



OFFICE OF THE
STATE CONTROLLER

STATE OF NORTH CAROLINA

FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDING JUNE 30, 2021

Financial Highlights

Dear Fellow North Carolinian,

I am pleased to present **North Carolina's Financial Highlights** for the fiscal year ended June 30, 2021. The State's fiscal year starts July 1 and ends the following June 30. Accurate financial reporting is a hallmark of our Great State. This report reflects my commitment to you, the citizens of North Carolina, to provide financial reporting in conformance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB). It also represents our continuing commitment to you to provide transparency to our citizens through clear reporting, financial management, and fiscal accountability for the resources of the State of North Carolina.



North Carolina's Financial Highlights is a report for all North Carolinians and an initiative of the Office of the State Controller to provide easy-to-understand information about our State's financial condition. It summarizes basic financial information about our State which is supported in more detail in the State's Annual Comprehensive Financial Report (ACFR). The ACFR is prepared in accordance with generally accepted accounting principles (GAAP) and is independently audited by the North Carolina Office of the State Auditor.

This report provides information at the government-wide level in addition to the major fund level, and certain selected statistical information cited in our ACFR. Coverage of legally separate but related organizations is limited to universities and community colleges and is at a high level.

This year's Financial Highlights features some of North Carolina's beautiful state parks. The cover features Stone Mountain State Park which is located on more than 14,100 acres in Wilkes and Alleghany counties, Stone Mountain State Park offers a 600-foot granite dome, cascading waterfalls and cool mountain streams, quiet forests abundant with wildlife, scenic hiking trails and a historic mountain homestead. Read more about the featured parks at osc.nc.gov/ACFR2021Parks.

In 1985, the North Carolina General Assembly established the Office of the State Controller. In their wisdom, they saw the need to create an independent, non-partisan office to oversee the State's accounting, disbursing, and financial reporting functions. Their goal was to provide a source of checks and balances between the branches of government to ensure there was an appropriate accounting of public funds and integrity in the State's fiscal reports. I trust that the information provided throughout this report will give us all reason to celebrate living in this Great State.

Thank you for your interest in the financial integrity of the State of North Carolina.

Sincerely,

A handwritten signature in black ink that reads "Linda Combs". The signature is written in a cursive, flowing style.

Dr. Linda Combs
State Controller

Information is presented in this report on the basis of GAAP. This report and the State's complete financial statements, known as the ACFR, can be obtained at <https://www.osc.nc.gov>, by telephone at (919) 707-0500, or by writing to the N.C. Office of the State Controller, 1410 Mail Service Center, Raleigh, N.C. 27699-1410.



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Table of Contents

State Reporting Entity and Services	4
The Economy	4
Financial Highlights	6
Government-Wide Financials	7
Statement of Net Position	7
Statement of Activities	8
Capital Assets	13
Debt Administration	14
Demographic and Economic Indicators	15
Education Highlights	17
North Carolina Education Lottery	18
Transportation Highlights	20
Award for Outstanding Achievement	21



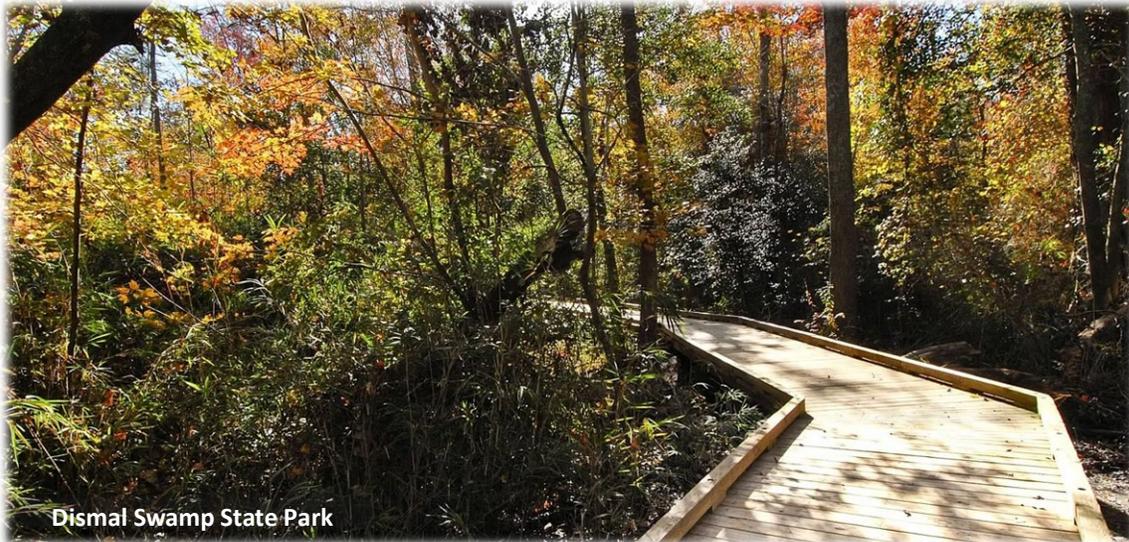
Financial Highlights

State Reporting Entity and 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 State and its component units provide a broad range of services to its citizens, including:

- ◆ K-12 Public Education
- ◆ Higher Education
- ◆ Health and Human Services
- ◆ Economic Development
- ◆ Environment and Natural Resources
- ◆ Public Safety, Corrections, and Regulation
- ◆ Transportation
- ◆ Agriculture
- ◆ General Government Services



Dismal Swamp State Park

The Economy

In fiscal year 2020-21, the nation and North Carolina were recovering from the sharp economic downturn caused by disruptions associated with the COVID-19 pandemic. At the start of the fiscal year, the most stringent business restrictions has been eased and the State's economy was beginning to rebound. By fiscal year's end, economic output had surpassed pre-pandemic levels despite employment remaining well below pre-pandemic levels. Going forward, economy remains tied to the rate of transmission of the coronavirus. Given falling infection and hospitalization rates, the economic outlook is positive.

Broad measures of national and North Carolina economic activity demonstrate the remarkable recovery from the depths of the pandemic-induced recession. Although many indicators suggest that the economy has returned to or exceeded pre-pandemic levels, labor market indicators, in particular, demonstrate that certain sectors of the economy have not yet fully recovered.

Financial Highlights

North Carolina Economic Indicators

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected	FY 2022-23 Projected
Real Gross State Product Growth	-0.8%	2.5%	5.6%	3.3%
Personal Income Growth	6.4%	7.2%	0.6%	3.9%
Wages & Salaries Growth	3.4%	6.1%	7.4%	4.9%
Retail Sales Growth	0.5%	13.6%	12.0%	6.1%
Average Unemployment Rate	5.7%	6.1%	3.3%	2.9%
Nonfarm Employment Growth	-7.0%	5.8%	4.2%	1.8%

The onset of the pandemic took a toll on the State as well as the nation in fiscal year 2019-20. However, North Carolina's economy, as with the nation's, grew in fiscal 2020-21 as gross state product increased by 2.5%, exceeding its pre-pandemic level by the end of the fiscal year. Over the next two fiscal years, North Carolina's economy is expected to expand at a faster pace than that of the nation.

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

Wage and salary income rose 6.1 percent during the fiscal year, compared to growth last fiscal year of 3.4 percent. As the economic restrictions largely impacted lower-wage industries such as the leisure and hospitality sector, wage growth overall was not as dramatically impacted as it may have been had the pandemic and related economic restrictions affected higher-wage industries. In 2020 and early 2021, total personal income was boosted by pandemic-related assistance programs. Income from the federal government economic impact payments, expanded unemployment insurance, and the Paycheck Protection Program more than offset declines in other sources of income. State total personal income rose by 7.2 percent during the fiscal year, mirroring the national increase. These increases came after last fiscal year's growth of 6.4 percent at the State level. As transfer payments subside to more typical levels, personal income growth is expected to slow significantly.

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

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

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

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

— Emma Turner, PhD
Fiscal Research Division, North Carolina General Assembly

Financial Highlights

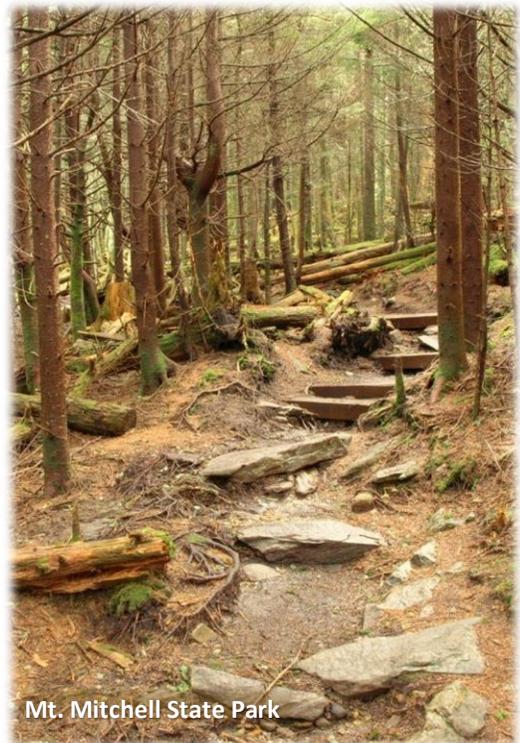
Financial Highlights

Government-wide Financials

- ◆ The State's total net position increased by \$9.16 billion or 16.01% as a result of this year's operations. Net position of governmental activities increased by \$9 billion or 17.41% while net position of business type-activities increased by \$165 million or 2.97%. At year-end, net position of governmental activities and business-type activities totaled \$60.68 billion and \$5.72 billion, respectively.
- ◆ Component units reported net position of \$21.32 billion, an increase of \$5.11 billion or 31.5% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financials

- ◆ The fund balance of the General Fund increased from \$6.59 billion at June 30, 2020 (as restated) to \$11.88 billion at June 30, 2021, an increase of 80.38%.
- ◆ The fund balance of the Highway Fund increased from negative \$330.19 million at June 30, 2020 to \$692.83 million at June 30, 2021, an increase of \$1.02 billion from the previous year. This increase was mainly due to an increase in cash resulting from a reduction in construction and maintenance expenditures.
- ◆ The Highway Trust Fund reported a fund balance of \$1.84 billion, an increase of 50.35% from the previous year. The fund balance increase was mainly due to an increase in cash resulting from fewer expenditures in construction and maintenance projects.
- ◆ The Unemployment Compensation Fund reported net position of \$3.18 billion at June 30, 2021 compared to \$3.02 billion at June 30, 2020, an increase of \$154.09 million or 5.1%. This increase in net position is due almost entirely to various fluctuations created by impacts from the Coronavirus pandemic including the gradually decreasing unemployment rates since the last quarter of the 2020-21 fiscal year.
- ◆ The N.C. State Lottery Fund reported net ticket sales of \$3.81 billion, an increase of 26.16% from the previous year. As required by law, the Lottery transferred \$936.8 million to the General Fund to support educational programs.
- ◆ The N.C. Turnpike Authority (NCTA) reported net position of \$282.53 million, a decrease of 19.83% from the previous year. The NCTA had an operating loss of \$45.07 million, a loss increase of \$26.41 million or 141.47% from the prior year due to a decrease in toll revenues. The NCTA also had a \$10.03 million increase in nonoperating expenses due to a 6.37 million increase in interest and fees related to debt issued during the fiscal year.
- ◆ The EPA Revolving Loan Fund reported net position of \$2.01 billion, an increase of 3.57% from the previous year. Operating income was \$6.82 million, and net nonoperating revenues of \$50.18 million consisted primarily of federal capitalization grants and investment earnings.



Mt. Mitchell State Park

Financial Highlights

Government-wide Financials

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?

- ◆ Governmental activities cover most of the State's basic services such as health and human services, transportation, and education. Taxes and intergovernmental revenues generally fund these services.
- ◆ Business-type activities are services provided to the State or outside customers that are similar in function to private businesses and are primarily financed by fees charged to the customers. These fees cover all or most of the cost of the services being provided. 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 of the State.

Statement of Net Position

The Statement of Net Position 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." The State of North Carolina's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$66.4 billion at the close of the most recent fiscal year (see total primary government column). 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 overall net position increased \$9.16 billion or 16% (total primary government) from the prior fiscal year. The following table was derived from the government-wide Statement of Net Position:

Net Position as of June 30, 2021 and 2020
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2020-21
	2021	2020 (as restated)	2021	2020 (as restated)	2021	2020 (as restated)	
	Current and other non-current assets.....	\$ 26,896,480	\$ 19,599,397	\$ 6,820,390	\$ 6,691,138	\$ 33,716,870	
Capital assets, net.....	59,619,798	57,559,801	2,439,910	2,244,625	62,059,708	59,804,426	3.77%
Total assets.....	86,516,278	77,159,198	9,260,300	8,935,763	95,776,578	86,094,961	11.25%
Total deferred outflows of resources.....	2,544,873	2,361,920	65,713	63,347	2,610,586	2,425,267	7.64%
Long-term liabilities.....	16,962,803	16,679,814	2,951,590	2,433,214	19,914,393	19,113,028	4.19%
Other liabilities.....	8,875,772	8,843,459	599,103	966,723	9,474,875	9,810,182	(3.42%)
Total liabilities.....	25,838,575	25,523,273	3,550,693	3,399,937	29,389,268	28,923,210	1.61%
Total deferred inflows of resources.....	2,541,477	2,314,243	54,771	43,682	2,596,248	2,357,925	10.11%
Net position:							
Net investment in capital assets.....	56,803,432	55,581,833	516,526	513,378	57,319,958	56,095,211	2.18%
Restricted.....	1,868,783	1,458,418	255,800	178,212	2,124,583	1,636,630	29.81%
Unrestricted.....	2,008,884	(5,356,649)	4,948,223	4,863,901	6,957,107	(492,748)	(1511.9%)
Total net position.....	\$ 60,681,099	\$ 51,683,602	\$ 5,720,549	\$ 5,555,491	66,401,648	\$ 57,239,093	16.01%

The largest component of the State's net position (86.32% for fiscal year 2021) reflects its investment in capital assets (land, buildings, machinery and equipment, state highway system, toll road system, and other capital assets), less related debt still outstanding that was used to acquire or construct those assets. Restricted net position is the next largest component (\$2.12 billion). These resources are subject to constraints that are externally imposed (e.g., by creditors or grantors) or are imposed by law 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."

Financial Highlights

Statement of Activities

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. The following financial information was derived from the government-wide Statement of Activities:

Condensed Statement of Activities - Primary Government For the Fiscal Year Ended June 30, 2021 (dollars in thousands)

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

Governmental Activities

- ◆ For fiscal year 2021, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State's business-type activities, an increase in net position of \$9 billion (or 17.41%) resulted for governmental activities.
- ◆ Total revenues increased by \$12.16 billion (or 23.61%).
- ◆ Total expenses increased by \$6.73 billion (or 13.81%).

Business-type Activities

- ◆ Business-type activities reflect an overall increase in net position of \$165.06 million or 2.97%, primarily due to the increase in net position in the Unemployment Compensation Fund (Trust Fund).
- ◆ The increase in net position of \$154.09 million or 5.1% in the Trust Fund is due almost entirely to various fluctuations created by the pandemic. Federal COVID-19 funding increased by \$1.98 billion or 44.16%, and \$1.6 billion more benefits were paid.
- ◆ The net position decreased by \$69.87 million or 19.83% for the N.C. Turnpike Authority due an operating loss of \$45.07 million, mostly due to decreases in toll revenues. Net nonoperating expenses increased by \$10.03 million mainly due to a \$6.37 million increase in debt-related interest and fees.
- ◆ The net position increase of \$69.42 million or 3.57% in the EPA Revolving Loan Fund is due to the Loan Fund continuing to focus on streamlining its processes resulting in more infrastructure projects completed during the year, using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grant for these projects.
- ◆ The N.C. State Lottery Fund's net position did not change and will continue to remain constant as a result of legislative changes in the methodology used to calculate net revenues to be distributed to the State's governmental activities, as required by statute.

Financial Highlights

Statement of Activities (cont'd)

The following activities were the primary drivers of the fiscal year 2021 financial results:

- ◆ Total revenues increased by \$12.16 billion or 23.61% while total expenses increased by \$6.73 billion or 13.81%.
- ◆ Operating grants and contributions increased by \$4.29 billion or 22.31% due to higher spending in federally supported programs, such as Medicaid, disaster relief, and the Governor's Education Emergency Relief (GEER) fund as well as increases in federal COVID-19 funds.
- ◆ The State's governmental activities recognized \$5.6 billion of federal COVID-19 funds; \$2.48 billion of operating grants and contributions and \$3.12 billion of other general revenues.
- ◆ COVID-19 related aid programs including the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security Act (CARES), and the American Rescue Plan Act (ARPA) provided additional funding in the forms of increased federal matching percentages for Medicaid, as well as significant funding to support various State and local operational functions.
- ◆ Health and human services spending increased by \$4.03 billion or 18.68% primarily due to increased spending for Medicaid in response to the COVID-19 public health emergency.
- ◆ Total transportation spending decreased by \$186 million or 6.24% primarily due to the reduction of various construction and maintenance projects in progress as a result of the cash shortage in the prior year.
- ◆ General government expenses increased by \$1.06 billion or 73.4% primarily due to increased spending for COVID-19 aid programs including general aid distributed to local governments, hospitals, nonprofits, universities, colleges, local education agencies (LEAs), and other component units of the State, as well as aid for the Extra Child Grant Program.
- ◆ Expenses for primary and secondary education increased by \$965.21 million or 8.06% due to increased state aid provided to local education agencies for continued COVID-19 related expenditures.

Condensed Schedule of Expenses & Program Revenue Primary Government For the Fiscal Year Ended June 30, 2021 (dollars in thousands)

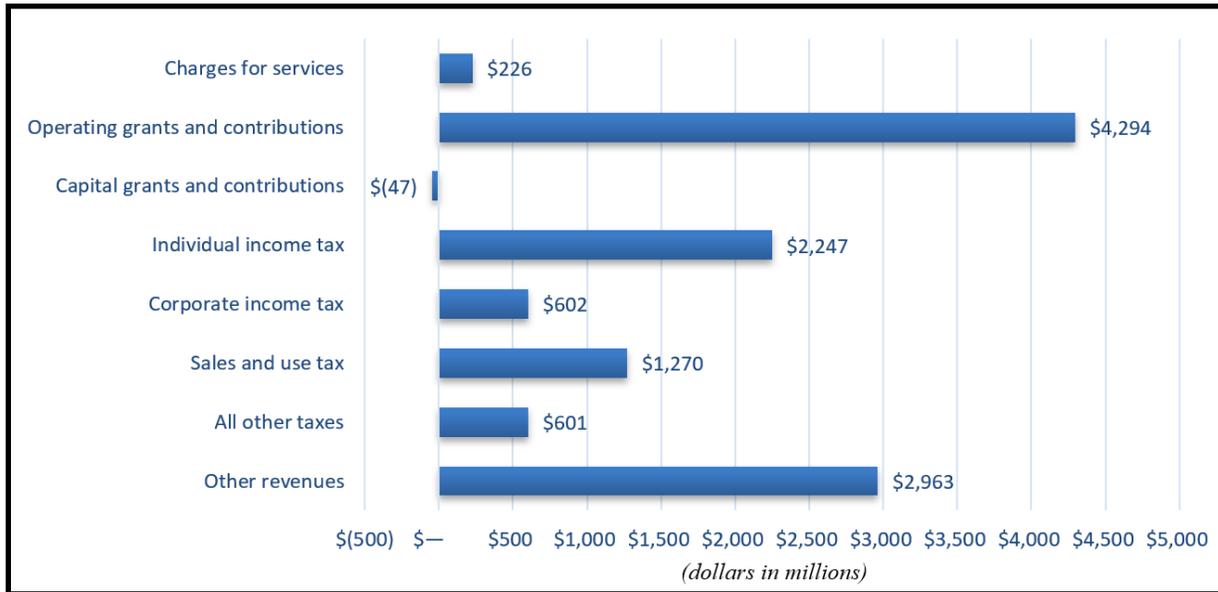
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue
Primary Government			
Governmental Activities			
General government.....	\$ 2,500,096	\$ 517,760	\$ (1,982,336)
Primary and secondary education.....	12,936,328	2,157,693	(10,778,635)
Higher education.....	5,142,660	195,890	(4,946,770)
Health and human services.....	25,629,768	19,823,309	(5,806,459)
Economic development.....	665,102	431,128	(233,974)
Environment and natural resources.....	821,398	384,344	(437,054)
Public safety, corrections, and regulation.....	4,536,568	1,380,700	(3,155,868)
Transportation.....	2,793,445	2,724,343	(69,102)
Agriculture.....	286,217	158,050	(128,167)
Interest on long-term debt.....	170,435	-	(170,435)
Total Governmental Activities.....	<u>55,482,017</u>	<u>27,773,217</u>	<u>(27,708,800)</u>
Business-type Activities			
Unemployment Compensation.....	7,317,289	7,431,414	114,125
N.C. State Lottery.....	2,875,899	3,811,354	935,455
EPA Revolving Loan.....	17,458	74,355	56,897
N.C. Turnpike Authority.....	193,813	87,872	(105,941)
Regulatory programs.....	130,081	147,654	17,573
Insurance programs.....	35,262	17,674	(17,588)
North Carolina State Fair.....	7,086	4,321	(2,765)
Other business-type activities.....	12,780	12,286	(494)
Total Business-type Activities.....	<u>10,589,668</u>	<u>11,586,930</u>	<u>997,262</u>
Total Primary Government.....	<u>\$ 66,071,685</u>	<u>\$ 39,360,147</u>	<u>\$ (26,711,538)</u>

Financial Highlights

Statement of Activities (cont'd)

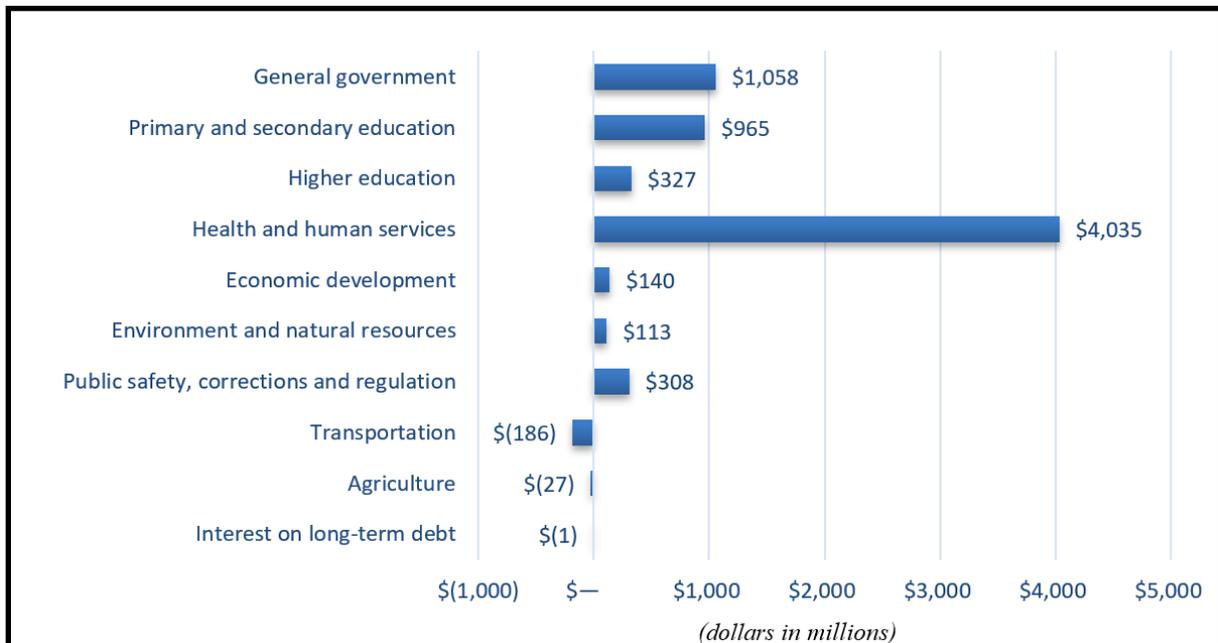
The following chart reflects the dollar change in the revenues by source of governmental activities between fiscal years 2020 and 2021:

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



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

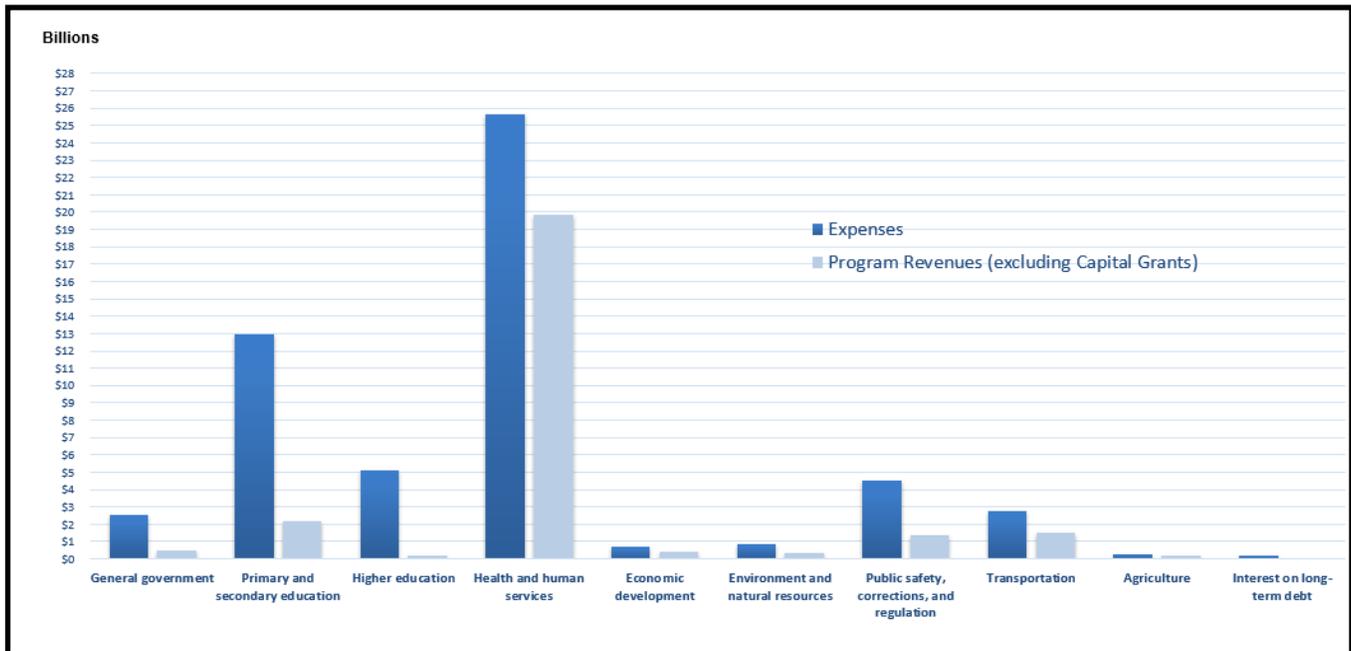
**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2020 and 2021**



Financial Highlights

Statement of Activities (cont'd)

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.



Financial Highlights

Statement of Activities (cont'd)

The following schedule reflects the changes in the State's net position over the last five years:

CHANGES IN NET POSITION

For the Fiscal Years 2017-2021

(dollars in millions)

	2021	2020	2019	2018	2017
Governmental Activities					
Total Expenses.....	\$ (55,482)	\$ (48,749)	\$ (46,875)	\$ (43,962)	\$ (42,676)
Total Tax Revenues.....	32,370	27,651	27,754	26,409	25,377
Total Other Revenues and Contributions.....	31,276	23,838	21,328	20,212	20,092
Total Transfers.....	834	653	614	608	665
Change in Net Position.....	<u>8,998</u>	<u>3,393</u>	<u>2,821</u>	<u>3,267</u>	<u>3,458</u>
Net Position - June 30.....	\$60,681	\$51,684	\$48,195	\$45,322	\$41,879
Business-type Activities					
Total Expenses.....	(10,590)	(8,413)	(2,659)	(2,406)	(2,349)
Total Revenues.....	11,589	8,298	3,860	3,594	3,760
Total Transfers.....	(834)	(653)	(614)	(608)	(665)
Change in Net Position.....	<u>165</u>	<u>(768)</u>	<u>587</u>	<u>580</u>	<u>746</u>
Net Position - June 30.....	\$5,721	\$5,555	\$6,318	\$5,721	\$5,141
Total Primary Government					
Total Expenses.....	(66,072)	(57,162)	(49,534)	(46,368)	(45,025)
Total Revenues and Contributions.....	75,235	59,788	52,942	50,215	49,229
Change in Net Position.....	<u>9,163</u>	<u>2,626</u>	<u>3,408</u>	<u>3,847</u>	<u>4,204</u>
Net Position - June 30.....	\$66,402	\$57,239	\$54,513	\$51,043	\$47,020



Financial Highlights

Capital Assets

As of June 30, 2021, the State's investment in capital assets was \$62.06 billion, an increase of 3.77% from the previous fiscal year-end (see table below):

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

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

Total percent change between
fiscal years 2020 and 2021

3.58 %

8.7 %

3.77 %

The largest component of capital assets is the state highway system. North Carolina has an 80,242 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- ◆ The N.C. Department of Transportation reported year-end construction in progress of \$2.27 billion for state highway projects. Additionally, the N.C. Turnpike Authority (business-type activity) reported year-end construction in progress of \$364.8 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway 28 miles. The NCTA also has \$37.3 million construction in progress for the Mid-Currituck Bridge project. This project is a seven-mile roadway toll project, which includes a two-lane bridge that spans the Currituck Sound and connects the Currituck county mainland to the Outer Banks. It also includes a second two-lane bridge that spans Maple Swamp on the Currituck county mainland.
- ◆ The Department of Agriculture and Consumer Services is constructing a new state-of-the-art laboratory complex to replace four labs whose average age is more than 40 years. The Agricultural Sciences Center will contain offices and labs that perform tests for the following divisions in the department: Food and Drug Protection, Stands, Structural Pest Control and Pesticides, and Veterinary. The new laboratory complex is financed from the Connect NC bonds approved by voters in March 2016. At year-end, construction in progress for the Agricultural Sciences Center totaled \$89.31 million.
- ◆ The Department of Military and Veterans Affairs is constructing a skilled nursing care facility with 120 private rooms for state veterans in Kernersville, North Carolina. The project is expected to cost in excess of \$50 million and is a cooperative effort between the State of N.C. and the U.S. Department of Veterans Affairs which provided over \$27 million in grant funds. The facility is scheduled to be completed in February 2022. At year-end, construction in progress for the Kernersville Veterans Home totaled \$40.46 million.
- ◆ The Department of Health and Human Services (DHHS) is replacing major legacy IT systems. NC FAST, the new system for managing and administering social services benefits, will improve the way DHHS and the 100 county departments of social services conduct business. At year-end, computer software in development for NC FAST totaled \$723.5 million.
- ◆ The State has commitments of \$4.703 billion for the construction of highway infrastructure (\$4.384 billion for governmental activities and \$319 million for business-type activities), which are expected to be financed by motor fuels tax collections, motor vehicles fees, toll collections, federal funds, and debt proceeds. Other commitments of \$137.21 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

Financial Highlights

Debt Administration

At year-end, the State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$8.39 billion, an increase of 12.21% from the previous fiscal year-end (see table below):

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds.....	\$ 2,648,385	\$ 2,605,380	\$ —	\$ —	\$ 2,648,385	\$ 2,605,380
Special Indebtedness:						
Limited obligation bonds.....	2,275,750	1,774,945	—	—	2,275,750	1,774,945
GARVEE bonds.....	875,865	959,525	—	—	875,865	959,525
Revenue bonds.....	—	—	2,365,938	1,917,358	2,365,938	1,917,358
Notes from direct borrowings.....	40,185	43,937	185,991	177,925	226,176	221,862
Total	\$ 5,840,185	\$ 5,383,787	\$ 2,551,929	\$ 2,095,283	\$ 8,392,114	\$ 7,479,070

Total percent change between
fiscal years 2020 and 2021

8.48 %

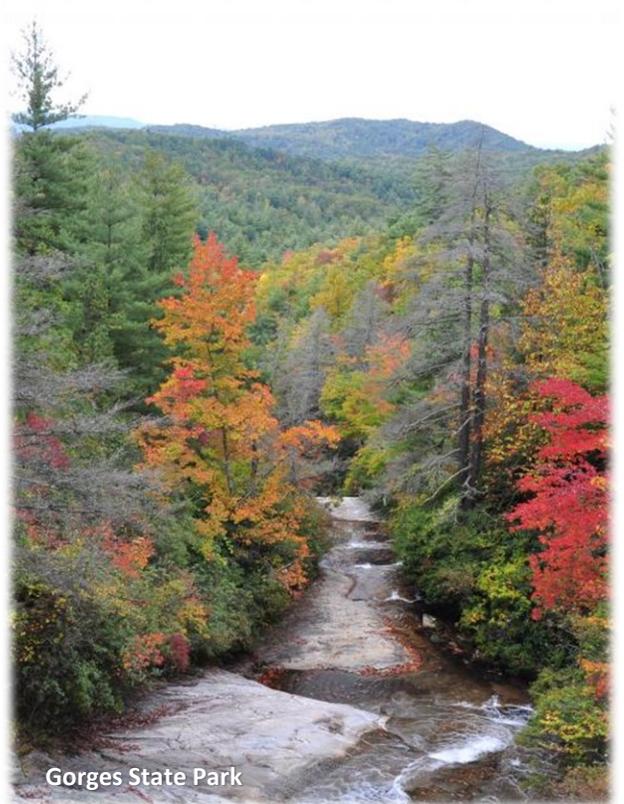
21.79 %

12.21 %

During the 2021 fiscal year, the State issued \$400 million in general obligation bonds for its governmental activities. The general obligation bonds were issued pursuant to the Connect NC Bond Act of 2015 and will provide financing for various capital improvements throughout the State as authorized in the Act. The Highway Trust Fund issued \$700 million Build NC special indebtedness limited obligation bonds as part of the \$3 billion transportation package approved by the General Assembly. The bond proceeds will be used to finance regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan. Also, the N.C. Turnpike Authority (NCTA), a business-type activity, issued \$573.45 million in revenue bonds that will be used to finance the Complete 540 project and the Mid-Currituck Bridge project.

In connection with the general obligation bond issues, Standard & Poor's, Moody's Investors Service, and Fitch Ratings all affirmed the triple-A bond rating for the State. A triple-A credit rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 13 states with a triple-A rating from all three rating agencies. Special indebtedness carries slightly lower ratings and higher interest rates than general obligation bonds.

The State's total long-term debt (bonds, special indebtedness, and notes from direct borrowings) reported in governmental activities has increased from \$3.48 billion in 2002 to \$5.84 billion in 2021, in part due to large issuances of non-general obligation debt (special indebtedness) for higher education capital projects. Prior to 2003, the State only issued general obligation debt. The NCTA, a business-type activity, had its first debt issuance in 2010. The NCTA's long-term debt has increased from \$691.56 million in 2010 to \$2.55 billion in 2021.



Gorges State Park

Financial Highlights

Demographic and Economic Indicators

The following tables illustrate comparative information for the State:

SCHEDULE OF DEMOGRAPHIC DATA

For the Years 2017-21

Year	Population		Per Capita Income (whole dollars)		North Carolina Civilian Labor Force Data		North Carolina-Other Data (units)		
	North Carolina Population	N.C. Increase from Prior Period	North Carolina	N.C. as a Percentage of U.S.	Employed	Unemployed Percentage Rate	Motor Vehicles Registered	Residential Construction Authorized	
2021	10,595,645 est.	0.00%	\$ 50,306 est.	84.53%	4,769,039	4.60%	10,245,443	45,417	
2020	10,595,645 est.	1.03%	\$ 50,305 est.	84.53%	4,430,134	7.50%	9,876,946	36,244	
2019	10,488,084	1.03%	\$ 47,660	85.04%	4,868,076	4.20%	9,548,341	34,313	
2018	10,381,615	1.10%	45,758	84.58%	4,787,584	4.20%	9,403,076	36,166	
2017	10,268,233	1.12%	44,094	85.11%	4,700,760	4.20%	9,513,210	30,055	

TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2018-2021

(Dollars in Thousands)

	2021	2020	2019	2018
General merchandise (includes discount and department stores, industrial supply dealers).....	\$ 56,410,899	\$ 45,601,205	\$ 41,960,513	\$ 38,965,273
Food (includes restaurants, taverns, grocery, vending).....	30,564,158	29,256,742	29,981,154	28,318,061
Lumber & building material (includes material, electrical, plumbing supply, sheet metal fabrication).....	22,441,929	19,048,555	18,383,205	16,500,032
Automotive (includes dealers, garages, automotive supply).....	11,018,415	9,837,130	9,691,420	9,098,884
3% and 4.75% tax group (includes manufactured and modular homes, boats).....	839,260	705,394	647,756	588,128
Furniture (includes stores, appliance dealers, upholstery and floor covering).....	5,757,054	5,050,850	5,182,589	4,914,916
Apparel (includes clothing, boot, and shoe stores, shoe repair)..	7,025,959	5,620,937	6,018,989	5,700,497
Unclassified (includes lodging, medical supply, office equipment, book and school supply).....	50,815,780	44,629,147	44,693,250	41,113,549
Total.....	<u>\$ 184,873,454</u>	<u>\$ 159,749,960</u>	<u>\$ 156,558,876</u>	<u>\$ 145,199,340</u>
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%

Financial Highlights

Demographic and Economic Indicators (cont'd)

PRINCIPAL EMPLOYERS

For the Fiscal Years 2012 & 2021

	2021			2012		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina.....	175,000-179,999	1	3.72%	180,000-184,999	1	4.33%
Federal Government.....	75,000-79,999	2	1.62%	65,000-69,999	2	1.60%
Wal-Mart Associates, Inc.....	45,000-59,999	3	1.10%	50,000-54,999	3	1.25%
Food Lion LLC.....	40,000-44,999	4	0.89%	25,000-29,999	6	0.65%
Duke University.....	40,000-44,999	5	0.89%	25,000-29,999	4	0.65%
Atrium Health.....	35,000-39,999	6	0.79%	-	-	-
Wells Fargo Bank NA.....	30,000-34,999	7	0.68%	20,000-24,999	7	0.53%
Amazon Fulfillment Centers, Inc.....	20,000-24,999	8	0.47%	-	-	-
Lowes Home Centers, Inc.....	20,000-24,999	9	0.47%	-	-	-
Harris Teeter LLC.....	20,000-24,999	10	0.47%	-	-	-
Charlotte-Mecklenburg Hospital.....	-	-	-	25,000-29,999	5	.65%
Charlotte-Mecklenburg Bd of Education.....	-	-	-	15,000-19,999	8	.42%
Wake County Public Schools.....	-	-	-	15,000-19,999	9	.42%
Bank of America NA.....	-	-	-	15,000-19,999	10	.42%
Total.....	500,000-559,990		11.10%	435,000-484,990		10.92%

TEACHERS AND STATE EMPLOYEES BY FUNCTION

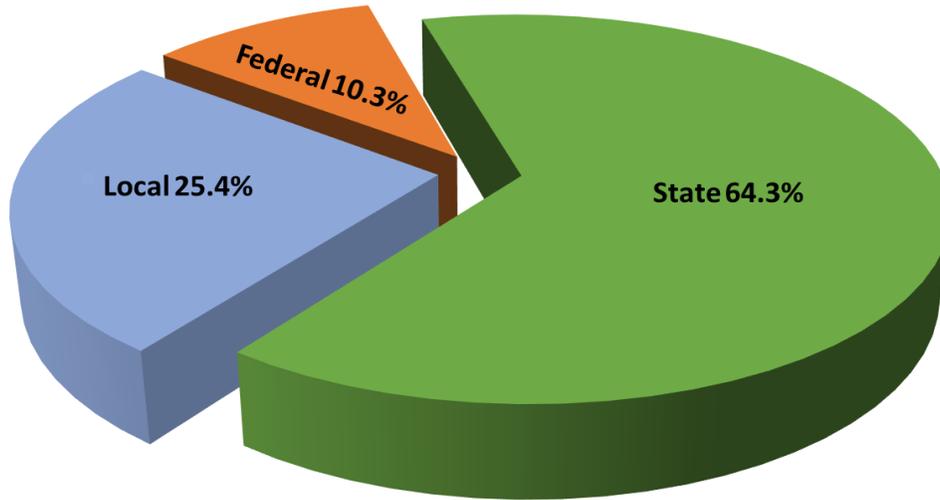
For the Fiscal Years 2017-2021

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

Education Highlights (Primary and Secondary)

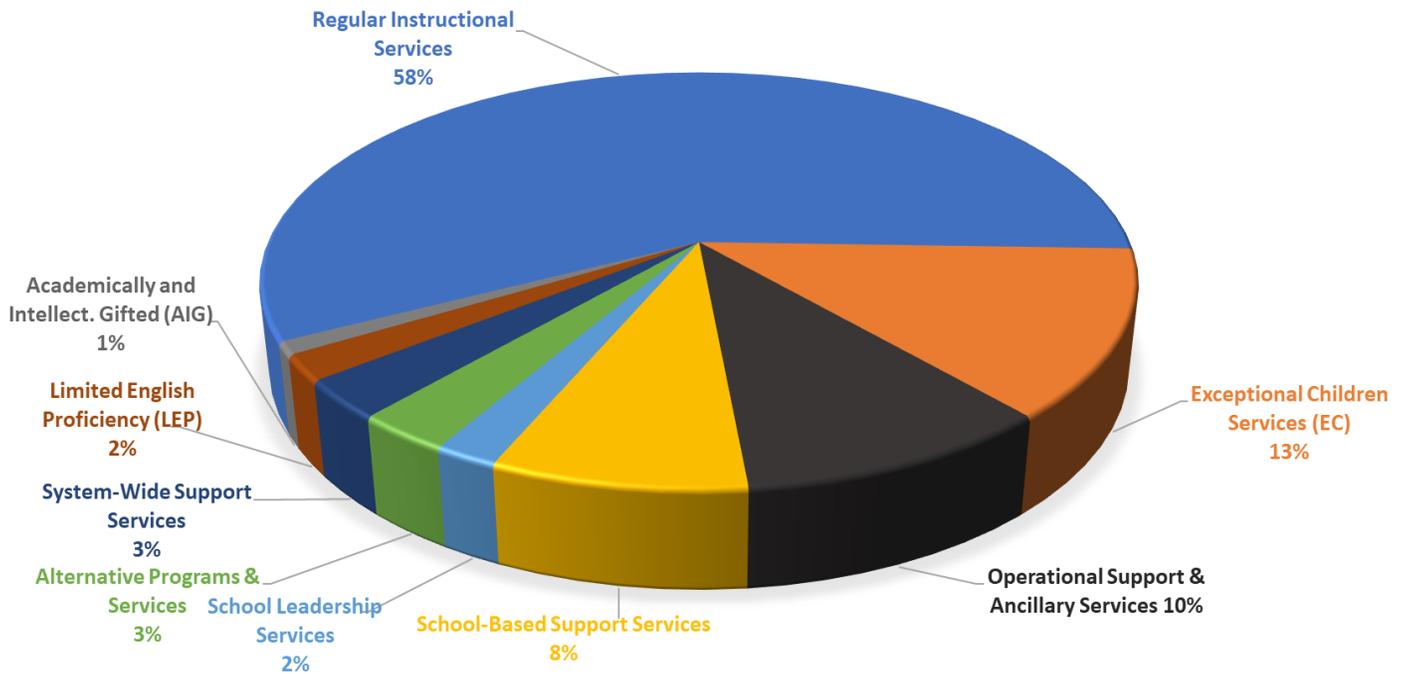
North Carolina public schools are funded through a combination of state funds allotted from the State's General Fund, federal, and local funds. The chart below shows expenditures by funding source:

SOURCE OF EXPENDITURES FY 2019 - 20



Of the \$9.32 billion State Public School Fund for fiscal year 2019-2020, all but 6.5% was used for salaries and benefits.

HOW STATE FUNDS WERE EXPENDED FY 2019 - 20



Information provided by the North Carolina Department of Public Instruction

Financial Highlights

North Carolina Education Lottery

For the 15th year in a row, the N.C. Education Lottery set a new record for lottery ticket sales in fiscal year 2020-2021 and set a new record for money raised for education programs in North Carolina. Ticket sales exceeded \$3.8 billion, up 26% year over year. The Lottery continued its record of increasing sales every year of its operations. From those sales, the Lottery also set a new record for the amount of money raised for the State, raising \$936 million, up 28.4%, or an additional \$207.4 million.

Scratch-off tickets consistently remain to be the Lottery's most popular product, generating \$2.56 billion in sales, or 67% of revenue. Scratch-off sales also set a record, exceeding \$2.5 billion for the first time ever. The Lottery launched 55 new scratch off games during the year.

During the year, Lottery players received \$2.46 billion in prize money including 102 prizes of \$1 million or more. The biggest prizes won were four \$10 million prizes—the largest scratch-off prizes offered in the state—three in the \$100,000 Colossal Cash game and one in the \$300,000,000 Supreme Riches game. Last year, the Lottery averaged \$10.4 million a day in ticket sales, \$6.7 million in prizes, and \$2.5 million a day raised for education. The Lottery ended the fiscal year with 7,160 retail locations across the State. Those retailers earned \$263 million in sales commissions and incentives. Total sales since the inception of the Lottery in 2006 stood at \$30.5 billion, and the amount of money raised for education climbed to \$8.3 billion.

In its annual financial audit, the Lottery received an “unmodified opinion” from independent auditors as it has in all prior annual financial audits. The Lottery also attained again the World Lottery Association's Level 4 certification for its commitment to building the best practices in responsible gaming into all of its operations. The Lottery received national attention for its work in social responsibility, winning three awards from the National Council of Problem Gambling for its outstanding work in the area of responsible gaming.

The State Lottery Act directs the Lottery to increase and maximize the available revenues for education purposes. In the 2020-2021 fiscal year, a breakdown of revenues showed 64.6% went to prizes, 24.6% for education programs, 6.9% in retailer commissions, and the remaining 3.9% to administrative expenses.

The Lottery transferred its net profits monthly to the Office of State Budget and Management and into the North Carolina State Lottery Fund. Funds were then distributed as outlined in the state budget. The General Assembly reports the following allocation of money raised by the Lottery in fiscal year 2020-2021:

- \$385.9 million to non-instructional support personnel;
- \$100 million for the Public School Building Capital Fund, which provides monies to North Carolina counties to build and repair schools;
- \$75 million to the Needs-Based Public School Capital Fund, which provides financial assistance to low-wealth counties to build new schools;
- \$78.2 million to the N.C. Pre-K program to fund seats in the prekindergarten program for at-risk four-year-olds;
- \$30.4 million for N.C. Education Lottery Scholarships, which are awarded based on financial need to students attending a state university or community college;
- \$10.7 million to the UNC Need-Based Grant program, which provides financial aid based on need to students attending one of the 16 UNC system institutions and;
- \$21.4 million to support school transportation for each of the State's school systems.

The N.C. General Assembly allocates lottery revenues that exceed projections to the Needs-Based Public School Capital Fund. With that decision, \$234 million in additional monies raised in fiscal year 2020-2021 will go to the Fund. The General Assembly also directed transfers of \$2.1 million in profits to the N.C. Alcohol Law Enforcement and \$1 million to the N.C. Problem Gambling Program.

Information on this and the next page provided by the North Carolina State Lottery

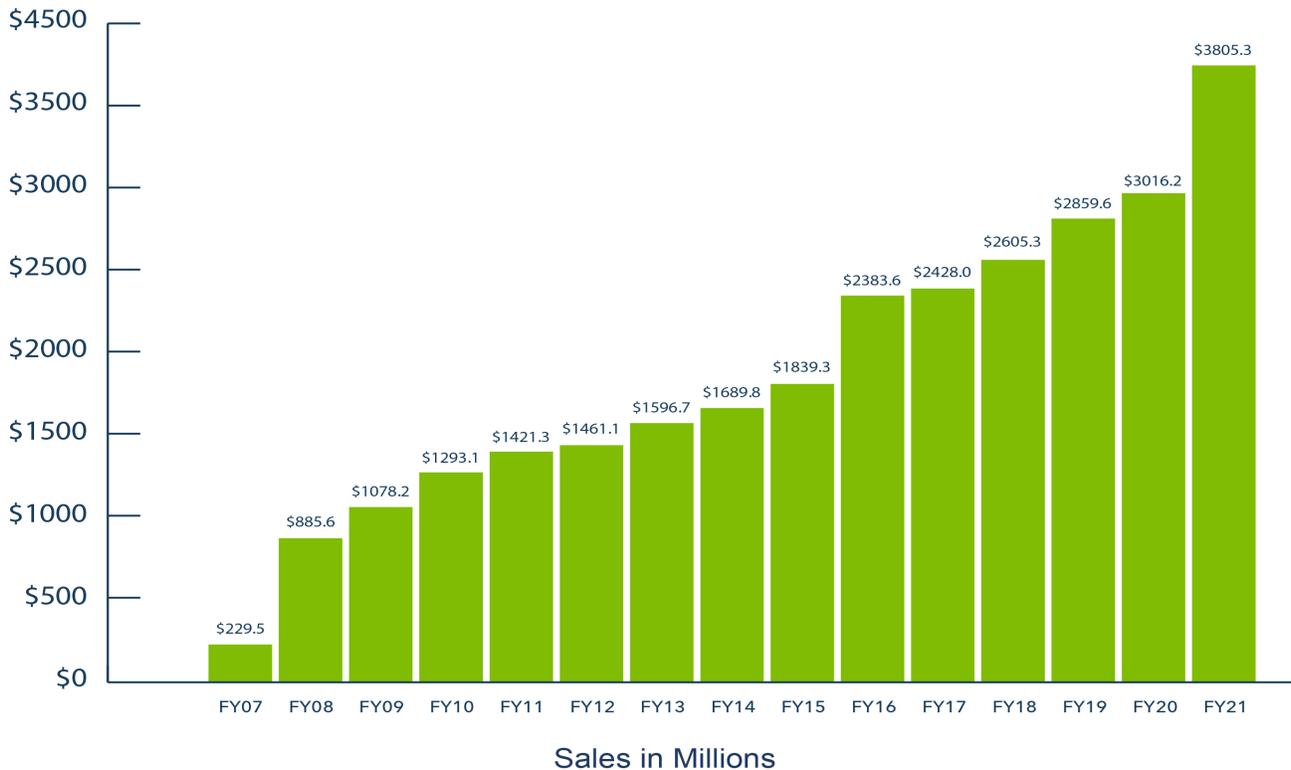


Financial Highlights

North Carolina Education Lottery (cont'd)

The following tables illustrate how lottery funds were distributed for education in fiscal year 2021:

Lottery Sales



FY 2021 Distribution of Revenue



Financial Highlights

Transportation Highlights

Related to the fiscal year 2021, the North Carolina Department of Transportation (NCDOT) listed the following as some of its key initiatives launched and project advancements:

- ◆ In March 2021, NCDOT became the first state to use a drone to inspect a bridge. NCDOT used the drone to conduct the biennial safety inspection on the Basnight Bridge over Oregon inlet. Using drones in this way saves time, money, and resources on bridge inspections. It also reduces the need for lane closures.
- ◆ In its third season, more than 16,500 people used the Ocracoke Express passenger ferry this summer and surveys reveal the passenger ferry is a popular option among travelers making a short excursion from Hatteras to Ocracoke. The passenger ferry enables people to leave their cars behind and take a quicker trip without a long wait from Hatteras directly into the village of Ocracoke. The vehicle ferries take longer, require wait times, and deliver passengers 12 miles north of the village.
- ◆ Public transportation has been very important during the pandemic. As the pandemic progressed, NCDOT and NCDHHS partnered to provide people trips to vaccine sites. NCDHHS provided \$2.5 million on a program that enables resident to call public transit agencies in their local communities and schedule trips to and from vaccine sites. To date, more than 10,600 people have been served to get vaccines.
- ◆ NCDOT has worked with Wilson on the city's new, on-demand ridesharing service, RIDE. Users have been able to schedule trips through an app or online and are met by a transit vehicle to bring them to their destination. Wilmington and Elizabeth City are expected to begin operation of their own on-demand public transit options.
- ◆ JetStream announced an \$11 million project to develop additional hangar facilities for its interior refurbishment at the Global TransPark in Kinston. The company expects to create about 200 jobs paying an annual salary of about \$60,000. The Division of Aviation provided funding and technical assistance for the projects.
- ◆ The Dig Once Policy, which took effect March 1, helps expand broadband access in the state by making it less expensive and easier to install broadband conduit along state-maintained roads. Internet service providers (ISPs) must advertise their project so other ISPs can install their fiber optic cable when the trench is dug for the conduit. Multiple ISPs will share the costs for fiber installation.
- ◆ More than 600 NCDOT employees helped people in western North Carolina recover after Tropical Depression Fred devastated the area in August. Almost all of the 60 roads closed were reopened within a week.
- ◆ The Carolina Connector Intermodal facility opened in Edgecombe County. The 330-acre site allows trucks to bring cargo containers to a rail yard, where they are transferred to trains for transport. This helps regional industries distribute their products nationwide and spur business development across the region. The connector will help create 1,500 jobs and aid the local economy.



Information provided by the North Carolina Department of Transportation

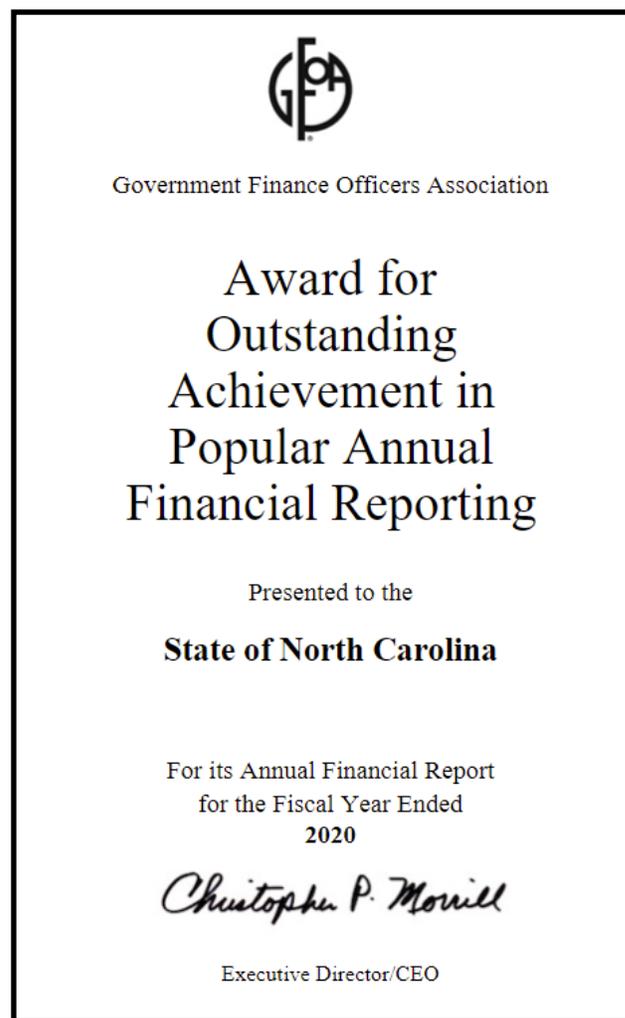
Financial Highlights

Award for Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the State of North Carolina for its Popular Annual Financial Report for the fiscal year ended June 30, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The State of North Carolina has received a Popular Award for the last 23 consecutive years (fiscal years ended 1998-2020). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.



25 copies of this public document were printed at a cost of \$193.62 or \$7.74 per copy.



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