886	3,180,039	3,767,634	1,904,032	2,225,457
75,639,901	72,459,862	68,692,228	66,788,196	64,562,739
$ 80,382,787	$ 75,639,901	$ 72,459,862	$ 68,692,228	$ 66,788,196
$ 1,602,901	$ 1,441,194	$ 1,275,003	$ 1,262,988	$ 1,177,341
910,797	894,538	864,151	854,306	825,548
4,885,354	6,656,652	472,174	1,468,624	9,121,005
(4,666,391)	(4,545,296)	(4,339,637)	(4,184,410)	(3,989,397)
(11,604)	(11,265)	(10,217)	(10,646)	(10,762)
181	808	325	393	320
2,721,238	4,436,631	(1,738,201)	(608,745)	7,124,055
67,705,460	63,268,829	65,007,030	65,615,775	58,491,720
$ 70,426,698	$ 67,705,460	$ 63,268,829	$ 65,007,030	$ 65,615,775
$ 9,956,089	$ 7,934,441	$ 9,191,033	$ 3,685,198	$ 1,172,421
87.61%	89.51%	87.32%	94.64%	98.24%
$ 14,869,212	$ 14,440,822	$ 13,934,459	$ 13,803,148	$ 13,548,227
66.96%	54.94%	65.96%	26.70%	8.65%

$ 713,227	$ 656,231	$ 684,288	$ 670,936	$ 654,735
1,838,989	1,803,590	1,707,699	1,628,373	1,555,958
-	-	12,581	65,914	(7,790)
378,665	73,083	50,205	(72,177)	(80,590)
595,781	138,096	183,019	-	-
(1,402,793)	(1,322,277)	(1,251,918)	(1,172,578)	(1,106,799)
2,123,869	1,348,723	1,385,874	1,120,468	1,015,514
26,230,733	24,882,010	23,496,136	22,375,668	21,360,154
$ 28,354,602	$ 26,230,733	$ 24,882,010	$ 23,496,136	$ 22,375,668
$ 492,317	$ 461,329	$ 414,168	$ 408,694	$ 413,175
401,632	391,459	375,572	363,863	346,961
1,789,337	2,413,758	175,189	520,578	3,161,964
(1,402,793)	(1,322,277)	(1,251,918)	(1,172,578)	(1,106,799)
(4,324)	(4,264)	(3,926)	(4,086)	(3,974)
3,081	3,330	3,248	3,285	3,297
1,279,250	1,943,335	(287,667)	119,756	2,814,624
24,703,010	22,759,675	23,047,342	22,927,586	20,112,962
$ 25,982,260	$ 24,703,010	$ 22,759,675	$ 23,047,342	$ 22,927,586
$ 2,372,342	$ 1,527,723	$ 2,122,335	$ 448,794	$ (551,918)
91.63%	94.18%	91.47%	98.09%	102.47%
$ 6,368,275	$ 6,192,808	$ 5,860,574	$ 5,650,694	$ 5,553,383
37.25%	24.67%	36.21%	7.94%	(9.94%)

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

Last Ten Fiscal Years

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Firefighters' and Rescue Squad Workers'					
Total pension liability					
Service Cost	$ 7,357	$ 7,262	$ 7,675	$ 7,733	$ 7,640
Interest	32,031	32,013	33,116	32,500	32,140
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(3,381)	(8,484)	(4,881)	(1,376)	(4,922)
Changes of assumptions	-	-	6,525	-	-
Benefit payments, including refunds of member contributions	(30,876)	(30,369)	(30,147)	(29,953)	(29,502)
Net change in total pension liability	5,131	422	12,288	8,904	5,356
Total pension liability - beginning	500,618	500,196	487,908	479,004	473,648
Total pension liability - ending (a)	$ 505,749	$ 500,618	$ 500,196	$ 487,908	$ 479,004
Plan fiduciary net position					
Contributions-member	$ 2,471	$ 2,318	$ 2,569	$ 2,581	$ 2,770
Contributions-nonemployer	19,702	19,352	19,002	18,652	18,302
Net investment income	25,008	(37,515)	85,952	18,593	27,363
Benefit payments, including refunds of member contributions	(30,876)	(30,369)	(30,147)	(29,953)	(29,502)
Administrative expense	(844)	(975)	(987)	(885)	(1,002)
Other	23	18	15	14	(18)
Net change in plan fiduciary net position	15,484	(47,171)	76,404	9,002	17,913
Plan fiduciary net position - beginning	480,956	528,127	451,723	442,721	424,808
Plan fiduciary net position - ending (b)	$ 496,440	$ 480,956	$ 528,127	$ 451,723	$ 442,721
FRSWPF's net pension liability (asset) - ending (a) - (b)	$ 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%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'					
Total pension liability					
Service Cost	$ 1,151	$ 1,107	$ 1,120	$ 1,125	$ 1,117
Interest	1,025	1,025	1,134	1,122	1,133
Differences between expected and actual experience	(618)	(360)	308	(124)	(770)
Changes of assumptions	-	-	2,101	-	-
Benefit payments, including refunds of member contributions	(1,850)	(1,844)	(1,802)	(1,788)	(1,754)
Net change in total pension liability	(292)	(72)	2,861	335	(274)
Total pension liability - beginning	33,918	33,990	31,129	30,794	31,068
Total pension liability - ending (a)	$ 33,626	$ 33,918	$ 33,990	$ 31,129	$ 30,794
Plan fiduciary net position					
Contributions-employer	$ 892	$ 1,146	$ 1,200	$ 958	$ 950
Net investment income	(537)	(5,334)	(228)	4,353	3,721
Benefit payments, including refunds of member contributions	(1,850)	(1,844)	(1,802)	(1,788)	(1,754)
Administrative expense	(20)	(13)	(14)	(12)	(12)
Net change in plan fiduciary net position	(1,515)	(6,045)	(844)	3,511	2,905
Plan fiduciary net position - beginning	47,158	53,203	54,047	50,536	47,631
Plan fiduciary net position - ending (b)	$ 45,643	$ 47,158	$ 53,203	$ 54,047	$ 50,536
RODSPF's net pension asset - ending (a) - (b)	$ (12,017)	$ (13,240)	$ (19,213)	$ (22,918)	$ (19,742)
Plan fiduciary net position as a percentage of the total pension liability	135.74%	139.04%	156.53%	173.62%	164.11%
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

2018	2017	2016	2015	2014
$ 7,542	$ 4,841	$ 5,610	$ 5,884	$ 5,710
31,686	31,475	30,035	29,671	29,394
-	-	118	-	8,770
(121)	2,048	(2,177)	(2,799)	2,714
10,593	2,549	15,577	-	(16,688)
(31,727)	(29,070)	(27,998)	(26,912)	(25,614)
17,973	11,843	21,165	5,844	4,286
455,675	443,832	422,667	416,823	412,537
$ 473,648	$ 455,675	$ 443,832	$ 422,667	$ 416,823
$ 2,790	$ 2,594	$ 2,778	$ 2,822	$ 2,781
17,952	17,602	13,900	13,900	14,627
29,505	39,928	2,867	8,711	53,842
(31,727)	(29,070)	(27,998)	(26,912)	(25,614)
(885)	(919)	(860)	(1,622)	(1,045)
10	15	18	4	2
17,645	30,150	(9,295)	(3,097)	44,593
407,163	377,013	386,308	389,405	344,812
$ 424,808	$ 407,163	$ 377,013	$ 386,308	$ 389,405
$ 48,840	$ 48,512	$ 66,819	$ 36,359	$ 27,418
89.69%	89.35%	84.94%	91.40%	93.42%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

$ 1,086	$ 860	$ 579	$ 578	$ 563
1,157	1,164	1,354	1,372	1,342
(1,125)	440	(45)	(558)	302
-	-	7,082	-	-
(1,793)	(1,793)	(1,718)	(1,715)	(1,666)
(675)	671	7,252	(323)	541
31,743	31,072	23,820	24,143	23,602
$ 31,068	$ 31,743	$ 31,072	$ 23,820	$ 24,143
$ 856	$ 869	$ 817	$ 802	$ 817
(230)	(13)	3,722	1,114	2,714
(1,793)	(1,793)	(1,718)	(1,715)	(1,666)
(14)	(19)	(47)	(16)	(18)
(1,181)	(956)	2,774	185	1,847
48,812	49,768	46,994	46,809	44,962
$ 47,631	$ 48,812	$ 49,768	$ 46,994	$ 46,809
$ (16,563)	$ (17,069)	$ (18,696)	$ (23,174)	$ (22,666)
153.31%	153.77%	160.17%	197.29%	193.88%
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)

	2023	2022	2021	2020	2019
Consolidated Judicial					
Total pension liability					
Service Cost	$ 15,796	$ 14,320	$ 19,545	$ 18,869	$ 18,710
Interest	53,741	51,397	49,700	48,149	46,838
Changes of benefit terms	2,197	2,127	-	-	-
Differences between expected and actual experience	29,934	22,417	2,451	4,583	845
Changes of assumptions	-	-	46,622	-	-
Benefit payments, including refunds of member contributions	(57,587)	(53,819)	(50,001)	(48,920)	(46,451)
Net change in total pension liability	44,081	36,442	68,317	22,681	19,942
Total pension liability - beginning	839,335	802,893	734,576	711,895	691,953
Total pension liability - ending (a)	$ 883,416	$ 839,335	$ 802,893	$ 734,576	$ 711,895
Plan fiduciary net position					
Contributions-employer	$ 34,952	$ 33,428	$ 29,259	$ 26,637	$ 25,636
Contributions-member	6,103	5,470	5,585	5,224	5,151
Net investment income	34,201	(51,610)	118,772	25,923	38,211
Benefit payments, including refunds of member contributions	(57,587)	(53,819)	(50,001)	(48,920)	(46,451)
Administrative expense	(71)	(29)	(34)	(27)	(30)
Other	-	4	-	-	(119)
Net change in plan fiduciary net position	17,598	(66,556)	103,581	8,837	22,398
Plan fiduciary net position - beginning	664,764	731,320	627,739	618,902	596,504
Plan fiduciary net position - ending (b)	$ 682,362	$ 664,764	$ 731,320	$ 627,739	$ 618,902
CJRS's net pension liability - ending (a) - (b)	$ 201,054	$ 174,571	$ 71,573	$ 106,837	$ 92,993
Plan fiduciary net position as a percentage of the total pension liability	77.24%	79.20%	91.09%	85.46%	86.94%
Covered payroll	$ 87,489	$ 83,528	$ 80,294	$ 79,277	$ 75,712
Net pension liability as a percentage of covered payroll	229.80%	209.00%	89.14%	134.76%	122.82%

	2023	2022	2021	2020	2019
Legislative					
Total pension liability					
Service Cost	$ 797	$ 796	$ 1,034	$ 1,058	$ 1,088
Interest	1,933	1,925	2,053	2,051	2,052
Changes of benefit terms	94	94	-	-	-
Differences between expected and actual experience	(92)	(281)	(815)	(617)	(596)
Changes of assumptions	-	-	(353)	-	-
Benefit payments, including refunds of member contributions	(2,449)	(2,358)	(2,516)	(2,388)	(2,732)
Net change in total pension liability	283	176	(597)	104	(188)
Total pension liability - beginning	30,150	29,974	30,571	30,467	30,655
Total pension liability - ending (a)	$ 30,433	$ 30,150	$ 29,974	$ 30,571	$ 30,467
Plan fiduciary net position					
Contributions-employer	$ 901	$ 1,029	$ 987	$ 956	$ 809
Contributions-member	259	253	253	253	257
Net investment income	1,441	(2,183)	5,162	1,151	1,726
Benefit payments, including refunds of member contributions	(2,449)	(2,358)	(2,516)	(2,388)	(2,732)
Administrative expense	(23)	(15)	(13)	(13)	(14)
Other	(1)	(1)	-	6	(50)
Net change in plan fiduciary net position	128	(3,275)	3,873	(35)	(4)
Plan fiduciary net position - beginning	28,620	31,895	28,022	28,057	28,061
Plan fiduciary net position - ending (b)	$ 28,748	$ 28,620	$ 31,895	$ 28,022	$ 28,057
LRS's net pension liability (asset) - ending (a) - (b)	$ 1,685	$ 1,530	$ (1,921)	$ 2,549	$ 2,410
Plan fiduciary net position as a percentage of the total pension liability	94.46%	94.93%	106.41%	91.66%	92.09%
Covered payroll	$ 3,617	$ 3,619	$ 3,615	$ 3,613	$ 3,611
Net pension liability (asset) as a percentage of covered payroll	46.59%	42.28%	(53.14%)	70.55%	66.74%

	2018	2017	2016	2015	2014
	$ 17,192	$ 15,630	$ 16,904	$ 16,812	$ 16,637
	45,397	44,837	42,009	40,846	39,405
	430	4,349	332	-	3,031
	7,660	2,193	(4,295)	(2,289)	(2,484)
	12,836	3,032	26,588	-	-
	(43,392)	(42,053)	(40,462)	(38,364)	(35,428)
	40,123	27,988	41,076	17,005	21,161
	651,830	623,842	582,766	565,761	544,600
	$ 691,953	$ 651,830	$ 623,842	$ 582,766	$ 565,761
	$ 23,988	$ 19,592	$ 18,908	$ 18,949	$ 21,390
	5,706	7,399	7,561	6,238	5,598
	41,123	55,762	3,972	12,176	74,294
	(43,392)	(42,053)	(40,462)	(38,364)	(35,428)
	(24)	(37)	(73)	(30)	(48)
	-	-	-	1	3
	27,401	40,663	(10,094)	(1,030)	65,809
	569,103	528,440	538,534	539,564	473,755
	$ 596,504	$ 569,103	$ 528,440	$ 538,534	$ 539,564
	$ 95,449	$ 82,727	$ 95,402	$ 44,232	$ 26,197
	86.21%	87.31%	84.71%	92.41%	95.37%
	$ 77,255	$ 66,504	$ 69,489	$ 69,638	$ 76,367
	123.55%	124.39%	137.29%	63.52%	34.30%

	$ 1,006	$ 872	$ 822	$ 844	$ 747
	2,028	2,056	1,708	1,742	1,678
	24	215	22	-	146
	207	(122)	(520)	(579)	762
	511	121	5,151	-	-
	(2,531)	(2,437)	(2,430)	(2,473)	(2,614)
	1,245	705	4,753	(466)	719
	29,410	28,705	23,952	24,418	23,699
	$ 30,655	$ 29,410	$ 28,705	$ 23,952	$ 24,418
	$ 689	$ 675	$ 65	$ -	$ -
	253	253	253	253	253
	1,975	2,744	181	642	4,293
	(2,531)	(2,437)	(2,430)	(2,473)	(2,614)
	(14)	(18)	(53)	(17)	(37)
	-	-	-	-	-
	372	1,217	(1,984)	(1,595)	1,895
	27,689	26,472	28,456	30,051	28,156
	$ 28,061	$ 27,689	$ 26,472	$ 28,456	$ 30,051
	$ 2,594	$ 1,721	$ 2,233	$ (4,504)	$ (5,633)
	91.54%	94.15%	92.22%	118.80%	123.07%
	$ 3,618	$ 3,705	$ 3,616	$ 3,611	$ 3,608
	71.70%	46.45%	61.75%	(124.73%)	(156.13%)

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

Last Ten Fiscal Years

(Dollars in Thousands)

	2023	2022	2021	2020	2019
North Carolina National Guard					
Total pension liability					
Service Cost	$ 230	$ 196	$ 276	$ 315	$ 327
Interest	9,478	11,070	11,097	11,746	12,368
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(6,970)	(26,734)	4,599	(12,364)	(12,701)
Changes of assumptions	-	-	4,601	-	-
Benefit payments, including refunds of member contributions	(9,080)	(9,049)	(8,915)	(9,018)	(8,736)
Net change in total pension liability	(6,342)	(24,517)	11,658	(9,321)	(8,742)
Total pension liability - beginning	150,054	174,571	162,913	172,234	180,976
Total pension liability - ending (a)	$ 143,712	$ 150,054	$ 174,571	$ 162,913	$ 172,234
Plan fiduciary net position					
Contributions-nonemployer	$ 11,032	$ 11,032	$ 11,032	$ 11,032	$ 9,072
Net investment income	8,539	(12,272)	27,365	5,871	8,463
Benefit payments, including refunds of member contributions	(9,080)	(9,049)	(8,915)	(9,018)	(8,736)
Administrative expense	(144)	(91)	(94)	(83)	(13)
Other	(1)	(4)	1	1	(16)
Net change in plan fiduciary net position	10,346	(10,384)	29,389	7,803	8,770
Plan fiduciary net position - beginning	165,381	175,765	146,376	138,573	129,803
Plan fiduciary net position - ending (b)	$ 175,727	$ 165,381	$ 175,765	$ 146,376	$ 138,573
NGPF's net pension liability (asset) - ending (a) - (b)	$ (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%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

2018	2017	2016	2015	2014
$ 304	$ 305	$ 593	$ 550	$ 512
12,288	11,975	10,700	9,916	9,330
-	-	-	8,734	5,752
(1,748)	1,204	30	(198)	192
3,926	955	15,149	-	-
(8,766)	(8,677)	(8,512)	(7,958)	(7,502)
6,004	5,762	17,960	11,044	8,284
174,972	169,210	151,250	140,206	131,922
$ 180,976	$ 174,972	$ 169,210	$ 151,250	$ 140,206
$ 8,923	$ 8,517	$ 7,066	$ 6,039	$ 7,007
8,766	11,626	842	2,493	14,942
(8,766)	(8,677)	(8,512)	(7,958)	(7,502)
(249)	(168)	(97)	(75)	(73)
2	-	1	-	1
8,676	11,298	(700)	499	14,375
121,127	109,829	110,529	110,030	95,655
$ 129,803	$ 121,127	$ 109,829	$ 110,529	$ 110,030
$ 51,173	$ 53,845	$ 59,381	$ 40,721	$ 30,176
71.72%	69.23%	64.91%	73.08%	78.48%
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)

	2023	2022	2021	2020	2019
Teachers' and State Employees'					
Actuarially determined contribution	$ 3,034,897	$ 2,761,946	$ 2,373,252	$ 2,055,075	$ 1,915,146
Contributions in relation to the actuarially determined contribution (1)	3,034,897	2,761,946	2,373,252	2,055,075	1,915,146
Contribution excess	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 17,462,008	$ 16,861,697	$ 16,057,185	$ 15,844,834	$ 15,582,963
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%
Local Governmental Employees'					
Actuarially determined contribution	$ 1,024,690	$ 886,620	$ 763,653	$ 625,511	$ 512,287
Contributions in relation to the actuarially determined contribution (1)	1,050,570	880,449	745,308	640,969	534,107
Contribution deficiency (excess)	$ (25,880)	$ 6,171	$ 18,345	$ (15,458)	$ (21,820)
Covered payroll	$ 8,479,177	$ 7,570,499	$ 7,166,423	$ 6,914,444	$ 6,665,378
Contributions as a percentage of covered payroll	12.39%	11.63%	10.40%	9.27%	8.01%
Firefighters' and Rescue Squad Workers' (2)					
Actuarially determined contribution	$ 13,087	$ 15,183	$ 14,846	$ 14,324	$ 14,544
Contributions in relation to the actuarially determined contribution (1)	19,702	19,352	19,002	18,652	18,302
Contribution deficiency (excess)	$ (6,615)	$ (4,169)	$ (4,156)	$ (4,328)	$ (3,758)
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)	892	1,146	1,200	958	950
Contribution excess	$ (892)	$ (1,146)	$ (1,200)	$ (958)	$ (950)
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.

2018	2017	2016	2015	2014
$ 1,565,728	$ 1,438,306	$ 1,210,904	$ 1,262,988	$ 1,177,341
1,602,901	1,441,194	1,275,003	1,262,988	1,177,341
$ (37,173)	$ (2,888)	$ (64,099)	$ -	$ -
$ 14,869,212	$ 14,440,822	$ 13,934,459	$ 13,803,148	$ 13,548,227
10.78%	9.98%	9.15%	9.15%	8.69%
$ 483,559	$ 453,193	$ 393,920	$ 402,429	$ 397,462
492,317	461,329	414,168	408,694	413,175
$ (8,758)	$ (8,136)	$ (20,248)	$ (6,265)	$ (15,713)
$ 6,368,275	$ 6,192,808	$ 5,860,574	$ 5,650,694	$ 5,553,383
7.73%	7.45%	7.07%	7.23%	7.44%
$ 14,287	$ 17,705	$ 13,241	$ 13,900	$ 14,620
17,952	17,602	13,900	13,900	14,627
$ (3,665)	$ 103	$ (659)	$ -	$ (7)
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -
856	869	817	802	817
$ (856)	$ (869)	$ (817)	$ (802)	$ (817)
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	**2023**	**2022**	**2021**	**2020**	**2019**
Actuarially determined contribution	$ 34,689	$ 33,428	$ 29,259	$ 26,637	$ 24,947
Contributions in relation to the actuarially determined contribution	34,952	33,428	29,259	26,637	25,636
Contribution excess	$ (263)	$ -	$ -	$ -	$ (689)
Covered payroll	$ 87,489	$ 83,528	$ 80,294	$ 79,277	$ 75,712
Contributions as a percentage of covered payroll	39.95%	40.02%	36.44%	33.60%	33.86%
Legislative					
Actuarially determined contribution	$ 890	$ 1,029	$ 987	$ 956	$ 809
Contributions in relation to the actuarially determined contribution	901	1,029	987	956	809
Contribution excess	$ (11)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,617	$ 3,619	$ 3,615	$ 3,613	$ 3,611
Contributions as a percentage of covered payroll	24.91%	28.43%	27.30%	26.46%	22.40%
North Carolina National Guard *					
Actuarially determined contribution	$ 11,032	$ 11,032	$ 11,032	$ 11,032	$ 9,072
Contributions in relation to the actuarially determined contribution	11,032	11,032	11,032	11,032	9,072
Contribution excess	$ -	$ -	$ -	$ -	$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

* Nonemployer contributing entity

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the pension RSI tables.

2018	2017	2016	2015	2014
$ 23,988	$ 19,592	$ 18,324	$ 18,949	$ 21,390
23,988	19,592	18,908	18,949	21,390
$ -	$ -	$ (584)	$ -	$ -
$ 77,255	$ 66,504	$ 69,489	$ 69,638	$ 76,367
31.05%	29.46%	27.21%	27.21%	28.01%
$ 689	$ 675	$ 65	$ -	$ -
689	675	65	-	-
$ -	$ -	$ -	$ -	$ -
$ 3,618	$ 3,705	$ 3,616	$ 3,611	$ 3,608
19.04%	18.22%	1.80%	0.00%	0.00%
$ 8,923	$ 8,517	$ 7,066	$ 6,039	$ 5,349
8,923	8,517	7,066	6,039	7,007
$ -	$ -	$ -	$ -	$ (1,658)
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	2023	2022	2021	2020	2019
Cost-Sharing, Multiple Employer					
Teachers' and State Employees'	5.27%	(7.18%)	19.13%	4.35%	6.57%
Local Governmental Employees'	5.27%	(7.20%)	19.10%	4.34%	6.58%
Firefighters' and Rescue Squad Workers'	5.25%	(7.15%)	19.10%	4.33%	6.55%
Registers of Deeds'	(1.16%)	(10.13%)	(0.43%)	8.72%	7.91%
Single-Employer					
Consolidated Judicial	5.25%	(7.17%)	19.13%	4.36%	6.57%
Legislative	5.19%	(7.00%)	18.81%	4.30%	6.43%
North Carolina National Guard	5.12%	(6.90%)	18.40%	4.28%	6.52%

2018	2017	2016	2015	2014
7.61%	10.75%	0.74%	2.27%	15.88%
7.59%	10.74%	0.77%	2.27%	15.86%
7.59%	10.76%	0.75%	2.26%	15.62%
(0.47%)	(0.03%)	8.04%	2.26%	6.04%
7.60%	10.75%	0.75%	2.27%	15.87%
7.64%	10.72%	0.66%	2.25%	15.91%
7.44%	10.63%	0.77%	2.25%	15.63%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2023

Changes of benefit terms.

	Cost of Living Increase									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Cost-Sharing, Multiple-Employer										
Teachers' and State Employees'	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%
Local Governmental Employees'	N/A	N/A	N/A	N/A	N/A	N/A	0.11%	0.63%	N/A	N/A
Firefighters' and Rescue Squad Workers'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Single-Employer										
Consolidated Judicial	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%
Legislative	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%
North Carolina National Guard (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Beginning in FY 2015, with the implementation of GASB 68, the above table reflects COLA's in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan NPL.

(1) In 2015, basic benefits were increased from $95 to $99 and total potential benefits were increased from $190 to $198. In 2016, basic benefits were increased from $99 to $105 and total benefits were increased from $198 to $210.

N/A - not applicable

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

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

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

Benefit recipients of the TSERS, CJRS, and LRS 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 will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 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, 2023

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, 2023. The net pension liabilities of employers were measured as of June 30, 2022.

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'	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Proportion of the net pension liability	22.29%	23.50%	22.26%	21.83%	21.75%
Proportionate share of the net pension liability	$ 3,308,833	$ 1,100,342	$ 2,689,921	$ 2,263,139	$ 2,165,010
Covered payroll	$ 3,936,636	$ 3,987,199	$ 3,778,103	$ 3,542,384	$ 3,499,295
Proportionate share of the net pension liability as a percentage of covered payroll	84.05%	27.60%	71.20%	63.89%	61.87%
Component Units					
University of North Carolina System					
Proportion of the net pension liability	14.91%	15.26%	15.12%	15.05%	14.90%
Proportionate share of the net pension liability	$ 2,212,675	$ 714,488	$ 1,826,248	$ 1,559,975	$ 1,482,962
Covered payroll	$ 2,506,435	$ 2,435,636	$ 2,431,573	$ 2,374,044	$ 2,280,501
Proportionate share of the net pension liability as a percentage of covered payroll	88.28%	29.33%	75.11%	65.71%	65.03%
Community Colleges					
Proportion of the net pension liability	5.53%	5.58%	5.56%	5.68%	5.80%
Proportionate share of the net pension liability	$ 820,596	$ 261,349	$ 671,817	$ 588,482	$ 577,687
Covered payroll	$ 963,040	$ 909,736	$ 927,386	$ 873,702	$ 876,939
Proportionate share of the net pension liability as a percentage of covered payroll	85.21%	28.73%	72.44%	67.36%	65.88%
Other Component Units					
Proportion of the net pension liability	0.19%	0.18%	0.18%	0.17%	0.17%
Proportionate share of the net pension liability	$ 28,700	$ 8,524	$ 21,667	$ 18,087	$ 16,760
Covered payroll	$ 33,736	$ 31,218	$ 30,285	$ 28,153	$ 27,263
Proportionate share of the net pension liability as a percentage of covered payroll	85.07%	27.30%	71.54%	64.25%	61.48%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	94.86%	85.98%	87.56%	87.61%

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

2018	2017	2016	2015	2014
21.74%	21.93%	22.47%	22.78%	22.95%
$ 1,725,012	$ 2,015,413	$ 828,018	$ 267,119	$ 1,393,385
$ 3,264,890	$ 3,311,814	$ 3,498,284	$ 3,255,443	$ 3,203,001
52.84%	60.86%	23.67%	8.21%	43.50%
14.72%	14.43%	14.45%	14.79%	14.48%
$ 1,167,833	$ 1,325,896	$ 532,624	$ 173,441	$ 878,936
$ 2,202,204	$ 2,117,672	$ 2,053,148	$ 2,089,885	$ 1,987,497
53.03%	62.61%	25.94%	8.30%	44.22%
5.96%	5.92%	5.89%	5.87%	5.80%
$ 472,532	$ 543,846	$ 216,890	$ 68,803	$ 352,004
$ 895,962	$ 871,399	$ 861,639	$ 853,383	$ 1,165,333
52.74%	62.41%	25.17%	8.06%	30.21%
0.16%	0.16%	0.17%	0.17%	0.17%
$ 12,763	$ 14,653	$ 6,224	$ 2,049	$ 10,605
$ 27,154	$ 25,454	$ 25,574	$ 25,673	$ 39,228
47.00%	57.57%	24.34%	7.98%	27.03%
89.51%	87.32%	94.64%	98.24%	90.60%

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

Last Ten Fiscal Years*

(Dollars in Thousands)

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

Firefighters' and Rescue Squad Workers'	**2023**	**2022**	**2021**	**2020**	**2019**
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)	$ 19,662	$ (27,931)	$ 36,185	$ 36,283	$ 48,840
Plan fiduciary net position as a percentage of the total pension liability	96.07%	105.58%	92.58%	92.43%	89.69%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard	**2023**	**2022**	**2021**	**2020**	**2019**
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)	$ (15,327)	$ (1,194)	$ 16,537	$ 33,661	$ 51,173
Plan fiduciary net position as a percentage of the total pension liability	110.21%	100.68%	89.85%	80.46%	71.72%

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

2018		2017		2016		2015		2014
	100.00%		100.00%		100.00%		100.00%	100.00%
$	48,512	$	66,819	$	36,359	$	27,418	$ 67,725
	89.35%		84.94%		91.40%		93.42%	83.58%

	100.00%		100.00%		100.00%		100.00%	100.00%
$	53,845	$	59,381	$	40,721	$	30,176	$ 36,267
	69.23%		64.91%		73.08%		78.48%	72.51%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PRIMARY GOVERNMENT'S AND COMPONENT UNITS' CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS
Last Ten Fiscal Years
(Dollars in Thousands)

Teachers' and State Employees'	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Contractually required contribution	$ 691,588	$ 644,821	$ 589,308	$ 490,020	$ 435,359
Contributions in relation to the contractually required contribution	691,588	644,821	589,308	490,020	435,359
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,979,217	$ 3,936,636	$ 3,987,199	$ 3,778,103	$ 3,542,384
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 472,508	$ 410,554	$ 359,987	$ 315,375	$ 291,770
Contributions in relation to the contractually required contribution	472,508	410,554	359,987	315,375	291,770
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,718,654	$ 2,506,435	$ 2,435,636	$ 2,431,573	$ 2,374,044
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%
Community Colleges					
Contractually required contribution	$ 174,534	$ 157,746	$ 134,459	$ 120,282	$ 107,378
Contributions in relation to the contractually required contribution	174,534	157,746	134,459	120,282	107,378
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,004,223	$ 963,040	$ 909,736	$ 927,386	$ 873,702
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%
Other Component Units					
Contractually required contribution	$ 6,710	$ 5,526	$ 4,614	$ 3,928	$ 3,460
Contributions in relation to the contractually required contribution	6,710	5,526	4,614	3,928	3,460
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 38,608	$ 33,736	$ 31,218	$ 30,285	$ 28,153
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%	12.29%

2018	2017	2016	2015	2014
$ 377,224	$ 325,836	$ 303,031	$ 320,093	$ 282,898
377,224	325,836	303,031	320,093	282,898
$ -	$ -	$ -	$ -	$ -
$ 3,499,295	$ 3,264,890	$ 3,311,814	$ 3,498,284	$ 3,255,443
10.78%	9.98%	9.15%	9.15%	8.69%
$ 245,838	$ 219,780	$ 193,767	$ 187,863	$ 181,611
245,838	219,780	193,767	187,863	181,611
$ -	$ -	$ -	$ -	$ -
$ 2,280,501	$ 2,202,204	$ 2,117,672	$ 2,053,148	$ 2,089,885
10.78%	9.98%	9.15%	9.15%	8.69%
$ 94,534	$ 89,417	$ 79,733	$ 78,840	$ 74,159
94,534	89,417	79,733	78,840	74,159
$ -	$ -	$ -	$ -	$ -
$ 876,939	$ 895,962	$ 871,399	$ 861,639	$ 853,383
10.78%	9.98%	9.15%	9.15%	8.69%
$ 2,939	$ 2,710	$ 2,329	$ 2,340	$ 2,231
2,939	2,710	2,329	2,340	2,231
$ -	$ -	$ -	$ -	$ -
$ 27,263	$ 27,154	$ 25,454	$ 25,574	$ 25,673
10.78%	9.98%	9.15%	9.15%	8.69%

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REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS — GASB STATEMENT 73

Required supplementary information for pensions that are not administered through a trust provides information on the sources of changes in the total pension liability and information about the components of the pension liability.

The Required Supplementary Information for pensions not administered through a trust includes the following schedules:

Schedule of Changes in the Total Pension Liability and Related Ratios: Single-Employer, Defined Benefit Pension Plan

Notes to Required Supplementary Information: Schedule of the Total Pension Liability

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

Last Seven Fiscal Years

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Special Separation Allowance					
Total pension liability					
Service Cost	$ 14,136	$ 11,074	$ 9,303	$ 7,842	$ 7,090
Interest	6,924	5,764	6,217	6,519	6,721
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	9,854	14,160	29,972	11,825	894
Changes of assumptions	(31,526)	47,935	10,736	3,091	5,051
Benefit payments, including refunds of member contributions	(19,608)	(18,662)	(17,820)	(16,922)	(16,031)
Net change in total pension liability	(20,220)	60,271	38,408	12,355	3,725
Total pension liability - beginning	330,416	270,145	231,737	219,382	215,657
Total pension liability - ending	$ 310,196	$ 330,416	$ 270,145	$ 231,737	$ 219,382
Covered-employee payroll	$ 294,886	$ 305,971	$ 286,465	$ 265,387	$ 258,472
Total pension liability as a percentage of covered-employee payroll	105.19%	107.99%	94.30%	87.32%	84.88%

2018	2017
$ 5,779	$ 6,112
5,328	7,314
18,621	-
8,582	3,927
(5,675)	(1,216)
(15,631)	(14,895)
17,004	1,242
198,653	197,411
$ 215,657	$ 198,653
$ 243,663	$ 161,416
88.51%	123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2023

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 2.16% at June 30, 2022 to 3.54% at June 30, 2023 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 Seven Fiscal Years

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Retiree Health Benefit					
Total OPEB liability					
Service Cost	$ 1,279,519	$ 2,131,391	$ 1,974,212	$ 1,824,174	$ 1,539,092
Interest	965,755	758,427	690,162	1,203,196	1,192,810
Changes of benefit terms	-	(96,837)	-	224,085	(72,358)
Differences between expected and actual experience	152,230	106,923	194,899	30,157	(156,655)
Changes of assumptions	2,016,085	(8,798,881)	1,939,421	(5,489,969)	1,824,892
Benefit payments, including refunds of member contributions	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)
Net change in total OPEB liability	3,292,966	(6,943,098)	3,698,061	(3,293,025)	3,296,825
Total OPEB liability - beginning	26,557,121	33,500,219	29,802,158	33,095,183	29,798,358
Total OPEB liability - ending (a)	$ 29,850,087	$ 26,557,121	$ 33,500,219	$ 29,802,158	$ 33,095,183
Plan fiduciary net position					
Contributions-employer	$ 1,366,928	$ 1,197,278	$ 1,214,750	$ 1,162,967	$ 1,104,902
Contributions-other	35,006	180,506	187,000	475,200	-
Net investment income	111,228	(107,846)	222,377	52,286	71,780
Benefit payments, including refunds of member contributions	(1,120,623)	(1,044,121)	(1,100,633)	(1,084,668)	(1,030,956)
Administrative expense	(147)	(174)	(175)	(162)	(215)
Net change in plan fiduciary net position	392,392	225,643	523,319	605,623	145,511
Plan fiduciary net position - beginning	2,810,269	2,584,626	2,061,307	1,455,684	1,310,173
Plan fiduciary net position - ending (b)	$ 3,202,661	$ 2,810,269	$ 2,584,626	$ 2,061,307	$ 1,455,684
RHBF net OPEB liability - ending (a) - (b)	$ 26,647,426	$ 23,746,852	$ 30,915,593	$ 27,740,851	$ 31,639,499
Plan fiduciary net position as a percentage of the total OPEB liability	10.73%	10.58%	7.72%	6.92%	4.40%
Covered payroll	$ 19,839,303	$ 19,034,634	$ 18,184,883	$ 17,974,758	$ 17,622,035
Net OPEB liability as a percentage of covered payroll	134.32%	124.76%	170.01%	154.33%	179.55%
Disability Income					
Total OPEB liability					
Service Cost	$ 23,657	$ 22,246	$ 23,010	$ 22,708	$ 22,567
Interest	9,641	9,528	10,969	11,424	13,800
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(22,097)	1,735	15,758	5,137	4,106
Changes of assumptions	1,473	(552)	(2,935)	2	(4,980)
Benefit payments, including refunds of member contributions	(37,470)	(40,381)	(47,453)	(55,210)	(61,946)
Net change in total OPEB liability	(24,796)	(7,424)	(651)	(15,939)	(26,453)
Total OPEB liability - beginning	307,964	315,388	316,039	331,978	358,431
Total OPEB liability - ending (a)	$ 283,168	$ 307,964	$ 315,388	$ 316,039	$ 331,978
Plan fiduciary net position					
Contributions-employer	$ 19,677	$ 17,019	$ 16,226	$ 17,848	$ 24,468
Net investment income	(2,853)	(29,145)	(1,292)	28,322	24,725
Benefit payments, including refunds of member contributions	(37,470)	(40,381)	(47,453)	(55,210)	(61,946)
Administrative expense	(968)	(999)	(879)	(835)	(926)
Other	(30)	-	(113)	(20)	-
Net change in plan fiduciary net position	(21,644)	(53,506)	(33,511)	(9,895)	(13,679)
Plan fiduciary net position - beginning	278,216	331,722	365,233	375,128	388,807
Plan fiduciary net position - ending (b)	$ 256,572	$ 278,216	$ 331,722	$ 365,233	$ 375,128
DIPNC net OPEB liability (asset) - ending (a) - (b)	$ 26,596	$ 29,748	$ (16,334)	$ (49,194)	$ (43,150)
Plan fiduciary net position as a percentage of the total OPEB liability	90.61%	90.34%	105.18%	115.57%	113.00%
Covered payroll	$ 19,677,265	$ 18,909,461	$ 18,028,883	$ 17,848,000	$ 17,477,148
Net OPEB liability (asset) as a percentage of covered payroll	0.14%	0.16%	(0.09%)	(0.28%)	(0.25%)

2018	2017
$ 1,753,384	$ 2,650,984
1,261,878	1,332,874
-	-
(80,951)	(2,821,033)
(6,141,972)	(10,835,144)
(977,176)	(922,021)
(4,184,837)	(10,594,340)
33,983,195	44,577,535
$ 29,798,358	$ 33,983,195
$ 1,018,693	$ 950,813
-	-
72,384	94,132
(977,176)	(922,021)
(298)	(490)
113,603	122,434
1,196,570	1,074,136
$ 1,310,173	$ 1,196,570
$ 28,488,185	$ 32,786,625
4.40%	3.52%
$ 16,837,901	$ 16,365,112
169.19%	200.34%
$ 25,919	$ 25,441
14,654	14,111
(44,158)	(403)
48,787	22,345
6,692	-
(69,949)	(71,728)
(18,055)	(10,234)
376,486	386,720
$ 358,431	$ 376,486
$ 23,385	$ 61,654
(1,481)	(122)
(69,949)	(71,728)
(777)	(1,050)
23	32
(48,799)	(11,214)
437,606	448,820
$ 388,807	$ 437,606
$ (30,376)	$ (61,120)
108.47%	116.23%
$ 16,703,858	$ 16,224,737
(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	**2023**	**2022**	**2021**	**2020**	**2019**
Actuarially determined contribution	$ 2,240,057	$ 2,084,130	$ 3,049,625	$ 2,823,873	$ 2,971,069
Contributions in relation to the actuarially determined contribution (1)	1,366,928	1,197,278	1,214,750	1,162,967	1,104,902
Contribution deficiency	$ 873,129	$ 886,852	$ 1,834,875	$ 1,660,906	$ 1,866,167
Covered payroll	$ 19,839,303	$ 19,034,634	$ 18,184,883	$ 17,974,758	$ 17,622,035
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%
Disability Income					
Actuarially determined contribution	$ 19,677	$ 17,019	$ 16,226	$ 17,848	$ 22,720
Contributions in relation to the actuarially determined contribution (1)	19,677	17,019	16,226	17,848	24,468
Contribution excess	$ -	$ -	$ -	$ -	$ (1,748)
Covered payroll	$ 19,677,265	$ 18,909,461	$ 18,028,883	$ 17,848,000	$ 17,477,148
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%

(1) Contributions in relation to the actuarially determined contribution are the same as the contractually required contribution (CRC). The CRC was the same as the actuarially determined contribution except in years where there is a deficiency (excess).

Note: Changes in benefit terms, methods and assumptions are presented in Notes to the Required Supplementary Information (RSI) schedules following the OPEB RSI tables.

2018	2017	2016	2015	2014
$ 2,613,258	$ 2,728,064	$ 2,516,706	$ 2,211,436	$ 2,226,586
1,018,693	950,813	880,847	854,383	815,157
$ 1,594,565	$ 1,777,251	$ 1,635,859	$ 1,357,053	$ 1,411,429
$ 16,837,901	$ 16,365,112	$ 15,729,411	$ 15,562,532	$ 15,095,500
6.05%	5.81%	5.60%	5.49%	5.40%
$ 23,385	$ 24,337	$ 63,963	$ 63,267	$ 65,878
23,385	61,654	63,963	63,267	65,878
$ -	$ (37,317)	$ -	$ -	$ -
$ 16,703,858	$ 16,224,737	$ 15,600,732	$ 15,430,976	$ 14,972,273
0.14%	0.38%	0.41%	0.41%	0.44%

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

Annual money-weighted rate of return, net of investment expense	2023	2022	2021	2020	2019
Retiree Health Benefit	3.89%	(4.13)%	10.96%	3.80%	5.73%
Disability Income	(1.21)%	(9.99)%	(0.41)%	8.68%	7.74%

2018	2017
6.58%	9.31%
(0.42)%	(0.06%)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2023

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

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

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

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

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

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

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

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

Changes of assumptions. Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2023

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

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

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Required Supplementary Information

Other Postemployment Benefit Plans – Employers (Primary Government and Component Units)

Required supplementary information for employers provides information on the allocations of net OPEB liabilities and employer contributions.

The Required Supplementary Information for Employers includes the following schedules:

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net OPEB Liability

Schedule of the Primary Government's and Component Units' Proportionate Share of the Net OPEB 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 Six Fiscal Years*

(Dollars in Thousands)

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

Retiree Health Benefit	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Proportion of the net OPEB liability	19.96%	20.69%	19.57%	19.38%	19.06%
Proportionate share of the net OPEB liability	$ 4,740,298	$ 6,397,613	$ 5,429,964	$ 6,130,058	$ 5,428,301
Covered payroll	$ 4,022,687	$ 4,069,356	$ 3,858,114	$ 3,624,657	$ 3,575,074
Proportionate share of the net OPEB liability as a percentage of covered payroll	117.84%	157.21%	140.74%	169.12%	151.84%
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability	25.31%	25.57%	25.33%	25.12%	24.31%
Proportionate share of the net OPEB liability	$ 6,010,509	$ 7,905,263	$ 7,025,953	$ 7,946,586	$ 6,924,221
Covered payroll	$ 4,687,949	$ 4,531,662	$ 4,477,867	$ 4,401,308	$ 4,068,314
Proportionate share of the net OPEB liability as a percentage of covered payroll	128.21%	174.45%	156.90%	180.55%	170.20%
Community Colleges					
Proportion of the net OPEB liability	4.76%	4.77%	4.70%	4.86%	5.02%
Proportionate share of the net OPEB liability	$ 1,130,722	$ 1,475,791	$ 1,304,098	$ 1,536,342	$ 1,429,417
Covered payroll	$ 942,719	$ 910,883	$ 918,872	$ 980,064	$ 889,736
Proportionate share of the net OPEB liability as a percentage of covered payroll	119.94%	162.02%	141.92%	156.76%	160.66%
Other Component Units					
Proportion of the net OPEB liability	0.17%	0.16%	0.16%	0.15%	0.14%
Proportionate share of the net OPEB liability	$ 40,107	$ 49,541	$ 43,564	$ 46,204	$ 40,997
Covered payroll	$ 34,436	$ 32,275	$ 31,376	$ 29,330	$ 28,298
Proportionate share of the net OPEB liability as a percentage of covered payroll	116.47%	153.50%	138.84%	157.53%	144.88%
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	7.72%	6.92%	4.40%	4.40%

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

2018
19.24%
$ 6,308,532
$ 3,272,409
192.78%
23.06%
$ 7,560,701
$ 4,632,586
163.21%
4.93%
$ 1,617,372
$ 853,363
189.53%
0.14%
$ 44,486
$ 26,235
169.57%
3.52%

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

Last Six Fiscal Years*

(Dollars in Thousands)

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

Disability Income	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Proportion of the net OPEB liability (asset)	19.45%	20.54%	19.23%	18.85%	18.78%
Proportionate share of the net OPEB liability (asset)	$ 5,785	$ (3,354)	$ (9,458)	$ (8,135)	$ (5,707)
Covered payroll	$ 3,937,778	$ 3,986,667	$ 3,779,000	$ 3,547,857	$ 3,498,571
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.15%	(0.08%)	(0.25%)	(0.23%)	(0.16%)
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability (asset)	25.52%	25.30%	25.85%	25.35%	25.03%
Proportionate share of the net OPEB liability (asset)	$ 7,592	$ (4,133)	$ (12,715)	$ (10,937)	$ (7,603)
Covered payroll	$ 4,678,889	$ 4,532,222	$ 7,853,000	$ 4,402,143	$ 4,107,143
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.16%	(0.09%)	(0.16%)	(0.25%)	(0.19%)
Community Colleges					
Proportion of the net OPEB liability (asset)	4.79%	4.88%	4.79%	4.92%	5.04%
Proportionate share of the net OPEB liability (asset)	$ 1,426	$ (797)	$ (2,356)	$ (2,124)	$ (1,520)
Covered payroll	$ 933,333	$ 941,111	$ 1,560,000	$ 981,429	$ 890,000
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.15%	(0.08%)	(0.15%)	(0.22%)	(0.17%)
Other Component Units					
Proportion of the net OPEB liability (asset)	0.17%	0.16%	0.16%	0.15%	0.14%
Proportionate share of the net OPEB liability (asset)	$ 50	$ (26)	$ (80)	$ (65)	$ (43)
Covered payroll	$ 34,444	$ 32,222	$ 32,000	$ 27,143	$ 27,857
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.15%	(0.08%)	(0.25%)	(0.24%)	(0.15%)
Plan fiduciary net position as a percentage of the total OPEB liability	90.34%	105.18%	115.57%	113.00%	108.47%

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

2018
19.02%
$ (11,624)
$ 3,272,409
(0.36%)
24.73%
$ (15,118)
$ 4,632,586
(0.33%)
5.20%
$ (3,177)
$ 853,848
(0.37%)
0.14%
$ (83)
$ 26,235
(0.32%)
116.23%

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

Last Six Fiscal Years

(Dollars in Thousands)

Retiree Health	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Contractually required contribution	$ 280,380	$ 253,027	$ 271,833	$ 249,620	$ 227,266
Contributions in relation to the contractually required contribution	280,380	253,027	271,833	249,620	227,266
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,069,376	$ 4,022,687	$ 4,069,356	$ 3,858,114	$ 3,624,657
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 347,911	$ 294,872	$ 302,715	$ 289,718	$ 275,962
Contributions in relation to the contractually required contribution	347,911	294,872	302,715	289,718	275,962
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 5,049,507	$ 4,687,949	$ 4,531,662	$ 4,477,867	$ 4,401,308
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%
Community Colleges					
Contractually required contribution	$ 68,524	$ 59,297	$ 60,847	$ 59,451	$ 61,450
Contributions in relation to the contractually required contribution	68,524	59,297	60,847	59,451	61,450
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 994,543	$ 942,719	$ 910,883	$ 918,872	$ 980,064
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%
Other Component Units					
Contractually required contribution	$ 2,681	$ 2,166	$ 2,156	$ 2,030	$ 1,839
Contributions in relation to the contractually required contribution	2,681	2,166	2,156	2,030	1,839
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 38,911	$ 34,436	$ 32,275	$ 31,376	$ 29,330
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%	6.27%

2018
$ 216,292
216,292
$ -
$ 3,575,074
6.05%
$ 246,133
246,133
$ -
$ 4,068,314
6.05%
$ 53,829
53,829
$ -
$ 889,736
6.05%
$ 1,712
1,712
$ -
$ 28,298
6.05%

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

(Dollars in Thousands)

Disability Income	**2023**	**2022**	**2021**	**2020**	**2019**
Primary Government					
Contractually required contribution	$ 3,979	$ 3,544	$ 3,588	$ 3,779	$ 4,967
Contributions in relation to the contractually required contribution	3,979	3,544	3,588	3,779	4,967
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,979,000	$ 3,937,778	$ 3,986,667	$ 3,779,000	$ 3,547,857
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%
Component Units					
University of North Carolina System					
Contractually required contribution	$ 5,049	$ 4,211	$ 4,079	$ 7,853	$ 6,163
Contributions in relation to the contractually required contribution	5,049	4,211	4,079	7,853	6,163
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 5,049,000	$ 4,678,889	$ 4,532,222	$ 7,853,000	$ 4,402,143
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%
Community Colleges					
Contractually required contribution	$ 1,010	$ 840	$ 847	$ 1,560	$ 1,374
Contributions in relation to the contractually required contribution	1,010	840	847	1,560	1,374
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,010,000	$ 933,333	$ 941,111	$ 1,560,000	$ 981,429
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%
Other Component Units					
Contractually required contribution	$ 39	$ 31	$ 29	$ 32	$ 38
Contributions in relation to the contractually required contribution	39	31	29	32	38
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 39,000	$ 34,444	$ 32,222	$ 32,000	$ 27,143
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%	0.14%

2018
$ 4,898
4,898
$ -
$ 3,498,571
0.14%
$ 5,750
5,750
$ -
$ 4,107,143
0.14%
$ 1,246
1,246
$ -
$ 890,000
0.14%
$ 39
39
$ -
$ 27,857
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, 2023

(Dollars in Thousands)

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget**
Revenues				
Taxes:				
Individual income	$ 15,470,900	$ 15,470,900	$ 16,803,249	$ 1,332,349
Corporate income	1,155,500	1,155,500	1,635,813	480,313
Sales and use	10,183,400	10,183,400	11,658,758	1,475,358
Franchise	690,900	690,900	849,371	158,471
Insurance	1,033,500	1,033,500	1,148,118	114,618
Beverage	552,500	552,500	588,456	35,956
Tobacco products	270,200	270,200	286,267	16,067
Other	202,900	202,900	208,524	5,624
Non-Tax:				
Fees, licenses and fines	222,800	222,800	207,016	(15,784)
Investment income	60,900	60,900	480,198	419,298
Disproportionate share receipts	161,500	161,500	161,540	40
Other	360,291	360,291	334,956	(25,335)
Tobacco settlement	144,600	144,600	156,628	12,028
Departmental:				
Federal funds	21,298,248	20,868,909	18,516,073	(2,352,836)
Federal COVID-19 funds	-	4,795,127	4,281,156	(513,971)
Local funds	824,204	946,065	883,348	(62,717)
Inter-agency grants and allocations	35,039	353,974	524,503	170,529
Intra-governmental transactions	9,312,121	18,433,928	13,781,450	(4,652,478)
Sales and services	226,560	262,721	180,475	(82,246)
Rental and lease of property	17,669	22,732	19,798	(2,934)
Fees, licenses and fines	1,781,910	964,734	1,040,242	75,508
Contributions, gifts and grants	424,025	1,004,302	1,029,393	25,091
Miscellaneous	511,244	251,526	99,962	(151,564)
Total Revenues	64,940,911	78,413,909	74,875,294	(3,538,615)
Expenditures				
Current:				
General government	4,042,110	12,518,108	9,463,084	3,055,024
Primary and secondary education	14,469,245	17,133,911	15,851,870	1,282,041
Higher education	6,604,872	7,179,698	6,847,111	332,587
Health and human services	28,580,798	32,672,284	30,467,542	2,204,742
Environment and natural resources	1,189,756	3,121,258	937,159	2,184,099
Economic development	828,880	1,562,803	1,201,060	361,743
Public safety, corrections, and regulation	4,853,484	7,369,485	6,341,856	1,027,629
Agriculture	266,640	448,767	387,132	61,635
Debt Service	649,271	1,049,690	655,433	394,257
Total Expenditures	61,485,056	83,056,004	72,152,247	10,903,757
Excess (deficiency) of revenues over expenditures	3,455,855	(4,642,095)	2,723,047	7,365,142
Total Fund Balance at July 1	21,996,793	21,996,793	21,996,793	-
Total Fund Balance at June 30	$ 25,452,648	$ 17,354,698	$ 24,719,840	$ 7,365,142

Fund balance reserved:	
Statutory	$ 9,046,935
Non-reverting purposes	10,823,677
Fund balance unreserved	4,849,228
Total Fund Balance at June 30	$ 24,719,840

BUDGETARY REPORTING

A. General Fund Budgetary Process

The State of North Carolina operates on a biennial budget cycle with separate annual departmental certified budgets adopted by the General Assembly on the cash basis of accounting for the General Fund.

The accompanying budgetary comparison schedule discloses the annual original budget and final budget for the General Fund. Actual amounts in the schedule are presented on the budgetary basis. Since the budgetary basis differs from generally accepted accounting principles (GAAP), a reconciliation between the budgetary basis and the GAAP basis is presented in section C below.

On July 20, 2006, the General Assembly passed Session Law 2006-203, the State Budget Act, to replace the Executive Budget Act. This legislation was effective July 1, 2007 and affected budget development and management by simplifying, reorganizing, updating the current budget statutes, and making changes to conform the statutes to the state constitutional provisions governing appropriations. The legislation provided that agency budgets be classified in accordance with generally accepted accounting principles as interpreted by the State Controller.

The legal level of budgetary control is essentially at the object level. However, departments and institutions may make changes at their discretion within the budget of each purpose between and among objects for supplies and materials, current obligations and services, fixed charges and other expenses, and capital outlay. Also, Chapter 116, Article 1, Part 2A of the General Statutes authorized the 16 universities within the University of North Carolina System and the North Carolina School of Science and Mathematics to apply for special responsibility status, which sets the legal level of budgetary control at the institution's budget code level. A budget code is a convention used in the State's accounting system to distinguish the type of fund and the responsible department or institution. Budget codes are also used to segregate certain purposes within departments or institutions. Institutions with special responsibility status must still have certain budget revisions, primarily those associated with unanticipated revenues, approved by the Office of State Budget and Management (OSBM). Additionally, universities must maintain programs and services in accordance with the guidelines established by the Board of Governors of the consolidated University of North Carolina System. All 16 universities and the North Carolina School of Science and Mathematics have applied for and received special responsibility status.

Generally, unexpended appropriations at the end of the fiscal year lapse and are reappropriated in the next fiscal year. However, in certain circumstances, the OSBM will allow a department to carry forward appropriations for specifically identified expenditures that will be paid in the next fiscal year. This is accomplished by the department requesting the carryforward amount through OSBM and making required entries to the North Carolina Accounting System (NCAS) in the current year expensing the funds from the agency budget codes. The Office of State Controller (OSC) then transfers the funds to the Carryforward Reserve Fund. The funds are held by OSC pending approval from OSBM to return the funds to the agencies. Upon OSBM approval, the funds are transferred back to the agency budget codes. The agency then makes an entry to NCAS recording the revenue in the subsequent fiscal year.

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

B. Special Fund Budgetary Process

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

C. Reconciliation of Budget/GAAP Reporting Differences

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

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

Timing differences. A significant variance between budgetary practices and GAAP is any time-restricted appropriations. Section 11.26 of Session Law 2014-100 restricts the use of funds appropriated to the UNC-Need Based Financial Aid Forward Funding Reserve in the current fiscal year to the subsequent fiscal year. Section 11A.3.(f) of Session Law 2016-94 restricts the use of funds appropriated to the Opportunity Scholarship Grant Fund Reserve in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the revenue/expense from being recognized on GAAP basis, which resulted in the recognition of a deferred inflow of resources (deferred state aid) by the recipient and a deferred outflow of resources (forward funded state aid) by the provider. So while the cash is paid to the recipient in the current fiscal year, it will not be recognized as an expense (by the provider) or revenue (by the recipient) until the subsequent fiscal year.

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) at June 30, 2023 to the fund balances on a modified accrual basis (GAAP). Amounts are expressed in thousands.

	General Fund
Fund balance (budgetary basis) June 30, 2023	$ 24,719,840
Reconciling Adjustments	
Basis Differences	
Accrued revenues	
Taxes receivable	2,824,762
Less tax refunds payable	(1,159,275)
Accounts receivable and other receivables	535,361
Federal funds, net	3,055,582
Unearned revenue	(4,060,291)
Total accrued revenues	1,196,139
Accrued expenditures	
Medical claims payable	(2,781,955)
Accounts payable, accrued liabilities, and other payables	(1,172,210)
Total accrued expenditures	(3,954,165)
Other Adjustments	
Notes receivable	12,666
Inventories	101,239
Advances to outside entities	5,303
Lease receivable	6,945
Timing Differences	
Forward funded state aid	277,633
Fund balance (GAAP basis) June 30, 2023	$ 22,365,600

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 2022-23, the balance of the Savings Reserve was $3.116 billion. Session Law 2022-74 authorized the transfer of $1.634 billion from the Unreserved Fund Balance to the Savings Reserve. In addition, one thousand dollars was transferred from the Office of State Budget and Management to the Savings Reserve. At the end of fiscal year 2022-23, 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 2022-23, the balance was $20.642 million. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $945.199 million from the Unreserved Fund Balance to the Disaster Relief Reserve for the fiscal year. During the fiscal year, $217.349 million was transferred out of the reserve. In addition, $125 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 2022-23, the balance of this reserve was $873.492 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 2022-23, the balance was $175.373 million. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $151.14 million from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of fiscal year 2022-23, the balance of this reserve was $326.513 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 2022-23, the balance was $21.498 million. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $246 million from the Unreserved Fund Balance to the Medicaid Transformation Reserve. Session Law 2021-180 authorized the transfer of $40.856 million from the reserve to the Department of Health and Human Services during the fiscal year. In addition, Session Law 2022-74 authorized the transfer of $71 million from the reserve to the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $155.642 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 2022-23 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 2022-23, the balance of this reserve was $662.613 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 2022-23, the balance was $40 million. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of $584 thousand were transferred to the reserve from the Department of State Treasurer. Funds in the amount of $40.584 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 2022-23, 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 2022-23, the balance was $73.003 million. Funds in the amount of $13.143 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $59.86 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. Interest earned in the amount of $103.077 million were received during the fiscal year. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $103.077 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $184 million from the Unreserved Fund Balance to the Information Technology Reserve for the fiscal year. Funds in the amount of $75.057 million were transferred out of the reserve during the fiscal year to various agencies per Session Law 2022-74. At the end of fiscal year 2022-23, the balance of this reserve was $108.943 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 2022-74, the Office of State Controller was authorized to transfer $3.182 billion from the Unreserved Fund Balance to the SCIF Reserve for the fiscal year. Funds in the amount of $3.182 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 2022-23, 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 2022-23, 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 2022-23, 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 2022-23, the balance of the Economic Development Project Reserve was $203 million. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $876 million from the Unreserved Fund Balance to the Economic Development Project Reserve for the fiscal year. Funds in the amount of $477.1 million were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $601.9 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 2022-23, the balance of the Opioid Abatement Reserve was $4.366 million. In accordance with Session Law 2022-74, funds in the amount of $11.992 million were transferred to or deposited into the reserve as a result of the settlement during the fiscal year. Funds in the amount of $15.593 million were transferred out of the reserve to the Opioid Abatement Fund at the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $765 thousand.

Public School Contingency Reserve (Session Law 2022-74). The Public School Contingency Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Public Instruction to provide sufficient State net General Fund appropriations and necessary budget authority. At the beginning of fiscal year 2022-23, the balance of the Public School Contingency Reserve was $151.524 million. Funds in the amount of $151.524 million were reverted to the General Fund during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was zero.

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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $25 million from the Unreserved Fund Balance to the World University Games Reserve for the fiscal year. No funds were transferred out of the reserve during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $25 million.

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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $205 million from the Unreserved Fund Balance to the Housing Reserve for the fiscal year. Funds in the amount of $170 million were transferred out of the reserve to the Housing Finance Agency during the fiscal year. Funds in the amount of $35 million were transferred out of the reserve to the Office of State Budget and Management during the fiscal year. At the end of fiscal year 2022-23, 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $80.115 million from the Unreserved Fund Balance to the Local Project Reserve for the fiscal year. Funds in the amount of $80.115 million were transferred out of the reserve to various agencies and component units of the State during the fiscal year. At the end of fiscal year 2022-23, 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $106 million from the Unreserved Fund Balance to the Federal Infrastructure Match Reserve for the fiscal year. Funds in the amount of $10.141 million were transferred out of the reserve to the Department of Environmental Quality during the fiscal year. Funds in the amount of $530 thousand were transferred out of the reserve to the Department of Information Technology during the fiscal year. At the end of fiscal year 2022-23, the balance of this reserve was $95.329 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $35.955 million from the Unreserved Fund Balance to the Local Project Reserve for the fiscal year. Funds in the amount of $35.955 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2022-23, 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $100 million from the Unreserved Fund Balance to the Public School Needs-Based Capital Reserve for the fiscal year. Funds in the amount of $100 million were transferred out of the reserve to the Department of Public Instruction during the fiscal year. At the end of fiscal year 2022-23, 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer $325.98 million from the Unreserved Fund Balance to the Clean Water Drinking Water Reserve for the fiscal year. Funds in the amount of $325.98 million 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. In accordance with Session Law 2022-74, the Office of State Controller was authorized to transfer one billion dollars 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 2022-23, the balance of this reserve was one billion dollars.

COMBINING FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023 *Exhibit C-1*

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 2,018,665	$ -	$ 56	$ 2,018,721
Investments	344,010	-	-	344,010
Securities lending collateral	27,247	8,338	571	36,156
Receivables, net:				
Taxes receivable	9,002	-	-	9,002
Accounts receivable	17,013	2	123	17,138
Intergovernmental receivable	965	57	-	1,022
Interest receivable	3,799	1,763	100	5,662
Due from other funds	17,978	-	-	17,978
Due from component units	2,865	-	-	2,865
Inventories	27,123	-	-	27,123
Notes receivable, net	73	37,966	-	38,039
Lease receivable	123	-	-	123
Securities held in trust	57,769	-	-	57,769
Restricted/designated cash and cash equivalents	-	800,388	29,787	830,175
Restricted investments	-	179,794	158,378	338,172
Total Assets	2,526,632	1,028,308	189,015	3,743,955
Deferred Outflows of Resources				
Forward funded state aid	53,072	-	-	53,072
Total Assets and Deferred Outflows	$ 2,579,704	$ 1,028,308	$ 189,015	$ 3,797,027
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ 18,554	$ 33,196	$ -	$ 51,750
Accrued payroll	109	-	-	109
Intergovernmental payable	5,938	1,771	-	7,709
Claims payable	110,000	-	-	110,000
Obligations under securities lending	27,247	8,338	571	36,156
Due to other funds	740	11,645	-	12,385
Due to component units	-	3,141	-	3,141
Unearned revenue	540	-	-	540
Deposits payable	6	-	-	6
Funds held for others	57,903	-	-	57,903
Total Liabilities	221,037	58,091	571	279,699
Deferred Inflows of Resources				
Unavailable revenue	8,008	-	-	8,008
Deferred inflows for lease agreements	113	-	-	113
Total Deferred Inflows of Resources	8,121	-	-	8,121
Fund Balances				
Nonspendable	27,123	-	128,045	155,168
Restricted	1,312,908	192,931	60,399	1,566,238
Committed	1,006,194	777,286	-	1,783,480
Assigned	4,321	-	-	4,321
Total Fund Balances	2,350,546	970,217	188,444	3,509,207
Total Liabilities, Deferred Inflows and Fund Balances	$ 2,579,704	$ 1,028,308	$ 189,015	$ 3,797,027

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

For the Fiscal Year Ended June 30, 2023 *Exhibit C-2*

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Sales and use tax	$ 8,263	$ -	$ -	$ 8,263
Motor fuels tax	27,282	-	-	27,282
Other taxes	130,994	-	-	130,994
Federal funds	103,972	8,115	-	112,087
Local funds	12,904	-	-	12,904
Investment earnings	35,437	14,394	16,592	66,423
Interest earnings on loans	-	1,509	-	1,509
Sales and services	171,090	478	-	171,568
Rental and lease of property	2,250	-	-	2,250
Fees, licenses, and fines	151,703	724	9,925	162,352
Contributions, gifts, and grants	48,890	25,675	-	74,565
Funds escheated	197,347	-	-	197,347
Federal COVID-19 funds	84,102	-	-	84,102
Miscellaneous	20,700	141	-	20,841
Total revenues	994,934	51,036	26,517	1,072,487
Expenditures				
Current:				
General government	75,512	65	-	75,577
Higher education	60,056	37,861	-	97,917
Health and human services	87,277	-	-	87,277
Economic development	3,067	-	-	3,067
Environment and natural resources	162,739	33,687	74	196,500
Public safety, corrections, and regulation	281,010	-	-	281,010
Agriculture	103,279	-	-	103,279
Capital Outlay	-	243,248	-	243,248
Debt service:				
Principal retirement	5,392	-	-	5,392
Interest and fees	1,063	21	-	1,084
Total expenditures	779,395	314,882	74	1,094,351
Excess revenues over (under) expenditures	215,539	(263,846)	26,443	(21,864)
Other Financing Sources (Uses)				
Other debt issued	159	-	-	159
Sale of capital assets	1,073	2,793	-	3,866
Insurance recoveries	6,128	96	-	6,224
Transfers in	126,393	653,102	-	779,495
Transfers out	(128,647)	(31,241)	(4,934)	(164,822)
Total other financing sources (uses)	5,106	624,750	(4,934)	624,922
Net change in fund balances	220,645	360,904	21,509	603,058
Fund balances — July 1, as restated	2,129,901	609,313	166,935	2,906,149
Fund balances — June 30	$ 2,350,546	$ 970,217	$ 188,444	$ 3,509,207

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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, 2023

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Assets				
Cash and cash equivalents	$ 980,081	$ 34,329	$ 105,783	$ 165,065
Investments	329,600	-	-	-
Securities lending collateral	18,755	-	-	3,139
Receivables, net:				
Taxes receivable	-	-	1,739	-
Accounts receivable	-	3,068	648	9,309
Intergovernmental receivable	-	214	-	-
Interest receivable	2,802	-	-	465
Due from other funds	-	9,946	-	2,429
Due from component units	-	-	-	-
Inventories	-	20,294	-	-
Notes receivable, net	-	-	-	-
Lease receivable	-	107	-	-
Securities held in trust	-	-	-	-
Total Assets	1,331,238	67,958	108,170	180,407
Deferred Outflows of Resources				
Forward funded state aid	53,072	-	-	-
Total Assets and Deferred Outflows	$ 1,384,310	$ 67,958	$ 108,170	$ 180,407
Liabilities				
Accounts payable and accrued liabilities:				
Account pay	$ 160	$ 4,207	$ 968	$ 2,405
Accrued payroll	-	-	-	-
Intergovernmental payable	-	2	-	4,697
Claims payable	110,000	-	-	-
Obligations under securities lending	18,755	-	-	3,139
Due to other funds	-	-	-	512
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	128,915	4,209	968	10,753
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Deferred inflows for lease agreements	-	97	-	-
Total Deferred Inflows of Resources	-	97	-	-
Fund Balances				
Nonspendable	-	20,294	-	-
Restricted	1,255,395	-	-	-
Committed	-	43,358	107,202	169,654
Assigned	-	-	-	-
Total Fund Balances	1,255,395	63,652	107,202	169,654
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,384,310	$ 67,958	$ 108,170	$ 180,407

Exhibit C-3

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
$ 387,894	$ 345,513	$ 2,018,665
13,978	432	344,010
3,086	2,267	27,247
580	6,683	9,002
2	3,986	17,013
-	751	965
452	80	3,799
5,513	90	17,978
-	2,865	2,865
-	6,829	27,123
-	73	73
-	16	123
57,769	-	57,769
469,274	369,585	2,526,632
-	-	53,072
$ 469,274	$ 369,585	$ 2,579,704
$ 3,534	$ 7,280	$ 18,554
-	109	109
295	944	5,938
-	-	110,000
3,086	2,267	27,247
-	228	740
-	540	540
-	6	6
57,769	134	57,903
64,684	11,508	221,037
1,667	6,341	8,008
-	16	113
1,667	6,357	8,121
-	6,829	27,123
12,391	45,122	1,312,908
387,947	298,033	1,006,194
2,585	1,736	4,321
402,923	351,720	2,350,546
$ 469,274	$ 369,585	$ 2,579,704

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Revenues				
Taxes:				
Sales and use tax	$ -	$ -	$ -	$ -
Motor fuels tax	-	-	18,828	-
Other taxes	-	-	-	99,156
Federal funds	-	-	-	-
Local funds	-	-	-	-
Investment earnings	25,977	-	-	3,691
Sales and services	-	106,369	-	1,510
Rental and lease of property	-	199	-	-
Fees, licenses, and fines	-	-	9,050	-
Contributions, gifts, and grants	-	-	-	-
Funds escheated	197,347	-	-	-
Federal COVID-19 funds	-	-	-	-
Miscellaneous	-	375	-	-
Total revenues	223,324	106,943	27,878	104,357
Expenditures				
Current:				
General government	-	-	-	-
Higher education	43,221	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Environment and natural resources	-	-	15,557	-
Public safety, corrections, and regulation	-	100,918	-	80,635
Agriculture	-	-	-	-
Debt service:				
Principal retirement	223	157	-	-
Interest and fees	103	114	-	-
Total expenditures	43,547	101,189	15,557	80,635
Excess revenues over (under) expenditures	179,777	5,754	12,321	23,722
Other Financing Sources (Uses)				
Other debt issued	-	48	-	-
Sale of capital assets	-	1,028	-	-
Insurance recoveries	-	6,125	-	-
Transfers in	-	3,028	-	-
Transfers out	(11,471)	(2,667)	(4,184)	-
Total other financing sources (uses)	(11,471)	7,562	(4,184)	-
Net change in fund balances	168,306	13,316	8,137	23,722
Fund balances — July 1, as restated	1,087,089	50,336	99,065	145,932
Fund balances — June 30	$ 1,255,395	$ 63,652	$ 107,202	$ 169,654

Exhibit C-4

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
$ 8,263	$ -	$ 8,263
8,454	-	27,282
12,902	18,936	130,994
6,985	96,987	103,972
3,561	9,343	12,904
2,032	3,737	35,437
288	62,923	171,090
23	2,028	2,250
84,097	58,556	151,703
30,930	17,960	48,890
-	-	197,347
-	84,102	84,102
14,584	5,741	20,700
172,119	360,313	994,934
-	75,512	75,512
-	16,835	60,056
-	87,277	87,277
-	3,067	3,067
144,364	2,818	162,739
-	99,457	281,010
-	103,279	103,279
130	4,882	5,392
19	827	1,063
144,513	393,954	779,395
27,606	(33,641)	215,539
-	111	159
-	45	1,073
-	3	6,128
29,088	94,277	126,393
(8,287)	(102,038)	(128,647)
20,801	(7,602)	5,106
48,407	(41,243)	220,645
354,516	392,963	2,129,901
$ 402,923	$ 351,720	$ 2,350,546

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, 2023

(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	-	-	-	35,543	35,543	-	18,731	18,731	-
Sales and services	-	-	-	160,605	112,179	(48,426)	-	-	-
Sale, rental, and lease of property	-	-	-	1,194	1,270	76	-	-	-
Fees, licenses, and fines	-	-	-	-	-	-	9,924	9,731	(193)
Contributions, gifts, and grants	-	-	-	-	-	-	-	-	-
Miscellaneous	336,660	209,481	(127,179)	4,268	4,148	(120)	-	-	-
Total revenues	336,660	209,481	(127,179)	201,610	153,140	(48,470)	28,655	28,462	(193)
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Higher education	70,831	69,872	959	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Environment and natural resources	-	-	-	-	-	-	29,266	19,253	10,013
Public safety, corrections, and regulation	-	-	-	188,053	136,385	51,668	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	159	159	-	-	-	-
Total expenditures	70,831	69,872	959	188,212	136,544	51,668	29,266	19,253	10,013
Excess revenues over (under) expenditures	$ 265,829	139,609	$ (126,220)	$ 13,398	16,596	$ 3,198	$ (611)	9,209	$ 9,820
Fund balances (budgetary basis) at July 1 (as restated)		1,153,655			17,732			96,574	
Fund balances (budgetary basis) at June 30		$ 1,293,264			$ 34,328			$ 105,783	

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**
$ -	$ -	$ -	$ 38,016	$ 6,921	$ (31,095)	$ 200,171	$ 97,101	$ (103,070)	$ 238,187	$ 104,022	$ (134,165)
-	-	-	-	-	-	84,102	84,102	-	84,102	84,102	-
-	-	-	2,795	3,561	766	12,064	9,343	(2,721)	14,859	12,904	(1,955)
-	-	-	49,577	30,680	(18,897)	11,361	7,365	(3,996)	60,938	38,045	(22,893)
-	278	278	65,178	67,676	2,498	149,918	138,332	(11,586)	269,370	260,560	(8,810)
2,268	1,496	(772)	27	166	139	81,646	63,365	(18,281)	244,546	177,206	(67,340)
-	-	-	30	23	(7)	2,302	2,067	(235)	3,526	3,360	(166)
106,185	98,208	(7,977)	88,529	88,473	(56)	45,754	49,980	4,226	250,392	246,392	(4,000)
-	-	-	254	249	(5)	7,790	7,242	(548)	8,044	7,491	(553)
1,003	3,137	2,134	87,349	14,001	(73,348)	27,759	30,003	2,244	457,039	260,770	(196,269)
109,456	103,119	(6,337)	331,755	211,750	(120,005)	622,867	488,900	(133,967)	1,631,003	1,194,852	(436,151)
-	-	-	-	-	-	265,504	169,066	96,438	265,504	169,066	96,438
-	-	-	-	-	-	2,682	1,967	715	73,513	71,839	1,674
-	-	-	-	-	-	183,673	115,259	68,414	183,673	115,259	68,414
-	-	-	-	-	-	8,135	6,224	1,911	8,135	6,224	1,911
-	-	-	363,004	165,956	197,048	5,005	3,070	1,935	397,275	188,279	208,996
129,063	82,328	46,735	-	-	-	185,963	134,310	51,653	503,079	353,023	150,056
-	-	-	-	-	-	126,203	103,320	22,883	126,203	103,320	22,883
-	-	-	-	-	-	25	25	-	184	184	-
129,063	82,328	46,735	363,004	165,956	197,048	777,190	533,241	243,949	1,557,566	1,007,194	550,372
$ (19,607)	20,791	$ 40,398	$ (31,249)	45,794	$ 77,043	$ (154,323)	(44,341)	$ 109,982	$ 73,437	187,658	$ 114,221
	144,274			357,747			388,575			2,158,557	
	$ 165,065			$ 403,541			$ 344,234			$ 2,346,215	

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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, 2023 *Exhibit C-6*

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Assets			
Securities lending collateral	$ 8,338	$ -	$ 8,338
Receivables, net:			
Accounts receivable	2	-	2
Intergovernmental receivable	57	-	57
Interest receivable	1,241	522	1,763
Notes receivable, net	19,556	18,410	37,966
Restricted/designated cash and cash equivalents	800,245	143	800,388
Restricted investments	10,613	169,181	179,794
Total Assets	$ 840,052	$ 188,256	$ 1,028,308
Liabilities			
Accounts payable and accrued liabilities:			
Accounts payable	$ 33,146	$ 50	$ 33,196
Intergovernmental payable	1,771	-	1,771
Obligations under securities lending	8,338	-	8,338
Due to other funds	11,645	-	11,645
Due to component units	3,141	-	3,141
Total Liabilities	$ 58,041	$ 50	$ 58,091
Fund Balances			
Restricted	4,725	188,206	192,931
Committed	777,286	-	777,286
Assigned	-	-	-
Total Fund Balances	782,011	188,206	970,217
Total Liabilities and Fund Balances	$ 840,052	$ 188,256	$ 1,028,308

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

For the Fiscal Year Ended June 30, 2023 *Exhibit C-7*

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Revenues			
Federal funds	$ 8,115	$ -	$ 8,115
Investment earnings	8,894	5,500	14,394
Interest earnings on loans	1,509	-	1,509
Sales and services	478	-	478
Fees, licenses, and fines	724	-	724
Contributions, gifts, and grants	25,675	-	25,675
Miscellaneous	141	-	141
Total revenues	45,536	5,500	51,036
Expenditures			
Current:			
General government	-	65	65
Higher education	11,183	26,678	37,861
Environment and natural resources	24,655	9,032	33,687
Capital outlay	236,760	6,488	243,248
Debt service:			
Interest and fees	-	21	21
Total expenditures	272,598	42,284	314,882
Excess revenues over (under) expenditures	(227,062)	(36,784)	(263,846)
Other Financing Sources (Uses)			
Sale of capital assets	2,793	-	2,793
Insurance recoveries	96	-	96
Transfers in	653,062	40	653,102
Transfers out	(17,451)	(13,790)	(31,241)
Total other financing sources (uses)	638,500	(13,750)	624,750
Net change in fund balances	411,438	(50,534)	360,904
Fund balances — July 1	370,573	238,740	609,313
Fund balances — June 30	$ 782,011	$ 188,206	$ 970,217

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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, 2023 *Exhibit C-8*

(Dollars In Thousands)

	Wildlife Endowment Fund	Departmental Fund	Total Nonmajor Permanent Funds
Assets			
Cash and cash equivalents	$ -	$ 56	$ 56
Securities lending collateral	134	437	571
Receivables, net:			
Accounts receivable	-	123	123
Interest receivable	36	64	100
Restricted/designated cash and cash equivalents	7,017	22,770	29,787
Restricted investments	158,378	-	158,378
Total Assets	$ 165,565	$ 23,450	$ 189,015
Liabilities			
Obligations under securities lending	$ 134	$ 437	$ 571
Fund Balances			
Nonspendable	105,088	22,957	128,045
Restricted	60,343	56	60,399
Total Fund Balances	165,431	23,013	188,444
Total Liabilities and Fund Balances	$ 165,565	$ 23,450	$ 189,015

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

For the Fiscal Year Ended June 30, 2023 *Exhibit C-9*

(Dollars in Thousands)

	Wildlife Endowment Fund	Departmental Funds	Total Nonmajor Permanent Funds
Revenues			
Investment earnings	$ 16,078	$ 514	$ 16,592
Fees, licenses, and fines	7,889	2,036	9,925
Total revenues	23,967	2,550	26,517
Expenditures			
Current:			
Environment and natural resources	6	68	74
Total expenditures	6	68	74
Excess revenues over expenditures	23,961	2,482	26,443
Other Financing Sources (Uses)			
Transfers out	(4,934)	-	(4,934)
Net change in fund balances	19,027	2,482	21,509
Fund balances — July 1	146,404	20,531	166,935
Fund balances — June 30	$ 165,431	$ 23,013	$ 188,444

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, 2023

(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	$ 4,443	$ 7,889	$ 3,446	$ 2,288	$ 2,036	$ (252)
Contributions, gifts, and grants	-	-	-	-	-	-
Miscellaneous	14,802	1,076	(13,726)	426	431	5
Total revenues	19,245	8,965	(10,280)	2,714	2,467	(247)
Expenditures						
Current:						
Environment and natural resources	19,245	18,749	496	2,714	46	2,668
Total expenditures	19,245	18,749	496	2,714	46	2,668
Excess revenues over (under) expenditures	$ -	(9,784)	$ (9,784)	$ -	2,421	$ 2,421
Fund balances (budgetary basis) at July 1		160,145			20,406	
Fund balances (budgetary basis) at June 30		$ 150,361			$ 22,827	

Exhibit C-10

Total Nonmajor Permanent Funds		
Final Budget	Actual	Variance with Final Budget
$ 6,731	$ 9,925	$ 3,194
-	-	-
15,228	1,507	(13,721)
21,959	11,432	(10,527)
21,959	18,795	3,164
21,959	18,795	3,164
$ -	(7,363)	$ (7,363)
	180,551	
	$ 173,188	

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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, 2023

(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	$ 7,364	$ 15,429	$ 5,591	$ 3,723
Investments	37,011	-	-	-
Securities lending collateral	141	-	50	-
Receivables:				
Accounts receivable, net	-	-	97	13
Intergovernmental receivable	-	-	-	-
Interest receivable	31	-	-	-
Premiums receivable	1,410	-	-	-
Due from other funds	-	1,299	-	-
Lease receivable	-	23	-	189
Inventories	-	-	201	5
Prepaid items	23,326	4	1,181	-
Restricted cash and cash equivalents	-	-	1,133	-
Total current assets	69,283	16,755	8,253	3,930
Noncurrent Assets				
Investments	-	-	-	-
Notes receivable	-	-	-	-
Lease receivable	-	16	-	26
Prepaid items	-	-	-	-
Restricted/designated cash and cash equivalents	-	-	-	-
Capital assets-nondepreciable	-	1,345	425	3,740
Capital assets-depreciable, net	-	7,939	5,537	5,359
Total noncurrent assets	-	9,300	5,962	9,125
Total Assets	69,283	26,055	14,215	13,055
Deferred Outflows of Resources				
Deferred outflows for pensions	294	1,213	412	662
Deferred outflows for OPEB	356	795	677	472
Total Deferred Outflows of Resources	650	2,008	1,089	1,134
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	6	545	141	89
Accrued payroll	-	13	22	6
Intergovernmental payable	-	-	-	-
Claims payable	5,056	-	-	-
Obligations under securities lending	141	-	50	-
Interest payable	-	-	-	-
Unearned revenue	3,514	3,902	49	-
Deposits payable	-	4,034	3	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Compensated absences	4	26	43	11
Total current liabilities	8,721	8,520	308	106

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ 52,614	$ 3,330	$ 16,917	$ 25,960	$ 82,646	$ 8,524	$ 222,098
13,366	-	-	-	51,246	-	101,623
1,007	59	-	-	574	103	1,934
19	44	14	316	665	91	1,259
-	-	-	3,254	-	-	3,254
151	13	-	-	1,196	15	1,406
-	-	-	-	-	-	1,410
-	-	-	-	-	-	1,299
-	-	-	-	45	368	625
-	2	-	3	109	134	454
-	-	-	-	1,237	-	25,748
-	-	-	-	622	-	1,755
67,157	3,448	16,931	29,533	138,340	9,235	362,865
-	-	-	-	30,661	-	30,661
-	-	-	-	249	-	249
-	-	-	-	102	4,330	4,474
-	-	-	-	290	-	290
-	-	-	-	71	-	71
-	-	-	550	7,371	1,867	15,298
-	58	1,198	1,245	47,376	6,205	74,917
-	58	1,198	1,795	86,120	12,402	125,960
67,157	3,506	18,129	31,328	224,460	21,637	488,825
-	7,453	5,522	2,395	693	1,448	20,092
-	7,858	5,261	2,503	497	1,235	19,654
-	15,311	10,783	4,898	1,190	2,683	39,746
29	78	66	2,008	10,450	182	13,594
-	-	-	-	59	19	119
-	-	-	-	-	2	2
20,087	-	-	-	-	-	25,143
1,007	59	-	-	574	103	1,934
-	-	-	-	2	-	2
-	1	-	-	37,505	413	45,384
-	-	-	-	-	19	4,056
-	-	-	-	1,194	-	1,194
-	-	551	-	933	78	1,562
-	132	99	32	1,162	29	1,538
21,123	270	716	2,040	51,879	845	94,528

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2023

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Compensated absences	56	423	270	179
Workers' compensation	-	20	-	11
Net pension liability	435	1,759	535	968
Net OPEB liability	619	2,472	2,311	1,361
Total noncurrent liabilities	1,110	4,674	3,116	2,519
Total Liabilities	9,831	13,194	3,424	2,625
Deferred Inflows of Resources				
Deferred inflows for lease agreements	-	19	-	726
Deferred inflows for pensions	6	470	631	15
Deferred inflows for OPEB	321	3,516	814	727
Total Deferred Inflows of Resources	327	4,005	1,445	1,468
Net Position				
Net investment in capital assets	-	9,284	5,921	9,099
Restricted for:				
Expendable:				
Economic development	-	-	1,129	-
Other purposes	-	-	-	-
Unrestricted	59,775	1,580	3,385	997
Total Net Position	$ 59,775	$ 10,864	$ 10,435	$ 10,096

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
-	-	-	-	1,531	-	1,531
-	-	-	-	17,369	-	17,369
-	-	679	-	4,409	62	5,150
-	1,852	1,398	593	2,074	424	7,269
-	-	-	-	-	2	33
-	9,703	7,182	3,042	951	2,058	26,633
-	12,984	9,611	4,304	1,568	2,818	38,048
-	24,539	18,870	7,939	27,902	5,364	96,033
21,123	24,809	19,586	9,979	79,781	6,209	190,561
-	-	-	-	147	4,515	5,407
-	642	411	151	219	313	2,858
-	9,493	6,691	2,538	1,301	2,861	28,262
-	10,135	7,102	2,689	1,667	7,689	36,527
-	58	32	1,795	30,972	7,932	65,093
-	-	-	-	-	-	1,129
-	-	-	-	3,013	-	3,013
46,034	(16,185)	2,192	21,763	110,217	2,490	232,248
$ 46,034	$ (16,127)	$ 2,224	$ 23,558	$ 144,202	$ 10,422	$ 301,483

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

For Fiscal Year Ended June 30, 2023

(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	-	547	954	22
Student tuition and fees, net	-	-	-	-
Rental and lease earnings	-	5,210	82	762
Fees, licenses, and fines	-	10,751	2,023	2,420
Insurance premiums	14,035	-	-	-
Miscellaneous	60	-	173	14
Total operating revenues	14,095	16,508	3,232	3,218
Operating Expenses				
Personal services	453	4,656	2,198	1,546
Supplies and materials	8	1,985	84	187
Services	27	7,977	829	1,106
Cost of goods sold	-	-	308	-
Depreciation	-	1,010	179	203
Claims	450	-	-	-
Insurance and bonding	26,901	197	24	103
Other	21	903	86	17
Total operating expenses	27,860	16,728	3,708	3,162
Operating income (loss)	(13,765)	(220)	(476)	56
Nonoperating Revenues (Expenses)				
Noncapital grants	-	-	1,400	-
Noncapital gifts, net	-	969	-	-
Noncapital contributions	5	19	206	10
Lease interest revenue	-	1	-	6
Investment earnings	(343)	-	15	-
Interest and fees	-	-	-	-
Insurance recoveries	-	1,460	-	-
Gain (loss) on sale of equipment	-	-	-	-
Miscellaneous	(11)	82	35	-
Total nonoperating revenues (expenses)	(349)	2,531	1,656	16
Income (loss) before contributions and transfers	(14,114)	2,311	1,180	72
Capital contributions	-	-	110	-
Transfers in	-	-	-	-
Transfers out	-	(1,962)	-	(378)
Change in net position	(14,114)	349	1,290	(306)
Net position — July 1, as restated	73,889	10,515	9,145	10,402
Net position — June 30	$ 59,775	$ 10,864	$ 10,435	$ 10,096

Exhibit D-2

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ -	$ -	$ -	$ -	$ 98	$ -	$ 98
-	72	-	1	103	249	1,948
-	-	-	-	19	-	19
-	-	-	-	-	1,998	8,052
-	18,052	19,007	34,649	99,755	4,900	191,557
-	-	-	-	-	-	14,035
-	139	74	16	1,062	245	1,783
-	18,263	19,081	34,666	101,037	7,392	217,492
-	15,990	11,502	6,085	53,770	3,562	99,762
-	478	104	239	1,432	895	5,412
911	1,259	1,181	21,256	23,299	2,527	60,372
-	-	-	-	-	112	420
-	5	542	139	4,096	1,398	7,572
8,083	-	-	35	633	-	9,201
-	-	-	22	555	192	27,994
-	779	221	2,091	5,109	349	9,576
8,994	18,511	13,550	29,867	88,894	9,035	220,309
(8,994)	(248)	5,531	4,799	12,143	(1,643)	(2,817)
-	-	-	-	2	-	1,402
-	-	-	-	-	1,470	2,439
-	99	73	33	9	21	475
-	-	-	-	-	141	148
1,167	89	-	-	(5,545)	120	(4,497)
-	-	(50)	-	(807)	(6)	(863)
-	-	-	-	-	-	1,460
-	(53)	-	-	(11)	-	(64)
(59)	(2)	-	-	(39)	(5)	1
1,108	133	23	33	(6,391)	1,741	501
(7,886)	(115)	5,554	4,832	5,752	98	(2,316)
-	-	-	-	-	-	110
-	883	-	-	-	488	1,371
-	(883)	(154)	-	-	(71)	(3,448)
(7,886)	(115)	5,400	4,832	5,752	515	(4,283)
53,920	(16,012)	(3,176)	18,726	138,450	9,907	305,766
$ 46,034	$ (16,127)	$ 2,224	$ 23,558	$ 144,202	$ 10,422	$ 301,483

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2023

(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	$ 14,069	$ 15,396	$ 3,258	$ 2,963
Payments to suppliers	(31,117)	(10,754)	(1,633)	(1,410)
Payments to employees	(442)	(3,067)	(3,165)	(1,728)
Payments for prizes, benefits, and claims	(3,513)	-	-	-
Other receipts	-	83	40	15
Other payments	-	-	-	-
Net cash provided by (used for) operating activities	(21,003)	1,658	(1,500)	(160)
Cash Flows From Noncapital Financing Activities				
Grant receipts	-	-	1,400	-
Noncapital contributions	-	-	193	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(1,962)	-	(378)
Gifts	-	969	-	-
Insurance recoveries	-	1,461	-	-
Net cash provided by (used for) noncapital financing activities	-	468	1,593	(378)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(116)	-
Proceeds from the sale of capital assets	-	29	-	-
Capital contributions	-	-	110	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Proceeds from lease arrangements	-	455	-	750
Net cash provided by (used for) capital and related financing activities	-	484	(6)	750
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	22,000	-	-	-
Investment earnings	217	-	12	-
Net cash provided by (used for) investment activities	22,217	-	12	-
Net increase (decrease) in cash and cash equivalents	1,214	2,610	99	212
Cash and cash equivalents at July 1	6,150	12,819	6,625	3,511
Cash and cash equivalents at June 30	$ 7,364	$ 15,429	$ 6,724	$ 3,723

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ -	$ 18,119	$ 19,013	$ 34,200	$ 102,457	$ 6,608	$ 216,083
(893)	(2,514)	(1,550)	(23,460)	(17,057)	(4,117)	(94,505)
-	(17,526)	(12,748)	(6,339)	(50,025)	(4,162)	(99,202)
(6,790)	-	-	(35)	-	-	(10,338)
-	74	27	1	1,550	238	2,028
-	-	-	-	(16,877)	(1)	(16,878)
(7,683)	(1,847)	4,742	4,367	20,048	(1,434)	(2,812)
-	-	-	-	3	-	1,403
-	-	-	-	-	-	193
-	923	1	-	-	488	1,412
-	(923)	(155)	-	-	(71)	(3,489)
-	-	-	-	-	1,470	2,439
-	-	-	-	-	-	1,461
-	-	(154)	-	3	1,887	3,419
-	-	-	(10)	(1,534)	-	(1,660)
-	-	-	-	47	-	76
-	-	-	-	-	-	110
-	-	(522)	-	(2,150)	(73)	(2,745)
-	-	(49)	-	(797)	(6)	(852)
-	-	-	-	-	535	1,740
-	-	(571)	(10)	(4,434)	456	(3,331)
-	-	-	-	31,053	-	31,053
-	-	-	-	(36,378)	-	(36,378)
-	-	-	-	-	-	22,000
1,138	74	-	-	804	102	2,347
1,138	74	-	-	(4,521)	102	19,022
(6,545)	(1,773)	4,017	4,357	11,096	1,011	16,298
59,159	5,103	12,900	21,603	72,243	7,513	207,626
$ 52,614	$ 3,330	$ 16,917	$ 25,960	$ 83,339	$ 8,524	$ 223,924

Continued

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2023

(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)	$ (13,765)	$ (220)	$ (476)	$ 56
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	1,010	179	203
Lease revenue (amortized deferred inflow for leases)	-	(455)	-	(232)
Nonoperating miscellaneous and other income (expense)	-	82	37	-
Change in assets and deferred outflows:				
Receivables	747	86	23	(9)
Due from other funds	-	(1,299)	-	-
Inventories	-	19	(43)	17
Prepaid items	(4,161)	(4)	(1,002)	-
Net OPEB asset	-	1	2	1
Deferred outflows for pensions	(147)	(622)	(3)	(300)
Deferred outflows for OPEB	(86)	(6)	(77)	(78)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(3,062)	290	(265)	(13)
Due to other funds	-	-	-	-
Compensated absences	7	-	90	(27)
Workers' compensation	-	-	-	2
Unearned revenue	(712)	555	3	-
Net pension liability	316	1,237	(526)	686
Net OPEB liability	(51)	(520)	400	(259)
Deferred inflows for pensions	(146)	(889)	484	(354)
Deferred inflows for OPEB	57	(374)	(329)	147
Deposits payable	-	2,767	3	-
Net cash provided by (used for) operations	$ (21,003)	$ 1,658	$ (1,500)	$ (160)
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ 1,106	$ -	$ -	$ -
Capital asset writeoff	-	29	-	-
Assets acquired through the assumption of a liability	-	-	4	-
Change in fair value of investments	(1,704)	-	-	-
Increase in receivables related to nonoperating income	27	-	-	-
Change in securities lending collateral	(69)	-	(38)	-
Decrease in net OPEB liability related to noncapital contributions	(5)	(19)	(14)	(10)

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
$ (8,994)	$ (248)	$ 5,531	$ 4,799	$ 12,143	$ (1,643)	$ (2,817)
-	5	542	139	4,096	1,398	7,572
-	-	-	-	-	(523)	(1,210)
-	2	-	-	3	-	124
(11)	(4)	6	(450)	(551)	(82)	(245)
-	-	-	-	-	-	(1,299)
-	30	-	-	(13)	(6)	4
-	-	-	-	(45)	-	(5,212)
-	8	6	3	1	2	24
-	(3,020)	(2,398)	(1,310)	(245)	(554)	(8,599)
-	(469)	(1,121)	(921)	166	394	(2,198)
1,322	(28)	(44)	148	1,675	(26)	(3)
-	-	-	(1)	-	(1)	(2)
-	(116)	11	87	117	(26)	143
-	-	-	-	-	(1)	1
-	-	-	-	3,004	67	2,917
-	6,941	5,194	2,215	397	1,303	17,763
-	(1,897)	(1,100)	(453)	(421)	(1,420)	(5,721)
-	(3,608)	(2,568)	(892)	(199)	(815)	(8,987)
-	557	683	1,003	(80)	495	2,159
-	-	-	-	-	4	2,774
$ (7,683)	$ (1,847)	$ 4,742	$ 4,367	$ 20,048	$ (1,434)	$ (2,812)
$ 263	$ -	$ -	$ -	$ -	$ -	$ 1,369
-	-	-	-	(2)	-	27
-	-	-	-	96	-	100
(418)	-	-	-	536	-	(1,586)
125	10	-	-	-	445	607
(665)	(89)	-	-	(209)	(52)	(1,122)
-	(99)	(73)	(33)	(9)	(21)	(283)

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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, 2023

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Assets					
Current Assets					
Cash and cash equivalents	$ 8,824	$ 22,692	$ 1,380	$ 33,211	$ 47,174
Investments	25,772	-	-	-	-
Securities lending collateral	167	-	-	-	-
Receivables:					
Accounts receivable, net	-	1,772	983	2,336	12,256
Interest receivable	49	-	-	-	-
Premiums receivable	540	-	-	-	-
Other receivable	207	-	-	-	-
Due from other funds	-	86	-	5,031	2,028
Inventories	-	77	86	-	-
Prepaid items	23,326	-	-	-	-
Total current assets	58,885	24,627	2,449	40,578	61,458
Noncurrent Assets					
Capital assets-nondepreciable	-	-	-	-	3,089
Capital assets-depreciable, net	-	124,388	122	985	78,458
Total noncurrent assets	-	124,388	122	985	81,547
Total Assets	58,885	149,015	2,571	41,563	143,005
Deferred Outflows of Resources:					
Deferred outflows for pensions	832	811	839	1,139	53,154
Deferred outflows for OPEB	597	692	620	1,364	69,700
Total Deferred Outflows of Resources	1,429	1,503	1,459	2,503	122,854
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	8,734	3,379	46	50	2,584
Accrued payroll	-	-	-	6,680	47
Claims payable	3,345	-	-	-	-
Obligations under securities lending	167	-	-	-	-
Due to other funds	8,951	-	89	-	-
Due to component units	16,942	-	-	-	-
Unearned revenue	9,744	-	-	-	-
Lease liability	-	-	-	131	-
Subscription Liability	-	-	-	-	18,062
Compensated absences	22	15	18	16	1,366
Workers' compensation	102	-	-	-	132
Total current liabilities	48,007	3,394	153	6,877	22,191
Noncurrent Liabilities					
Compensated absences	285	190	228	337	17,000
Lease liability	-	-	-	926	-
Subscription Liability	-	-	-	-	38,723
Workers' compensation	238	-	223	-	1,301
Net pension liability	1,216	1,070	1,145	1,325	72,105
Net OPEB liability	1,690	1,489	1,593	1,843	102,653
Total noncurrent liabilities	3,429	2,749	3,189	4,431	231,782
Total Liabilities	51,436	6,143	3,342	11,308	253,973
Deferred Inflows of Resources:					
Deferred inflows for pensions	20	23	28	24	2,692
Deferred inflows for OPEB	974	823	999	996	55,651
Total Deferred Inflows of Resources	994	846	1,027	1,020	58,343
Net Position					
Net investment in capital assets	-	124,388	122	-	24,762
Unrestricted	7,884	19,141	(461)	31,738	(71,219)
Total Net Position	$ 7,884	$ 143,529	$ (339)	$ 31,738	$ (46,457)

Exhibit E-1

State Telecommunications Services	Surplus Property	Total
$ 24,827	$ 3,694	$ 141,802
-	-	25,772
-	-	167
13,579	625	31,551
-	-	49
-	-	540
-	-	207
1,047	-	8,192
-	-	163
-	-	23,326
39,453	4,319	231,769
-	-	3,089
5,463	182	209,598
5,463	182	212,687
44,916	4,501	444,456
-	644	57,419
-	670	73,643
-	1,314	131,062
1,899	1,428	18,120
-	-	6,727
-	-	3,345
-	-	167
-	1	9,041
-	-	16,942
-	-	9,744
173	-	304
620	67	18,749
-	10	1,447
-	-	234
2,692	1,506	84,820
-	130	18,170
-	-	926
54	23	38,800
-	8	1,770
-	857	77,718
-	1,192	110,460
54	2,210	247,844
2,746	3,716	332,664
-	52	2,839
-	907	60,350
-	959	63,189
4,616	92	153,980
37,554	1,048	25,685
$ 42,170	$ 1,140	$ 179,665

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

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Operating Revenues					
Sales and services	$ -	$ 44,558	$ 3,954	$ 112,595	$ 219,695
Fees, licenses, and fines	-	-	-	-	6,056
Insurance premiums	36,987	-	-	-	-
Miscellaneous	-	146	159	-	281
Total operating revenues	36,987	44,704	4,113	112,595	226,032
Operating Expenses					
Personal services	2,088	2,390	2,146	109,287	144,550
Supplies and materials	37	11,631	318	5	6,994
Services	140	8,243	767	1,256	50,515
Cost of goods sold	-	356	11	-	-
Depreciation	-	19,949	44	164	6,174
Claims	14,850	-	-	-	-
Insurance and bonding	33,354	1,288	-	-	179
Other	78	45	793	17	11,672
Total operating expenses	50,547	43,902	4,079	110,729	220,084
Operating income (loss)	(13,560)	802	34	1,866	5,948
Nonoperating Revenues (Expenses)					
Noncapital contributions	13	11	12	14	779
Investment earnings	285	-	-	-	-
Insurance recoveries	-	11	-	-	-
Gain (loss) on sale of equipment	-	2,683	-	-	-
Interest and fees	-	-	-	(37)	(1,440)
Miscellaneous	(26)	2	2	-	-
Total nonoperating revenues (expenses)	272	2,707	14	(23)	(661)
Income (loss) before contributions and transfers	(13,288)	3,509	48	1,843	5,287
Transfers in	14	-	437	-	139
Transfers out	-	-	-	-	(978)
Change in net position	(13,274)	3,509	485	1,843	4,448
Net position — July 1	21,158	140,020	(824)	29,895	(50,905)
Net position — June 30	$ 7,884	$ 143,529	$ (339)	$ 31,738	$ (46,457)

Exhibit E-2

State Telecommunications Services	Surplus Property	Total
$ 88,499	$ 2,640	$ 471,941
-	-	6,056
-	-	36,987
-	177	763
88,499	2,817	515,747
-	1,937	262,398
1,685	36	20,706
71,325	246	132,492
-	-	367
2,418	90	28,839
-	-	14,850
50	10	34,881
6,217	14	18,836
81,695	2,333	513,369
6,804	484	2,378
-	9	838
-	-	285
-	-	11
-	(19)	2,664
(54)	-	(1,531)
-	-	(22)
(54)	(10)	2,245
6,750	474	4,623
2,374	-	2,964
-	-	(978)
9,124	474	6,609
33,046	666	173,056
$ 42,170	$ 1,140	$ 179,665

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2023

(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	$ -	$ 5,358	$ 526	$ 1,120	$ 2,307
Receipts from other funds	34,213	39,297	2,982	111,808	226,539
Payments to suppliers	(46,627)	(18,993)	(1,451)	(1,269)	(65,447)
Payments to employees	(2,286)	(2,770)	(2,553)	(108,281)	(137,238)
Payments to other funds	(75)	(1,431)	(403)	-	(3,445)
Other receipts	2,246	148	160	-	14
Net cash provided by (used for) operating activities	(12,529)	21,609	(739)	3,378	22,730
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	14	-	437	-	139
Transfers to other funds	-	-	-	-	(978)
Net cash provided by (used for) noncapital financing activities	14	-	437	-	(839)
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(31,786)	(157)	-	(430)
Proceeds from the sale of capital assets	-	6,780	-	-	-
Principal paid on capital debt	-	-	-	(126)	(2,014)
Interest paid on capital debt	-	-	-	(37)	(1,440)
Insurance Recoveries	-	11	-	-	-
Net cash used for capital and related financing activities	-	(24,995)	(157)	(163)	(3,884)
Cash Flows From Investing Activities					
Investment earnings	518	-	-	-	-
Net cash provided by investment activities	518	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(11,997)	(3,386)	(459)	3,215	18,007
Cash and cash equivalents at July 1	20,821	26,078	1,839	29,996	29,167
Cash and cash equivalents at June 30	$ 8,824	$ 22,692	$ 1,380	$ 33,211	$ 47,174
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income (loss)	$ (13,560)	$ 802	$ 34	$ 1,866	$ 5,948
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	19,949	44	164	6,174
Nonoperating miscellaneous and other income (expense)	-	2	2	-	-
Change in assets and deferred outflows:					
Receivables	15,405	88	(446)	(604)	4,905
Due from other funds	-	7	-	936	(1,811)
Inventories	-	3	65	-	-
Prepaid items	(5,826)	-	-	-	-
Net OPEB asset	1	1	1	1	69
Deferred outflows for pensions	(354)	(349)	(344)	(525)	(17,023)
Deferred outflows for OPEB	135	(163)	(124)	(248)	13,196
Change in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	2,185	1,139	(13)	1,005	512
Due to other funds	951	(1)	(19)	-	-
Due to component units	(9,168)	-	-	-	-
Compensated absences	5	2	(11)	84	1,035
Workers' compensation	(26)	(3)	(29)	-	327
Unearned revenue	(2,317)	-	-	-	-
Net pension liability	839	753	794	968	48,671
Net OPEB liability	(447)	(221)	(303)	(84)	(27,211)
Deferred inflows for pensions	(464)	(392)	(441)	(438)	(27,354)
Deferred inflows for OPEB	112	(8)	51	253	15,292
Net cash provided by (used for) operations	$ (12,529)	$ 21,609	$ (739)	$ 3,378	$ 22,730

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
$ 13,189	$ 1,126	$ 23,626
73,710	1,506	490,055
(80,451)	(739)	(214,977)
-	(2,119)	(255,247)
(812)	(539)	(6,705)
-	178	2,746
5,636	(587)	39,498
2,374	-	2,964
-	-	(978)
2,374	-	1,986
(3,899)	(25)	(36,297)
-	-	6,780
(819)	(72)	(3,031)
(54)	-	(1,531)
-	-	11
(4,772)	(97)	(34,068)
-	-	518
-	-	518
3,238	(684)	7,934
21,589	4,378	133,868
$ 24,827	$ 3,694	$ 141,802
$ 6,804	$ 484	$ 2,378
2,418	90	28,839
-	-	4
(570)	(6)	18,772
(1,029)	-	(1,897)
-	-	68
-	17	(5,809)
-	1	74
-	(247)	(18,842)
-	34	12,830
(1,987)	(990)	1,851
-	-	931
-	-	(9,168)
-	28	1,143
-	8	277
-	-	(2,317)
-	588	52,613
-	(259)	(28,525)
-	(350)	(29,439)
-	15	15,715
$ 5,636	$ (587)	$ 39,498

Continued

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Noncash Investing, Capital, and Financing Activities					
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	$ 508	$ -	$ -	$ -	$ -
Capital asset writeoff	-	288	-	-	-
Change in fair value of investments	(805)	-	-	-	-
Increase in receivables related to nonoperating income	39	-	-	-	-
Change in securities lending collateral	(547)	-	-	-	-
Decrease in net OPEB liability related to noncapital contributions	(13)	(11)	(12)	(14)	(779)

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
$ -	$ -	$ 508
-	19	307
-	-	(805)
-	-	39
-	-	(547)
-	(9)	(838)

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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, 2023 *Exhibit F-1*

(Dollars In Thousands)

	Deposits of Insurance Carriers Fund	Administrative Office of the Courts Trust Fund	Total
Assets			
Cash and cash equivalents	$ 85	$ 168,220	$ 168,305
Investments:			
Certificates of deposit	-	41,830	41,830
Securities lending collateral	2	-	2
Sureties	860,096	-	860,096
Total Assets	860,183	210,050	1,070,233
Liabilities			
Obligations under securities lending	2	-	2
Net Position			
Restricted for:			
Individuals, organizations, and other governments	860,181	210,050	1,070,231
Total Net Position	$ 860,181	$ 210,050	$ 1,070,231

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

For the Fiscal Year Ended June 30, 2023 *Exhibit F-2*

(Dollars In Thousands)

	Deposits of Insurance Carriers Fund	Administrative Office of the Courts Trust Fund	Total
Additions			
Contributions:			
Trustee deposits	$ 39,051	$ 174,319	$ 213,370
Investment Income:			
Investment earnings	2	174	176
Net investment income	2	174	176
Total Additions	39,053	174,493	213,546
Deductions			
Payments in accordance with trust arrangements	2,913	156,586	159,499
Change in net position	36,140	17,907	54,047
Net position — July 1	824,041	192,143	1,016,184
Net position — June 30	$ 860,181	$ 210,050	$ 1,070,231

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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, 2023

(Dollars In Thousands)

	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Assets				
Cash and cash equivalents	$ -	$ 5,188	$ -	$ 5,188
Investments:				
Corporate bonds	-	-	-	-
Corporate stocks	-	-	-	-
Certificates of deposit	-	-	-	-
State Treasurer investment pool	667,621	970,855	248,774	1,887,250
Securities lending collateral	198	17,346	-	17,544
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Interest receivable	-	3,967	-	3,967
Due from other funds	-	-	-	-
Sureties	-	-	-	-
Capital assets-nondepreciable	-	-	-	-
Total Assets	$ 667,819	$ 997,356	$ 248,774	$ 1,913,949
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	$ -	$ 617	$ -	$ 617
Intergovernmental payable	-	-	-	-
Obligations under securities lending	198	17,346	-	17,544
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	$ 198	$ 17,963	$ -	$ 18,161
Net Position				
Restricted for:				
Pool participants	-	979,393	248,774	1,228,167
Individuals, organizations, and other governments	667,621	-	-	667,621
Total Net Position	$ 667,621	$ 979,393	$ 248,774	$ 1,895,788

Exhibit F-3

Other Custodial Funds: Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
$ 894,655	$ 220,240	$ 86,012	$ 116,140	$ 53,160	$ 442	$ 52,650	$ 1,423,299	$ 1,428,487
-	-	20,083	-	-	-	-	20,083	20,083
-	-	7	-	-	-	-	7	7
-	-	-	-	-	-	400	400	400
-	-	-	-	-	-	-	-	1,887,250
-	-	-	2,048	-	8	402	2,458	20,002
288,000	-	-	-	-	-	-	288,000	288,000
-	430	69,512	-	-	-	392	70,334	70,334
-	-	-	-	1	-	1	2	2
-	-	222	266	151	1	25	665	4,632
38,159	-	-	-	-	-	-	38,159	38,159
-	25,594	-	-	-	-	-	25,594	25,594
-	-	69	-	-	-	-	69	69
$ 1,220,814	$ 246,264	$ 175,905	$ 118,454	$ 53,312	$ 451	$ 53,870	$ 1,869,070	$ 3,783,019
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,002	$ 1,002	$ 1,619
1,220,814	5,069	-	116,192	-	-	321	1,342,396	1,342,396
-	-	-	2,048	-	8	402	2,458	20,002
-	-	-	-	-	-	275	275	275
-	50,353	-	-	-	-	1,427	51,780	51,780
$ 1,220,814	$ 55,422	$ -	$ 118,240	$ -	$ 8	$ 3,427	$ 1,397,911	$ 1,416,072
-	-	-	-	-	-	-	-	1,228,167
-	190,842	175,905	214	53,312	443	50,443	471,159	1,138,780
$ -	$ 190,842	$ 175,905	$ 214	$ 53,312	$ 443	$ 50,443	$ 471,159	$ 2,366,947

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

For the Fiscal Year Ended June 30, 2023

(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)	$ 85,816	$ 23,923	$ (2,797)	$ 106,942
Less investment expenses	(99)	(1,045)	(54)	(1,198)
Net investment income (loss)	85,717	22,878	(2,851)	105,744
Pool share transactions:				
Reinvestment of distributions	85,736	22,878	(2,822)	105,792
Net share purchases/(redemptions)	118,254	(80,349)	56,051	93,956
Net pool share transactions	203,990	(57,471)	53,229	199,748
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	289,707	(34,593)	50,378	305,492
Deductions				
Distributions paid and payable	85,736	22,878	(2,822)	105,792
Payments of property tax to local governments	-	-	-	-
Payments of sales and use tax to local governments	-	-	-	-
Payments in accordance with custodial arrangements	-	-	-	-
Payments in accordance with child support agreements	-	-	-	-
Payments of grants to local governments	-	-	-	-
Payments of refunds to grantors	-	-	-	-
Administrative expenses	-	-	-	-
Total deductions	85,736	22,878	(2,822)	105,792
Change in net position	203,971	(57,471)	53,200	199,700
Net position — July 1, as restated (Note 23)	463,650	1,036,864	195,574	1,696,088
Net position — June 30	$ 667,621	$ 979,393	$ 248,774	$ 1,895,788

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
$ -	$ -	$ -	$ 86	$ 1,174	287	$ 251	$ 1,798	$ 108,740
-	-	-	(86)	(5)	(13)	(18)	(122)	(1,320)
-	-	-	-	1,169	274	233	1,676	107,420
-	-	-	-	-	-	-	-	105,792
-	-	-	-	-	-	-	-	93,956
-	-	-	-	-	-	-	-	199,748
-	-	-	1,259,364	-	-	-	1,259,364	1,259,364
5,391,747	-	-	-	-	-	-	5,391,747	5,391,747
-	659,810	1,850	-	-	-	107,312	768,972	768,972
-	-	-	-	-	-	694,893	694,893	694,893
-	-	-	-	-	-	28	28	28
5,391,747	659,810	1,850	1,259,364	1,169	274	802,466	8,116,680	8,422,172
-	-	-	-	-	-	-	-	105,792
-	-	-	1,259,122	-	-	-	1,259,122	1,259,122
5,391,747	-	-	-	-	-	-	5,391,747	5,391,747
-	684,987	16,104	-	-	-	104,154	805,245	805,245
-	-	-	-	-	-	697,484	697,484	697,484
-	-	-	-	-	343,228	-	343,228	343,228
-	-	-	-	-	9,464	-	9,464	9,464
-	-	153,748	-	-	-	656	154,404	154,404
5,391,747	684,987	169,852	1,259,122	-	352,692	802,294	8,660,694	8,766,486
-	(25,177)	(168,002)	242	1,169	(352,418)	172	(544,014)	(344,314)
-	216,019	343,907	(28)	52,143	352,861	50,271	1,015,173	2,711,261
$ -	$ 190,842	$ 175,905	$ 214	$ 53,312	$ 443	$ 50,443	$ 471,159	$ 2,366,947

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COMPONENT UNITS

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COMPONENT UNITS – DISCRETELY PRESENTED

The component units listed below are legally separate entities for which the State is financially accountable.

Nonmajor component units are comprised of the following entities:

State Education Assistance Authority
N.C. Housing Finance Agency
The Golden LEAF, Inc.
N.C. State Ports Authority
N.C. Global TransPark Authority
North Carolina Railroad Company
North Carolina Biotechnology Center
N.C. Partnership for Children, Inc.
Centennial Authority
Economic Development Partnership of N.C.

This section also includes a statement of cash flows for the State Health Plan, a major component unit, which does not issue separate financial statements.

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS

June 30, 2023

(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	$ -	$ 142,568	$ 1,206	$ 4,509	$ 21,038
Investments	-	-	1,282,099	64,942	5,325
Securities lending collateral	-	127	-	1	380
Receivables, net	20,170	17,040	-	13,842	5,404
Due from component units	3,144	-	412	-	-
Inventories	-	-	-	711	-
Prepaid items	1,268	-	120	1,444	-
Advances to outside entities	-	16,936	-	-	-
Notes receivable, net	172,352	335,875	20	-	888
Lease receivable	-	-	-	23,735	8,482
Restricted/designated cash and cash equivalents	707,326	795,472	-	25	-
Restricted investments	3,761,624	1,445,769	5	62,565	-
Restricted due from component units	-	-	2,474	-	-
Capital assets-nondepreciable	-	-	904	109,573	23,045
Capital assets-depreciable, net	2,928	3,261	2,107	417,955	124,780
Total Assets	4,668,812	2,757,048	1,289,347	699,302	189,342
Deferred Outflows of Resources					
Deferred outflows for pensions	1,952	5,737	-	9,731	639
Deferred outflows for OPEB	2,484	3,455	-	6,654	879
Total Deferred Outflows of Resources	4,436	9,192	-	16,385	1,518
Liabilities					
Accounts payable and accrued liabilities	52,660	17,732	161,999	14,882	2,548
Obligations under securities lending	-	127	-	1	380
Interest payable	57	24,970	-	818	53
Due to component units	-	-	9,568	-	2,886
Due to primary government	-	25,320	42,865	-	-
Unearned revenue	-	24,965	-	699	93
Advance from primary government	-	-	-	-	1,441
Deposits payable	-	3,760	-	-	-
Funds held for others	3,845,225	-	-	-	93
Hedging derivatives liability	-	-	-	133	-
Long-term liabilities:					
Due within one year	4,844	42,151	70	6,655	929
Due in more than one year	19,449	1,684,321	-	116,400	7,216
Total Liabilities	3,922,235	1,823,346	214,502	139,588	15,639
Deferred Inflows of Resources					
Deferred state aid	179,865	-	-	-	-
Deferred inflows for lease agreements	-	-	-	23,735	8,482
Deferred inflows for pensions	43	117	-	190	16
Deferred inflows for OPEB	2,062	5,600	-	8,471	544
Total Deferred Inflows of Resources	181,970	5,717	-	32,396	9,042

Exhibit G-1

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
$ 25,355	$ 12,739	$ 7,084	$ 4,644	$ 22,250	$ 241,393
-	12,892	-	-	-	1,365,258
-	-	-	618	-	1,126
5,046	823	10,302	2,602	268	75,497
-	-	-	-	-	3,556
-	-	-	-	-	711
564	219	147	42	456	4,260
-	-	-	-	-	16,936
-	9,797	-	-	-	518,932
-	-	-	44,328	-	76,545
6	-	24	27,845	-	1,530,698
105,567	-	-	843	-	5,376,373
-	-	-	-	-	2,474
31,083	-	-	-	-	164,605
158,972	7,659	1,511	91,961	2,091	813,225
326,593	44,129	19,068	172,883	25,065	10,191,589
-	-	-	117	-	18,176
-	-	-	-	-	13,472
-	-	-	117	-	31,648
3,496	1,032	12,995	2,136	2,411	271,891
-	-	-	618	-	1,126
-	-	-	-	-	25,898
-	-	-	-	-	12,454
-	-	-	-	-	68,185
9,802	-	2,537	339	13,742	52,177
-	-	-	-	-	1,441
46	-	-	-	-	3,806
-	-	-	-	-	3,845,318
-	-	-	-	-	133
-	-	1,363	79	1,954	58,045
-	-	215	177	-	1,827,778
13,344	1,032	17,110	3,349	18,107	6,168,252
-	-	-	-	-	179,865
-	-	-	42,517	-	74,734
-	-	-	4	-	370
-	-	-	-	-	16,677
-	-	-	42,521	-	271,646

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS (Continued)

June 30, 2023

(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	2,928	3,261	3,011	432,647	140,135
Restricted for:					
Expendable:					
Higher education	130,329	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	799,651	19,040	63,694	16,739
Unrestricted	435,786	134,265	1,052,794	47,362	9,305
Total Net Position	$ 569,043	$ 937,177	$ 1,074,845	$ 543,703	$ 166,179

Exhibit G-1

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
190,055	7,659	169	91,882	-	871,747
-	-	-	-	-	130,329
-	-	21	-	-	21
105,567	360	-	26,788	-	1,031,839
17,627	35,078	1,768	8,460	6,958	1,749,403
$ 313,249	$ 43,097	$ 1,958	$ 127,130	$ 6,958	$ 3,783,339

COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS

For the Fiscal Year Ended June 30, 2023

(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	$ 443,148	$ 596,801	$ 45,142	$ 77,943	$ 11,415
Program revenues:					
Charges for services	36,775	475,664	1,103	76,932	3,387
Operating grants and contributions:					
State aid - program	48,032	46,736	200	-	-
Other operating grants and contributions	300,031	21,367	-	1,426	753
Capital grants and contributions:					
Other capital grants and contributions	-	-	-	3,288	8,091
Net program (expense) revenue	(58,310)	(53,034)	(43,839)	3,703	816
Non-tax general revenues:					
Unrestricted investment earnings	(5,487)	-	102,206	-	150
State aid - general	-	210,660	17,500	45,000	10,070
Noncapital contributions	34	93	-	140	-
Miscellaneous	-	-	11,392	905	28
Total non-tax general revenues	(5,453)	210,753	131,098	46,045	10,248
Change in net position	(63,763)	157,719	87,259	49,748	11,064
Net position — July 1, as restated	632,806	779,458	987,586	493,955	155,115
Net position — June 30	$ 569,043	$ 937,177	$ 1,074,845	$ 543,703	$ 166,179

Exhibit G-2

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	Total
$ 66,872	$ 18,520	$ 121,305	$ 15,662	$ 51,046	$ 1,447,854
24,137	918	-	2,527	963	622,406
-	-	113,415	-	-	208,383
-	505	899	13,765	2,330	341,076
-	-	-	549	-	11,928
(42,735)	(17,097)	(6,991)	1,179	(47,753)	(264,061)
(16,926)	1,776	7	738	-	82,464
-	17,101	7,174	-	48,995	356,500
-	-	-	-	-	267
1,324	1,651	241	1,141	-	16,682
(15,602)	20,528	7,422	1,879	48,995	455,913
(58,337)	3,431	431	3,058	1,242	191,852
371,586	39,666	1,527	124,072	5,716	3,591,487
$ 313,249	$ 43,097	$ 1,958	$ 127,130	$ 6,958	$ 3,783,339

STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNIT

June 30, 2023 *Exhibit G-3*

(Dollars in Thousands)

	State Health Plan
Cash Flows From Operating Activities	
Receipts from customers	$ 3,998,386
Payments to suppliers	(137,022)
Payments to employees	(5,416)
Payments for claims	(3,956,082)
Net cash provided by (used for) operating activities	(100,134)
Cash Flows From Noncapital Financing Activities	
Grant receipts	9,333
Grants, aid, and subsidies	(34,500)
Net cash provided by (used for) noncapital financing activities	(25,167)
Cash Flows From Investing Activities	
Investment earnings	17,559
Net increase (decrease) in cash and cash equivalents	(107,742)
Cash and cash equivalents at July 1	850,101
Cash and cash equivalents at June 30	$ 742,359
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities	
Operating income (loss)	$ (118,625)
Change in assets and deferred outflows:	
Receivables	(30,502)
Net OPEB asset	3
Deferred outflows for pensions	(838)
Deferred outflows for OPEB	751
Change in liabilities and deferred inflows:	
Accounts payable and accrued liabilities	1,685
Compensated absences	(43)
Unearned revenue	41,684
Medical claims payable	5,975
Net pension liability	2,200
Net OPEB liability	(1,612)
Deferred inflows for pensions	(1,283)
Deferred inflows for OPEB	471
Net cash provided by (used for) operations	$ (100,134)
Noncash Investing, Capital, and Financing Activities	
Increase in receivables related to nonoperating income	1,879
Decrease in net OPEB liability related to noncapital contributions	(31)

STATISTICAL SECTION

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Index to Statistical Section

This part of the State of North Carolina's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Contents

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

NET POSITION BY COMPONENT

For the Fiscal Years 2014 - 2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Governmental Activities					
Net investment in capital assets	$ 62,526,432	$ 59,317,526	$ 56,843,205	$ 55,581,833	$ 52,846,067
Restricted	1,788,260	$ 2,017,711	1,868,783	1,458,418	1,248,281
Unrestricted	15,430,683	$ 9,690,546	2,007,594	(5,356,649)	(5,899,285)
Total Governmental Activities Net Position	$ 79,745,375	$ 71,025,783	$ 60,719,582	$ 51,683,602	$ 48,195,063
Business-type Activities					
Net investment in capital assets	$ 598,131	$ 493,076	$ 515,390	$ 513,378	$ 562,921
Restricted	166,230	204,494	255,800	178,212	114,803
Unrestricted	6,443,501	5,672,033	4,948,349	4,863,901	5,640,685
Total Business-type Activities Net Position	$ 7,207,862	$ 6,369,603	$ 5,719,539	$ 5,555,491	$ 6,318,409
Primary Government					
Net investment in capital assets	$ 63,124,563	$ 59,810,602	$ 57,358,595	$ 56,095,211	$ 53,408,988
Restricted	1,954,490	$ 2,222,205	2,124,583	1,636,630	1,363,084
Unrestricted	21,874,184	$ 15,362,579	6,955,943	(492,748)	(258,600)
Total Primary Government Net Position	$ 86,953,237	$ 77,395,386	$ 66,439,121	$ 57,239,093	$ 54,513,472

Table 1

2018	2017	2016	2015	2014
$ 49,966,225	$ 47,274,373	$ 45,313,618	$ 43,589,998	$ 42,139,297
1,187,465	1,122,895	1,039,216	1,061,817	861,988
(5,831,775)	(6,518,107)	376,874	(1,829,718)	(3,398,663)
$ 45,321,915	$ 41,879,161	$ 46,729,708	$ 42,822,097	$ 39,602,622
$ 606,649	$ 532,834	$ 653,235	$ 535,344	$ 442,100
16,963	15,785	7,043	1,256	1,940
5,096,931	4,592,444	3,831,415	2,638,877	1,032,581
$ 5,720,543	$ 5,141,063	$ 4,491,693	$ 3,175,477	$ 1,476,621
$ 50,572,874	$ 47,807,207	$ 45,966,853	$ 44,125,342	$ 42,581,397
1,204,428	1,138,680	1,046,259	1,063,073	863,928
(734,844)	(1,925,663)	4,208,289	809,159	(2,366,082)
$ 51,042,458	$ 47,020,224	$ 51,221,401	$ 45,997,574	$ 41,079,243

CHANGES IN NET POSITION

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Expenses					
Governmental Activities					
General government	$ 2,764,844	$ 3,032,569	$ 2,500,096	$ 1,441,776	$ 1,392,293
Primary and secondary education	15,512,806	15,442,974	12,936,328	11,971,116	11,697,451
Higher education	5,665,180	5,473,516	5,142,660	4,815,552	4,788,720
Health and human services	32,313,673	30,645,511	25,629,768	21,594,958	19,567,645
Economic development	756,992	435,295	664,528	525,242	505,806
Environment and natural resources	865,794	816,601	821,398	708,815	666,594
Public safety, corrections, and regulation	4,269,861	4,777,868	4,536,568	4,228,118	3,792,606
Transportation	3,790,329	3,079,409	2,793,445	2,979,441	3,907,427
Agriculture	396,929	249,195	286,217	313,068	392,214
Interest on long-term debt	172,351	173,241	170,435	171,372	163,799
Total Governmental Activities Expenses	66,508,759	64,126,179	55,481,443	48,749,458	46,874,555
Business-type Activities					
Unemployment Compensation	276,982	672,550	7,317,289	5,707,104	169,967
N.C. State Lottery	3,332,492	2,960,246	2,875,899	2,290,926	2,154,116
EPA Revolving Loan	50,852	17,314	17,458	13,785	23,657
N.C. Turnpike Authority	224,730	235,152	193,813	186,369	132,456
Regulatory programs	151,784	138,494	130,118	131,503	121,652
Insurance programs	36,924	34,638	35,153	51,815	22,362
North Carolina State Fair	16,728	12,657	7,086	15,981	18,197
Other business-type activities	15,919	14,696	12,780	15,421	17,015
Total Business-type Activities Expenses	4,106,411	4,085,747	10,589,596	8,412,904	2,659,422
Total Primary Government Expenses	$ 70,615,170	$ 68,211,926	$ 66,071,039	$ 57,162,362	$ 49,533,977
Program Revenues					
Governmental Activities					
Charges for Services:					
Transportation	$ 1,121,438	$ 1,089,208	$ 1,102,786	$ 967,438	$ 992,925
Public safety, corrections, and regulation	690,106	640,364	565,774	577,517	633,050
General government	365,393	358,361	335,269	297,451	293,563
Health and human services	416,474	351,072	338,172	352,364	355,483
Other activities	686,002	669,000	607,223	530,640	356,404
Operating grants and contributions	31,055,694	30,859,243	23,540,962	19,246,548	16,980,579
Capital grants and contributions	1,266,732	1,149,590	1,281,167	1,328,260	1,317,197
Total Governmental Activities Program Revenues	35,601,839	35,116,838	27,771,353	23,300,218	20,929,201
Business-type Activities					
Charges for services:					
Unemployment Compensation	742,462	663,385	599,309	246,021	505,379
N.C. State Lottery	4,348,140	3,892,769	3,810,995	3,021,992	2,864,962
EPA Revolving Loan	16,173	19,419	15,956	19,487	20,888
N.C. Turnpike Authority	111,772	107,271	57,186	82,613	65,155
Regulatory programs	173,047	157,746	144,511	139,927	132,263
Insurance programs	14,095	22,806	17,951	18,999	9,142
North Carolina State Fair	16,508	15,160	3,212	16,504	15,694
Other business-type activities	13,989	11,103	9,145	12,022	12,394
Operating grants and contributions	320,229	695,299	6,907,326	4,737,551	203,779
Capital grants and contributions	75,564	248	21,393	3,681	27,578
Total Business-type Activities Program Revenues	5,831,979	5,585,206	11,586,984	8,298,797	3,857,234
Total Primary Government Program Revenues	$ 41,433,818	$ 40,702,044	$ 39,358,337	$ 31,599,015	$ 24,786,435
Net (Expense) Revenue					
Governmental Activities	$ (30,906,920)	$ (29,009,341)	$ (27,710,090)	$ (25,449,240)	$ (25,945,354)
Business-type Activities	1,725,568	1,499,459	997,388	(114,107)	1,197,812
Total Primary Government Net Expense	$ (29,181,352)	$ (27,509,882)	$ (26,712,702)	$ (25,563,347)	$ (24,747,542)

Table 2

2018	2017	2016	2015	2014
$ 1,284,612	$ 1,220,572	$ 1,064,299	$ 1,158,892	$ 1,080,982
11,026,473	10,721,373	10,372,787	10,224,967	9,772,994
4,390,938	4,137,922	4,003,154	3,859,549	3,901,543
19,076,459	18,871,497	18,422,804	18,705,192	17,812,888
518,717	475,172	402,773	408,289	420,464
603,594	549,838	547,540	490,185	484,718
3,564,262	3,355,432	2,960,451	2,896,088	2,911,146
3,154,210	2,953,576	2,767,006	2,673,649	2,607,663
204,253	196,538	179,152	165,735	191,242
138,513	194,559	199,516	216,519	216,521
43,962,031	42,676,479	40,919,482	40,799,065	39,400,161
196,572	238,193	255,851	349,069	700,190
1,938,395	1,808,537	1,752,837	1,450,494	1,341,219
13,974	14,648	19,047	22,965	27,789
88,703	108,845	87,467	89,004	88,278
118,917	113,780	94,857	90,397	86,253
14,646	23,828	12,502	21,632	18,427
19,006	17,459	16,183	14,975	13,957
16,065	23,293	20,903	16,269	12,917
2,406,278	2,348,583	2,259,647	2,054,805	2,289,030
$ 46,368,309	$ 45,025,062	$ 43,179,129	$ 42,853,870	$ 41,689,191
$ 978,504	$ 973,237	$ 875,603	$ 742,586	$ 730,048
652,818	614,165	622,044	601,407	580,817
264,692	275,983	264,708	253,506	242,809
343,247	374,624	357,597	320,100	324,689
328,341	333,437	299,269	385,081	323,722
16,324,807	16,197,394	15,924,934	16,152,680	15,261,306
994,934	1,064,722	940,448	942,238	1,260,306
19,887,343	19,833,562	19,284,603	19,397,598	18,723,697
585,552	933,147	1,309,907	1,552,934	1,651,108
2,610,475	2,433,036	2,388,977	1,977,486	1,844,636
21,918	19,217	21,908	23,955	22,603
49,647	45,520	39,147	30,710	24,725
130,375	135,783	112,525	96,155	90,938
19,455	18,425	18,628	18,641	10,780
16,416	16,102	15,539	14,985	14,828
12,987	12,658	12,042	11,239	10,781
142,370	136,200	156,515	409,351	347,108
5,249	10,317	14,932	21,251	11,942
3,594,444	3,760,405	4,090,120	4,156,707	4,029,449
$ 23,481,787	$ 23,593,967	$ 23,374,723	$ 23,554,305	$ 22,753,146
$ (24,074,688)	$ (22,842,917)	$ (21,634,879)	$ (21,401,467)	$ (20,676,464)
1,188,166	1,411,822	1,830,473	2,101,902	1,740,419
$ (22,886,522)	$ (21,431,095)	$ (19,804,406)	$ (19,299,565)	$ (18,936,045)

Continued

CHANGES IN NET POSITION (Continued)

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes:					
Individual income tax	$ 16,799,392	$ 17,845,868	$ 15,368,872	$ 13,121,892	$ 13,242,924
Corporate income tax	1,728,595	1,624,384	1,327,813	726,186	779,886
Sales and use tax	11,657,850	11,029,810	9,826,411	8,556,460	8,436,190
Motor fuels tax	2,619,790	2,227,883	2,067,262	2,054,235	2,118,180
Franchise tax	857,100	879,789	882,332	640,865	754,936
Highway use tax	1,186,526	1,137,060	1,003,310	847,919	838,571
Insurance tax	1,165,117	1,000,680	722,958	661,881	577,430
Beverage tax	592,168	559,195	533,088	462,401	435,471
Tobacco products tax	283,849	296,416	303,060	288,933	294,030
Other taxes	339,835	372,624	334,913	290,178	276,828
Tobacco settlement	156,549	171,849	167,417	148,929	155,818
Federal COVID-19	673,203	1,525,132	3,117,857	173,448.00	—
Unrestricted investment earnings (loss)	553,841	60,506	15,662	133,251	153,490
Noncapital Contributions	35,475	38,147	91,696.00	—	—
Miscellaneous	79,241	67,754	102,661	76,395	84,549
Contributions to permanent funds	9,925	9,605	7,472	5,919	4,916
Transfers	888,056	853,042	833,513	652,776	613,895
Total Governmental Activities	39,626,512	39,699,744	36,706,297	28,841,668	28,767,114
Business-type Activities					
Noncapital Contributions	747	517	1,309	—	—
Miscellaneous	—	1,318	—	—	2,879
Transfers	(888,056)	(853,042)	(833,513)	(652,776)	(613,895)
Total Business-type Activities	(887,309)	(851,207)	(832,204)	(652,776)	(611,016)
Total Primary Government	$ 38,739,203	$ 38,848,537	$ 35,874,093	$ 28,188,892	$ 28,156,098
Change in Net Position					
Governmental Activities	$ 8,719,592	$ 10,690,403	$ 8,996,207	$ 3,392,428	$ 2,821,760
Business-type Activities	838,259	648,252	165,184	(766,883)	586,796
Total Primary Government	$ 9,557,851	$ 11,338,655	$ 9,161,391	$ 2,625,545	$ 3,408,556

Table 2

2018	2017	2016	2015	2014
$ 12,607,563	$ 11,950,085	$ 11,980,791	$ 11,288,542	$ 10,576,575
750,381	805,062	1,120,553	1,272,879	1,318,091
7,951,984	7,646,658	7,184,788	6,869,090	5,839,362
2,013,961	1,945,769	1,938,849	1,945,462	1,907,803
676,309	749,408	521,628	556,786	888,815
798,314	784,549	728,580	653,931	596,801
588,042	517,781	503,621	529,927	476,402
411,071	394,883	380,065	360,280	342,784
296,064	284,531	291,841	279,795	273,426
315,429	298,367	296,595	292,535	348,938
162,108	140,569	136,561	137,910	139,169
—	—	—	—	—
97,346	62,683	43,551	20,139	19,452
—	—	—	—	—
60,840	50,650	35,246	42,167	192,002
4,845	4,561	4,718	4,382	3,861
607,892	665,199	518,461	416,483	429,810
27,342,149	26,300,755	25,685,848	24,670,308	23,353,291
—	—	—	—	—
—	535	42	4	3
(607,892)	(665,199)	(518,461)	(416,483)	(429,810)
(607,892)	(664,664)	(518,419)	(416,479)	(429,807)
$ 26,734,257	$ 25,636,091	$ 25,167,429	$ 24,253,829	$ 22,923,484
$ 3,267,461	$ 3,457,838	$ 4,060,969	$ 3,268,841	$ 2,676,827
580,274	747,158	1,312,054	1,685,423	1,310,612
$ 3,847,735	$ 4,204,996	$ 5,373,023	$ 4,954,264	$ 3,987,439

FUND BALANCES OF GOVERNMENTAL FUNDS [1]

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
General Fund					
Nonspendable	101,336	107,026	118,773	83,763	160,906
Restricted	197,257	248,343	231,967	226,008	162,836
Committed	10,539,838	6,531,827	2,666,145	2,855,654	2,683,751
Assigned	3,856,183	4,299,053	531,349	1,725,771	554,243
Unassigned	7,670,986	7,270,258	8,413,157	1,694,412	2,396,667
Total General Fund	$ 22,365,600	$ 18,456,507	$ 11,961,391	$ 6,585,608	$ 5,958,403
All Other Governmental Funds					
Nonspendable	264,891	251,369	256,019	228,646	231,482
Restricted	1,819,629	2,272,459	2,347,662	2,199,737	2,225,062
Committed	3,692,491	3,183,834	2,903,301	2,110,466	2,505,415
Assigned	4,321	3,926	3,562	3,763	3,027
Unassigned	-	(8)	—	(892,965)	(1,345,891)
Total All Other Governmental Funds	$ 5,781,332	$ 5,711,580	$ 5,510,544	$ 3,649,647	$ 3,619,095

Table 3

2018	2017	2016	2015	2014
70,193	72,345	84,122	83,079	81,458
137,695	112,346	162,568	173,575	83,885
2,329,651	2,021,250	1,518,439	1,447,011	911,720
517,815	217,747	376,677	116,705	283,280
2,335,267	1,977,982	1,619,055	686,453	193,482
$ 5,390,621	$ 4,401,670	$ 3,760,861	$ 2,506,823	$ 1,553,825
224,714	215,690	218,575	211,883	216,528
1,012,887	1,176,441	1,067,534	1,252,733	768,448
2,622,022	2,754,107	2,308,077	1,870,499	1,713,790
3,449	929	1,166	1,011	—
(495,336)	—	—	—	—
$ 3,367,736	$ 4,147,167	$ 3,595,352	$ 3,336,126	$ 2,698,766

(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 2014-2023

(Dollars in Thousands)

	2023	2022	2021	2020
Revenues				
Taxes	$ 37,217,868	$ 36,984,274	$ 32,335,305	$ 27,654,005
Federal funds	26,925,089	25,240,803	21,856,916	19,218,083
Local funds	155,097	165,241	153,530	170,937
Investment earnings	851,867	49,246	87,980	216,341
Interest earnings on loans	1,767	1,284	1,128	933
Sales and services	355,604	340,766	327,404	308,687
Rental and lease of property	22,621	22,560	20,801	23,413
Fees, licenses, and fines	2,490,165	2,418,513	2,281,719	2,050,179
Tobacco settlement	156,628	171,585	167,234	149,194
Contributions, gifts, and grants	180,205	192,093	231,085	115,001
Funds escheated	197,347	137,760	151,474	168,851
Federal recovery funds	5,474,964	7,903,387	5,602,489	1,156,776
Miscellaneous	232,038	250,149	219,670	167,997
Total revenues	74,261,260	73,877,661	63,436,735	51,400,397
Expenditures				
Current:				
General government	2,836,523	3,098,821	2,484,419	1,343,940
Primary and secondary education	15,523,249	15,474,905	12,947,489	11,978,624
Higher education	5,665,519	5,476,903	5,144,492	4,816,610
Health and human services	32,458,798	30,839,275	25,705,449	21,612,473
Economic development	764,223	443,260	674,841	529,115
Environment and natural resources	851,110	806,434	779,112	692,030
Public safety, corrections, and regulation	4,553,527	4,991,888	4,504,476	4,097,966
Transportation	6,980,842	6,188,970	4,780,981	5,637,600
Agriculture	424,773	284,491	286,038	295,349
Capital outlay	243,248	151,327	177,741	205,341
Debt service:				
Principal retirement (2)	790,026	852,868	646,004	684,065
Interest and fees (2)	271,155	281,419	272,026	262,181
Debt issuance costs	415	905	1,591	2,582
Total expenditures	71,363,408	68,891,466	58,404,659	52,157,876
Excess revenues over (under) expenditures	2,897,852	4,986,195	5,032,076	(757,479)
Other Financing Sources (Uses)				
Bonds issued	—	—	400,000	600,000
Special Indebtedness issued	—	300,000	700,000	—
GARVEE bonds issued	—	252,595	—	—
Refunding bonds issued	—	132,025	—	—
Other debt issued	148,991	34,412	—	—
Premium on debt issued	—	113,792	199,037	82,392
Discount on debt issued	—	—	—	—
Payments to refunded bond escrow agent	—	—	—	—
Sale of capital assets	19,626	54,957	15,721	12,887
Insurance recoveries	26,306	26,980	56,313	29,082
Transfers in	2,405,460	1,829,416	1,429,460	1,403,813
Transfers out	(1,519,390)	(975,932)	(595,927)	(752,027)
Total other financing sources (uses)	1,080,993	1,768,245	2,204,604	1,376,147
Net change in fund balances	$ 3,978,845	$ 6,754,440	$ 7,236,680	$ 618,668
Debt service as a percentage of noncapital expenditures	1.59%	1.76%	1.66%	1.96%

Table 4

2019	2018	2017	2016	2015	2014
$ 27,743,450	$ 26,401,176	$ 25,376,794	$ 24,942,287	$ 24,032,552	$ 22,605,977
17,878,544	16,987,521	16,896,580	16,325,844	16,509,242	15,967,504
171,986	172,815	180,725	189,786	195,962	173,727
241,587	148,974	116,006	88,114	43,574	76,144
994	975	900	1,094	2,864	1,797
326,316	336,952	323,677	325,883	318,411	312,872
40,218	21,921	25,682	20,906	22,400	23,791
1,969,177	1,947,486	1,894,212	1,813,402	1,644,450	1,597,517
155,926	160,653	141,054	137,230	138,622	139,937
151,950	110,742	104,856	102,217	121,750	99,672
129,913	105,127	126,701	75,105	165,062	106,760
—	—	—	196,752	209,492	236,869
167,298	157,480	195,388	176,847	182,507	328,781
48,977,359	46,551,822	45,382,575	44,395,467	43,586,888	41,671,348
1,247,648	1,195,086	1,169,676	1,136,781	1,142,043	1,036,518
11,696,298	11,022,159	10,699,781	10,381,474	10,213,160	9,749,844
4,790,041	4,390,338	4,136,832	4,002,167	3,850,111	3,900,386
19,674,618	19,121,283	18,930,282	18,501,376	18,781,793	17,901,879
509,626	505,695	472,037	407,575	412,783	442,364
639,449	568,828	518,631	527,448	454,602	456,099
3,785,440	3,382,199	3,288,609	3,029,405	2,932,540	2,896,879
6,534,522	5,669,605	4,839,716	4,313,225	4,044,532	4,152,663
400,471	202,592	195,562	183,389	178,282	179,848
152,880	129,798	158,793	144,674	113,689	127,634
633,309	966,248	595,300	587,628	562,820	553,016
240,896	240,013	279,631	293,503	303,433	331,451
1,653	1,986	1,009	1,398	3,048	1,193
50,306,851	47,395,830	45,285,859	43,510,043	42,992,836	41,729,774
(1,329,492)	(844,008)	96,716	885,424	594,052	(58,426)
400,000	—	200,000	—	231,360	—
300,000	—	—	—	—	—
600,000	—	—	—	264,930	—
—	949,200	—	329,360	299,020	506,255
2,765	32,945	630	1,875	1,622	6,733
215,733	180,865	30,018	88,066	117,506	98,789
—	—	—	—	—	—
—	(774,195)	—	(416,509)	(349,828)	(603,550)
18,501	21,867	33,289	70,263	13,432	14,939
19,308	34,842	12,125	8,881	9,039	15,975
1,397,089	1,047,384	1,253,047	1,036,161	1,044,348	1,233,471
(784,123)	(439,966)	(441,561)	(515,965)	(632,660)	(805,682)
2,169,273	1,052,942	1,087,548	602,132	998,769	466,930
$ 839,781	$ 208,934	$ 1,184,264	$ 1,487,556	$ 1,592,821	$ 408,504
1.88%	2.74%	2.06%	2.15%	2.13%	2.25%

(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 2014-2023
(Dollars in Thousands)

		2023	2022	2021	2020	2019
Tax Revenues						
Individual income tax		16,799,392	17,845,868	15,368,872	13,121,892	$ 13,242,924
Corporate income tax		1,725,854	1,630,010	1,304,274	728,989	774,121
Sales and use tax		11,650,933	11,012,646	9,811,208	8,546,796	8,428,539
Franchise tax		849,080	890,406	870,914	646,414	750,674
Beverage tax		592,187	559,192	533,261	462,403	435,328
Insurance tax		1,164,185	1,001,625	722,936	660,905	577,506
Tobacco products tax		283,827	296,701	307,333	289,317	292,614
License tax		39,541	37,052	43,458	35,033	35,128
Real estate conveyance tax		114,752	154,741	118,861	87,542	80,103
Manufacturing tax	(3)	3	1,079	1,271	980	1,120
Other taxes	(1)	53,401	49,042	45,229	43,552	41,760
Total tax revenues		33,273,155	33,478,362	29,127,617	24,623,823	24,659,817
Non-tax Revenues						
Federal Funds:						
Departmental revenues		25,433,056	23,855,788	20,363,937	17,584,656	16,260,190
Federal COVID-19 funds	(4)	5,291,454	7,793,424	5,410,439	1,156,776	—
Federal recovery funds	(2)	—	—	—	—	—
		30,724,510	31,649,212	25,774,376	18,741,432	16,260,190
Local Funds:						
Departmental revenues		117,400	118,239	108,692	128,634	138,775
Investment Earnings:						
Income from General Fund investments		552,775	59,932	14,821	130,042	150,073
Income from securities lending		33,180	1,416	52	5,130	5,765
Departmental revenues		127,902	5,185	19,481	16,935	13,651
		713,857	66,533	34,354	152,107	169,489
Interest Earnings on Loans:						
Departmental revenues		30	68	143	94	287
Sales and Services:						
Departmental revenues		178,258	176,750	181,018	161,579	169,206
Other non-tax revenues		99	111	113	118	83
		178,357	176,861	181,131	161,697	169,289
Rental and Lease of Property:						
Proceeds from rental and lease of property		1,157	1,565	584	5,002	21,031
Departmental revenues		14,982	15,130	13,849	11,140	12,013
		16,139	16,695	14,433	16,142	33,044
Fees, Licenses and Fines:						
Court fines and fees		214,487	207,596	178,537	203,244	231,286
Secretary of State service fees		190,360	166,769	158,970	141,261	125,521
Banking and investment fees		5,309	3,823	3,909	3,938	3,771
Permits (ABC Commission)		27,451	30,647	4,531	23,157	26,524
Probation supervision fees		8,212	8,638	9,926	10,753	12,001
Department of Insurance fees		67,306	67,987	58,873	51,182	48,094
DWI service and restoration fees		3,080	3,287	3,316	3,744	4,782
Civil penalties, fines, and forfeitures	(5)	235,035	226,338	221,391	114,645	—
Opioid abatement judgment	(6)	11,180	4,366	—	—	—
Departmental revenues		447,340	398,234	296,528	314,553	328,980
Other non-tax revenues		11,375	12,338	12,538	10,161	9,619
		1,221,135	1,130,023	948,519	876,638	790,578
Tobacco Settlement:						
Tobacco settlement		156,628	171,585	167,234	149,194	155,926
Contributions, Gifts and Grants:						
Departmental revenues		51,352	49,901	62,609	49,517	45,582
Miscellaneous:						
Local sales and use tax administration		15,199	16,897	16,676	14,677	14,421
Sales tax refunds		1,567	1,226	2,201	1,929	2,545
Departmental revenues		159,923	159,958	155,466	128,938	139,229
Other non-tax revenue		8,539	11,666	625	252	277
		185,228	189,747	174,968	145,796	156,472
Total non-tax revenues		33,364,636	33,568,864	27,466,459	20,421,251	17,919,632
Total Revenues		$ 66,637,791	$ 67,047,226	$ 56,594,076	$ 45,045,074	$ 42,579,449

Table 5

2018	2017	2016	2015	2014
$ 12,607,563	$ 11,950,085	$ 11,980,791	$ 11,288,542	$ 10,576,575
749,488	807,208	1,117,999	1,270,985	1,331,934
7,940,757	7,634,608	7,177,819	6,858,523	5,838,079
669,598	748,018	524,967	552,221	890,692
411,161	394,995	379,986	360,138	342,955
588,907	516,970	503,413	529,927	476,402
292,284	291,671	286,968	277,830	277,736
33,869	30,470	30,785	46,265	47,612
72,933	68,793	62,250	56,028	50,424
46,699	46,922	47,435	40,611	36,743
53,097	39,188	41,523	37,919	111,873
23,466,356	22,528,928	22,153,936	21,318,989	19,981,025
15,626,073	15,497,006	15,138,975	15,293,459	14,526,468
—	—	—	—	—
—	—	45,220	84,429	151,757
15,626,073	15,497,006	15,184,195	15,377,888	14,678,225
139,422	143,580	155,486	161,514	144,826
96,968	62,315	40,795	19,282	17,458
297	925	1,354	554	6,853
10,052	6,010	3,684	2,045	2,481
107,317	69,250	45,833	21,881	26,792
332	259	442	2,192	1,098
179,553	171,534	171,318	164,521	158,684
88	105	109	75	87
179,641	171,639	171,427	164,596	158,771
943	5,718	51	103	117
12,914	10,711	11,161	10,383	9,966
13,857	16,429	11,212	10,486	10,083
239,613	242,013	244,724	234,510	236,790
123,891	112,479	108,208	101,792	94,923
3,911	4,101	4,595	7,684	7,568
25,829	24,682	24,025	24,065	15,151
12,082	12,669	13,626	14,231	14,579
48,209	45,897	44,461	43,392	40,603
5,104	5,672	6,490	7,594	8,033
—	—	—	—	—
—	—	—	—	—
334,539	302,396	307,282	304,463	287,233
8,824	9,417	8,667	7,940	8,895
802,002	759,326	762,078	745,671	713,775
160,653	141,054	137,230	138,622	139,937
44,088	43,996	39,755	39,088	26,441
13,711	13,038	11,374	10,519	9,388
1,734	1,876	2,189	2,452	3,716
127,723	165,645	143,840	112,647	214,371
342	237	236	3,072	66,643
143,510	180,796	157,639	128,690	294,118
17,216,895	17,023,335	16,665,297	16,790,628	16,194,066
$ 40,683,251	$ 39,552,263	$ 38,819,233	$ 38,109,617	$ 36,175,091

(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.

PERSONAL INCOME BY INDUSTRY

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

	2021	2020	2019	2018	2017
Manufacturing	$ 39,456,257	$ 37,460,189	$ 37,603,754	$ 36,565,035	$ 35,563,505
Retail trade	25,163,764	22,526,531	20,996,317	19,823,616	18,942,271
Services	148,728,937	132,910,552	131,501,374	124,280,855	117,135,393
Agricultural, forestry, fishing, etc.	806,714	857,454	790,736	747,326	769,708
Government	66,926,260	65,139,711	63,316,074	61,560,089	58,742,085
Construction	25,646,560	23,847,914	23,180,834	21,138,608	19,728,949
Wholesale trade	20,836,636	19,208,280	18,186,020	17,158,746	16,995,262
Transportation and warehousing	12,773,617	11,499,271	10,888,710	10,259,546	9,454,199
Finance and insurance	30,701,727	27,431,455	24,501,886	22,616,350	21,290,835
Mining	363,285	354,802	240,551	249,298	297,815
Utilities	3,951,533	3,862,151	2,977,652	2,727,014	2,329,565
Information	10,552,762	8,929,407	8,442,661	8,664,916	8,139,087
Real estate and rental and leasing	10,633,132	9,877,353	8,435,524	7,234,175	6,447,150
Other	196,153,855	178,821,386	154,408,096	143,283,134	137,893,337
Total	$ 592,695,039	$ 542,726,456	$ 505,470,189	$ 476,308,708	$ 453,729,161
Average Effective Rate (1):					
Individual Income Tax	2.6%	2.4%	2.6%	2.6%	2.6%

Source: United States Department of Commerce - Bureau of Economic Analysis (Data for 2022 & 2023 is not available)

Table 6

2016	2015	2014	2013	2012
$ 34,520,572	$ 33,917,464	$ 32,663,058	$ 31,396,324	$ 30,665,848
18,522,384	17,859,725	17,227,306	16,363,209	15,714,199
111,542,333	106,697,163	101,512,938	94,155,224	92,630,810
816,347	839,379	810,293	770,044	749,827
56,017,527	55,985,541	53,827,305	53,810,584	53,184,884
18,381,490	17,173,746	15,887,282	14,695,182	13,984,141
16,033,600	15,666,100	14,994,989	13,995,352	13,497,515
8,840,743	8,660,303	8,036,618	7,482,287	7,246,264
19,584,093	17,965,913	17,639,760	18,283,201	25,073,812
193,532	175,080	168,758	195,625	211,604
2,041,683	2,029,592	1,809,498	1,569,505	1,850,950
8,028,714	7,786,806	7,302,160	6,389,957	6,105,228
6,504,105	5,771,969	5,062,430	4,240,605	3,266,757
131,599,070	128,805,489	121,157,127	113,045,284	115,978,729
$ 432,626,193	$ 419,334,270	$ 398,099,522	$ 376,392,383	$ 380,160,568
2.8%	2.7%	2.7%	3.0%	2.8%

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

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2012 AND 2021
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2013-2022

Individual Income Tax Filers and Liability by Income Level

North Carolina Taxable Income	Tax Year 2021 Number of Returns	% of Total	Tax Liability	% of Total	Tax Year 2012 Number of Returns	% of Total	Tax Liability	% of Total
0 to $15,000	2,125,988	42.8%	$ 385,471,616	2.5%	2,185,840	50.9%	$ 402,108,549	4.0%
$15,001 to $25,000	540,084	10.9%	555,246,543	3.6%	543,523	12.7%	604,513,009	6.0%
$25,001 to $50,000	872,845	17.6%	1,628,247,303	10.6%	744,455	17.3%	1,657,281,179	16.5%
$50,001 to $75,000	470,269	9.5%	1,481,528,814	9.7%	354,829	8.3%	1,397,114,355	13.9%
$75,001 to $100,000	280,959	5.7%	1,246,068,669	8.1%	181,081	4.2%	1,033,430,552	10.3%
$100,001 to $200,000	431,650	8.7%	3,023,543,077	19.7%	206,326	4.8%	1,896,814,727	18.9%
$200,001 and up	240,072	4.8%	7,026,467,258	45.8%	79,436	1.8%	3,045,206,198	30.3%
	4,961,867	100.0%	$ 15,346,573,280	100.0%	4,295,490	100.0%	$ 10,036,468,569	100.0%

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Calendar year 2021 is the most recent year for which data are available.

Individual Income Tax Filers and Liability by Income Level

Federal Adjusted Gross Income	Tax Year 2021 Number of Returns	% of Total	Tax Liability	% of Total	Tax Year 2012 Number of Returns	% of Total	Tax Liability	% of Total
Non-positive FAGI	77,168	1.6%	$ 11,391,561	0.1%	65,803	1.5%	$ 3,222,308	0.0%
$1 to $9,999	503,930	10.2%	$ 1,946,969	0.0%	630,289	14.7%	$ 31,573,135	0.3%
$10,000 to $24,999	892,998	18.0%	$ 186,462,221	1.2%	1,053,005	24.5%	$ 333,547,687	3.3%
$25,000 to $49,999	1,183,414	23.9%	$ 1,146,952,476	7.5%	1,044,329	24.3%	$ 1,199,635,587	12.0%
$50,000 to $59,999	319,284	6.4%	$ 538,412,404	3.5%	252,326	5.9%	$ 491,458,359	4.9%
$60,000 to $69,999	262,307	5.3%	$ 534,787,538	3.5%	208,240	4.8%	$ 491,096,069	4.9%
$70,000 to $79,999	216,978	4.4%	$ 520,304,548	3.4%	174,975	4.1%	$ 489,856,349	4.9%
$80,000 to $89,999	183,475	3.7%	$ 507,535,459	3.3%	146,086	3.4%	$ 474,156,284	4.7%
$90,000 to $99,999	158,945	3.2%	$ 498,886,439	3.3%	119,483	2.8%	$ 444,295,623	4.4%
$100,000 to $199,999	743,320	15.0%	$ 3,631,351,367	23.7%	429,373	10.0%	$ 2,497,365,943	24.9%
$200,000 to $499,999	298,880	6.0%	$ 3,212,010,625	20.9%	123,297	2.9%	$ 1,592,719,384	15.9%
$500,000 to $999,999	64,147	1.3%	$ 1,314,603,004	8.6%	26,255	0.6%	$ 652,027,252	6.5%
$1,000,000 or more	57,021	1.1%	$ 3,241,928,669	21.1%	22,029	0.5%	$ 1,335,514,589	13.3%
	4,961,867	100.0%	$ 15,346,573,280	100.0%	4,295,490	100.0%	$ 10,036,468,569	100.0%

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	Bracket 1	Bracket 2	Bracket 3	
Tax Years 2012-2013				
Married - Joint:				
Taxable income	$1-$21,250	$21,251-$100,000	> $100,000	
Tax rate	6%	7%	7.75%	
Married - Separate:				
Taxable income	$1-$10,625	$10,626-$50,000	> $50,000	
Tax rate	6%	7%	7.75%	
Head of Household:				
Taxable income	$1-$17,000	$17,001-$80,000	> $80,000	
Tax rate	6%	7%	7.75%	
Single:				
Taxable income	$1-$12,750	$12,751-$60,000	> $60,000	
Tax rate	6%	7%	7.75%	
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%			

Income Tax Rate Restrictions - The State Constitution (Article V, section 2(6)) places the following limitation on the income tax: "The rate of tax on incomes shall not in any case exceed ten percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed."

Federal Adjusted Gross Income Starting Point - Effective with tax year 2012 the starting point in determining North Carolina taxable income is federal adjusted gross income (FAGI) subject to some modifications.

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.

Continued

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2012 AND 2021
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2013-2022 (Continued)

Table 7

Individual Income Tax Rates - Last 10 Years

Tax Years 2019-2021				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	5.250%			
Tax Year 2022				
Married - Joint, Married - Separate, Head of Household, and Single:				
Taxable income	>$0			
Tax rate	4.990%			

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 and Base Structure Changes - The 2021 Appropriations Act reduces the personal income tax rate to 4.99% effective for taxable years beginning in 2022

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TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2014-2023

(Dollars in Thousands)

	2023	2022	2021	2020	2019
General merchandise	$ 66,291,925	$ 62,226,026	$ 56,410,899	$ 45,601,205	$ 41,960,513
Food	38,416,024	35,303,794	30,564,158	29,256,742	29,981,154
Lumber & building material	28,736,679	26,325,703	22,441,929	19,048,555	18,383,205
Automotive	13,536,016	12,090,992	11,018,415	9,837,130	9,691,420
3% and 4.75% tax group (1)	972,905	910,727	839,260	705,394	647,756
Furniture	6,441,201	6,201,915	5,757,054	5,050,850	5,182,589
Apparel	8,448,251	8,216,790	7,025,959	5,620,937	6,018,989
Unclassified	65,990,901	59,892,202	50,815,780	44,629,147	44,693,250
Total	$ 228,833,902	$ 211,168,149	$ 184,873,454	$ 159,749,960	$ 156,558,876
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

Source: North Carolina Department of Revenue

Table 8

2018	2017	2016	2015	2014
$ 38,965,273	$ 38,193,321	$ 35,258,344	$ 33,018,301	$ 30,122,560
28,318,061	27,164,722	26,204,343	24,663,183	22,892,242
16,500,032	15,426,794	13,635,227	12,711,938	11,754,511
9,098,884	9,058,317	7,667,914	6,920,644	6,272,460
588,128	541,143	479,938	448,267	456,127
4,914,916	4,778,592	4,372,666	4,160,558	3,887,077
5,700,497	5,648,766	5,414,102	5,140,968	4,707,181
41,113,549	38,358,149	35,124,312	33,241,081	30,258,424
$ 145,199,340	$ 139,169,804	$ 128,156,846	$ 120,304,940	$ 110,350,582
4.75%	4.75%	4.75%	4.75%	4.75%

(1) 3% and 4.75% tax group includes manufactured homes, airplanes, boats, and modular homes. In fiscal year 2016, airplanes sold or purchased at retail for use was subject to a 3% tax rate from July 1, 2015 to September 30, 2015 and a 4.75% tax rate beginning October 1, 2015. In the fiscal years prior to 2015, some manufactured homes were included in the 2% tax group and some modular homes were included in the 2.5% tax group. In the fiscal years prior to 2014, there was also a 1% tax group that included farm, mill, laundry machinery, fuel to farmers, manufacturers, and laundries.

SALES TAX REVENUE PAYERS BY BUSINESS GROUP

For the Fiscal Years 2014 & 2023
(Dollars in Thousands)

	2023		2014	
	Tax Liability	**Percentage of Total**	**Tax Liability**	**Percentage of Total**
General merchandise	$ 3,153,343	25.62%	$ 1,435,156	23.29%
Food	1,832,251	14.89%	1,094,731	17.76%
Utilities	1,417,629	11.52%	908,938	14.75%
Lumber & building material	1,366,912	11.11%	559,345	9.07%
Automotive	682,953	5.55%	313,354	5.08%
Furniture	307,042	2.49%	185,386	3.01%
Apparel	402,332	3.27%	224,341	3.64%
Unclassified	3,144,446	25.55%	1,442,585	23.40%
Total	$ 12,306,908	100.00%	$ 6,163,836	100.00%
General State Sales Tax Rate	4.75%		4.75%	

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2012-13	No substantive changes to sales and use tax rates or base became effective during the July 1, 2012 through June 30, 2013 period.
Fiscal Year 2013-14	Effective January 1, 2014, the sale of a modular home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2.5% preferential rate with 20% of the proceeds shared with local governments). The sale of a manufactured home is subject to the State general rate of 4.75% (no local rates apply) (transaction previously subject to the State 2% preferential rate (maximum tax $300 per article)). Service contracts (warranty agreements, maintenance agreements, repair contracts, or similar agreements or contracts by which the seller agrees to maintain or repair tangible personal property) are subject to the State general rate of 4.75% (applicable local rates apply). Previously, combined State/local use tax rates assessed on parts applied for certain transactions. Admission charges to the following entertainment activities are subject to the State general rate of 4.75% plus applicable local rates: a live performance or live event, a motion picture or film, a museum, a cultural site, a garden, an exhibit, a show, or a similar attraction or a guided tour at any of these attractions. The following events are exempted from this tax: school sponsored events held at an elementary or secondary school, certain commercial agricultural fairs, certain nonprofit-sponsored festivals or other recreational/entertainment activity, certain youth athletic contests, and certain State attractions. Previously, motion picture show admission charges were subject to a 1% gross receipts privilege tax and certain other amusements were subject to a 3% gross receipts privilege tax. Newspaper street vendors and sales by newspaper vending machines, nutritional supplements sold by a chiropractic physician at a chiropractic office to a patient as part of the patient's plan of treatment, and food and prepared meals sold by institutions of higher education (private and public) are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Effective June 1, 2014, gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent where a person occupies or has the right to occupy such on or after June 1, 2014, are subject to the 4.75% general State and applicable local and transit rates of sales and use tax and any local occupancy tax imposed by a city or county. Previously, the taxation of gross receipts derived from the rental of a private residence, cottage, or similar accommodation listed with a real estate broker or agent for fewer than 15 days was deemed exempt under provisions of the Important Notice: Tax on Accommodations (Revised June 14, 2002).

Source: North Carolina Department of Revenue

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2014-15	Effective July 1, 2014, gross receipts derived from sales of electricity billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, electricity sold for residential purposes was subject to the State 3% preferential rate and electricity sold to laundry and dry cleaning establishments for business use was subject to the State 2.83% preferential rate. The legislation concurrently repeals the utility franchise tax rate of 3.22% applicable to gross receipts from sales of electricity, electric lights, current, or power (local governments shared proceeds). [Gross receipts derived from sales of electricity to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption.] Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014, are subject to the combined general rate of 7% (local governments to share proceeds). Previously, the piped natural gas excise tax was based on monthly therm volumes of gas received by the end-user (local governments shared proceeds). Special phase-in provision for gas cities: Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014 and before July 1, 2015, received by gas cities and delivered by a gas city to a sales customer or transportation customer of the gas city are subject to a 3.5% rate. [Gross receipts derived from sales of piped natural gas to a farmer for qualifying farm purposes and to manufacturers for manufacturing facility operation may qualify for exemption; additionally, sales of piped natural gas to commercial laundry and pressing or dry cleaning establishments and sales to and purchases by State agencies may qualify for exemption.] Bakery thrift store sales are subject to the State general rate of 4.75% plus applicable local rates (previously exempt). Annual sales tax holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. Annual energy star holiday transactions previously exempted from taxation are subject to the State general rate of 4.75% plus applicable local rates. *Nonprofit refund limit provision:* The aggregate annual refund amount allowed a nonprofit entity for a fiscal year may not exceed $45 million ($31.7 million State tax and $13.3 million local tax). Effective September 1, 2014, effective for transactions on or after September 1, 2014, fifty percent (50%) of the sales of a modular home or a manufactured home, including all accessories attached when delivered to the purchaser is exempt from taxation. Effective October 1, 2014, effective for transactions on or after October 1, 2014, the exemption is repealed for sales from vending machines where price is 1¢ per sale. Effective for transactions on or after October 1, 2014, newspapers sold through a coin-operated vending machine no longer qualify for an exemption of 50% of the sales price (taxed on 100% gross receipts). Effective January 1, 2015, gross receipts derived from admission charges to certain commercial agricultural fairs and to State attractions supported by State funds that offer cultural, educational, historical, or recreational opportunities are subject to the 4.75% general State and applicable local and transit rates of sales and use tax. *New application for real property contracts (designates the real property contractor as the consumer):* Effective for sales made (and contracts entered into) on or after January 1, 2015, the sales price of tangible personal property sold to a real property contractor for use by the real property contractor in erecting structures, building on, or otherwise improving, altering, or repairing real property is subject to the general 4.75% State and applicable local and transit rates of sales and use tax.
Fiscal Year 2015-16	Effective July 1, 2015, gross receipts derived from sales of piped natural gas by gas cities (Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, Rocky Mount, Shelby and Wilson) and gross receipts derived from sales of electricity by Cape Hatteras Electric Membership Corporation (CHEMC) billed on or after July 1, 2015, are subject to the 7% combined general rate of sales and use tax (local governments to share proceeds). The 7% combined general rate of sales and use tax generally applied to gross receipts of piped natural gas and electricity sold at retail in the State and billed on or after July 1, 2014 except that gross receipts of gas cities and CHEMC were subject to a reduced 3.5% rate applicable for the July 1, 2014 through June 30, 2015 billing period prior to being subject to the 7% rate effective for billing periods on or after July 1, 2015. *Refunds authorized for certain governmental entities*: A joint agency created by interlocal agreement pursuant to General Statute 160A-462 to provide fire protection, emergency services, or police protection is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A soil and water conservation district organized under Chapter 139 of the General Statutes is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A district confinement facility created pursuant to General Statute 153A-219 is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015.

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2015-16 continued	Purchases or sales of datacenter machinery and equipment by or to an owner of a datacenter, or a contractor or subcontractor of an owner of a datacenter, are subject to the general 4.75% State and applicable local and transit rates of sales and use tax (the privilege tax imposed on machinery and equipment transactions purchased by a qualifying datacenter pursuant to General Statute 105 Article 5F expires for sales made on or after July 1, 2015). Effective September 24, 2015, the sales price of spirituous liquor sold at retail by a distillery permit holder and sales of antique spirituous liquor are subject to the 7% combined general rate of sales and use tax. A distillery, as authorized by legislation enacted during the 2015 General Assembly session is permitted to sell spirituous liquor distilled on the premises to visitors of the distillery with certain restrictions for consumption off the premises. Effective September 30, 2015, the sale, lease, or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax; an engine or a part to rebuild an engine for the purpose of providing an engine under an agreement to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax (exemptions expire for transactions made on or after January 1, 2020). *Refund provisions for economic incentive funds:* The refund provision for interstate passenger air carriers was modified to allow a refund of the sales and use taxes paid on fuel in excess of $1.25 million for the six-month period July 1, 2015 through December 31, 2015. The sunset for repeal of the refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). The sunset for repeal of the refund provision for professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). Effective October 1, 2015, the sales price of an aircraft sold at retail is subject to the 4.75% general State rate of tax (previously 3% State rate) with a maximum tax per article of $2,500 (previously $1,500); the sales price of an aircraft includes all accessories attached to the aircraft when it is delivered to the purchaser. The sale of an aircraft is not subject to the local and transit rates of sales and use tax. Each qualified jet engine sold at retail or purchased for storage, use, or consumption in this State is subject to the 4.75% general State rate of sales or use tax. The maximum use tax on a qualified jet engine purchased under a direct pay permit is $2,500; otherwise, no maximum tax applies. The sale of a qualified jet engine is not subject to the local and transit rates of sales and use tax. Parts and accessories for use in the repair or maintenance of a qualified aircraft (or a qualified jet engine) are specifically exempt from the tax imposed on the sale at retail and the use, storage, or consumption in this State. A qualified aircraft is aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds. The sales price of (or the gross receipts) derived from a service contract applicable to a qualified aircraft (or a qualified jet engine) is exempt from taxation. Effective January 1, 2016, the gross receipts derived from the retail sale of aviation gasoline and jet fuel are subject to the 7% combined general rate of sales and use tax (previously 4.75% general State and local and transit rates applied) except that sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation are exempt (exemption expires January 1, 2020). [The net proceeds of the tax collected on aviation gasoline and jet fuel are transferred within 75 days after the end of each fiscal year to the Highway Fund; this amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive aviation capital improvement projects for economic development purposes (initial transfer in September 2016 for sales and use taxes collected during FY15-16).] The sale at retail or the storage, use, or consumption in this State of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter are exempt from sales and use tax. In this application, datacenter support equipment is property that is capitalized for tax purposes under the Code and is used within the provision of a service or function included in the business of an owner, user, or tenant of the datacenter. Effective March 1, 2016, the 4.75% general State and applicable local and transit rates of sales and use tax apply to the sales price of (or the gross receipts derived from) certain repair, maintenance, and installation services transacted by a retailer and sourced to the State effective for sales occurring on or after March 1, 2016.

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2015-16 continued	Effective for transactions on or after March 1, 2016, the sales and use tax base is extended to include installation charges, repair, maintenance, and installation services for taxable tangible property; the 4.75% general State and local and transit rates of sales and use tax are imposed provided the transaction is made by a person engaged in retail trade. Motor vehicle repair, maintenance, and installation services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax except for services (includes replacement items and repair parts) covered under a manufacturer's warranty or dealer's warranty; the sales price of (or the gross receipts derived from) a service contract sold at retail that covers the entire motor vehicle is exempt from tax. Shoe repair services, watch, clock, and jewelry repair services, and tire recapping or retreading sales and services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax (sales or receipts prior to March 1, 2016 by administrative rule were permitted to be taxed at certain percentages where charges for labor and materials were not separately stated). The definition of service contract is amended to include a contract to maintain or repair tangible personal property regardless of whether the property becomes a part of or is applied to real property; additionally, a renewal of a service contract for tangible personal property where the tangible personal property becomes a part of or applied to real property to the effective date of the renewal is subject to sales and use tax. Installation charges made by a retailer as part of the retail sale of tangible personal property, certain digital property, and taxable services, sold at retail, are subject to the applicable rate of tax for the product, irrespective that installation charges may be separately stated by the retailer. Installation charges that are part of the gross receipts from the lease or rental of tangible personal property are subject to the applicable rate of sales and use tax, and maximum tax if applicable.
Fiscal Year 2016-17	Effective July 1, 2016, a use tax exemption is granted to a direct pay permit holder for certain boat, aircraft, and qualified jet engine charges and services; the allowable amount of use tax exemption is the amount of the separately stated installation charges that are part of the sales price of the tangible personal property or digital property that exceed $25,000 and the sales price of or gross receipts derived from the repair, maintenance, and installation services that exceed $25,000. Effective January 1, 2017 (for transactions occurring on or after such date) The General Assembly repealed an exemption for sales of items by a nonprofit civic, charitable, educational, scientific, or literary organization when the net proceeds of the sales will be given, contributed, or ultimately flow to the State of North Carolina or to one or more of its agencies or instrumentalities. The General Assembly enacted an exemption for sales of food, prepared food, soft drinks, candy, and other items of tangible personal property sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given, contributed, or ultimately flow to the school. The 2016 General Assembly enacted various provisions affecting the sales and use tax base expansion items related to repair, maintenance, and installation (RMI) services, and service contracts: the newly enacted provisions repeal provisions for retail trade; expand the application of sales and use tax to RMI services of certain transactions for real property and certain digital property; identify specific RMI-related exemptions; clarify the application of sales and use tax to real property contracts with respect to capital improvements; grant an exemption for installation labor related to real property contracts; and expand the exemption applicable to motor vehicle service contracts. The definition of retail trade is repealed; the definition of retailer is amended to provide that the term does not include a real property contractor, but does include a person whose *only* business activity is providing RMI services. (The 2015 legislated provisions applied sales and use tax to RMI services for transactions made by a person engaged in retail trade as statutorily defined). The definition of RMI services is expanded to include such services rendered with respect to digital property and real property, except for tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract. RMI-related services transactions performed pursuant to a real property contract that constitute construction, reconstruction, or remodeling with respect to a capital improvement to real property are not subject to the sales and use tax. RMI-related services transactions performed on real property that do not meet the statutory definition of capital improvement such as the replacement or repair of a fixture in or on a building or structure, or a single repair, maintenance, or installation service may be subject to the sales and use tax. The definition of RMI services, as amended, clarifies that such service include cleaning, refinishing, inspection, and monitoring services for property or a motor vehicle (excludes security or similar monitoring services for real property).

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2017-18	*Effective July 1, 2017 (for transactions occurring on or after such date)* An exemption from sales and use tax is allowed for sales of investment coins, investment metal bullion, and non-coin currency. An exemption from sales and use tax is allowed for sales of wastewater dispersal products that have been approved by the Department of Health and Human Services for dispersing wastewater effluent within the subsurface dispersal field in a ground absorption system. An exemption from sales and use tax is allowed for sales of equipment, or an accessory, an attachment, or a repair part for equipment that is sold to a large fulfillment facility and is used at the facility in the distribution process (excludes electricity). To qualify for the exemption, a large fulfillment facility must achieve required investment and employment levels within five years and maintain the minimum level of employment throughout its operation. If the level of investment or employment is not timely made, achieved, or maintained, the exemption is forfeited. A sales and use tax refund is provided for a transformative project for sales and use tax paid on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility. A qualifying transformative project must be approved for a grant under the Job Development Investment Grant (JDIG) Program by the North Carolina Department of Commerce on or before June 30, 2019 and achieve legislated investment and employment levels. *Special Provisions (Effective August 11, 2017)* Sales Tax Base Expansion Protection Act - The 2017 General Assembly provides the Department of Revenue shall take no action to assess any tax due for a filing period beginning on or after March 1, 2016 and ending before January 1, 2018 if certain conditions set forth in the statute apply and the retailer did not receive specific written advice from the Secretary of Revenue for the transactions at issue for the laws in effect for the applicable periods. The 2017 General Assembly enacted provisions relative to the determination of taxability of a mixed transaction contract (a contract that includes both a real property contract for a capital improvement and a repair, maintenance, and installation (RMI) service that is not related to the capital improvement). If the allocated sales price of the taxable RMI services included in the mixed transaction contract is greater than 25% of the contract price, then the 4.75% general State sales and use tax rate applies to the sales price of or the gross receipts derived from the taxable RMI service portion of the contract. If the allocated sales price of the taxable RMI services included in the contract is less than or equal to 25% of the contract price, then the RMI service portion of the contract and the taxable personal property, digital property, or service used to perform those services are taxable as real property contract and not subject to the 4.75% general State sales and use tax rate. The 2017 legislation increased the percentage for determining taxability of a mixed transaction contract from 10% to 25%. (Effective retroactively for sales and purchases made on or after January 1, 2017)
Fiscal Year 2018-19	*Special Provision (Effective June 12, 2018)* Sales Tax Base Expansion Protection Act - The 2018 General Assembly amended the Act to provide certain additional and extended relief from sales and use taxes due to the expansion of the sales tax base: the grace period is extended to January 1, 2019 (previously January 1, 2018). Effective November 1, 2018, as a result of the US Supreme Court decision rendered on June 21, 2018 in *South Dakota v. Wayfair, Inc.,* the NC Department of Revenue requires certain remote sellers that do not have a physical presence in the State and are not registered to collect and remit NC sales and use taxes to register, collect, and remit sales and use taxes to this State effective November 1, 2018, or 60 days after a remote seller meets the threshold, whichever is later. The threshold applies for remote sellers having gross sales in excess of $100,000 sourced to the State or 200 or more separate transactions sourced to the State in the previous or current calendar year.

Table 9

Recent Significant Sales Tax Rate and Base Changes

Fiscal Year 2019-20	*Effective July 26, 2019* An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract. *Effective October 1, 2019 Exemptions from sales and use tax:* -sales of equipment, attachments, and repair parts of equipment used in cutting, shaping, polishing, and finishing granite, marble, and engineered stone, and for similar stone-like products sold to a company primarily engaged in the business of providing made-to-order countertops, walls, and tubs. -sales of self-service car washes or vacuums and limited-service vehicle washes. -certain prescription sales of diapers and incontinence underpads purchased by an enrolled State Medicaid/Health Choice provided for use by beneficiaries of the State Medicaid program. *Effective November 1, 2019* *The sunset of the following provisions was extended to January 1, 2024 (from January 1, 2020)* -exemption for sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation. -exemptions for engine-related transactions to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series. -refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body. -refund provision for a professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle. *Effective February 1, 2020* A marketplace facilitator is required to collect sales taxes from its remote sales (including all marketplace-facilitated sales for all marketplace sellers) sourced to this State if the facilitator meets either of the following conditions for sales sourced to this State in the previous or current calendar year: (1) gross sales in excess of $100,000, or (2) 200 or more separate transactions.
Fiscal Year 2020-21	The 2020 General Assembly enacted the following provisions: *Retroactively effective October 1, 2019* -exemption for sales of a digital audio work or a digital audiovisual work that is a qualifying education expense under G.S. 115C-595(a)(3) to the operator of a home school as defined in G.S.115C-563 -exemption for sales of a digital audio work or a digital audiovisual work that consists of nontaxable service content when the electronic transfer of the digital audio work or digital audiovisual work occurs contemporaneously with the provision of the nontaxable service in real time -exclusion from taxation for an educational service as certain digital property *Effective July 1, 2020* -exemption for sales of livestock to qualifying or conditional farmers
Fiscal Year 2021-22	The 2021 General Assembly enacted the following provisions: *Retroactively effective July 1, 2020* -exemption for sales of fowl to qualifying or conditional farmers *Effective October 1, 2021* -exemption for sales of machinery, equipment, parts, and accessories to alcoholic beverage permit holders for use in the manufacture of unfortified wine, fortified wine, malt beverages, and spirituous liquor (exemption applies for sales of supplies and ingredients used or consumed by the permittee in the manufacturing process)

RATIOS OF OUTSTANDING DEBT BY TYPE

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Governmental Activities					
General obligation bonds	$ 1,975,940	$ 2,309,790	$ 2,648,385	$ 2,605,380	$ 2,424,075
Lease-purchase revenue bonds		—	—	—	—
Certificates of participation	—	—	—	—	—
Limited obligation bonds	2,121,490	2,348,890	2,275,750	1,774,945	1,946,915
GARVEE bonds	918,940	1,023,210	875,865	959,525	1,046,580
Issuance premium	521,621	628,794	638,351	553,093	581,316
Notes payable	—	—	—	—	—
Notes from direct borrowings (3)	37,651	43,945	40,185	43,937	47,676
Leases payable (4)	372,708	403,868	8,254	10,656	13,347
Subscription Liability (5)	225,706	187,821			
Total Governmental Activities	6,174,056	6,946,318	6,486,790	5,947,536	6,059,909
Business-type Activities					
Revenue bonds	1,787,362	2,323,816	2,365,938	1,917,358	1,456,614
GARVEE bonds	—	—	—	—	—
Issuance discount	—	—	—	—	—
Issuance premium	130,177	155,435	179,289	122,565	72,420
Notes payable	227	—	—	—	—
Notes from direct borrowings (3)	684,298	186,127	185,991	177,925	132,087
Leases payable (4)	6,712	8,228	66	94	106
Subscription Liability (5)	2,641				
Total Business-type Activities	2,611,417	2,673,606	2,731,284	2,217,942	1,661,227
Total Primary Government	$ 8,785,473	$ 9,619,924	$ 9,218,074	$ 8,165,478	$ 7,721,136
Debt as a Percentage of Personal Income (1)	1.40%	1.61%	1.56%	1.50%	1.53%
Amount of Debt Per Capita (1), (2)	$ 811	$ 904	$ 874	$ 781	$ 736

Table 10

2018	2017	2016	2015	2014
$ 2,441,685	$ 2,851,695	$ 3,038,665	$ 3,469,220	$ 3,607,100
—	—	—	2,000	4,125
—	102,405	124,820	151,745	247,615
1,783,975	1,888,370	1,997,070	2,095,550	2,132,085
516,820	607,685	529,755	598,165	395,275
468,508	434,721	505,737	550,393	558,928
50,623	22,089	27,196	34,095	39,738
—	—	—	—	—
16,080	20,118	24,037	20,712	17,869
5,277,691	5,927,083	6,247,280	6,921,880	7,002,735
1,077,275	1,096,395	1,011,388	1,019,588	1,039,308
—	—	145,535	145,535	145,535
(410)	(498)	(1,548)	(1,664)	(1,780)
48,620	45,254	20,753	23,326	25,932
385,960	387,146	388,827	390,818	376,869
—	—	—	—	—
38	—	—	—	—
1,511,483	1,528,297	1,564,955	1,577,603	1,585,864
$ 6,789,174	$ 7,455,380	$ 7,812,235	$ 8,499,483	$ 8,588,599
1.43%	1.64%	1.81%	2.03%	2.16%
$ 654	$ 726	$ 769	$ 847	$ 865

(1) North Carolina personal income and population obtained from Table 15 for calculations.

(2) Figures for amount of debt per capita are presented in whole dollars.

(3) For fiscal year ended June 30, 2019, GASB Statement 88, Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements 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 2014-2023
(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
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
2014	3,607,100	4,125	247,615	2,132,085	395,275	558,928

Table 11

Lease Liability (3)	Subscription Liability (4)	Total	Per Capita (1), (2)
$ 372,708	$ 225,706	$ 6,136,405	$ 566
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
		6,945,128	699

(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, 2023

(Dollars in Thousands)

		Payable from General Fund Revenues				
	Total General Obligation Bonds	*Total General Fund*	Refunding Series 2013B 2-20-13	Refunding Series 2013C 2-28-13	Refunding Series 2014A 4-30-14	General Obligation Series 2015A 4-22-15
			5%	3.5%-5%	5%	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	1,600,000	1,600,000	—	—	—	—
Total bonds authorized and issued	3,071,158	3,071,158	271,373	351,970	287,095	231,360
Bonds retired	1,095,218	1,095,218	73,758	303,090	230,810	92,560
Bonds outstanding— June 30, 2023	$ 1,975,940	$ 1,975,940	$ 197,615	$ 48,880	$ 56,285	$ 138,800
Bond Maturity as Follows:						
2023-24	$ 310,880	$ 310,880	$ 143,180	$ 16,225	$ 35,450	$ 11,570
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	—	—	—	—
2039-40	20,000	20,000	—	—	—	—
Total Bonds Outstanding	$ 1,975,940	$ 1,975,940	$ 197,615	$ 48,880	$ 56,285	$ 138,800

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
45,000	70,000	100,000	120,000	60,000
$ 284,360	$ 130,000	$ 300,000	$ 480,000	$ 340,000
$ 24,455	$ 10,000	$ 20,000	$ 30,000	$ 20,000
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
—	—	—	—	20,000
$ 284,360	$ 130,000	$ 300,000	$ 480,000	$ 340,000

SCHEDULE OF SPECIAL INDEBTEDNESS DEBT

June 30, 2023

(Dollars in Thousands)

		Limited Obligation Bonds			
	Total Special Indebtedness Debt	*Total Limited Obligation Bonds*	Capital Improvements Series 2013A 1-30-13	Capital Improvements Refunding Series 2014B 5-21-14	Limited Obligation Refunding Series 2014C 11-19-14
			2.25%-5%	5%	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	663,305	663,305	98,915	90,485	141,090
Partial defeasances	14,235	14,235	14,235	—	—
Bonds outstanding— June 30, 2023	$ 2,121,490	$ 2,121,490	$ 136,850	$ 109,085	$ 157,930
Bond Maturity as Follows:					
2023-24	$ 233,700	$ 233,700	$ 12,810	$ 43,800	$ 34,655
2024-25	208,845	208,845	13,450	37,785	36,480
2025-26	205,145	205,145	13,920	27,500	27,230
2026-27	205,710	205,710	—	—	30,165
2027-28	208,460	208,460	14,945	—	29,400
2028-29	201,270	201,270	15,395	—	—
2029-30	167,010	167,010	15,855	—	—
2030-31	171,090	171,090	16,330	—	—
2031-32	142,575	142,575	16,820	—	—
2032-33	124,580	124,580	17,325	—	—
2033-34	111,685	111,685	—	—	—
2034-35	88,100	88,100	—	—	—
2035-36	26,010	26,010	—	—	—
2036-37	27,310	27,310	—	—	—
Total Bonds Outstanding	$ 2,121,490	$ 2,121,490	$ 136,850	$ 109,085	$ 157,930

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
99,125	61,690	97,100	60,080	14,820
—	—	—	—	—
$ 519,290	$ 238,310	$ 602,900	$ 71,945	$ 285,180
$ 46,050	$ 16,795	$ 38,110	$ 26,785	$ 14,695
48,200	17,630	40,015	—	15,285
59,915	18,515	42,015	—	16,050
95,140	19,440	44,115	—	16,850
79,690	20,410	46,320	—	17,695
97,230	21,430	48,635	—	18,580
58,070	22,505	51,070	—	19,510
34,995	23,630	53,620	22,030	20,485
—	24,810	56,305	23,130	21,510
—	26,050	58,620	—	22,585
—	27,095	60,875	—	23,715
—	—	63,200	—	24,900
—	—	—	—	26,010
—	—	—	—	27,310
$ 519,290	$ 238,310	$ 602,900	$ 71,945	$ 285,180

PLEDGED REVENUE COVERAGE

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Department of Transportation					
Grant Anticipation Revenue Vehicle Bonds (GARVEE)					
Pledged revenue:					
Federal transportation revenues	$ 1,387,064	$ 1,233,197	$ 1,255,035	$ 1,459,841	$ 1,456,615
Net available revenue	$ 1,387,064	$ 1,233,197	$ 1,255,035	$ 1,459,841	$ 1,456,615
Debt service:					
Principal	$ 104,270	$ 105,250	$ 83,660	$ 87,055	$ 70,240
Interest	50,073	49,083	47,976	44,579	25,697
Coverage ratio	8.99	7.99	9.53	11.09	15.18
North Carolina Turnpike Authority					
Revenue Bonds					
Pledged revenue:					
Toll revenues (1)	$ 89,655	$ 75,625	$ 42,423	$ 66,576	$ 57,937
Fees, licenses and fines (2)	16,620	12,736	7,363	10,615	6,038
Federal transportation revenues	—	—	—	—	—
Federal interest subsidy on debt	3,878	6,045	4,147	4,324	6,177
Interest on investments	7,541	26,378	3,302	9,053	4,084
Less: Operating expenses	—	(1,227)	—	—	—
Net available revenue	$ 117,694	$ 119,557	$ 57,235	$ 90,568	$ 74,236
Debt service:					
Principal	$ 36,994	$ 42,122	$ 29,860	$ 26,210	$ 22,060
Interest	109,873	101,329	85,957	65,048	50,150
Coverage ratio (3)	0.80	0.83	0.49	0.99	1.03

Table 14

2018	2017	2016	2015	2014
$ 1,147,920	$ 1,142,699	$ 1,031,454	$ 1,064,575	$ 1,311,264
$ 1,147,920	$ 1,142,699	$ 1,031,454	$ 1,064,575	$ 1,311,264
$ 71,940	$ 67,605	$ 68,410	$ 62,040	$ 59,545
23,996	31,783	25,816	18,574	21,006
11.97	11.50	10.95	13.21	16.28
$ 43,940	$ 39,199	$ 33,999	$ 26,265	$ 18,980
5,055	5,505	4,460	3,922	5,203
—	—	14,807	9,733	11,677
10,834	11,348	11,387	11,375	11,338
2,654	2,735	2,143	1,768	1,272
—	—	—	—	—
$ 62,483	$ 58,787	$ 66,796	$ 53,063	$ 48,470
$ 18,395	$ 11,960	$ 8,200	$ 19,720	$ 19,150
54,400	55,178	61,328	61,912	62,585
0.86	0.88	0.96	0.65	0.59

(1) In fiscal year 2012, the N.C. Turnpike Authority began collecting tolls; 2012 and 2013 are restated to include the tolls.

(2) In fiscal year 2012, the N.C. Turnpike Authority began charging fees in connection with the tolls; 2012 and 2013 are restated to include the fees.

(3) For fiscal years 2011 through 2013, the N.C. Turnpike Authority reported state appropriations as a pledged revenue. Starting with 2014, the state appropriations are no longer included as a pledged revenue and the coverage ratios are recalculated.

Continued

PLEDGED REVENUE COVERAGE (Continued)

For the Fiscal Years 2014-2023
(Dollars in Thousands)

	2023	2022	2021	2020	2019
University of North Carolina System					
Revenue Bonds					
Pledged revenue:					
Sales and services	$ 67,865	$ 66,542	$ 65,922	$ 189,752	$ 193,640
Student tuition and fees	—	—	—	4,579	3,468
Patient services	1,455,193	1,320,020	1,208,853	1,116,673	1,105,697
Rental lease earnings	244	138	13	—	123
Investment income	—	—	—	566	1,013
Federal interest subsidy on debt	—	—	—	—	—
Other operating revenues	—	—	2	33,941	185,703
Net increase in fair value of investments	—	—	—	—	—
Non-operating revenues	(2,174)	32,910	128,006	—	—
Less: Operating expenses	(1,453,249)	(1,316,815)	(1,045,883)	(1,228,550)	(1,233,620)
Net available revenue	$ 67,879	$ 102,795	$ 356,913	$ 116,961	$ 256,024
Debt service:					
Principal	$ 9,305	$ 8,980	$ 9,560	$ 14,695	$ 15,675
Interest	17,236	13,994	13,789	14,125	10,456
Coverage ratio	2.56	4.47	15.29	4.06	9.80
Direct Placements (1)					
Pledged revenue:					
Sales and services	$ 17,675	$ 23,145	$ 22,376	$ 20,319	$ 19,481
Rental lease earnings	609	28	27	25	23
Investment income	136	89	1,492	105	348
Non-operating revenues	11	16	16	18	3
Less: Operating expenses	(16,557)	(22,006)	(15,910)	(17,971)	(18,669)
Net available revenue	$ 1,874	$ 1,272	$ 8,001	$ 2,496	$ 1,186
Debt service:					
Principal	$ 1,487	$ 1,375	$ 1,324	$ 1,183	$ 635
Interest	739	772	744	735	93
Coverage ratio	0.84	0.59	3.87	1.30	1.63
Special Indebtedness					
Pledged revenue:					
Sales and services	$ 10,888	$ 10,006	$ 8,580	$ 9,369	$ 11,217
Rental lease earnings	—	—	—	—	—
Investment income (loss)	111	7	21	74	64
Other operating revenues	369	341	307	29	45
Less: Operating expenses	(2,830)	(2,815)	(1,850)	(2,229)	(2,336)
Net available revenue	$ 8,538	$ 7,539	$ 7,058	$ 7,243	$ 8,990
Debt service:					
Principal	$ 3,932	$ 3,766	$ 3,631	$ 3,082	$ 3,447
Interest	2,779	2,931	3,091	3,784	3,838
Coverage ratio	1.27	1.13	1.05	1.05	1.23
Notes from Direct Borrowings					
Pledged revenue:					
Sales and services	$ 16,115	$ 7,873	$ 4,598	$ —	$ —
Rental lease earnings	10	—	—	—	—
Investment income (loss)	75	—	—	—	—
Non-operating revenues	6	—	—	—	—
Less: Operating expenses	(9,420)	(986)	(2,319)	—	—
Net available revenue	$ 6,786	$ 6,887	$ 2,279	$ —	$ —
Debt service:					
Principal	$ 386	$ 377	$ —	$ —	$ —
Interest	559	444	215	—	—
Coverage ratio	7.18	8.39	10.60	—	—

Table 14

2018	2017	2016	2015	2014
$ 207,349	$ 193,570	$ 199,685	$ 231,306	$ 239,267
4,014	4,344	4,552	5,214	6,673
1,060,817	1,017,713	934,687	842,845	737,984
2,002	1,815	3,098	3,998	3,866
1,194	1,018	326	820	522
—	—	371	362	368
2,403	2,548	32,859	—	3
—	—	—	—	571
42	1	—	18	9,619
(1,177,224)	(1,110,601)	(1,038,199)	(1,035,252)	(915,827)
$ 100,597	$ 110,408	$ 137,379	$ 49,311	$ 83,046
$ 16,415	$ 16,915	$ 17,025	$ 16,720	$ 16,645
9,779	10,700	12,084	8,298	8,668
3.84	4.00	4.72	1.97	3.28
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—
$ 8,859	$ 8,914	$ 8,144	$ 1,007	$ 3,695
1,986	2,206	849	3,129	3,035
37	23	16	(1)	9
48	53	240	—	—
(2,389)	(2,410)	(2,375)	(2,021)	(2,560)
$ 8,541	$ 8,786	$ 6,874	$ 2,114	$ 4,179
$ 3,268	$ 3,099	$ 2,535	$ 730	$ 1,110
3,956	4,304	3,591	1,107	1,824
1.18	1.19	1.12	1.15	1.42
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
$ —	$ —	$ —	$ —	$ —
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
—	—	—	—	—

(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 2014-2023

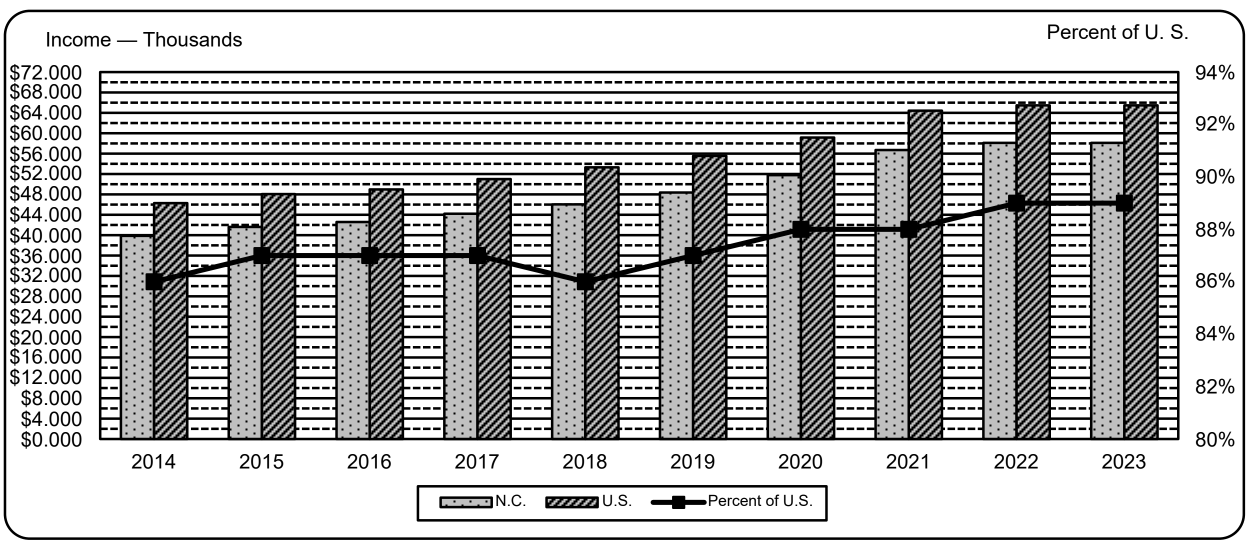
	Population				*Per Capita Income*			*Personal Income (millions)*	
	(1)	U.S.	(1)	(3) N.C.			(4) N.C.		
	United	Increase	North	Incr/Decr	(2)	(2)	as a	(2)	(2)
	States	from Prior	Carolina	from Prior	United	North	Percentage	United	North
Year	**Population**	**Period**	**Population**	**Period**	**States**	**Carolina**	**of U.S.**	**States**	**Carolina**
2023	334,548,311	0.38%	10,833,737	1.26%	$ 65,471	58,110	88.76%	$ 21,903,212	$ 629,548
2022	333,287,557	0.38%	10,698,973	1.26%	65,470	58,109	88.76%	21,820,248	621,706
2021	332,031,554	0.16%	10,565,885	1.11%	64,430	56,705	88.01%	21,392,812	599,134
2020	331,511,512	1.00%	10,449,445	(0.37%)	59,153	51,781	87.54%	19,609,985	541,078
2019	328,239,523	0.48%	10,488,084	1.03%	55,547	48,366	87.07%	18,343,601	501,587
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
2014	318,301,008	0.73%	9,932,887	0.91%	46,287	39,866	86.13%	14,778,160	393,886

Sources:

(1) Census estimates based on 2010 census (July 1) for years 2014 - 2019. Census estimates based on 2020 (April 1) census for years 2020-2022. 2023 is an Office of the State Controller estimate based on 2021 and 2022.

(2) U.S. Department of Commerce Bureau of Economic Analysis used for years 2014 - 2022. Since the 2023 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 2023 U.S. Per Capita Income, and the previous year N.C. as a Percentage of U.S. was used to project the 2023 Per Capita Income for North Carolina. U.S. and N.C. Personal Income was not available, so year 2023 is calculated from sources 3 and 4.

Per Capita Income
North Carolina Compared to United States
2014 to 2023

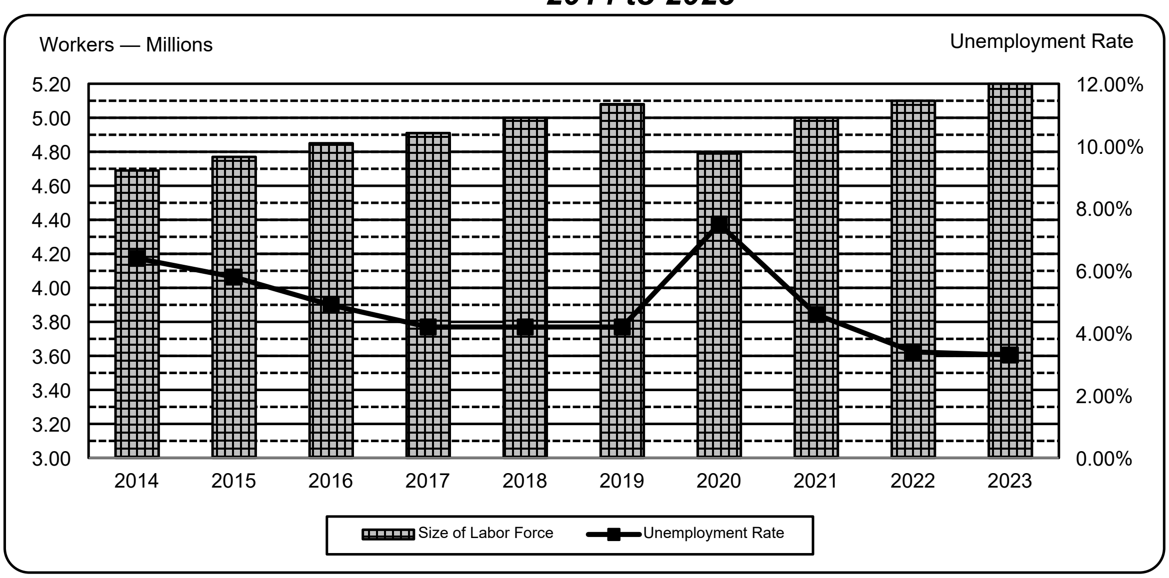


Sources:	*(3) Population*	*U.S. Department of Commerce, Bureau of the Census*
	(4) Per Capita Income	*U.S. Department of Commerce, Bureau of Economic Analysis*

Table 15

	North Carolina Civilian Labor Force Data			(5)	North Carolina - Other Data	
					(6)	(7)
Year	**Total**	**Employed**	**Unemployed**	**Unemployed Percentage Rate**	**Motor Vehicles Registered**	**Residential Construction Authorized**
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
2014	4,688,666	4,389,480	299,186	6.40%	8,843,938	23,528

Civilian Labor Force Trends With Unemployment Percentages 2014 to 2023



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 2014 & 2023 *Table 16*

	2023			2014		
	Employees	**Rank**	**Percentage of Total State Employment**	**Employees**	**Rank**	**Percentage of Total State Employment**
State of North Carolina	170,000-174,999	1	3.42%	180,000-184,999	1	4.16%
Federal Government	75,000-79,999	2	1.54%	65,000-69,999	2	1.54%
Wal-Mart Associates, Inc	60,000-64,999	3	1.24%	45,000-59,999	3	1.20%
Duke University	40,000-44,999	4	0.84%	30,000-34,999	5	0.74%
Food Lion LLC	35,000-39,999	5	0.74%	25,000-29,999	6	0.63%
Atrium Health	35,000-39,999	6	0.74%	-		-
Wells Fargo Bank NA	30,000-34,999	7	0.64%	25,000-29,999	7	0.63%
Wake County Public Schools	20,000-24,999	8	0.45%	20,000-24,999	10	0.51%
Amazon Fulfillment services Inc	20,000-24,999	9	0.45%	-		-
Lowes Home Center Inc	20,000-24,999	10	0.45%	-		-
Charlotte Mecklenburg Hospital	-		-	30,000-34,999	4	0.74%
Charlotte-Mecklenburg Board of Edu	-		-	20,000-24,999	8	0.51%
Bank of America NA	-		-	20,000-24,999	9	0.51%
Total	505,000-554,990		10.51%	460,000-519,990		11.17%

Notes: All figures are based on 1st quarter average. Percentage of total state employment is based on the average of the ranges given.

Source: North Carolina Department of Commerce – Labor and Economic Analysis Division

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TEACHERS AND STATE EMPLOYEES BY FUNCTION

For the Fiscal Years 2014-2023

	2023 (2)	2022 (2)	2021 (2)	2020 (2)	2019 (2)
General government (1)	5,859	5,811	5,769	5,631	5,501
Primary and secondary education	153,595	156,512	156,712	156,693	155,755
Higher education:					
Universities	68,209	67,987	65,824	67,166	65,697
Community colleges	17,002	17,025	17,122	17,761	18,095
Health and human services	18,432	18,286	18,270	18,270	18,098
Economic development	2,083	2,280	2,236	2,554	2,141
Environment and natural resources (1)	4,493	4,295	4,222	4,157	4,140
Public safety, corrections and regulation	35,267	35,232	34,205	34,963	34,034
Transportation	11,421	11,423	11,624	11,669	11,666
Agriculture	2,128	2,127	2,136	2,159	2,088
Total	318,489	320,978	318,120	321,023	317,215

Source: North Carolina Office of State Budget and Management

Table 17

2018	2017	2016	2015	2014
(2)				
4,983	5,160	4,857	5,270	5,357
151,263	153,236	154,079	153,165	157,205
64,028	63,345	62,194	62,152	61,720
18,028	18,021	18,129	18,471	18,588
18,038	17,970	17,552	17,620	17,801
2,136	2,340	3,365	2,893	3,003
4,128	4,112	4,148	3,471	3,566
34,089	34,009	33,966	33,558	33,635
12,141	12,578	12,591	12,758	13,309
2,082	2,077	2,066	2,080	2,081
310,916	312,848	312,947	311,438	316,265

(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 and 2023 are projected from prior year data.

OPERATING INDICATORS BY FUNCTION

For the Fiscal Years 2014-2023

	2023	2022	2021	2020	2019
General Government					
Department of Revenue					
Number of tax returns filed electronically	11,099,109	10,661,970	10,849,874	9,292,526	9,163,552
Number of tax returns processed	12,525,216	12,229,201	12,772,595	11,102,781	11,323,904
Number of individual refunds direct deposited	2,313,252	2,013,686	2,223,632	1,850,823	1,875,194
Number of individual refunds processed	3,010,256	2,664,561	2,963,570	2,539,044	2,717,162
Number of pieces of incoming mail	2,789,629	3,201,916	3,759,578	3,608,395	4,186,563
Number of pieces of outgoing mail	4,752,256	5,245,111	7,453,330	6,355,203	8,814,460
Department of Administration					
Construction projects administered	1	5	4	3	3
Construction value excluding design fee (thousands)	$ 43,623	$ 16,715	$ 8,845	$ 4,935	$ 139
USS North Carolina Battleship Commission					
Visitation to USS North Carolina Battleship	187,771	209,530	126,225	173,919	187,570
Primary and Secondary Education					
Public School (K-12)					
Public school enrollment	1,573,840	1,563,458	1,558,633	1,580,754	1,579,332
Total high school graduates	107,531	101,244	107,375	109,518	107,095
Graduate intention to pursue further education	76.2%	75.6%	75.4%	78.8%	81%
Higher Education					
Community Colleges					
Number of students (annualized FTE)	227,974	219,655	214,608	239,554	230,140
Number of certificates and degrees awarded	56,163	63,831	61,690	63,438	65,305
Universities					
Number of regular term students (FTE)	217,906	221,485	220,391	219,021	216,959
Number of certificates and degrees awarded	62,649	62,930	60,692	57,939	55,874
Health and Human Services (3 & 5)					
Department of Health and Human Services					
Medicaid recipients	2,861,926	2,618,162	2,423,504	2,097,451	2,073,052
Food stamp recipients	1,974,325	2,002,376	1,809,263	1,739,775	1,797,272
Clients served by mental health facilities	1,075	1,386	1,826	2,167	3,017
Clients served by developmental disabilities facilities	751	805	895	954	985
Clients served by substance abuse facilities	1,974	2,572	3,564	3,883	3,374
Clients served by neuro-meds facilities	333	379	436	502	515
Children served through subsidized child care	92,846	85,825	85,273	119,550	120,017
Participation in Special Supplemental Nutrition Program	265,272	253,547	252,719	220,455	221,206
Clients served through Work First	31,594	29,631	30,276	34,022	38,576
NC Health Choice annual enrollment	-	78,021	101,032	120,729	109,644

Source: Financial reporting entities listed in the table.

Table 18

2018	2017	2016	2015	2014
8,837,553	8,418,279	7,941,295	7,263,173	7,022,822
11,217,334	11,150,416	10,946,995	10,363,073	10,366,001
1,806,510	1,825,815	1,453,984	1,412,624	1,934,344
2,683,039	2,753,655	2,308,133	2,311,764	3,127,317
4,160,827	4,580,005	5,219,418	5,090,535	5,129,271
8,934,110	9,050,706	9,083,964	9,219,001	8,417,904
1	2	8	8	7
$ -	$ 33,309	$ 72,824	$ 63,552	$ 63,460
211,596	218,479	212,369	202,447	210,969
1,582,118	1,545,614	1,538,310	1,520,985	1,510,664
103,261	101,991	99,183	96,477	95,580
82%	85.9%	83.8%	83.8%	84.5%
219,176	222,461	220,312	225,135	229,924
63,226	62,131	58,960	49,592	45,392
213,218	209,401	205,119	202,447	200,716
54,838	53,236	51,799	51,850	51,086
2,247,663	2,200,011	2,198,496	2,054,975	2,073,166
1,345,157	1,436,586	1,609,669	1,649,754	1,620,115
3,062	3,110	3,146	3,301	3,593
1,136	1,156	1,161	1,199	1,212
3,466	3,496	3,512	3,698	4,047
612	644	683	721	744
122,924	105,755	112,545	120,471	121,112
230,071	240,691	244,652	248,575	257,582
27,436	26,415	31,015	33,598	37,256
94,698	90,589	81,897	78,407	98,537

Continued

OPERATING INDICATORS BY FUNCTION (Continued)

For the Fiscal Years 2014-2023

	2023	2022	2021	2020	2019
Economic Development					
Economic Development Partnership of North Carolina					
Jobs generated company recruitment/expansion	13,887	30,546	25,796	18,304	22,061
Capital investment (thousands)	$ 9,670,000	$ 13,250,000	$ 9,275,000	$ 5,630,000	$ 3,325,257
Department of Commerce					
Total employed	5,047,952	4,929,061	4,769,039	4,430,134	4,868,076
Percentage of unemployment	3.3%	3.4%	4.6%	7.5%	4.2%
Environment and Natural Resources					
Department of Environmental Quality					
Public drinking water systems in compliance	99%	99%	99%	98%	98%
Department of Natural and Cultural Resources					
Visitation to state parks	19,540,013	20,924,142	23,459,561	17,391,643	17,866,517
Visitation to historical sites and museums	4,404,132	4,019,105	2,950,439	2,451,425	4,506,115
Visitation to state aquariums	1,409,637	1,309,703	862,418	801,738	690,809
Visitation to N.C. Zoo	966,263	1,008,296	636,448	490,829	864,138
Wildlife Resources Commission					
Hunting licenses sold	196,974	201,869	200,969	186,284	176,847
Fishing licenses sold (inland and coastal)	725,590	771,624	920,244	790,572	742,253
Combination hunting/fishing licenses sold	151,818	168,079	167,682	162,681	139,878
Vessels registered	170,078	182,146	188,883	186,594	173,732
Public Safety, Corrections and Regulation (3 & 4)					
Department of Public Safety & Department of Adult Corrections					
Incarcerated adult offenders	30,815	29,977	29,113	31,506	36,053
Supervised adult offenders	77,654	76,292	77,463	94,937	100,348
Juvenile offenders	5,270	5,361	4,299	4,632	5,349
Administrative Office of the Courts					
Cases disposed as a % of cases filed-Superior Court	100%	100%	100%	100%	100%
Cases disposed as a % of cases filed-District Court	100%	100%	100%	100%	100%
Agriculture					
Department of Agriculture and Consumer Services					
Motor fuel dispensers tested (1)	101,898	100,061	5,061	81,907	117,459
Rejection rate	8.2%	6.92%	12.6%	6.1%	33.06%
Retail scales tested (2)	27,919	38,484	1,479	23,028	27,110
Rejection rate	5.5%	5.16%	12.9%	8.3%	7.6%

Table 18

2018	2017	2016	2015	2014
20,794	15,748	14,806	14,812	14,094
$ 3,580,000	$ 3,831,981	$ 4,245,981	$ 2,388,677	$ 2,787,447
4,787,584	4,700,760	4,614,694	4,493,898	4,389,480
4.2%	4.2%	4.9%	5.8%	6.4%
98%	99%	97%	96%	96%
19,153,780	19,038,513	18,053,654	16,293,380	14,751,051
4,014,046	5,488,204	5,480,871	4,627,997	4,161,452
1,376,820	1,347,641	1,233,070	1,268,467	1,123,756
839,963	870,882	755,567	721,432	728,531
144,380	141,448	145,029	145,729	126,524
743,316	779,184	789,049	795,878	823,712
146,772	152,801	161,847	191,244	204,179
173,740	176,585	179,485	146,305	144,316
37,104	37,487	37,440	37,793	37,529
97,798	99,313	100,881	102,790	103,399
6,075	6,613	7,170	8,037	8,141
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
116,709	106,614	91,525	95,811	96,880
27.7%	11.49%	13%	16%	16.36%
33,630	31,994	33,270	26,091	30,220
7.7%	8.7%	9.4%	8.8%	8.96%

(1) Governed by Gasoline and Oil Inspection Law (General Statute 119)

(2) Governed by North Carolina Weights and Measures Act (General Statute 81A)

(3) Starting in fiscal year 2012, Juvenile Justice and Delinquency Prevention is included in the public safety, corrections and regulation function; whereas in prior years it was included in the health and human services function.

(4) 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.

(5) 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 2014-2023

	2023	2022	2021	2020	2019
Primary Government					
General Government					
Department of Administration					
Buildings	65	64	65	67	71
Parking lots	24	24	24	24	24
Parking spaces	8,369	8,433	8,433	8,425	8,391
Motor Fleet vehicles	8,138	7,894	7,957	7,806	7,538
Health and Human Services					
Mental Health Institutions	13	13	13	13	13
Number of certified beds	3,979	4,029	3,986	3,964	4,008
Environment and Natural Resources					
Department of Natural and Cultural Resources					
Number of state park lands	35	35	35	34	34
Acres of state park lands	174,848	171,546	172,759	165,168	165,168
Number of state recreation areas	4	4	4	4	4
Acres of state recreation areas	13,256	13,256	13,256	13,256	13,256
Number of state natural areas	25	25	24	24	24
Acres of state natural areas	35,646	35,509	33,259	29,830	28,328
Number of state lakes	7	7	7	7	7
Acres of state lakes	29,135	29,135	29,135	29,135	29,135
Zoo animals	1,236	1,247	1,270	1,326	1,672
Vehicles (4)	932	945	856	880	868
Boats/trailers (4)	300	351	333	336	351
Scientific equipment (4)	323	348	342	391	165
Department of Environmental Quality					
Vehicles (5)	141	143	157	158	173
Boats/trailers (5)	423	457	430	433	434
Aircraft	2	2	2	2	2
Scientific equipment (5)	641	534	1,298	1,233	1,049
Wildlife Resources Commission					
Number of game lands	72	94	72	71	70
Acres of game lands	540,076	544,481	533,595	532,733	509,600
Vehicles	551	534	543	568	575
Boats/trailers	983	605	969	1,033	913
Aircraft	2	2	2	2	2
Public Safety, Corrections and Regulation					
Department of Adult Corrections (7)					
Close security prisons	13	14	13	19	15
Medium security prisons	20	19	19	17	19
Minimum security prisons	23	20	23	25	21
Adult Correction Vehicles:					
Passenger/cargo vans	217	206	177	183	239
Inmate transfer vans/buses	460	453	595	555	616
Inmate work crew vans/buses (6)	—	—	—	—	—
Pickup trucks	282	280	143	124	348
Roving patrol pickups	99	106	111	105	109
One ton maintenance trucks	85	92	341	334	104
Specialty/other trucks (1)	81	77	346	358	71

Source: Financial reporting entities listed in the table.

Table 19

2018	2017	2016	2015	2014
74	82	87	107	105
24	24	25	25	25
8,434	8,434	8,423	8,526	8,528
7,657	7,591	7,465	7,602	8,136
13	12	13	13	13
3,916	4,041	4,087	4,111	4,245
34	35	35	35	35
163,159	162,294	160,891	157,856	155,556
4	4	4	4	4
13,256	13,256	13,256	13,256	13,256
28	24	24	20	20
28,024	26,114	26,000	24,662	23,896
7	7	7	7	7
29,135	29,135	29,135	29,135	29,135
1,393	1,533	1,341	1,767	1,816
853	850	863	—	—
352	341	316	—	—
50	53	49	—	—
179	181	178	889	883
416	430	443	519	508
4	2	3	3	3
734	716	743	749	774
70	69	66	64	64
501,617	492,950	488,589	481,665	493,134
571	570	563	463	463
898	906	870	796	779
3	3	3	3	3
14	14	15	14	13
19	18	17	18	22
22	23	26	26	24
180	183	129	127	122
347	536	497	490	486
148	191	208	218	223
425	450	361	376	348
106	123	100	95	97
184	190	104	106	106
152	160	114	108	108

Continued

CAPITAL ASSET STATISTICS BY FUNCTION (Continued)

For the Fiscal Years 2014-2023

	2023	2022	2021	2020	2019
Department of Adult Corrections (7)					
Enterprise Vehicles:					
Passenger/cargo vans	26	20	18	18	16
Inmate workcrew buses	14	19	16	16	18
Pickup trucks	53	47	42	42	56
One ton maintenance trucks	34	64	64	64	20
Specialty/other trucks	91	95	95	95	112
Department of Public Safety					
Youth facilities	10	10	11	11	10
Number of vehicles:					
Alcohol Law Enforcement Cars/SUV's	163	166	167	171	175
State Highway Patrol Vehicles					
Cars	1,753	1,819	1,766	1,693	1,699
Trucks/vans	537	416	383	403	362
Motorcycles	37	42	36	35	38
State Bureau of Investigation Vehicles					
Cars/SUV's	239	238	271	266	292
Trucks/vans	182	159	145	141	115
State Highway Patrol Aircraft Helicopters	3	2	4	2	4
Transportation					
Department of Transportation					
Pavement in lane-miles:					
Primary subsystem (2)	—	15,187	15,205	15,176	15,164
Secondary subsystem (2)	—	65,197	65,113	65,066	64,995
Bridges:					
Number of bridges (2)	—	13,689	13,570	13,587	13,476
Number of culverts (2)	—	4,860	4,807	4,756	4,739
Vehicles	8,013	7,932	7,846	7,763	8,007
Heavy equipment	16,448	15,948	15,877	15,287	15,636
Component Units					
Higher Education					
Community Colleges					
Buildings	1,360	1,337	1,313	1,277	1,275
Universities					
Academic/administrative buildings	1,071	1,071	1,057	1,050	1,045
Dormitories/auxiliary buildings	815	810	800	792	790
Medical (3)	24	24	24	25	25
University System Hospitals					
Administration	13	17	17	16	12
Clinical	35	30	30	30	32
Facility services	9	9	9	9	9
Hospital	14	14	11	10	9

Table 19

2018	2017	2016	2015	2014
16	17	16	16	16
18	18	19	18	19
55	52	53	52	52
20	20	19	21	21
116	113	114	117	106
10	10	10	10	10
156	175	178	225	162
1,649	1,672	1,738	1,805	1,925
372	407	418	525	506
37	38	41	46	40
275	284	257	308	349
90	93	74	78	74
6	6	6	6	6
15,142	15,125	15,125	15,062	15,062
64,901	64,830	64,544	64,522	64,522
13,413	13,522	13,494	13,519	13,552
4,653	4,654	4,592	4,520	4,496
8,779	8,276	872	9,191	9,463
15,948	14,840	14,799	15,237	14,808
1,271	1,238	1,234	1,199	1,182
1,053	1,052	1,044	1,070	1,010
789	786	744	721	684
35	35	36	49	39
16	16	16	18	18
47	61	52	51	52
10	10	10	10	10
9	9	9	8	7

(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.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND
For the Fiscal Years 2014-2023

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 2014-2023 *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.

	2014	2015	2016	2017	2018	2019	2020	2021	Restated 2022	2023
1) Required contribution and investment revenue:										
Earned	$ 17,583	$14,563	$19,099	$12,518	$12,585	$19,931	$20,473	$10,521	$ 6,974	$13,682
Ceded	4,313	3,545	3,665	3,386	3,298	3,952	6,396	18,750	22,266	26,901
Net earned	13,270	11,018	15,434	9,132	9,287	15,979	14,077	(8,229)	(15,292)	(13,219)
2) Unallocated expenses	695	635	600	659	583	564	619	446	434	509
3) Estimated claims and expenses, end of policy year:										
Incurred	6,492	10,524	943	16,149	1,271	62,387	7,357	4,976	7,280	2,156
Ceded	—	—	—	—	—	(45,500)	—	—	—	—
Net incurred	6,492	10,524	943	16,149	1,271	16,887	7,357	4,976	7,280	2,156
4) Paid (cumulative) as of:										
End of policy year	1,845	1,448	872	4,188	1,015	10,969	2,861	2,914	1,956	904
One year later	4,053	5,389	1,078	10,189	1,735	40,580	8,461	5,950	4,460	
Two years later	4,053	5,389	1,078	12,381	1,735	45,887	9,106	6,046		
Three years later	4,053	5,389	1,078	12,381	1,735	45,887	9,106			
Four years later	4,053	5,389	1,078	12,381	1,735	45,887				
Five years later	4,053	5,389	1,078	12,381	1,735					
Six years later	4,053	5,389	1,078	12,381						
Seven years later	4,053	5,389	1,078							
Eight years later	4,053	5,389								
Nine years later	4,053									
5) Reestimated ceded claims and expenses	—	—	—	2,834	—	—	—	—	—	—
6) Reestimated net incurred claims and expenses:										
End of policy year	6,492	10,524	943	16,149	1,271	16,887	2,867	6,853	3,945	1,252
One year later	5,189	10,669	917	18,622	1,800	55,177	8,467	9,648	7,749	
Two years later	5,189	10,669	917	12,547	1,800	60,484	8,467	9,648		
Three years later	5,189	10,669	917	12,547	1,800	60,484	8,467			
Four years later	5,189	10,669	917	12,547	1,800	60,484				
Five years later	5,189	10,669	917	12,547	1,800					
Six years later	5,189	10,669	917	12,547						
Seven years later	5,189	10,669	917							
Eight years later	5,189	10,669								
Nine years later	5,189									
7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(1,303)	145	(26)	(3,602)	529	43,597	1,110	4,672	469	(904)

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North Carolina Office of the State Controller
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Raleigh, North Carolina 27699-1410

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