



OFFICE OF THE
STATE CONTROLLER

STATE OF NORTH CAROLINA

FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDED JUNE 30, 2023

Financial Highlights



On the cover:

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

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

Financial Highlights

Dear Fellow North Carolinian,

I am pleased to present **North Carolina's Financial Highlights** for the fiscal year ended June 30, 2023. 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.

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.

This year's Financial Highlights contains photos from the beautiful scenery you can find in North Carolina from the mountains to the sea.

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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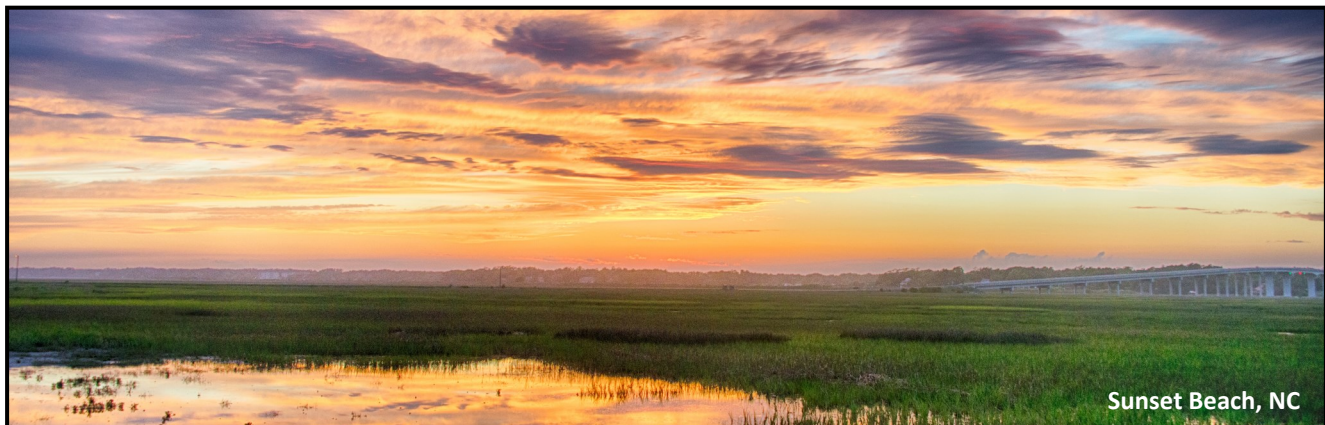
Financial Highlights

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

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

Aggressive interest rate increases by the Federal Reserve appear to have been successful in bringing down inflation from the high levels seen in fiscal year 2021-22. The annualized rate of inflation growth fell from 5.4% to 2.7% when comparing the first and last quarters of fiscal year 2022-23. Meanwhile, the nationwide unemployment rate held steady, hovering between 3.5% and 3.6% for the year. In North Carolina, unemployment stayed low as well, dropping below the national average at 3.3% for the fourth quarter of the fiscal year. The overall size of the labor force continued to increase, though at a much slower rate than in fiscal year 2021-22.

Financial Highlights

Corporate profits and retail sales, while slowing their growth rate from the double-digit numbers seen in the previous years, remained robust. This gave companies the confidence to compete in a tight labor market by offering higher wages. Driven by this, personal income growth increased nationwide and surpassed growth rates from the previous year. North Carolina was overall in line with nationwide figures on major economic indicators. Personal income growth was slightly higher than the national figure, driven by increases in wages and salaries.

With inflation moderating, the Federal Reserve slowed the pace of rate hikes while keeping the overall interest rate level higher than it had been during the post-Great Recession period. This established the background for the projections of key economic indicators used to generate the forecast for the next biennium.

Projections of key economic indicators in the chart below illustrate how the economy is expected to unfold during the next two fiscal years (fiscal years 2023-24 and 2024-25, or the “forecast period”). While stronger-than-expected wage growth in the current fiscal year has slightly improved the outlook for consumer spending, the biennial forecast assumes that inflation will moderate and the economy will experience what has been described as a “slowcession”, where economic growth stays low without slipping into reverse for any extended period. The risk of an outright recession remains high, though dampened from the outlook in fiscal year 2021-22.

North Carolina Economic Indicators

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Projected	FY 2024-25 Projected
Real Gross State Product Growth	3.9%	0.7%	2.1%	1.8%
Personal Income Growth	5.6%	5.8%	5.5%	4.6%
Wages & Salaries Growth	11.2%	7.9%	7.2%	5.0%
Retail Sales Growth	11.8%	7.2%	4.8%	4.8%
Average Unemployment Rate	4.0%	3.7%	3.7%	4.1%
Nonfarm Employment Growth	6.9%	2.0%	1.7%	0.5%



Winston-Salem, NC

Financial Highlights

Financial Highlights

Government-wide Financials

- ◆ The State's total net position increased by \$9.56 billion or 12.35% as a result of this year's operations. Net position of governmental activities increased by \$8.72 billion or 12.28% while net position of business type-activities increased by \$838 million or 13.16%. At year-end, net position of governmental activities and business-type activities totaled \$79.75 billion and \$7.21 billion, respectively.
- ◆ Component units reported net position of \$26.19 billion, an increase of \$2.6 billion or 11.04% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financials

- ◆ The fund balance of the General Fund increased from \$18.46 billion at June 30, 2022 (as restated) to \$22.37 billion at June 30, 2023, an increase of 21.18%.
- ◆ The Highway Fund reported a fund balance of \$1.2 billion at June 30, 2023, an increase of \$18.73 million from the previous year with a restated fund balance of \$1.18 billion at June 30, 2022. With the implementation of GASB 94, the Highway Fund restated a deferred inflow that restated and decreased the prior year's ending fund balance in the amount of \$70.2 million. While this restatement created the comparative increase in fund balance, the primary activity of the Highway Fund indicates a decrease during the fiscal year. This decrease was mainly due to the expenditures for highway and other infrastructure maintenance as well as an increase in operating costs that surpassed revenues.
- ◆ The Highway Trust Fund reported a fund balance of \$1.08 billion, a decrease of 33.93% from the previous year. The fund balance decrease is attributable to the overall increase in capital outlay expenditures outpacing revenues.
- ◆ The Unemployment Compensation Fund reported net position of \$4.43 billion at June 30, 2023 compared to \$3.79 billion at June 30, 2022, an increase of \$639.90 million or 16.86%. This increase in net position is related to various fluctuations, many of which continue to relate to the impacts from the Coronavirus pandemic. Unemployment rates remained low during the 2022-23 fiscal year, with the lowest rate of 3.3% reported in June 2023.
- ◆ The N.C. State Lottery Fund reported net ticket sales of \$4.34 billion, an increase of 11.72% from the previous year. As required by law, the Lottery transferred \$1.016 billion to the General Fund to support educational programs.
- ◆ The N.C. Turnpike Authority (NCTA) reported net position of \$325.44 million, an increase of 38.11% from the previous year. The NCTA reported operating income of \$2.31 million, which represents an increase of \$3.5 million from the prior year, related to \$4.5 million increase in operating revenues. The NCTA also had a \$23.11 million increase in nonoperating expenses due to a \$9.13 million decrease in investment earnings and a \$13.57 million increase in interest and fees related to interest paid on NCTA's bond debt during the fiscal year. NCTA also reported a \$75.36 million increase in capital contributions and a \$55.96 million increase in transfers in, which contributed to the increase in net position.
- ◆ The EPA Revolving Loan Fund reported net position of \$2.19 billion, an increase of 5.43% from the previous year. Operating income was \$7.33 million, and net nonoperating revenues of \$86.63 million consisted primarily of federal capitalization grants.



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 \$86.95 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 \$9.56 billion or 12.35% (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, 2023 and 2022
(dollars in thousands)

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

The largest component of the State's net position (72.6% for fiscal year 2023) reflects its investment in capital assets (land, buildings, machinery and equipment, state highway system, toll road system, and other capital assets), less related debt still outstanding that was used to acquire or construct those assets. An additional portion of net position represents restricted net position (\$1.97 billion). 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, 2023 (dollars in thousands)

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

Governmental Activities

- ◆ For fiscal year 2023, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State's business-type activities, an increase in net position of \$8.72 billion (or 12.28%) resulted for governmental activities.
- ◆ Total revenues increased by \$376.44 million (or 0.51%), and total expenses increased by \$2.38 billion (or 3.72%).

Business-type Activities

- ◆ Business-type activities reflect an overall increase in net position of \$838.26 million or 13.16%, primarily due to the increase in net position in the Unemployment Compensation Fund (Trust Fund).
- ◆ The increase in operating income of \$476.1 million in the Trust Fund is due mostly to a \$60.35 million or 9.14% increase in unemployment contributions and a \$397.01 million decrease in unemployment benefits paid as the economy recovered and the need for benefits declined. The Trust Fund had a \$452.48 million or 72.54% decrease in nonoperating revenues related to a \$467.81 million decrease in federal COVID-19 aid received.
- ◆ The net position increased by \$89.81 million or 38.11% for the N.C. Turnpike Authority primarily due to a \$75.36 million increase in capital contributions and a \$55.96 million increase in transfers in from the Highway and Highway Trust Funds. Nonoperating expenses of \$23.11 million or 29.7% offset the increases for the NCTA.
- ◆ The net position increase of \$112.83 million or 5.43% in the EPA Revolving Loan Fund is due to the Loan Fund continuing to focus on streamlining its processes resulting in more infrastructure projects completed during the year, using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grant for these projects.
- ◆ The N.C. State Lottery Fund's net position did not change and will continue to remain constant as a result of legislative changes in the methodology used to calculate net revenues to be distributed to the State's governmental activities, as required by statute.

Financial Highlights

Statement of Activities (cont'd)

The following activities for governmental activities were the primary drivers of the fiscal year 2023 financial results:

- ◆ Total revenues increased by \$376.44 million or 0.51% while total expenses increased by \$2.38 billion or 3.72%.
- ◆ There was a significant increase in investment earnings of \$493.34 million (815.35%) due largely to higher interest rates during the year which increased the overall interest earnings on cash balances on hand.
- ◆ Overall tax revenues increased by \$256.51 million (0.69%) from last year. Corporate and sales and use tax showed the largest increases primarily due to a continued strength in consumer spending during the year.
- ◆ The State's governmental activities recognized \$5.47 billion of federal COVID-19 funds which was a decrease of \$2.43 billion or 30.73%. The primary factors for the decrease was due to lower amounts of federal funds received for the ERA and HAF grants that are part of the COVID-19 relief, the CARES ACT program ending, and decreases in federal funds for COVID-19 immunizations, testing and detection programs, Child Care subsidies, and Child Nutrition services.
- ◆ Health and human services spending increased by \$1.67 billion or 5.44% primarily due to an increase in federal reimbursement for the Healthcare Access and Stabilization Program and claims for fiscal year 2023.
- ◆ General government expenses decreased by \$268 million or 8.83% and public safety, corrections and regulation spending decreased by \$508 million or 10.63% primarily due to the decrease in grants, state aid and subsidies.
- ◆ Expenses for transportation increased by \$711 million or 23.09% due primarily to increases in both the Highway Fund and Highway Trust Fund. The Highway Fund expenditures increased due to the implementation of the ARIBA procurement system, higher outlay costs and increased spending for contract resurfacing and bridge projects. The Highway Trust Fund expenditures increased due to the increased activity in the STI Program, representing continued growth of statewide construction activities after the COVID-19 shut down and cash restraints of fiscal year 2020.
- ◆ Economic development had a large increase in functional expenses of \$322 million or 73.90% due to primarily increases in grants for new state programs such as Economic Development Partnership for the NC Travel and Tourism initiative and increased funding for film incentives.

Condensed Schedule of Expenses & Program Revenue Primary Government For the Fiscal Year Ended June 30, 2023 (dollars in thousands)

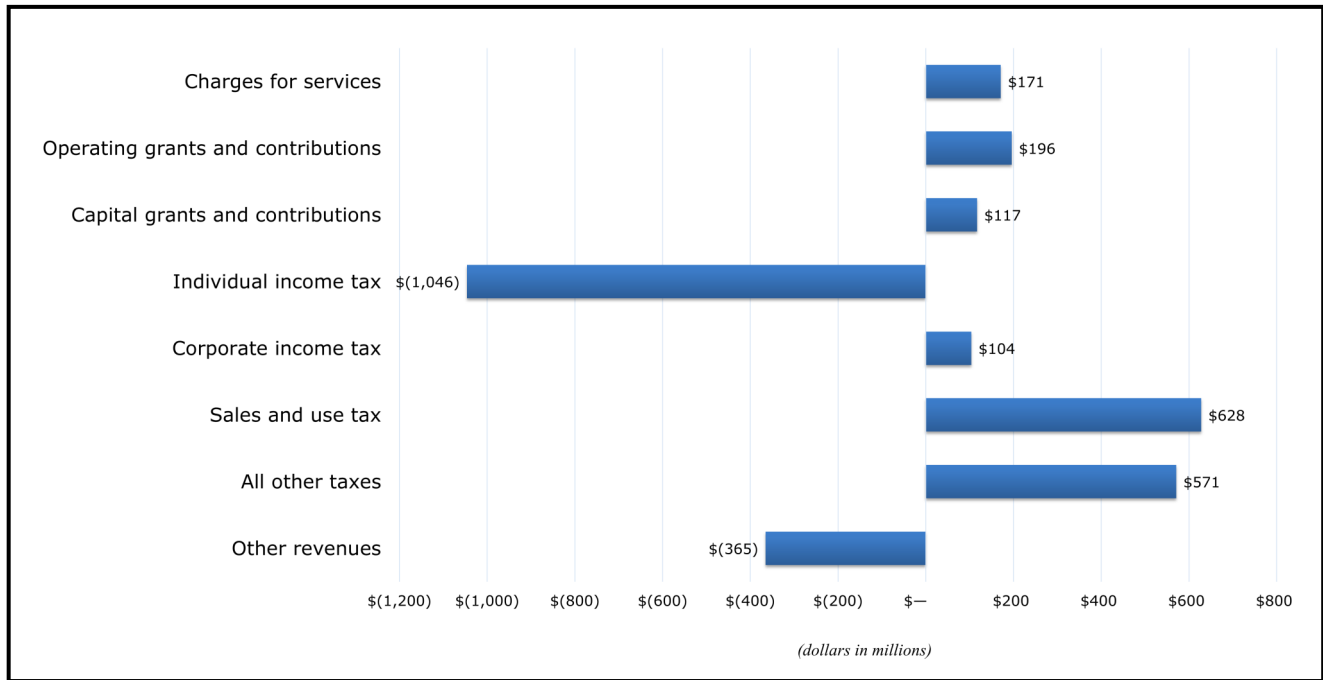
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue
Primary Government			
Governmental Activities			
General government.....	\$ 2,764,844	\$ 791,432	\$ (1,973,412)
Primary and secondary education.....	15,512,806	3,738,560	(11,774,246)
Higher education.....	5,665,180	336,673	(5,328,507)
Health and human services.....	32,313,673	25,529,967	(6,783,706)
Economic development.....	756,992	318,887	(438,105)
Environment and natural resources.....	865,794	415,887	(449,907)
Public safety, corrections, and regulation.....	4,269,861	1,692,315	(2,577,546)
Transportation.....	3,790,329	2,693,136	(1,097,193)
Agriculture.....	396,929	84,982	(311,947)
Interest on long-term debt.....	172,351	-	(172,351)
Total Governmental Activities.....	66,508,759	35,601,839	(30,906,920)
Business-type Activities			
Unemployment Compensation.....	276,982	916,370	639,388
N.C. State Lottery.....	3,332,492	4,350,639	1,018,147
EPA Revolving Loan.....	50,852	144,762	93,910
N.C. Turnpike Authority.....	224,730	201,534	(23,196)
Regulatory programs.....	151,784	167,594	15,810
Insurance programs.....	36,924	14,919	(22,005)
North Carolina State Fair.....	16,728	19,020	2,292
Other business-type activities.....	15,919	17,141	1,222
Total Business-type Activities.....	4,106,411	5,831,979	1,725,568
Total Primary Government.....	\$ 70,615,170	\$ 41,433,818	\$ (29,181,352)

Financial Highlights

Statement of Activities (cont'd)

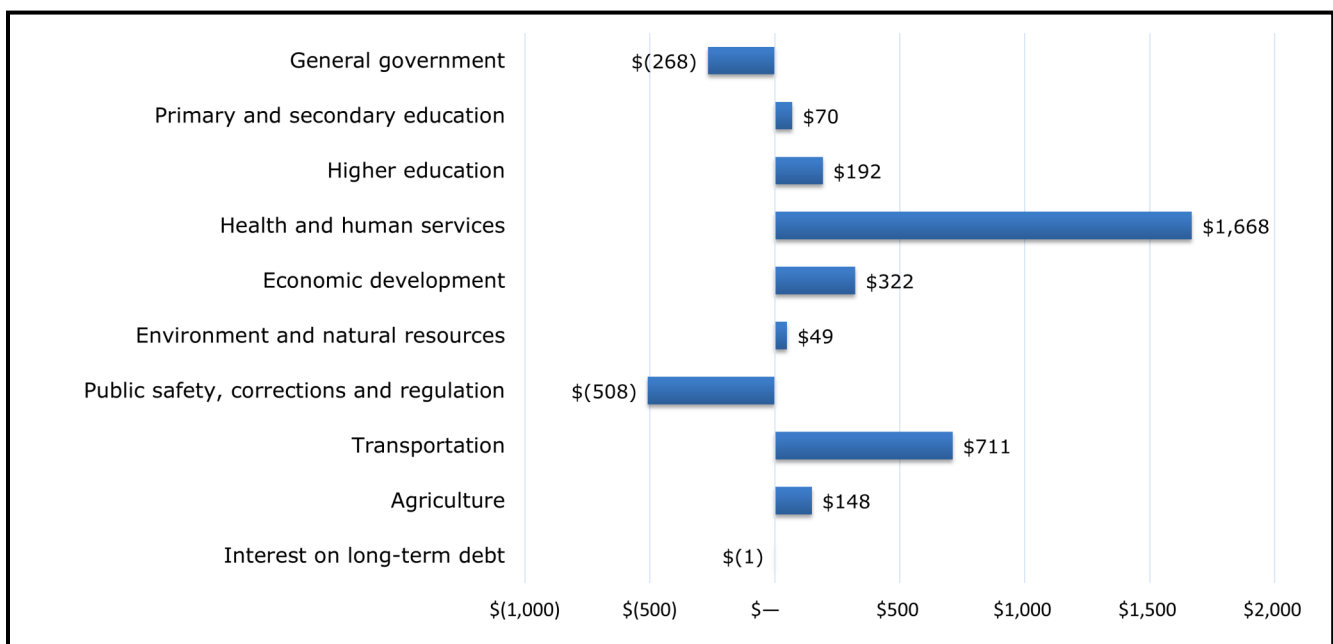
The following chart reflects the dollar change in the revenues by source of governmental activities between fiscal years 2022 and 2023:

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



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

**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2022 and 2023**

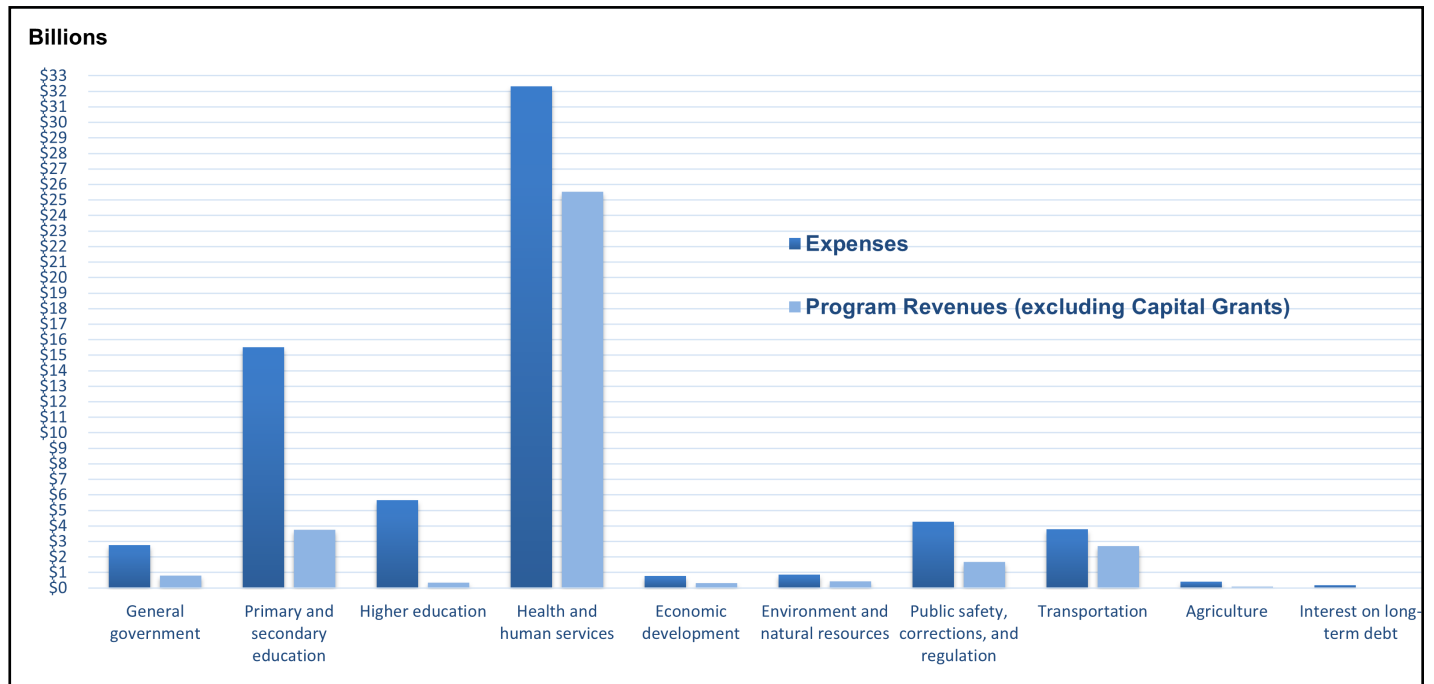


Financial Highlights

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.

Expenses and Program Revenues - Governmental Activities
For the Fiscal Year Ended June 30, 2023



Storm Over Blowing Rock, NC

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 2019 - 2023

(dollars in millions)

	2023	2022 (as restated)	2021	2020	2019
Governmental Activities					
Total Expenses.....	\$ (66,509)	\$ (64,126)	\$ (55,481)	\$ (48,749)	\$ (46,875)
Total Tax Revenues.....	37,230	36,973	32,370	27,651	27,754
Total Other Revenues and Contributions.....	37,111	36,990	31,273	23,838	21,328
Total Transfers.....	888	853	834	653	614
Change in Net Position.....	<u>8,720</u>	<u>10,690</u>	<u>8,996</u>	<u>3,393</u>	<u>2,821</u>
Net Position - June 30.....	\$79,745	\$71,026	\$60,720	\$51,684	\$48,195
Business-type Activities					
Total Expenses.....	(4,106)	(4,086)	(10,590)	(8,413)	(2,659)
Total Revenues.....	5,832	5,587	11,589	8,298	3,857
Total Transfers.....	(888)	(853)	(834)	(653)	(614)
Change in Net Position.....	<u>838</u>	<u>648</u>	<u>165</u>	<u>(768)</u>	<u>587</u>
Net Position - June 30.....	\$7,208	\$6,369	\$5,720	\$5,555	\$6,318
Total Primary Government					
Total Expenses.....	(70,615)	(68,212)	(66,071)	(57,162)	(49,534)
Total Revenues and Contributions.....	80,173	79,551	75,232	59,788	52,942
Change in Net Position.....	<u>9,558</u>	<u>11,339</u>	<u>9,161</u>	<u>2,626</u>	<u>3,408</u>
Net Position - June 30.....	86,953	\$77,395	\$66,439	\$57,239	\$54,513



After the Storm - Blowing Rock, NC

Financial Highlights

Capital Assets

As of June 30, 2023, the State's investment in capital assets was \$69.21 billion, an increase of 5.43% 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			
	2022		2022		2022	
	2023	(as restated)	2023	2022	2023	(as restated)
Land and permanent easements.....	\$22,328,922	\$21,478,222	\$ 604,102	\$ 569,389	\$22,933,024	\$22,047,611
Buildings.....	3,022,422	3,080,842	56,972	60,642	3,079,394	3,141,484
Machinery and equipment.....	872,120	800,731	7,344	7,530	879,464	808,261
Infrastructure:						
State highway system.....	34,111,784	32,430,494	—	—	34,111,784	32,430,494
NC toll road system.....	—	—	1,299,269	1,328,953	1,299,269	1,328,953
General infrastructure.....	230,241	234,036	5,844	6,174	236,085	240,210
Computer software.....	285,864	303,276	380	521	286,244	303,797
Subscription asset	246,142	189,976	2,691	—	248,833	189,976
Art, literature, and other artifacts.....	187,454	150,492	1,293	1,293	188,747	151,785
Construction in progress.....	3,632,415	3,038,804	911,150	698,766	4,543,565	3,737,570
Computer software in development.....	1,010,516	903,675	—	—	1,010,516	903,675
Right to use land and permanent easements	460	501	—	—	460	501
Right to use buildings	385,893	411,073	5,925	7,585	391,818	418,658
Right to use machinery and equipment	1,454	1,662	301	379	1,755	2,041
Right to use general infrastructure	1,090	1,365	—	—	1,090	1,365
Total.....	<u>\$66,316,777</u>	<u>\$63,025,149</u>	<u>\$2,895,271</u>	<u>\$2,681,232</u>	<u>\$69,212,048</u>	<u>65,706,381</u>

Total percent change between
Fiscal Years 2022 and 2023

5.22 %

7.98 %

5.34 %

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

- ◆ The 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 \$745.42 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway approximately 17.8 miles. The NCTA also has \$38.73 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 Office of the State Controller began replacing the State of North Carolina's legacy financial systems with the North Carolina Financial System (NCFs), an Oracle cloud-based solution, in 2021. NCFs was implemented in three releases over the past three years. On October 10, 2023, OSC successfully launched the final release of NCFs. At June 30, 2023, OSC recorded \$33.4 million in computer software in development.
- ◆ 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 Kernersville facility is the fifth full-service veterans' home in North Carolina. The funding of the facility was through a \$25.2 million grant from the U.S. Department of Veterans Affairs, State Veterans Home Construction Grant Program. At June 30, 2023, the DMVA recorded \$46.73 million in construction and progress. The construction of the facility has since been completed and a ribbon cutting ceremony was held October 31, 2023 officially opening the facility to new residents.
- ◆ The Department of Administration is collaborating with the Department of Health and Human Services on the Dorothea Dix campus relocation project pursuant to Session Law 2020-88, Section 1.(c). Phase 1 of this project consists of the planning expenses associated with the relocation of the campus. The relocation project is scheduled to be completed in April 2026. At June 30, 2023, the DOA reported \$55.56 million in construction in progress for the first phase of the project.
- ◆ The State has commitments of \$6.41 billion for the construction of highway infrastructure (\$6.23 billion for governmental activities and \$178.58 million for business-type activities), which are expected to be financed by motor fuels tax collections, motor vehicles fees, toll collections, federal funds, and debt proceeds. Other commitments of \$330.48 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

Financial Highlights

Debt Administration

At year-end, the State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$7.53 billion, a decrease of 8.62% from the previous fiscal year-end (see table below):

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

	Governmental Activities		Business-type Activities		Total	
	2022		2022		2022	
	2023	(as restated)	2023	2022	2023	(as restated)
General obligation bonds.....	\$ 1,975,940	\$2,309,790	\$ —	\$ —	\$ 1,975,940	\$2,309,790
Special Indebtedness:						
Limited obligation bonds.....	2,121,490	2,348,890	—	—	2,121,490	2,348,890
GARVEE bonds.....	918,940	1,023,210	—	—	918,940	1,023,210
Revenue bonds.....	—	—	1,787,362	2,323,816	1,787,362	2,323,816
Notes from direct borrowings.....	37,651	43,945	684,525	186,127	722,176	230,072
Total	\$ 5,054,021	\$ 5,725,835	\$ 2,471,887	\$ 2,509,943	\$ 7,525,908	\$ 8,235,778

Total percent change between
fiscal years 2022 and 2023

(11.73) %

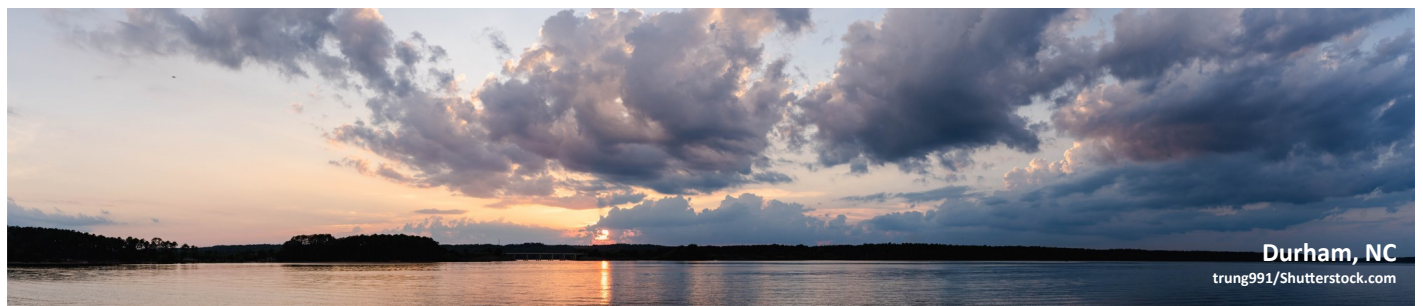
(1.52) %

(8.62) %

During the 2023 fiscal year, the State did not issue any new general obligation bonds, special indebtedness bonds or GARVEE bonds. The 2017-18 Session of the General Assembly authorized the Build NC Bond Act of 2018 with the issuance of up to \$300 million annually over ten years, not to exceed \$3 billion in total, of special indebtedness. The 2021 Session of the General Assembly repealed the remaining authorization of the Connect NC general obligation bonds that had not been issued as of June 30, 2021 and replaced it with pay-as-you-go capital for the remaining amount of \$400 million total authorization. The general obligation bonds have provided financing for various capital improvements throughout the State including the University of North Carolina System, North Carolina Community Colleges, local parks and infrastructure, National Guard, agriculture, State parks and attractions, and public safety. The State has issued \$1.3 billion of Build NC bonds to date, and approximately \$1.1 billion remained outstanding at June 30, 2023. These bonds enable the NC Department of Transportation to accelerate Regional and Divisional transportation projects authorized pursuant to the State's Strategic Transportation Investments Act. The NCTA's long-term debt has increased from \$691.56 million in 2010 to \$2.45 billion in 2023.

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 14 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 \$5.05 billion in 2023, in part due to large issuances of non-general obligation debt (special indebtedness) for higher education capital projects in previous years. 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 2019-23

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
2023	10,833,737	1.26%	\$ 58,110	88.76%	5,047,952	3.30%	10,493,355	49,507
2022	10,698,973	1.26%	\$ 58,109	88.76%	4,929,061	3.40%	10,344,024	50,527
2021	10,565,885	1.11%	\$ 56,705	88.01%	4,769,039	4.60%	10,245,443	45,417
2020	10,449,445	(0.37)%	\$ 51,781	87.54%	4,430,134	7.50%	9,876,946	36,244
2019	10,488,084	1.03%	\$ 48,366	87.07%	4,868,076	4.20%	9,548,341	34,313

TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2019-2023

(Dollars in Thousands)

	2023	2022	2021	2020
General merchandise (includes discount and department stores, industrial supply dealers).....	66,291,925	62,226,026	\$ 56,410,899	\$ 45,601,205
Food (includes restaurants, taverns, grocery, vending).....	38,416,024	35,303,794	30,564,158	29,256,742
Lumber & building material (includes material, electrical, plumbing supply, sheet metal fabrication).....	28,736,679	26,325,703	22,441,929	19,048,555
Automotive (includes dealers, garages, automotive supply).....	13,536,016	12,090,992	11,018,415	9,837,130
3% and 4.75% tax group (includes manufactured and modular homes, boats).....	972,905	910,727	839,260	705,394
Furniture (includes stores, appliance dealers, upholstery and floor covering).....	6,441,201	6,201,915	5,757,054	5,050,850
Apparel (includes clothing, boot, and shoe stores, shoe repair)..	8,448,251	8,216,790	7,025,959	5,620,937
Unclassified (includes lodging, medical supply, office equipment, book and school supply).....	65,990,901	59,892,202	50,815,780	44,629,147
Total.....	<u>228,833,902</u>	<u>211,168,149</u>	<u>\$ 184,873,454</u>	<u>\$ 159,749,960</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 2014 & 2023

	2023			2014		
	Employees	Rank	Percentage	Employees	Rank	Percentage
			of Total State Employment			of Total State Employment
State of North Carolina.....	170,000-174,999	1	3.42%	180,000-184,999	1	4.16%
Federal Government.....	75,000-79,999	2	1.54%	65,000-69,999	2	1.54%
Wal-Mart Associates, Inc.....	60,000-64,999	3	1.24%	45,000-59,999	3	1.20%
Duke University.....	40,000-44,999	4	0.84%	30,000-34,999	5	0.74%
Food Lion LLC.....	35,000-39,999	5	0.74%	25,000-29,999	6	0.63%
Atrium Health.....	35,000-39,999	6	0.74%	-	-	-
Wells Fargo Bank NA.....	30,000-34,999	7	0.64%	25,000-29,999	7	0.63%
Wake County Public Schools.....	20,000-24,999	8	0.45%	20,000-24,999	10	0.51%
Amazon Fulfillment services, Inc.....	20,000-24,999	9	0.45%	-	-	-
Lowes Home Center, Inc.....	20,000-24,999	10	0.45%	-	-	-
Charlotte-Mecklenburg Hospital.....	-	-	-	30,000-34,999	4	0.74%
Charlotte-Mecklenburg Bd of Education.....	-	-	-	20,000-24,999	8	0.51%
Bank of America NA.....	-	-	-	20,000-24,999	9	0.51%
Total.....	<u>505,000-554,990</u>		<u>10.51%</u>	<u>460,000-519,990</u>		<u>11.17%</u>

TEACHERS AND STATE EMPLOYEES BY FUNCTION

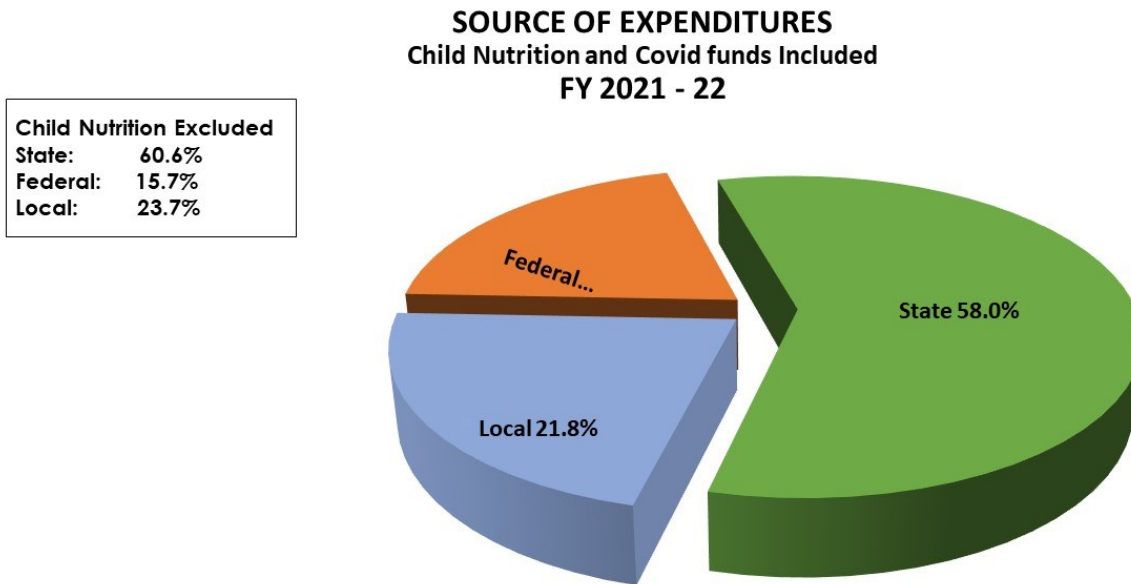
For the Fiscal Years 2019-2023

	2023	2022	2021	2020	2019
General government.....	5,859	5,811	5,769	5,631	5,501
Primary and secondary education.....	153,595	156,512	156,712	156,693	155,755
Higher education:					
Universities.....	68,209	67,987	65,824	67,166	65,697
Community colleges.....	17,002	17,025	17,122	17,761	18,095
Health and human services.....	18,432	18,286	18,270	18,270	18,098
Economic development.....	2,083	2,280	2,236	2,554	2,141
Environment and natural resources.....	4,493	4,295	4,222	4,157	4,140
Public safety, corrections and regulation.....	35,267	35,232	34,205	34,963	34,034
Transportation.....	11,421	11,423	11,624	11,669	11,666
Agriculture.....	<u>2,128</u>	<u>2,127</u>	<u>2,136</u>	<u>2,159</u>	<u>2,088</u>
Total.....	<u>318,489</u>	<u>320,978</u>	<u>318,120</u>	<u>321,023</u>	<u>317,215</u>

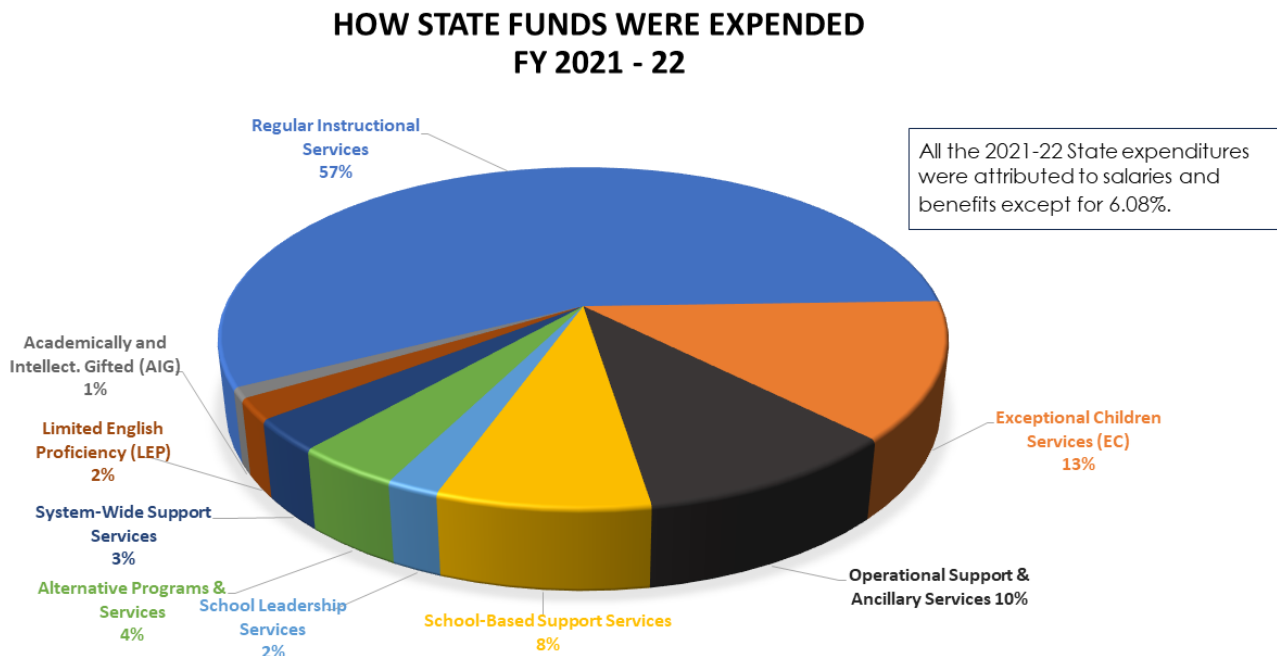
Financial Highlights

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:



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



Information provided by the North Carolina Department of Public Instruction

Financial Highlights

North Carolina Education Lottery

The North Carolina Education Lottery raised \$1 billion for education programs for the first time ever, setting new records in fiscal year 2022-2023 for lottery ticket sales and earnings for education. Ticket sales exceeded \$4.34 billion, up 11.7% year-over-year. The Lottery continued its record of increasing sales every year of its operations. From those sales, the Lottery raised \$1 billion for education, up 9.2%, or \$85 million.

Scratch-off tickets consistently remain the Lottery's most popular product, setting a new record of \$2.97 billion in sales, or 68% of revenue. The Lottery launched 50 new scratch-off games during the year.

Both national draw games, Powerball and Mega Millions, featured jackpots of \$1 billion or more with a new record jackpot of \$2 billion won in the Powerball game in November. During the year, the Lottery continued to enhance its games and products, improving two of its main draw games, Carolina Pick 3 and Carolina Pick 4 with a fun new add-on called Fireball and adding both games to its Online Play program.



Lottery players received more than \$2.86 billion in prize money during the year, including 91 prizes of \$1 million or more. The biggest win occurred with a \$10,000,000 Colossal Cash scratch-off ticket valued at \$10 million. A North Carolina man became the Powerball First Millionaire of the Year on New Year's Eve in a drawing held in Times Square.

The record ticket sales demonstrated again how much North Carolinians enjoy playing lottery games. Last year, the Lottery averaged \$11.9 million a day in ticket sales, \$7.8 million a day in prizes, and \$2.8 million a day raised for education. The Lottery ended the fiscal year with 7,072 retail locations across the state. Those retailers earned \$295.2 million in sales commissions and incentives. At end of fiscal year, sales since the inception of the Lottery in 2006 totaled \$38.79 billion, and the amount of money raised for education climbed to \$10.26 billion.

In its annual financial audit, the Lottery received an "unqualified opinion" from independent auditors as it has in all prior annual financial audits. In June, the biennial performance audit, required by law, described the lottery's performance as exceptional and found that of all U.S. Lotteries the N.C. Education Lottery was the only one to increase sales every year of operations.

For the second year in a row, the lottery won a national award from the National Council of Problem Gambling for a responsible gaming newsletter.

The State Lottery Act directs the lottery to increase and maximize the available revenues for education purposes. In the 2022-23 fiscal year, a breakdown of revenues showed 65.8% went to prizes, 23.4% for education programs, 6.8% in retailer commissions, and the remaining 4% to administrative expenses. Administrative expenses came in \$11.8 million less than budgeted, a savings that went to education programs.

The Lottery transferred its net profits monthly to the Office of State Budget and Management and the funds go into the North Carolina State Lottery Fund. The funds then were distributed as outlined in the state budget. The General Assembly reports the following allocation of money raised by the lottery in fiscal year 2022-2023:

- \$385.9 million to noninstructional support personnel;
- \$100 million for the Public School Building Capital Fund, which provides monies to North Carolina counties to build and repair schools;
- \$208.3 million to the Needs-Based Public School Capital Fund, which provides financial assistance to low-wealth counties to build new schools;
- \$50 million to a new Public School Repair and Renovation Fund, which provided \$500,000 grants to each of the state's 100 counties to repair and renovate schools and expand classrooms;
- \$78.2 million to the N.C. Pre-K program to fund seats in the prekindergarten program for at-risk four-year-olds;
- \$41.2 million to a Scholarship Reserve Fund for public colleges and universities;
- \$21.4 million to support school transportation for each of the state's school systems.

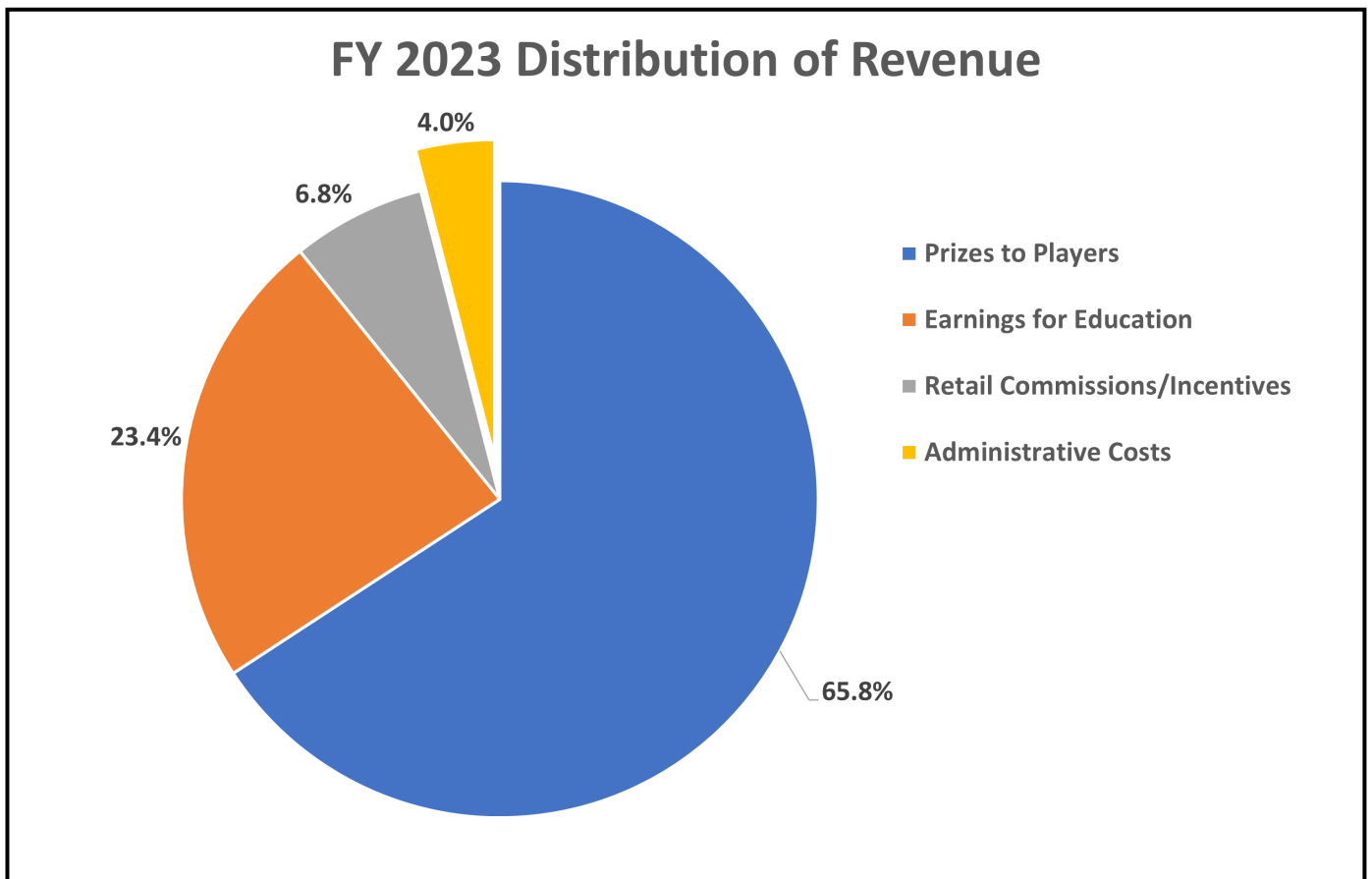
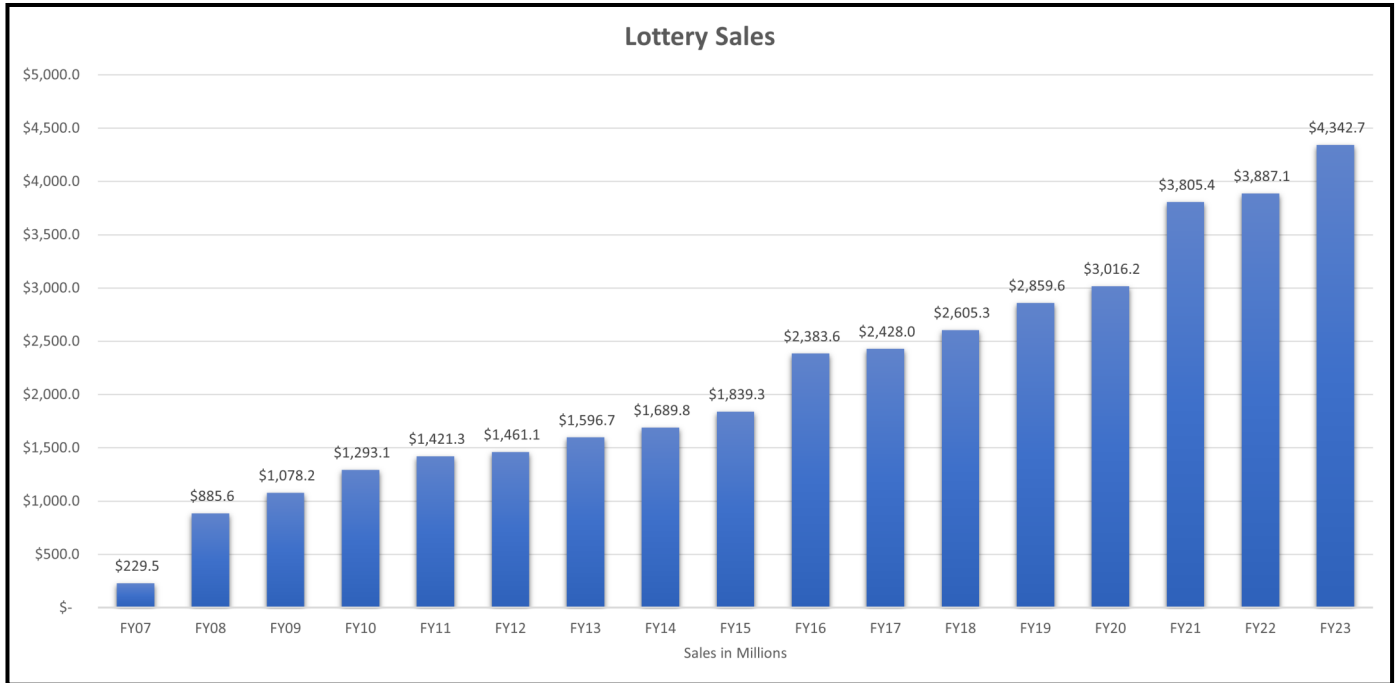
The N.C. General Assembly allocates lottery revenues that exceed projections to the Needs-Based Public School Capital Fund. With that decision, \$130 million in additional monies raised in fiscal year 2022-23 went to the fund. The General Assembly also directed transfers of \$2.1 million in profits to 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 2023:



Financial Highlights

Transportation Highlights

Related to the fiscal year 2023, the North Carolina Department of Transportation (NCDOT) listed the following as some of its key initiatives launched and project advancements:

- ◆ The state budget signed into law by Governor Roy Cooper in July included a provision dedicating a portion of the state's sales tax revenue to fund transportation projects. This is a big step toward modernizing transportation funding in North Carolina, lessening the dependency on motor fuels tax revenues.
- ◆ The N.C. Department of Transportation officially opened to traffic the Rodanthe "Jug Handle" Bridge in July 2022.
- ◆ NCDOT and Fort Bragg officials celebrated in August the completion of the first project – repaving Normandy Drive – under a unique partnership between the department and the U.S. Army.
- ◆ A \$2 million pilot for an early flood warning system was fully implemented for the first time statewide for Hurricane Ian in September 2022. The system includes over 50 stream gauges covering 2,900 miles, primarily east of I-95, and 4,000 bridges and culverts statewide.
- ◆ NC By Train, the state's intercity passenger rail service, had more people ride in 2022 than ever before in its 32-year history of the service.
- ◆ The first phase of the Charlotte Gateway Station was completed in October 2022. The future multi-modal station will consolidate passenger rail and intercity transportation modes in Uptown.
- ◆ The final section of the Greensboro Urban Loop opened completing the 49-mile loop around Greensboro in January 2023.
- ◆ NCDOT won a \$1.5 million federal grant from the Bipartisan Infrastructure Law to help make driving safer, especially through work zones. It is called Strengthening Mobility and Revolutionizing Transportation grant program (SMART), and NCDOT will use the grant to develop a system that sends real-time alerts to travelers about the need to slow down, stop or change lanes.
- ◆ The project to widen Interstate 40 from Southeast Raleigh to Clayton crossed a major milestone in April 2023. All new lanes in both directions of the interstate opened to traffic between I-440 (Exit 301) and the U.S. 70 Bypass (Exit 309).
- ◆ The N.C. Ferry Division in May 2023 launched a new notification system that allows passengers to receive text and/or email notification when ferry schedules are interrupted by weather or mechanical delays.
- ◆ The department won over \$64 million in federal money from the Rebuilding American Infrastructure with Sustainability and Equity, or RAISE, program funds by the Bipartisan Infrastructure Law. The grants will fund six North Carolina projects, including rebuilding a historic corridor in Lumberton and improving pedestrian access in 15 counties.

Information provided by the North Carolina Department of Transportation



Linn Cove Viaduct - Linville, NC

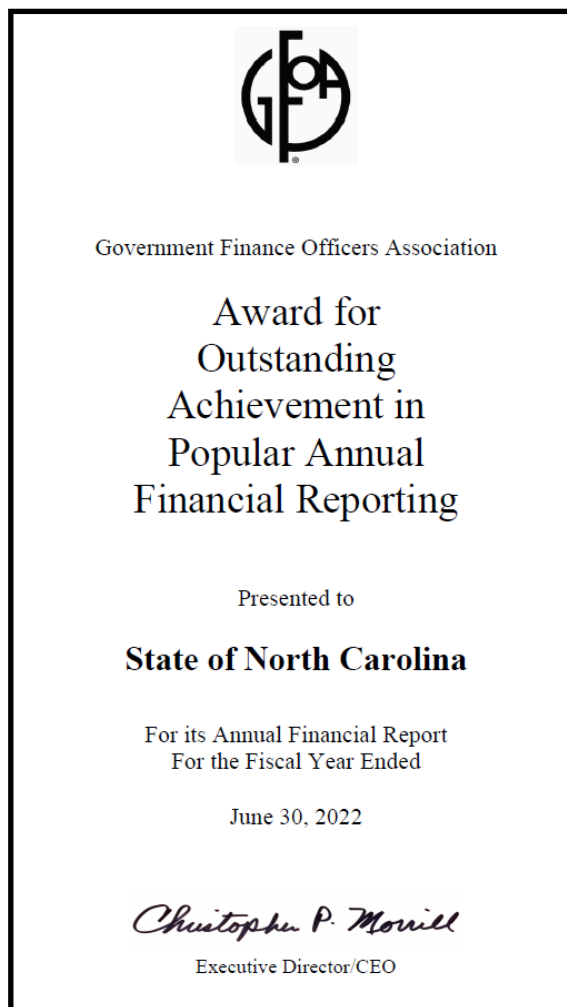
Financial Highlights

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 25 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.



30 copies of this public document were printed at a cost of \$280.77 or \$9.3589 per copy.



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