



OFFICE OF THE
STATE CONTROLLER

STATE OF NORTH CAROLINA

FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDING JUNE 30, 2022

For the cover of the Popular

On the cover:

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

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

The iconic bridges of North Carolina do more than help someone from point to point. They evoke emotion, create memories, and inspire thought. The great Henry Wadsworth Longfellow penned these words in a poem called "The Bridge."

I stood on the bridge at midnight,
As the clocks were striking the hour,
And the moon rose o'er the city,
Behind the dark church-tower.

I saw her bright reflection
In the waters under me,
Like a golden goblet falling
And sinking into the sea.

The pages of the 2022 Financial Highlights pay tribute to some of North Carolina's important structures both old and new. If you have not seen these bridges up close, take time soon to experience them for yourself.

Financial Highlights

Dear Fellow North Carolinian,

I am pleased to present **North Carolina's Financial Highlights** for the fiscal year ended June 30, 2022. 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 iconic bridges. The cover features the historic footbridge on Corolla Island near the Currituck Sound. Currituck County was one of North Carolina's five original ports. Named for an Algonquin Indian term meaning "The Land of the Wild Goose," the county is abundant with waters, marshes, and woods. The bridge (circa 1925) is on the National Register of Historic Places.

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 "Nels C. Roseland". The signature is written in a cursive, flowing style.

Nels Roseland
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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Dupont State Forest— Cedar Mountain, NC

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



The Economy

At the start of fiscal year 2021-22, broad measures of employment and economic activity demonstrated that North Carolina's economy had largely recovered from the depths of the recession induced by the COVID-19 pandemic and transitioned into the expansion phase of the business cycle. However, as the year went on, persistently high inflation began to displace COVID-19 transmission rates as the predominant economic headline. Early in the fiscal year, inflationary pressures were limited to a few specific categories of consumer goods and services, particularly those most affected by pandemic restrictions and supply chain disruptions. By the end of the fiscal year, in June 2022, consumer price inflation had soared to 9.1%, marking the largest year-over-year increase since November 1981. In response to unacceptably high and persistent inflation, the Federal Reserve began tightening monetary policy during the latter part of the fiscal year. The Federal Reserve is expected to continue to aggressively tighten monetary policy into the second half of fiscal year 2022-23.

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

Financial Highlights

North Carolina Economic Indicators

	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Projected	FY 2023-24 Projected
Real Gross State Product Growth	3.8%	5.1%	1.5%	1.9%
Personal Income Growth	8.2%	4.7%	5.0%	4.8%
Wages & Salaries Growth	6.4%	11.7%	8.2%	5.8%
Retail Sales Growth	17.4%	11.4%	6.0%	4.4%
Average Unemployment Rate	5.9%	4.0%	3.5%	4.0%
Nonfarm Employment Growth	7.6%	3.4%	2.1%	1.0%

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

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

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

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

In response to the tight labor market, wage and salary income growth was remarkably strong in the State, increasing 11.7 percent – nearly double the growth rate in the previous fiscal year. Notably, wage growth, which makes up more than half of total personal income and closely mirrors its growth under ordinary circumstances, outpaced personal income growth by a wide margin this fiscal year. Diminishing government transfer payments from federal pandemic relief and other programs, which bolstered personal income in fiscal year 2020-21, accounted for the relatively weak personal income growth in the State (4.7%) and nationally (2.8%) in fiscal year 2021-22.

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

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

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

Financial Highlights

Financial Highlights

Government-wide Financials

- ◆ The State's total net position increased by \$11.33 billion or 17.05% as a result of this year's operations. Net position of governmental activities increased by \$10.68 billion or 17.58% while net position of business type-activities increased by \$652 million or 11.4%. At year-end, net position of governmental activities and business-type activities totaled \$71.4 billion and \$6.37 billion, respectively.
- ◆ Component units reported net position of \$23.55 billion, an increase of \$2.21 billion or 10.35% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financials

- ◆ The fund balance of the General Fund increased from \$11.96 billion at June 30, 2021 (as restated) to \$18.43 billion at June 30, 2022, an increase of 54.06%.
- ◆ The fund balance of the Highway Fund increased from \$692.83 million at June 30, 2021 to \$1.25 billion at June 30, 2022, an increase of \$555.62 million from the previous year. This increase was mainly due to the issuance of GARVEE bonds and increase in transfers in.
- ◆ The Highway Trust Fund reported a fund balance of \$1.63 billion, a decrease of 11.48% from the previous year. The fund balance decrease was attributable to the overall increase in capital outlay expenditures outpacing the increase in revenues.
- ◆ The Unemployment Compensation Fund reported net position of \$3.79 billion at June 30, 2022 compared to \$3.18 billion at June 30, 2021, an increase of \$616.35 million or 19.39%. 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 2019-20 fiscal year.
- ◆ The N.C. State Lottery Fund reported net ticket sales of \$3.89 billion, an increase of 2.15% from the previous year. As required by law, the Lottery transferred \$929.8 million to the General Fund to support educational programs.
- ◆ The N.C. Turnpike Authority (NCTA) reported net position of \$260.63 million, a decrease of 7.75% from the previous year. The NCTA had an operating loss of \$1.19 million, an increase of \$43.88 million from the prior year due to a increase in operating revenues. The NCTA also had a \$4.39 million decrease in nonoperating expenses due to a \$15.04 million increase in investment earnings related to a global adjustment and a \$10.68 million increase in interest and fees related to interest paid on NCTA's bond debt during the fiscal year.
- ◆ The EPA Revolving Loan Fund reported net position of \$2.06 billion, an increase of 2.2% from the previous year. Operating income was \$9.86 million, and net nonoperating revenues of \$20.45 million consisted primarily of federal capitalization grants.



Perquiman's River—Hertford, NC

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 \$77.77 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 \$11.33 billion or 17.05% (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, 2022 and 2021
(dollars in thousands)

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

The largest component of the State's net position (77.31% for fiscal year 2022) reflects its investment in capital assets (land, buildings, machinery and equipment, state highway system, toll road system, and other capital assets), less related debt still outstanding that was used to acquire or construct those assets. An additional portion of net position represents restricted net position (\$2.22 billion). 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, 2022 (dollars in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in Net Position			
Net (expense) revenue.....	\$ (29,023,839)	\$ 1,503,122	\$ (27,520,717)
General Revenues:			
Taxes:			
Individual income tax.....	17,845,868	—	17,845,868
Corporate income tax.....	1,624,384	—	1,624,384
Sales and use tax.....	11,029,810	—	11,029,810
Motor fuels tax.....	2,227,883	—	2,326,152
Franchise tax.....	879,789	—	879,789
Highway use tax.....	1,137,060	—	1,038,791
Insurance tax.....	1,000,680	—	1,000,680
Beverage tax.....	559,195	—	559,195
Tobacco products tax.....	296,416	—	296,416
Other taxes.....	372,624	—	372,624
Tobacco settlement.....	171,849	—	171,849
Federal COVID-19.....	1,525,132	—	1,525,132
Unrestricted investment earnings.....	60,506	—	60,506
Noncapital contributions.....	38,147	517	38,664
Miscellaneous.....	67,754	1,318	69,072
Contributions to permanent funds.....	9,605	—	9605
Transfers.....	853,042	(853,042)	—
Total general revenues, contributions, and transfers.....	39,699,744	(851,207)	38,848,537
Change in net position.....	10,675,905	651,915	11,232,453
Net position — July 1, as restated.....	60,719,582	5,719,539	66,439,121
Net position — June 30.....	71,395,487	\$ 6,371,454	77,671,574

Governmental Activities

- ◆ For fiscal year 2022, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State's business-type activities, an increase in net position of \$10.68 billion (or 17.58%) resulted for governmental activities.
- ◆ Total revenues increased by \$10.32 billion (or 16.22%), and total expenses increased by \$8.66 billion (or 15.61%).

Business-type Activities

- ◆ Business-type activities reflect an overall increase in net position of \$651.92 million or 11.4%, primarily due to the increase in net position in the Unemployment Compensation Fund (Trust Fund).
- ◆ The increase in net position of \$616.35 million or 19.39% in the Trust Fund is due almost entirely to various fluctuations created by the Coronavirus pandemic. The Trust Fund had a \$6.7 billion increase in their operating margin from the prior year, mostly due to a \$6.64 billion decrease in unemployment benefits paid as the economy recovered and the need for benefits declined.
- ◆ The net position decreased by \$21.9 million or 7.75% for the N.C. Turnpike Authority due to reporting nonoperating expenses of \$77.83 million offset by \$57.02 million in transfers in from the Highway and Highway Trust Funds. Nonoperating expenses included \$101.58 million of interest and fees expenses related to debt issued.
- ◆ The net position increase of \$44.19 million or 2.2% in the EPA Revolving Loan Fund is due to the Loan Fund continuing to focus on streamlining its processes resulting in more infrastructure projects completed during the year, using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grant for these projects.
- ◆ The N.C. State Lottery Fund's net position did not change and will continue to remain constant as a result of legislative changes in the methodology used to calculate net revenues to be distributed to the State's governmental activities, as required by statute.

Financial Highlights

Statement of Activities (cont'd)

The following activities for governmental activities were the primary drivers of the fiscal year 2022 financial results:

- ◆ Total revenues increased by \$10.32 billion or 16.22% while total expenses increased by \$8.66 billion or 15.61%.
- ◆ Operating grants and contributions increased by \$7.32 billion or 31.09% due to higher spending in federally supported programs, such as Medicaid, Title IV-E Foster Care and Adoption Assistance programs, Rental Emergency and Homeowner assistance programs, and the Elementary and Secondary School Emergency Relief fund (ESSER) as well as increases in federal COVID-19 funds.
- ◆ The State's governmental activities recognized \$7.9 billion of federal COVID-19 funds: \$6.38 billion of operating grants and contributions and \$1.53 billion of federal COVID-19.
- ◆ 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 \$5.02 billion or 19.57% primarily due to the launch of Medicaid managed care on July 1, 2021.
- ◆ General government expenses increased by \$533.35 million or 21.33% 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.
- ◆ Expenses for primary and secondary education increased by \$2.52 billion or 19.5% 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, 2022 (dollars in thousands)

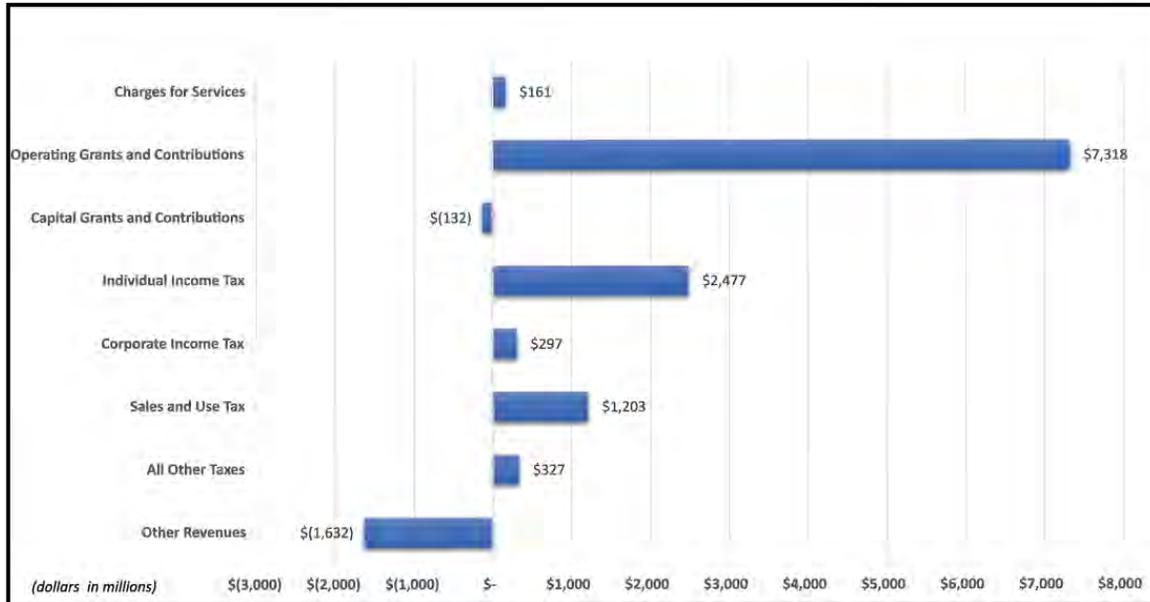
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue
Primary Government			
Governmental Activities			
General government.....	\$ 3,033,443	\$ 1,238,828	\$ (1,794,615)
Primary and secondary education.....	15,459,082	4,023,145	(11,435,937)
Higher education.....	5,473,516	162,087	(5,311,429)
Health and human services.....	30,645,511	24,968,324	(5,677,187)
Economic development.....	435,295	278,485	(156,810)
Environment and natural resources.....	816,601	436,573	(380,028)
Public safety, corrections, and regulation.....	4,780,703	1,491,182	(3,289,521)
Transportation.....	3,079,409	2,539,216	(540,193)
Agriculture.....	249,195	74,694	(174,501)
Interest on long-term debt.....	173,241	-	(173,241)
Total Governmental Activities.....	64,145,996	35,212,534	(28,933,462)
Business-type Activities			
Unemployment Compensation.....	672,550	1,288,336	615,786
N.C. State Lottery.....	2,960,246	3,892,982	932,736
EPA Revolving Loan.....	37,447	67,705	30,258
N.C. Turnpike Authority.....	210,152	131,210	(78,942)
Regulatory programs.....	139,202	163,017	23,815
Insurance programs.....	37,099	12,279	(24,820)
North Carolina State Fair.....	12,657	16,680	4,023
Other business-type activities.....	14,696	14,962	266
Total Business-type Activities.....	4,084,049	5,587,171	1,503,122
Total Primary Government.....	\$ 68,230,045	\$ 40,799,705	\$ (27,430,340)

Financial Highlights

Statement of Activities (cont'd)

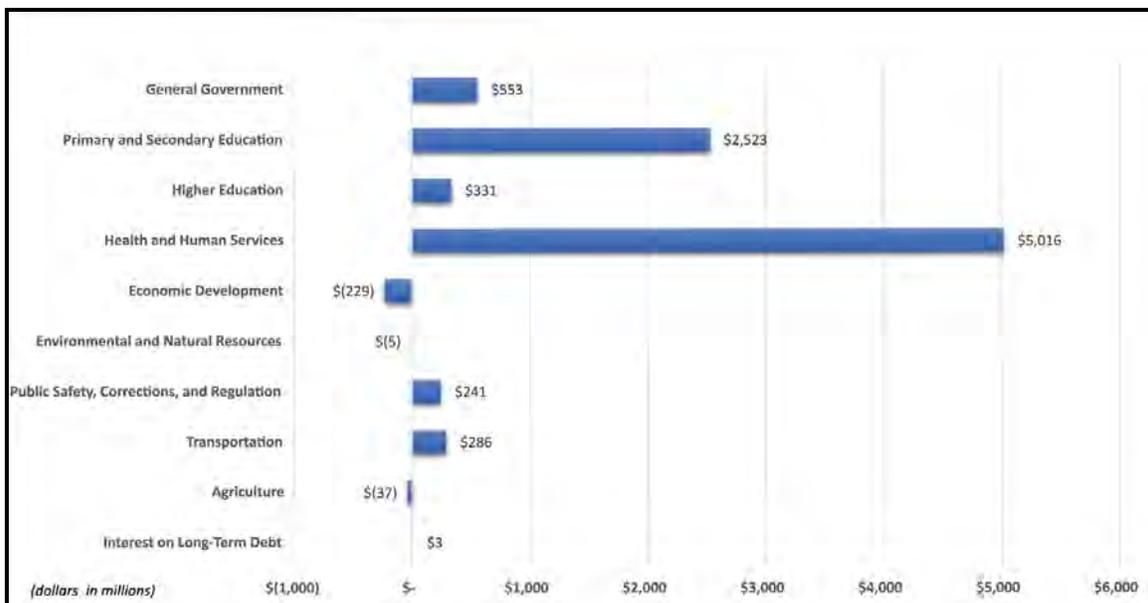
The following chart reflects the dollar change in the revenues by source of governmental activities between fiscal years 2021 and 2022:

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



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

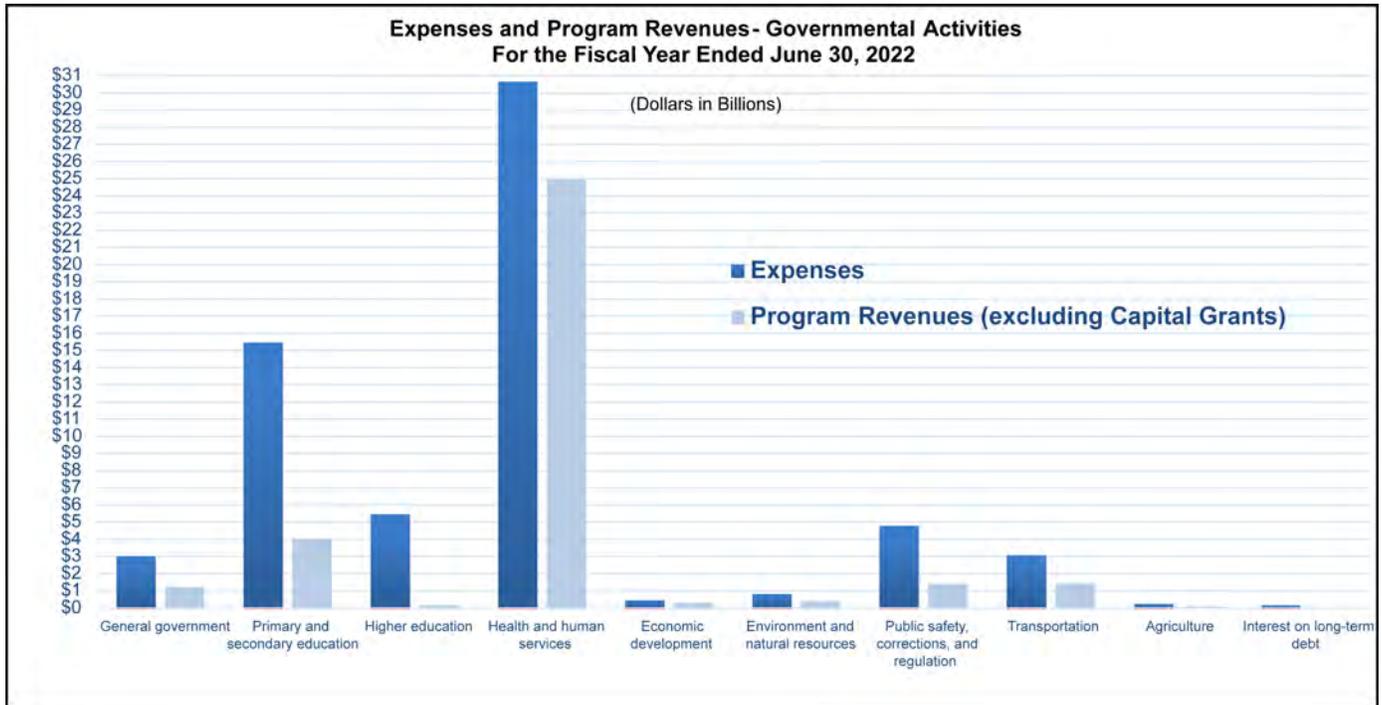
**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2021 and 2022**



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 2018-2022

(dollars in millions)

	2022	2021 (as restated)	2020	2019	2018
Governmental Activities					
Total Expenses.....	\$ (64,143)	\$ (55,481)	\$ (48,749)	\$ (46,875)	\$ (43,962)
Total Tax Revenues.....	36,974	32,370	27,651	27,754	26,409
Total Other Revenues and Contributions.....	36,992	31,273	23,838	21,328	20,212
Total Transfers.....	853	834	653	614	608
Change in Net Position.....	<u>10,676</u>	<u>8,996</u>	<u>3,393</u>	<u>2,821</u>	<u>3,267</u>
Net Position - June 30.....	\$71,395	\$60,720	\$51,684	\$48,195	\$45,322
Business-type Activities					
Total Expenses.....	(4,084)	(10,590)	(8,413)	(2,659)	(2,406)
Total Revenues.....	5,589	11,589	8,298	3,860	3,594
Total Transfers.....	(853)	(834)	(653)	(614)	(608)
Change in Net Position.....	<u>652</u>	<u>165</u>	<u>(768)</u>	<u>587</u>	<u>580</u>
Net Position - June 30.....	\$6,371	\$5,720	\$5,555	\$6,318	\$5,721
Total Primary Government					
Total Expenses.....	(68,227)	(66,071)	(57,162)	(49,534)	(46,368)
Total Revenues and Contributions.....	79,555	75,232	59,788	52,942	50,215
Change in Net Position.....	<u>11,328</u>	<u>9,161</u>	<u>2,626</u>	<u>3,408</u>	<u>3,847</u>
Net Position - June 30.....	\$77,767	\$66,439	\$57,239	\$54,513	\$51,043



Financial Highlights

Capital Assets

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

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

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

Total percent change between
fiscal years 2021 and 2022

5.12 %

9.59 %

5.29 %

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

- ◆ The N.C. Department of Transportation reported year-end construction in progress of \$3.16 billion for state highway projects. Additionally, the N.C. Turnpike Authority (business-type activity) reported year-end construction in progress of \$611.9 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway approximately 17.8 miles. The NCTA also has \$38.04 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 Military and Veterans Affairs is constructing a skilled nursing care facility with 120 private rooms for state veterans in Kernersville, North Carolina. The project is 95% complete. It has a budget of nearly \$59 million and is a cooperative effort between the State of N.C. and the U.S. Department of Veterans Affairs which provided over \$27 million in grant funds. The revised occupancy timeframe for the facility is spring 2023. At year-end, construction in progress for the Kernersville Veterans Home totaled \$45.03 million.
- ◆ The Department of Health and Human Services (DHHS) is replacing major legacy IT systems. NC FAST, the new system for managing and administering social services benefits, will improve the way DHHS and the 100 county departments of social services conduct business. At year-end, computer software in development for NC FAST totaled \$749.5 million.
- ◆ The State has commitments of \$6.095 billion for the construction of highway infrastructure (\$6.04 billion for governmental activities and \$55.26 million for business-type activities), which are expected to be financed by motor fuels tax collections, motor vehicles fees, toll collections, federal funds, and debt proceeds. Other commitments of \$344.23 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

Financial Highlights

Debt Administration

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

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

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

Total percent change between fiscal years 2020 and 2021 (as restated)	(2.14) %	(1.65) %	(1.99) %
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During the 2022 fiscal year, the State issued \$432 million in limited obligation refunding bonds for its governmental activities. The limited obligation refunding bonds were issued pursuant to the State Capital Facilities Finance Act and will provide financing for various capital improvements throughout the State as authorized in the Act. The Highway Trust Fund issued \$300 million Build NC special indebtedness limited obligation bonds as part of the \$3 billion transportation package approved by the General Assembly. The bond proceeds will be used to finance regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan. Also, the N.C. Turnpike Authority (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 \$2.51 billion in 2022.

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 \$5.73 billion in 2022, 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.



Financial Highlights

Demographic and Economic Indicators

The following tables illustrate comparative information for the State:

SCHEDULE OF DEMOGRAPHIC DATA

For the Years 2018-22

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
2022	10,645,992	0.90%	\$ 56,174	87.57%	4,929,061	3.40%	10,344,024	50,527
2021	10,551,162	0.90%	\$ 56,173	87.57%	4,769,039	4.60%	10,245,443	45,417
2020	10,457,177	(0.29)%	\$ 51,900	86.84%	4,430,134	7.50%	9,876,946	36,244
2019	10,488,084	1.03%	\$ 48,741	86.65%	4,868,076	4.20%	9,548,341	34,313
2018	10,381,615	1.10%	46,352	86.18%	4,787,584	4.20%	9,403,076	36,166

TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2019-2022

(Dollars in Thousands)

	2022	2021	2020	2019
General merchandise (includes discount and department stores, industrial supply dealers).....	62,226,026	\$ 56,410,899	\$ 45,601,205	\$ 41,960,513
Food (includes restaurants, taverns, grocery, vending).....	35,303,794	30,564,158	29,256,742	29,981,154
Lumber & building material (includes material, electrical, plumbing supply, sheet metal fabrication).....	26,325,703	22,441,929	19,048,555	18,383,205
Automotive (includes dealers, garages, automotive supply).....	12,090,992	11,018,415	9,837,130	9,691,420
3% and 4.75% tax group (includes manufactured and modular homes, boats).....	910,727	839,260	705,394	647,756
Furniture (includes stores, appliance dealers, upholstery and floor covering).....	6,201,915	5,757,054	5,050,850	5,182,589
Apparel (includes clothing, boot, and shoe stores, shoe repair)..	8,216,790	7,025,959	5,620,937	6,018,989
Unclassified (includes lodging, medical supply, office equipment, book and school supply).....	59,892,202	50,815,780	44,629,147	44,693,250
Total	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%

Financial Highlights

Demographic and Economic Indicators (cont'd)

PRINCIPAL EMPLOYERS

For the Fiscal Years 2013 & 2022

	2022			2013		
	Employees	Rank	Percentage	Employees	Rank	Percentage
			of Total State Employment			of Total State Employment
State of North Carolina.....	170,000-174,999	1	3.50%	180,000-184,999	1	4.25%
Federal Government.....	75,000-79,999	2	1.57%	65,000-69,999	2	1.57%
Wal-Mart Associates, Inc.....	60,000-64,999	3	1.27%	45,000-59,999	3	1.22%
Duke University.....	40,000-44,999	4	0.86%	30,000-34,999	5	0.76%
Food Lion LLC.....	35,000-39,999	5	0.76%	25,000-29,999	6	0.64%
Atrium Health.....	30,000-34,999	6	0.66%	-	-	-
Wells Fargo Bank NA.....	30,000-34,999	7	0.66%	20,000-24,999	7	0.52%
Amazon Fulfillment services, Inc.....	25,000-29,999	8	0.56%	-	-	-
Lowes Home Center, Inc.....	20,000-24,999	9	0.46%	-	-	-
Wake County Public Schools.....	20,000-24,999	10	0.46%	15,000-19,999	10	0.41%
Charlotte-Mecklenburg Hospital.....	-	-	-	30,000-34,999	4	0.76%
Charlotte-Mecklenburg Bd of Education.....	-	-	-	20,000-24,999	8	0.52%
Bank of America NA.....	-	-	-	20,000-24,999	9	0.52%
Total.....	<u>500,000-554,990</u>		<u>10.76%</u>	<u>450,000-509,990</u>		<u>11.17%</u>

TEACHERS AND STATE EMPLOYEES BY FUNCTION

For the Fiscal Years 2018-2022

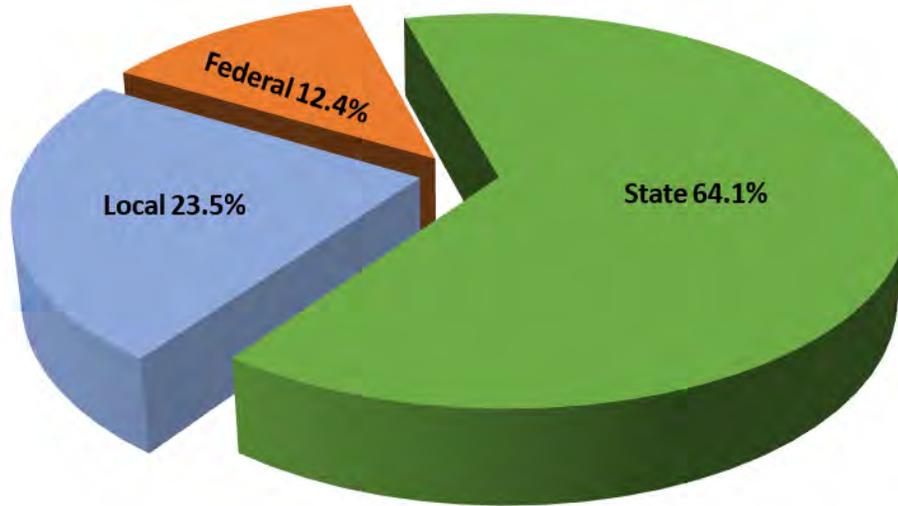
	2022	2021	2020	2019	2018
General government.....	5,811	5,769	5,631	5,501	4,983
Primary and secondary education.....	156,512	156,712	156,693	155,755	151,263
Higher education:					
Universities.....	67,987	65,824	67,166	65,697	64,028
Community colleges.....	17,025	17,122	17,761	18,095	18,028
Health and human services.....	18,286	18,270	18,270	18,098	18,038
Economic development.....	2,280	2,236	2,554	2,141	2,136
Environment and natural resources.....	4,295	4,222	4,157	4,140	4,128
Public safety, corrections and regulation.....	35,232	34,205	34,963	34,034	34,089
Transportation.....	11,423	11,624	11,669	11,666	12,141
Agriculture.....	<u>2,127</u>	<u>2,136</u>	<u>2,159</u>	<u>2,088</u>	<u>2,082</u>
Total.....	<u>320,978</u>	<u>318,120</u>	<u>321,023</u>	<u>317,215</u>	<u>310,916</u>

Financial Highlights

Education Highlights (Primary and Secondary)

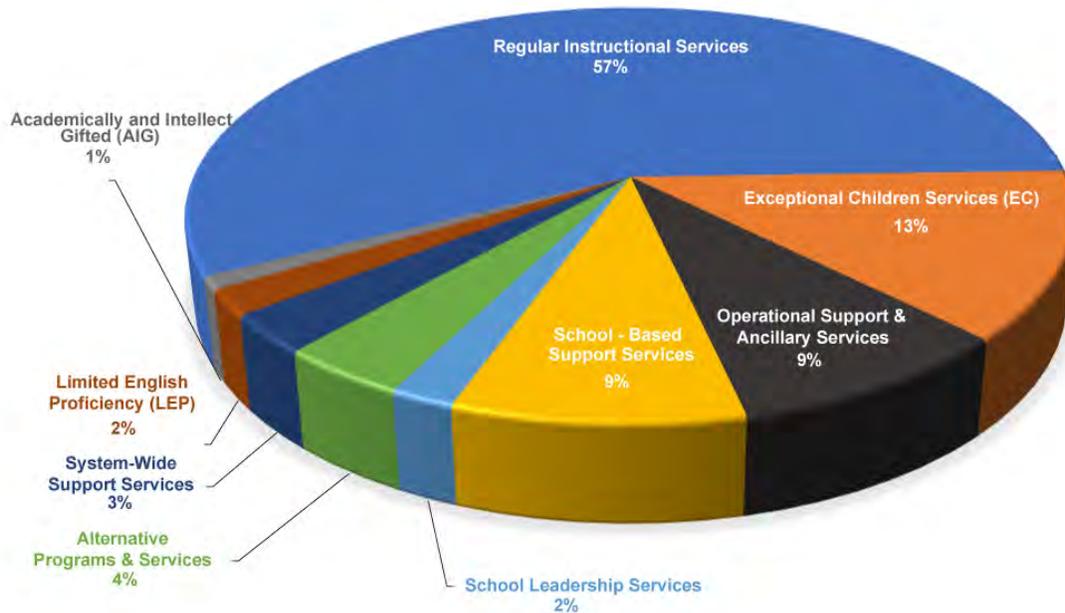
North Carolina public schools are funded through a combination of state funds allotted from the State's General Fund, federal, and local funds. The chart below shows expenditures by funding source:

SOURCE OF EXPENDITURES FY 2020 - 21



Of the \$9.32 billion State Public School Fund for fiscal year 2020-2021, all but 7.27% was used for salaries and benefits.

HOW STATE FUNDS WERE EXPENDED FY 2020 - 21



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

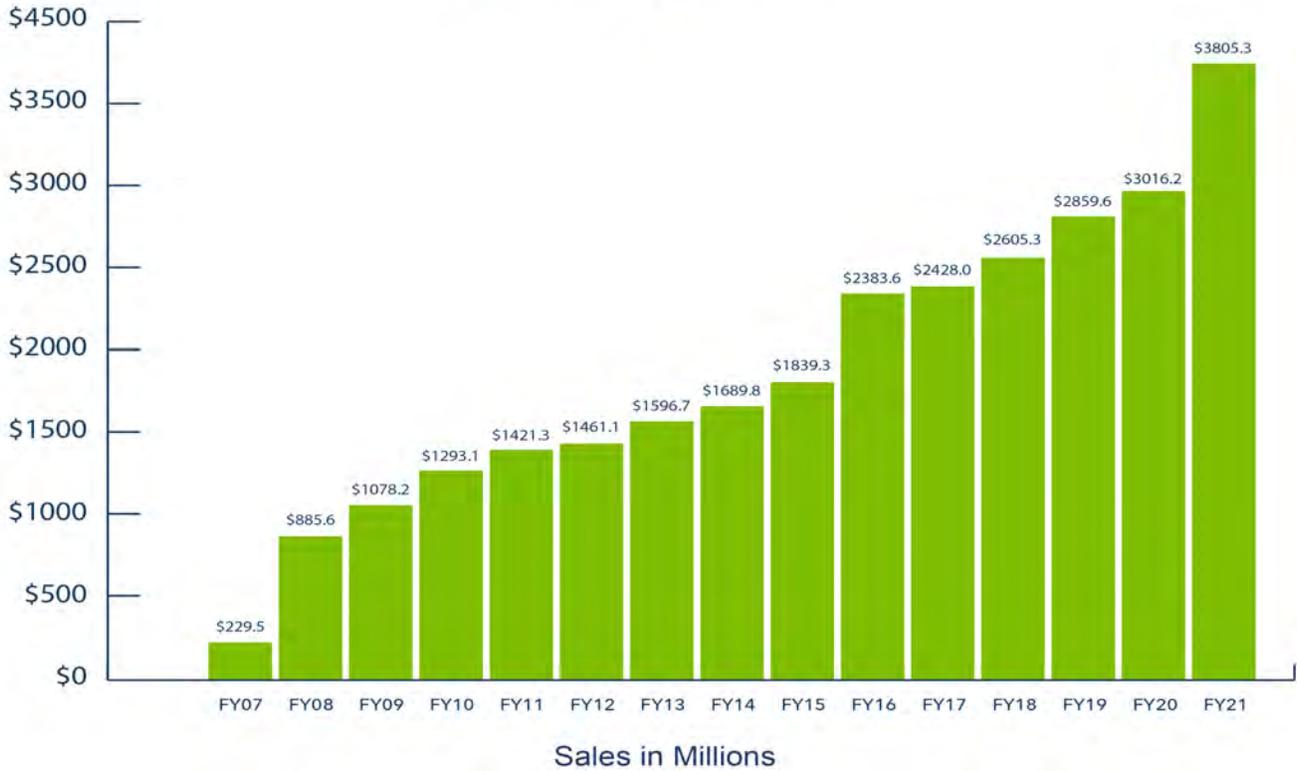


Financial Highlights

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 2022, the North Carolina Department of Transportation (NCDOT) listed the following as some of its key initiatives launched and project advancements:

- ◆ In February 2022, more than 1,000 tons of damaged concrete pipe were donated and used to help shore up two artificial reefs off the Brunswick County coast.
- ◆ NCDOT received federal approval to designate two bypass segments of U.S. 70 in Johnston, Wayne and Lenoir counties as Interstate 42 in March. The approval is for about 30 miles of highway. The department is working to upgrade the rest of the corridor, from Raleigh to Morehead City.
- ◆ Complying with Executive Order 246, NCDOT staff began working with stakeholders on creating a Clean Transportation Plan, which will address equitable access to clean mobility options, reductions in vehicle miles traveled, the availability and usage of zero-emission vehicles, and more.
- ◆ Construction is underway on the Hampstead Bypass, known as one of the largest projects in southeastern North Carolina. Once the first section is complete in 2026, the next half of construction will begin. The entire project is scheduled for completion in 2030.
- ◆ The Bipartisan Infrastructure Law brings much needed support to NCDOT. Over the five-year period of the bill, it brings about \$1.5 billion to the highway program, \$910 million to improve public transportation options, \$460 million for airports and increased funding opportunities for passenger rail, freight rail and rail safety, \$457 million for bridge replacement and repairs.
- ◆ A brand new, state-owned passenger ferry made its debut in May. The Ocracoke Express whisked people on a 70-minute trip between Hatteras and Silver Lake Harbor in Ocracoke Village, where a free tram operated by Hyde County carried them around the village to shops, restaurants, accommodations and attractions.
- ◆ In June, North Carolina Port's container terminal at the Port of Wilmington was ranked as the fourth most productive port in North America by World Bank Group and S&P Global Market Intelligence Container Port Performance Index for 2021.
- ◆ Nearly 30 bridges in six northwest North Carolina counties will be renovated or replaced, thanks to a U.S. Department of Transportation grant funds from the Bipartisan Infrastructure law.
- ◆ The East End Connector, which links the Durham Freeway (N.C. 147) and U.S. 70 and provides a stoplight-free drive between Interstates 85 and 40, opened in June in Durham. The connector is expected to promote economic development along the I-85 corridor toward Virginia. This will be beneficial to the counties north of Durham and near major employment centers, such as the Research Triangle Park and the Raleigh-Durham International Airport.



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, 2022. 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 24 consecutive years (fiscal years ended 1998-2022). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

State of North Carolina

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

30 copies of this public document were printed at a cost of \$277.23 or \$9.724 per copy.



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