



OFFICE OF THE
STATE CONTROLLER

STATE OF NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2025

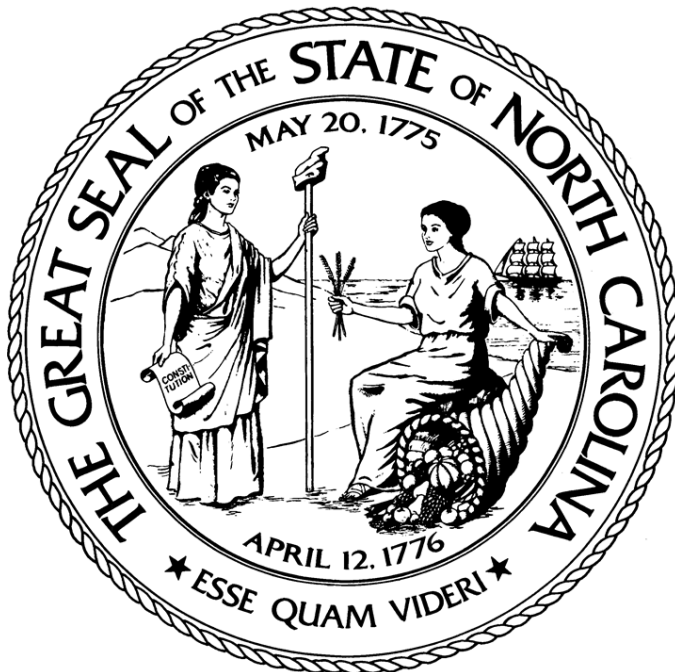
On the cover:

The cover features an aerial evening view of the North Carolina State Fairgrounds in Raleigh, highlighting the towering SkyGazer Ferris Wheel beside the iconic J.S. Dorton Arena as dusk settles over the midway. The photograph was created by Justin Kase Conder of JKase & Co. (www.JKase.com), the official photographer and content producer for the North Carolina State Fair.

NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2025



JOSH STEIN
GOVERNOR

NELS C. ROSELAND
STATE CONTROLLER

Prepared by Statewide Accounting staff
Office of the State Controller

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

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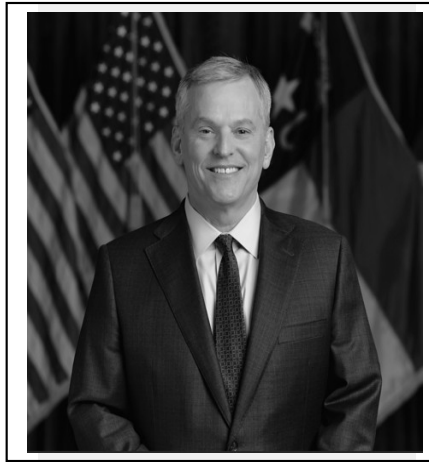
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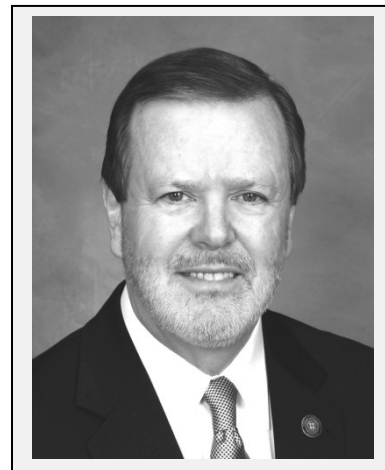
Special appreciation is given to the chief fiscal officers and the dedicated accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.



JOSH STEIN
Governor of North Carolina



REPRESENTATIVE DESTIN HALL
Speaker of the House
North Carolina General Assembly



SENATOR PHILIP BERGER
President Pro Tempore
North Carolina General Assembly



NELS C. ROSELAND
State Controller

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For the Fiscal Year Ended June 30, 2025*

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INTRODUCTORY SECTION



State of North Carolina Office of the State Controller

NELS C. ROSELAND
STATE CONTROLLER

December 08, 2025

The Honorable Josh Stein, Governor
Members of the North Carolina General Assembly
Citizens of North Carolina

In compliance with G.S. 143B-426.40H, it is our pleasure to provide you with the State of North Carolina's 2025 Annual Comprehensive Financial Report (ACFR). This report has been prepared by the Office of the State Controller. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state government and this office. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. We believe all disclosures necessary to enable you to gain an understanding of the State's financial activities have been included.

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

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

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

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

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Profile of the State of North Carolina

The Old North State, The Tar Heel State

North Carolina became the 12th state of the union in 1789. North Carolina is located on the Atlantic coast and is bordered by Georgia, South Carolina, Tennessee, and Virginia. The State has a land area of approximately 50,000 square miles. The State's estimated population is 11.2 million, making it the 9th most populated state in the nation. Ninety-four percent of the State's population lives in metropolitan areas. The North Carolina coastline is 301 miles, the greatest distance east to west is 543 miles, and the greatest distance north to south is 188 miles. The State's elevation rises from sea level on the eastern coastline to 6,684 feet at Mount Mitchell in the Appalachian Mountain range on the western border. There are 80,384 miles of roads, with Interstate 40 crossing North Carolina east to west, and Interstates 77, 85, and 95 crossing the State north to south. North Carolina's capital and central state government administration are located in Raleigh, in the central piedmont. Charlotte, Raleigh, Greensboro, Durham, and Winston-Salem are North Carolina's largest cities and there are 100 counties.

North Carolina consistently ranks among the top states for business, earning first place from *CNBC*, second from *Site Selection*, and fourth from *Chief Executive*. Notably, in 2025, North Carolina was also recognized by *Site Selection* as the second-place winner of the Prosperity Cup, an accolade awarded for excellence in attracting capital projects.

Government

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

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

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

State Reporting Entity and Its Services

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

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

Budgetary Control

In addition to internal controls discussed previously, the State maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the General Assembly. Activities of the General Fund, departmental special revenue funds, and permanent funds are included in the annual appropriated budget. The Highway Fund and the Highway Trust Fund, the State's major special revenue funds, are primarily budgeted on a multi-year basis. Capital projects are funded and planned in accordance with the time it will take to complete the project.

The legal level of budgetary control, meaning the level at which expenditures cannot legally exceed the appropriated amount, is exercised at the object level. This control is managed by the State's departments, agencies, commissions, boards, and universities. While these entities can make revisions to their budgets at the object level with the approval of the Office of State Budget and Management, they must not exceed the overall budget at the purpose level. For example, within a specific purpose budget, departments can allocate funds among various object categories, such as supplies and materials, current obligations and services, fixed charges and other expenses, and capital outlay.

The budget approved by the General Assembly serves as the legal expenditure authority. However, the Office of the State Budget and Management may authorize executive changes to the legal budget as permitted by law, resulting in the final budget presented in the required supplementary information.

Economic Condition

Overview

North Carolina's economic indicators in fiscal 2024-25 continued to improve compared to the previous fiscal year, leading to continued growth in the State's tax base. In general, North Carolina economic indicators grew faster than U.S. economic indicators. Nationwide, inflation grew by a fiscal year average of 2.6% year-over-year as measured by the Consumer Price Index for All Urban Consumers. The Federal Reserve enacted three federal funds rate reductions throughout the fiscal year, lowering the effective rate from 5.33% in July 2024 to 4.33% in June 2025. These rate reductions increase the availability of credit throughout the economy, increasing consumer and business spending relative to higher rates and promoting additional economic growth throughout the period, including for North Carolinians.

These changes helped to continue the national and State trend of low unemployment, which averaged 4.1% nationwide and 3.7% in North Carolina for fiscal 2024-25. Low unemployment put upward pressure on wages as firms continued to compete for available workers, leading to growth in the State's wage and salary base of 6% year over year and total State personal income growth of 6.8%, higher than the national average. Additionally, other than a short-lived decline in March and April, equities performed well over the fiscal year. The S&P 500 index rose from 5,475 to 6,205, over a 13% increase, over fiscal 2024-25. Growth in equities can increase income when capital gains are realized, for example from pre-tax retirement accounts such as 401(k) plans. Due in part to these factors, the State's personal income tax base expanded significantly. While the individual income tax rate was reduced by roughly 5.4% compared to the FY 2023-24 fiscal year average, total collections from individual income tax grew at 2.7% year over year.

Other changes in federal policy affected the State's economy in fiscal year 2024-25. The federal government imposed a series of tariffs, a type of import tax, in 2025. Per the Federal Reserve Bank of Richmond, the actual average effective tariff rate, which reflects the average tariff paid across all imports, rose from 2.3% in 2024 to 8.7% in May 2025. Accordingly, prices for durable goods (such as home appliances, electronics, and furniture) increased at a faster rate than other goods throughout 2025. Durable goods make up a significant share of the State's sales and use tax base, so higher prices can lead to higher collections if consumers continue to spend. Retail sales tax collections saw a large increase in early 2025 as consumers stocked up on durable goods due to anticipated tariffs, but this effect was short-lived. Still, the sales tax saw year-over-year growth due to growth in the tax base. North Carolina retail sales grew at

4.3%, faster than the national average of 3.5%, during FY 2024-25. Corporate profits grew nationwide as well, bolstering the State's corporate income tax collections for FY 2024-25. While the short-lived bear market in March and April reduced estimated payments for corporate income tax, the subsequent recovery increased collections by the end of the fiscal year.

Hurricane Helene disrupted the State's economy in fiscal year 2024-25, causing over 100 deaths and destroying billions of dollars in property in the western part of the State. The storm caused a brief but serious spike in unemployment claims, and counties that were most severely impacted saw reduced sales tax revenue relative to the rest of the State in the two months following the storm. However, Helene's impact on the State's tax base was short-lived. Initial unemployment claims return to their pre-storm levels after 7 weeks and income tax payments that were delayed by the storm were made later in the fiscal year. Local sales tax collections from the 25 initially declared disaster counties, where Helene's impact was most severe, recovered after two months and were on par with the State average for the rest of the fiscal year. While rebuilding after Helene will be a long-term endeavor, the storm did not cause lasting damage to the State's economy and tax base.

Following completion of the 2024-25 fiscal year, the Federal Reserve lowered the target federal funds rate two more times, with an effective rate of 3.87% as of November 2025, due to slower job gains and a desire to keep unemployment low and avoid a recession. Currently, forecasters such as Moody's Analytics do not anticipate a recession in fiscal year 2025-26, but rather a general slowing of economic growth. Moody's Analytics anticipates that lower rates, combined with other factors including tariffs and the impact of the One Big Beautiful Bill Act, will cause inflation to rise faster in fiscal year 2025-26 than it did in fiscal year 2024-25. This establishes the background for the projections of key economic indicators used to generate the forecast for the next fiscal year, fiscal year 2025-26.

North Carolina's real gross domestic product, which is adjusted for inflation, is expected to grow at 2.4%, compared to 2.9% last year, indicating a slower but continued general increase in the tax base due to population and productivity growth. Lower interest rates and tariffs contribute to higher inflation expectations for fiscal year 2025-26, with the Consumer Price Index for All Urban Consumers at over 3% year over year for September 2025. Higher inflation contributes to both income and retail sales growth, with State population increases relative to the rest of the country allowing North Carolina's growth to exceed the national average projections. While the income tax base is projected to grow, the May 2025 consensus revenue forecast expected net collections to decline due to an average reduction of the personal income tax rate of 5.8% in fiscal year 2025-26. Additionally, reductions to the corporate income tax rate contribute to lower forecasted corporate income tax collections in the consensus revenue forecast. Sales tax growth is projected to be higher than in fiscal year 2024-25 due to higher inflation and the impact of tariffs. On net, General Fund collections are expected to be roughly flat year-over-year due to this mix of slowing growth and policy factors.

Economic Indicators

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Projected	FY 2026-27 Projected
<u>United States Indicators</u>				
Real Gross Domestic Product Growth	3.2%	2.3%	1.9%	1.6%
Personal Income Growth	5.9%	5.2%	4.7%	4.5%
Corporate Profit Growth	6.7%	4.6%	7.3%	1.1%
Retail Sales Growth	2.2%	3.5%	3.7%	3.5%
Average Unemployment Rate	3.8%	4.1%	4.4%	4.7%
Average Consumer Price Index Growth	3.3%	2.6%	3.2%	3.3%
Average 30-yr Fixed Mortgage Interest Rate	7.0%	6.7%	6.4%	6.3%
<u>North Carolina Indicators</u>				
Real Gross State Product Growth	3.7%	2.9%	2.4%	2.2%
Personal Income Growth	6.9%	6.8%	5.3%	5.2%
Wages and Salaries Growth	6.2%	6.0%	5.2%	4.6%
Retail Sales Growth	3.9%	4.3%	5.0%	4.3%
Average Unemployment Rate	3.5%	3.7%	4.2%	4.8%
Nonfarm Employment Growth	1.3%	0.0%	-0.4%	0.0%

Source: Moody's Analytics Data Buffet historical data and baseline forecast, October 2025

Note: Each indicator, except for the unemployment and mortgage interest rates, shows the fiscal year-over-year percent change in the average value of the indicator, comparing each fiscal year to the prior year. (e.g. the average US real gross domestic product measure for fiscal year 2024-25 was 2.3% higher than the average US real gross domestic product measure for fiscal year 2023-24).

The unemployment and mortgage interest rates show the average rate during the noted fiscal year. (e.g. the 30-yr fixed mortgage interest rate is expected to decline from 6.7% on average in fiscal year 2024-25 to 6.4% on average in fiscal year 2025-26, not grow at a rate of 6.4%).

Economic condition prepared by Nick Clerkin, a legislative economist for the Fiscal Research Division of the North Carolina General Assembly.

Long-Term Financial Planning and Major Initiatives

North Carolina Pension Funds

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

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

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

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

Retiree Health Benefits

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

Unfunded Liability Solvency Reserve

Session Law 2018-30 created the Unfunded Liability Solvency Reserve (Solvency Reserve) within the State's General Fund. The purpose is to accumulate funds during each fiscal year to be used in the following fiscal year to reduce the unfunded liabilities associated with TSERS and the Retiree Health Benefit Fund (RHBF). The Solvency Reserve will receive funds specifically designated by the General Assembly. To the extent the Savings Reserve has reached its statutory maximum, the Solvency Reserve will receive amounts with respect to the revenue growth transfer and debt refinancing savings that otherwise would have gone to the Savings Reserve. TSERS and RHBF will receive an annual share of the Solvency Reserve's balance, if any, in proportion to each plan's unfunded liability. At the beginning of fiscal year 2024-25, the balance was zero. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of \$294 thousand were transferred to the reserve from the Department of State Treasurer. Funds in the amount of \$294 thousand were transferred out of the reserve to the Health Benefit Fund and Retirement System during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Medicaid Expansion & Contingency Reserve

Session Law 2023-7, in conjunction with Session Law 2023-134, expanded Medicaid coverage, making North Carolina the 40th state to do so. Medicaid Expansion became effective December 1, 2023. This will generate an expected \$1.6 billion in General Fund savings through fiscal year 2025-26 as a result of an enhanced federal match rate for Medicaid expenses. At the beginning of fiscal year 2024-25, the balance of the Medicaid Contingency Reserve was \$726.513 million. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$250 million from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of fiscal year 2024-25, the balance of this reserve was \$976.513 million.

Relevant Financial Policies

Savings Reserve

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

Each year the Office of State Budget and Management along with the Fiscal Research Division of the General Assembly shall jointly determine the adequacy of the Savings Reserve, based on the volatility of the State's tax structure and determine a target for the Savings Reserve, so as to be sufficient to cover two years of need for nine out of ten scenarios involving a decline in General Fund revenue from one fiscal year to the next. In 2025, the Office of State Budget and Management, along with the Fiscal Research Division of the General Assembly, recommended a target of 11.9% of the prior fiscal year's General Fund operating budget appropriations. At June 30 2025, the Savings Reserve was \$3.62 billion, which represents 12.16% of the prior year's General Fund appropriation budget.

At the start of fiscal year 2024-25, the balance of the Savings Reserve Account was \$4.75 billion. Throughout the fiscal year, several session laws mandated transfers of funds from the Savings Reserve to other reserves, along with various budget revisions. Notably, the largest transfers were made under Session Laws 2024-51, 2024-53, and 2024-57, which allocated a total of \$1.104 billion to the Hurricane Helene Disaster Recovery Fund.

State Capital and Infrastructure Fund

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

In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$2.161 billion from the Unreserved Fund Balance to the SCIF Reserve for the fiscal year. During the fiscal year 2025, all \$2.161 billion was transferred out of the reserve to support state agency and university capital projects, community college projects, grants in aid to local governments, and grants in aid to non-profits.

Justification & Expected Long-term benefits of Tax Abatements

The Jobs Development Investment Grant (JDIG Program) is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to twelve years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. In adopting the JDIG Program in the 2001-2002 Session, the General Assembly intended "to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State." The long-term benefits to the State of North Carolina generated by the fiscal year 2024-25 grant payments include 1) the creation of 23,905 jobs, 2) capital investment of \$7.07 billion, and 3) \$10.18 million contributed to the Utility Fund for infrastructure grants to rural counties

Hurricane Helene Disaster Recovery Fund

The 2024 General Assembly approved the Disaster Recovery Act of 2024 in response to Hurricane Helene, which struck Western North Carolina in September 2024. The hurricane brought high winds, widespread heavy rainfall in excess of 30 inches in some areas, resulting in record flooding, and significant loss of human life across the region. At its peak, Hurricane Helene was a Category 4 storm with winds reaching 140 mph. With record-breaking rainfall that created 1,000-year flood events in several counties, it devastated the people, infrastructure, businesses, and schools of entire communities. Countless homes, buildings, roads, bridges, and properties were destroyed or damaged, and entire communities lost power, water, sewer, communication, and other essential services due to devastation. In addition, tornadoes were generated across the State as Hurricane Helene passed, causing significant damage in areas outside of the storm's immediate path. Hurricane Helene resulted in 103 confirmed fatalities. On September 28, 2024, 25 counties in North Carolina were declared a major disaster by the President of the United States under the Stafford Act, approving individual and public assistance for affected counties. The overall impact of damage from Helene is estimated to be \$59.6 billion.

As of June 30, 2025, the federal government and State of North Carolina had directed approximately \$7.6 billion, about 12.8% of the estimated impact of the storm, to aid western North Carolina communities in the aftermath of Hurricane Helene. As of June 30, 2025, the State has provided \$2.9 billion in funding, including roughly \$2 billion in new appropriations and \$508 million in reallocations of previously appropriated funds by the North Carolina General Assembly, and at least \$413.8 million in existing state operational resources redirected by state agencies toward response and recovery efforts. In addition, federal funding totaling \$1.61 billion has been disbursed, including \$1.1 billion in eligibility-based FEMA funding to individuals, businesses, local government, state agencies, and nonprofits. Another \$3.1 billion in federal funding has been awarded to the State of North Carolina but requires additional approval steps before being disbursed to the State.

Stabilization and Inflation Reserve

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

Debt Affordability Guidelines

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

The Committee has adopted the ratio of debt service as a percentage of revenues as the controlling metric that determines the State's debt capacity. The 2025 study indicated that over the ten-year planning horizon, the State's revenue projections show a positive growth trend not excessively impacted from earlier declines in economic activity or recent increases in interest rates. The study found that the State's General Fund has debt capacity of \$1.76 billion in each of the next ten years after incorporating the Committee's policy that directs continuing annual appropriations of \$100 million to the Unfunded Liability Solvency Reserve to begin addressing the unfunded pension and OPEB liabilities. The ratio of debt service to revenues was projected to peak at 1.4% in fiscal year 2025. This rate is below the 4% target.

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

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

North Carolina's debt is considered manageable at current levels when compared with its peer group composed of 13 other states rated "triple-A".

Awards and Acknowledgements

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Carolina for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the 31st consecutive year (1994 to 2024) the State has received the prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

Acknowledgments

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

Respectfully submitted,



Nels C. Roseland
State Controller

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CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of North Carolina

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

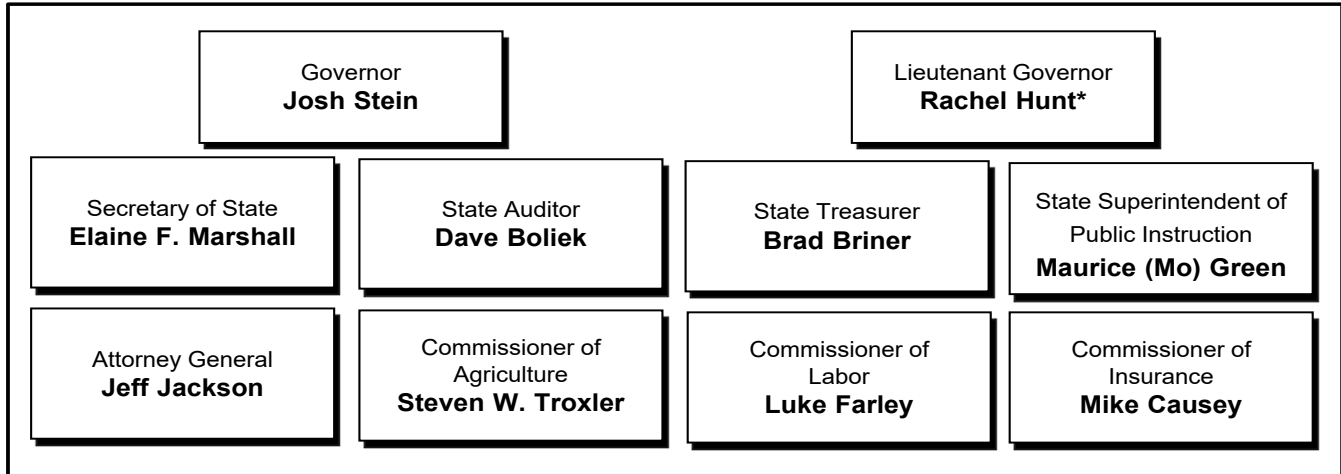
Christopher P. Morrill

Executive Director/CEO

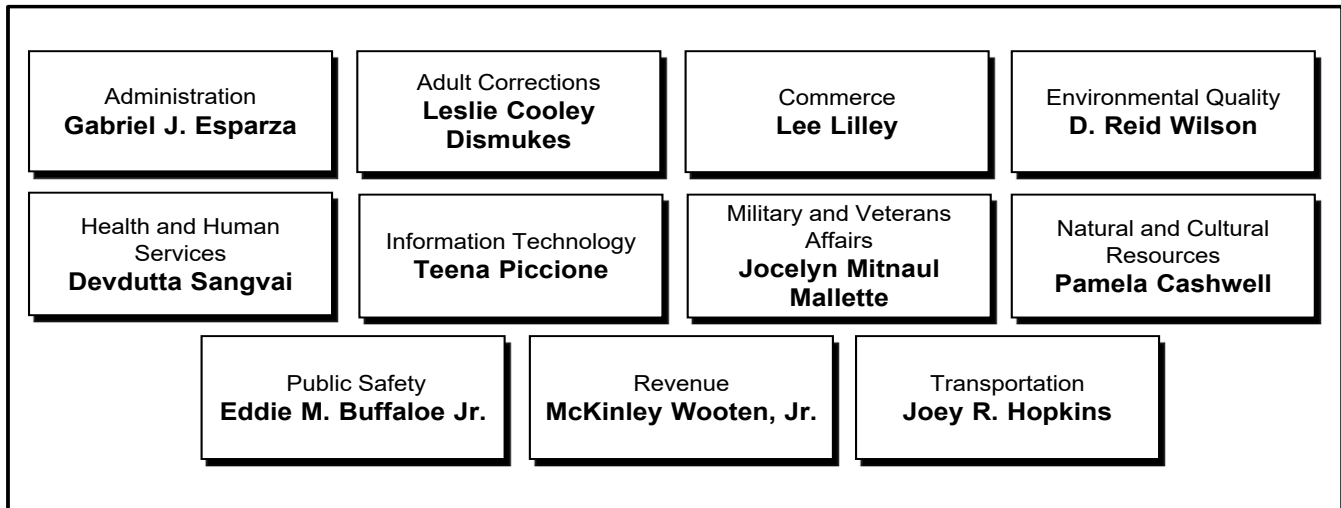
**ORGANIZATION OF NORTH CAROLINA STATE GOVERNMENT
INCLUDING PRINCIPAL STATE OFFICIALS**

EXECUTIVE BRANCH

Council of State



Cabinet Secretaries — Appointed by the Governor



*Appointed by Governor,
Confirmed by Legislature*

*Appointed by State Board of
Community Colleges*

*Appointed by University Board of
Governors*

**State Controller
Nels C. Roseland**

**Community College System
Jeffrey A. Cox
President**

**University of North Carolina
System
Peter Hans
President**

LEGISLATIVE BRANCH

JUDICIAL BRANCH

Senate	House of Representatives
President Pro Tempore Philip Berger	Speaker Destin Hall
Deputy Pres. Pro Tempore Ralph Hise	Speaker Pro Tempore Mitchell S. Setzer
Majority Leader Michael V. Lee	Majority Leader Brenden H. Jones
Minority Leader Sydney Batch	Minority Leader Robert T. Reives, II

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

North Carolina Supreme Court

Chief Justice
Paul Newby

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

Administrative
Office of the Courts
Ryan S. Boyce
Director

Component Units

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

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FINANCIAL SECTION



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

The Honorable Josh Stein, Governor
Honorable Members of the North Carolina General Assembly
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State of North Carolina's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Carolina, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The North Carolina Education Lottery, a major enterprise fund, which represent 2 percent and 78 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Turnpike Authority, a major enterprise fund, which represent 30 percent and 4 percent, respectively, of the assets and revenues of the business-type activities.
- The North Carolina Housing Finance Agency, which represent 7 percent and 2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The North Carolina State Education Assistance Authority, which represent 10 percent and 3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.

Independent Auditor's Report

- The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc., which represent 2 percent and 1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The University of North Carolina System - University of North Carolina Health Care System - Rex Healthcare, Inc., which represent 3 percent and 6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units.
- The University of North Carolina System - University of North Carolina Health Care System - University of North Carolina Hospitals at Chapel Hill, which represent 11 percent of the assets and revenues of the aggregate discretely presented component units.
- The Supplemental Retirement Income Plan of North Carolina, which represent 9 percent and 8 percent, respectively, of the assets and additions of the aggregate remaining fund information.
- The North Carolina Public Employee Deferred Compensation Plan, which represent 1 percent of the assets and additions of the aggregate remaining fund information.
- The North Carolina Department of State Treasurer Investment Programs, which represent 24 percent and 2 percent, respectively, of the assets and revenues of the governmental activities; 11 percent and 1 percent, respectively, of the assets and revenues of the business-type activities; 6 percent of the assets and revenues of the aggregate discretely presented component units; and 86 percent and 38 percent, respectively, of the assets and additions of the aggregate remaining fund information.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The State of North Carolina's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Independent Auditor's Report

Required Supplementary Information

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

Supplementary Information

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

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

Other Information

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

Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated December 8, 2025 on our consideration of the State of North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Carolina's internal control over financial reporting and compliance. The report on internal control over financial reporting and on compliance and other matters will be published at a later date in the State of North Carolina's *Single Audit Report*.

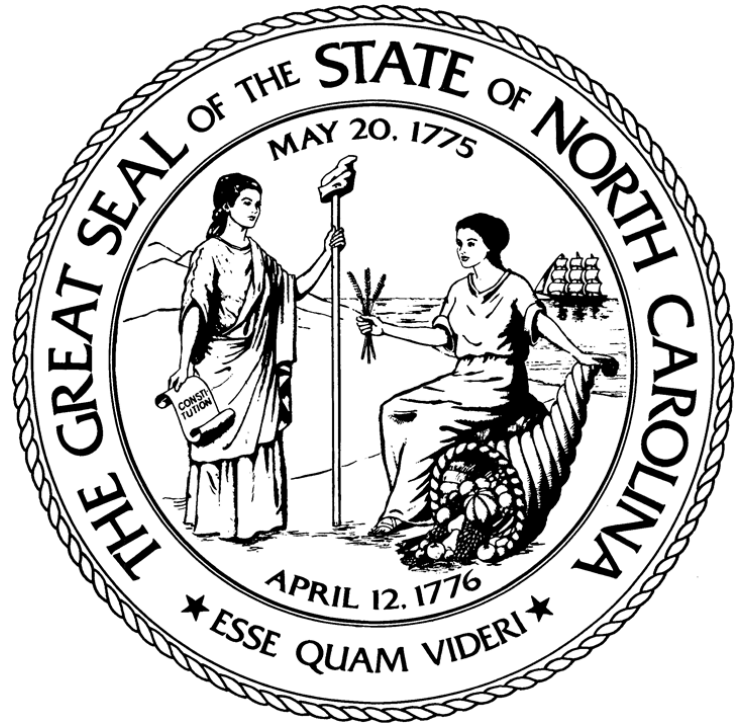


Dave Boliek
State Auditor

Raleigh, North Carolina

December 8, 2025

The Office of the State Auditor's statewide financial statement audit procedures performed across the individual entities required a total of 11,076 hours at an approximate cost of \$1.7 million, including the costs associated with the audit of the State's *Annual Comprehensive Financial Report*.



*MANAGEMENT'S
DISCUSSION AND
ANALYSIS*

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following is a narrative overview and analysis of the State of North Carolina's (the State) financial performance for the fiscal year ended June 30, 2025. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- The State's total net position increased by \$6 billion or 6.51% as a result of this year's operations. Net position of governmental activities increased by \$5.02 billion (6.01%) and net position of business-type activities increased by \$975.67 million (11.48%). At year-end, net position of governmental activities and business-type activities totaled \$88.67 billion and \$9.48 billion, respectively.
- Component units reported net position of \$34.06 billion, an increase of \$4.35 billion or 14.64% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

Fund Financial Statements

- The fund balance of the General Fund increased from \$20.9 billion at June 30, 2024 (as restated) to \$21.12 billion at June 30, 2025, an increase of 1.07%. The increase was mainly due to funding for very large infrastructure projects along with funding for Hurricane Helene disaster relief and recovery.
- The Highway Fund reported a fund balance of \$1.18 billion at June 30, 2025, consistent with the prior year. The Highway Fund issued \$441.52 million in GARVEE refunding bonds, which were offset by increased expenditures for highway and other infrastructure maintenance as well as recovery costs associated with Hurricane Helene.
- The Highway Trust Fund reported a fund balance of \$1.35 billion, an increase of 59.68% from the previous year. The increase is attributable to increases in revenues and a reduction of expenditures for the Strategic Transportation Improvement Program (STIP). Also contributing to the increase was the issuance of \$300 million of limited obligation Build NC Bonds.
- The Unemployment Compensation Fund reported net position of \$5.91 billion at June 30, 2025 compared to \$5.24 billion at June 30, 2024, an increase of \$673.88 million or 12.86%. The increase in net position is related to various fluctuations. Unemployment rates remained low during the 2024-25 fiscal year, with a rate of 3.7% reported in June 2025.
- The N.C. State Lottery Fund reported net ticket sales of \$6.59 billion, an increase of 22.51% from the previous year. As required by law, the Lottery transferred \$1.079 billion to the General Fund to support educational programs.
- The N.C. Turnpike Authority (NCTA) reported net position of \$725.38 million, an increase of \$137.1 million or 23.3% from the previous year. The increase in net position relates to various fluctuations in NCTA's operations. NCTA reported operating income of \$70.33 million related to toll road revenues and operations; total nonoperating revenues and expenses of (\$64.62) million, which consisted mostly of investment earnings of \$34.07 million and interest and fees related to bond interest expense of (\$99.3 million); capital contributions of \$83.51 million; and net transfers in of \$47.89 million.
- The EPA Revolving Loan Fund reported net position of \$2.59 billion, an increase of 7.67% from the previous year. Operating income was \$4.47 million, and net nonoperating revenues of \$143.6 million consisted primarily of federal capitalization grants and investment earnings.

Capital Assets

- The State's investment in capital assets (net of accumulated depreciation) was \$76.57 billion, an increase of 4.85% from the previous fiscal year-end.
- Significant year-end construction in progress amounts were for state highway projects (\$3.14 billion), an expressway project (\$297.55 million), a new system for managing and administering social service benefits (\$820.85 million), a relocation project for the DHHS campus (\$246.99 million), and a new education campus to house several educational system offices (\$107.41 million).

Long-term Debt

- The State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$7.2 billion, an increase of .08% from the previous fiscal year-end.
- In connection with the limited obligation bonds, all three rating agencies affirmed the triple-A credit rating for the State. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 14 states with a triple-A rating from all three rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better off or worse off as a result of this year's activities? These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Position (pages 52 and 53) presents all the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the sum of these components reported as "net position." Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 54 and 55) presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the State's activities are divided into three categories:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority are the predominant business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. A description of the component units and an address for obtaining their separately issued financial statements can be found beginning on page 78. Discretely presented component units are combined and displayed in a separate discrete column in the government-wide financial statements to emphasize their legal separateness from the State. In addition, financial statements for major component units are presented in the notes to the financial statements (pages 186 and 187).

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds (i.e., major funds) – not the State as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for particular purposes. In addition to the major funds, page 276 begins the individual fund data for the nonmajor funds. The State's funds are divided into three categories (governmental, proprietary, and fiduciary) and they use different accounting approaches.

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 76 of this report.

Required Supplementary Information

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the GASB and includes: 1) pension plan and employer trend information related to the net pension liability, employer contributions, and investment returns, 2) information related to the total pension liability for pension plans not administered through a trust, 3) other postemployment benefits (OPEB) trend information related to the net OPEB liability, employer contributions, and investment returns, and 4) General Fund budgetary comparison schedules reconciling the statutory to the generally accepted accounting principles fund balances at fiscal year-end.

Other Supplementary Information

Other supplementary information includes the introductory section; combining financial statements for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds, and nonmajor discretely presented component units; a statement of cash flows for the State Health Plan, a major component unit, which does not issue separate financial statements; and the statistical section.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating. The State's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$98.15 billion at the close of the most recent fiscal year (see total primary government column). The following table was derived from the government-wide Statement of Net Position:

Net Position as of June 30, 2025 and 2024

(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2024-25
	2025	2024** (as restated)	2025	2024** (as restated)	2025	2024** (as restated)	
Current and other non-current assets	\$42,573,702	\$43,863,805	\$ 10,006,781	\$9,441,006	\$52,580,483	\$53,304,811	(1.36%)
Capital assets, net	73,219,021	69,878,399	3,352,063	3,148,732	76,571,084	73,027,131	4.85%
Total assets	<u>115,792,723</u>	<u>113,742,204</u>	<u>13,358,844</u>	<u>12,589,738</u>	<u>129,151,567</u>	<u>126,331,942</u>	2.23%
Total deferred outflows of resources	<u>6,211,982</u>	<u>5,935,478</u>	<u>116,388</u>	<u>123,085</u>	<u>6,328,370</u>	<u>6,058,563</u>	4.45%
Long-term liabilities	18,179,052	16,789,456	3,125,630	3,131,647	21,304,682	19,921,103	6.95%
Other liabilities	12,842,219	15,912,231	787,904	976,380	13,630,123	16,888,611	(19.29%)
Total liabilities	<u>31,021,271</u>	<u>32,701,687</u>	<u>3,913,534</u>	<u>4,108,027</u>	<u>34,934,805</u>	<u>36,809,714</u>	(5.09%)
Total deferred inflows of resources	<u>2,313,881</u>	<u>3,331,259</u>	<u>83,839</u>	<u>102,610</u>	<u>2,397,720</u>	<u>3,433,869</u>	(30.17%)
Net position:							
Net investment in capital assets	69,715,710	66,301,452	978,785	813,984	70,694,495	67,115,436	5.33%
Restricted	2,493,708	2,043,502	285,968	181,140	2,779,676	2,224,642	24.95%
Unrestricted	<u>16,460,135</u>	<u>15,299,782</u>	<u>8,213,106</u>	<u>7,507,062</u>	<u>24,673,241</u>	<u>22,806,844</u>	8.18%
Total net position	<u><u>\$88,669,553</u></u>	<u><u>\$83,644,736</u></u>	<u><u>\$ 9,477,859</u></u>	<u><u>\$8,502,186</u></u>	<u><u>\$98,147,412</u></u>	<u><u>\$92,146,922</u></u>	6.51%

** Net position – ending as reported in the 2024 (as restated) columns for Governmental Activities, Business-type Activities, and Total Primary Government in the table above and on the following page (Changes in Net Position for Fiscal Years Ending June 30, 2025 and 2024) do not agree to the restated net position at July 1 reported on Exhibit A-2 and Note 23 related to restatements for compensated absences due to the adoption of GASB Statement No. 101 in the current fiscal year. Restatements in the amount of (\$36.9) million in governmental activities and (\$700) thousand in business-type activities for compensated absences liability restatements were reported in Exhibit A-2 and Note 23 but are not included in these tables.

The largest component of the State's net position (72.03% for fiscal year 2025) 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 of \$2.78 billion. Net position is restricted when constraints placed on its use is either 1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or, 2) legally imposed through constitutional provisions. The remaining portion, unrestricted net position, consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

The government-wide statement of net position for governmental activities reflects unrestricted net position of \$16.46 billion at June 30, 2025, an increase of 7.58% from the prior year. The State of North Carolina, like many other state and local governments, issues general obligation debt and special indebtedness and distributes the proceeds to state agencies, local governments, and component units. The proceeds are used to construct new buildings, renovate and modernize existing buildings throughout the State, including the State's community college and university campuses, assist local governments in meeting their public-school building capital needs, and to provide grants and loans to local governments for clean water and natural gas projects. Of the \$4.83 billion bonds and special indebtedness outstanding for governmental activities at June 30, 2025, approximately \$1.6 billion is attributable to debt issued as state aid to component units and local governments. The statements of net position of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden of recording the debt obligation. However, by issuing such debt, the State is left to reflect significant liabilities on its statement of net position (reflected in the unrestricted net position component) without the benefit of recording the capital assets constructed or acquired with the proceeds from the debt issuances.

Additionally, as of June 30, 2025, the State's governmental activities have significant unfunded liabilities for compensated absences of \$742.21 million, pension liabilities of \$3.8 billion, net OPEB liabilities of \$6.74 billion, workers' compensation of \$608.64 million, and claims and judgments payable of \$731.7 million (see Note 8 to the financial statements).

The State's overall net position increased \$6 billion or 6.51% (total primary government) from the prior fiscal year. The net position of the governmental activities increased \$5.02 billion or 6.01% and business-type activities increased \$975.67 million or 11.48%. The following financial information was derived from the government-wide Statement of Activities:

Changes in Net Position for the Fiscal Years Ended June 30, 2025 and 2024
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2024-25
	2024**		2024**		2024**		
	2025	(as restated)	2025	(as restated)	2025	(as restated)	
Revenues:							
Program revenues							
Charges for services	\$ 4,251,434	\$ 3,661,378	\$ 7,945,990	\$ 6,565,273	\$ 12,197,424	\$ 10,226,651	19.27%
Operating grants and contributions	37,905,874	31,868,809	397,814	335,070	38,303,688	32,203,879	18.94%
Capital grants and contributions	1,505,645	1,264,471	85,252	172,643	1,590,897	1,437,114	10.70%
General revenues							
Taxes:							
Individual income tax	17,101,833	16,464,017	—	—	17,101,833	16,464,017	3.87%
Corporate income tax	1,540,009	1,501,535	—	—	1,540,009	1,501,535	2.56%
Sales and use tax	12,496,972	12,099,961	—	—	12,496,972	12,099,961	3.28%
Motor fuels tax	2,541,788	2,499,716	—	—	2,541,788	2,499,716	1.68%
Franchise tax	698,017	738,220	—	—	698,017	738,220	(5.45%)
Highway use tax	1,251,028	1,195,898	—	—	1,251,028	1,195,898	4.61%
Insurance tax	1,471,355	1,238,193	—	—	1,471,355	1,238,193	18.83%
Beverage tax	588,633	591,463	—	—	588,633	591,463	(0.48%)
Sports wagering tax	128,366	—	—	—	128,366	—	100.00%
Tobacco products tax	249,018	257,414	—	—	249,018	257,414	(3.26%)
Other taxes	324,893	386,888	—	—	324,893	386,888	(16.02%)
Tobacco settlement	129,069	119,212	—	—	129,069	119,212	8.27%
Federal COVID-19	1,546,320	470,171	—	—	1,546,320	470,171	228.88%
Unrestricted investment earnings	967,460	988,438	—	—	967,460	988,438	(2.12%)
Noncapital contributions	2,049	6,843	227	325	2,276	7,168	(68.25%)
Miscellaneous	94,224	75,960	11	748	94,235	76,708	22.85%
Total revenues	<u>84,793,987</u>	<u>75,428,587</u>	<u>8,429,294</u>	<u>7,074,059</u>	<u>93,223,281</u>	<u>82,502,646</u>	<u>12.99%</u>
Expenses:							
General government	2,299,617	3,100,634	—	—	2,299,617	3,100,634	(25.83%)
Primary and secondary education	15,772,911	16,203,270	—	—	15,772,911	16,203,270	(2.66%)
Higher education	7,431,222	6,546,740	—	—	7,431,222	6,546,740	13.51%
Health and human services	40,290,630	34,623,699	—	—	40,290,630	34,623,699	16.37%
Economic development	1,065,093	1,366,638	—	—	1,065,093	1,366,638	(22.06%)
Environment and natural resources	1,547,719	1,187,582	—	—	1,547,719	1,187,582	30.33%
Public safety, corrections and regulation	6,710,657	4,786,054	—	—	6,710,657	4,786,054	40.21%
Transportation	5,119,753	4,404,717	—	—	5,119,753	4,404,717	16.23%
Agriculture	322,029	302,166	—	—	322,029	302,166	6.57%
Interest on long-term debt	154,284	149,195	—	—	154,284	149,195	3.41%
Unemployment compensation	—	—	425,186	232,396	425,186	232,396	82.96%
N.C. State Lottery	—	—	5,522,617	4,291,544	5,522,617	4,291,544	28.69%
EPA Revolving Loan	—	—	45,022	26,948	45,022	26,948	67.07%
N.C. Turnpike Authority	—	—	207,607	187,270	207,607	187,270	10.86%
Regulatory programs	—	—	191,344	168,506	191,344	168,506	13.55%
Insurance programs	—	—	55,317	33,921	55,317	33,921	63.08%
North Carolina State Fair	—	—	17,317	14,757	17,317	14,757	17.35%
Other business-type activities	—	—	17,172	16,613	17,172	16,613	3.36%
Total expenses	<u>80,713,915</u>	<u>72,670,695</u>	<u>6,481,582</u>	<u>4,971,955</u>	<u>87,195,497</u>	<u>77,642,650</u>	<u>12.30%</u>
Increase in net position							
before contributions and transfers	4,080,072	2,757,892	1,947,712	2,102,104	6,027,784	4,859,996	24.03%
Contributions to permanent funds	10,309	11,048	—	—	10,309	11,048	(6.69%)
Transfers	971,339	968,096	(971,339)	(968,096)	—	—	—
Increase (decrease) in net position	<u>5,061,720</u>	<u>3,737,036</u>	<u>976,373</u>	<u>1,134,008</u>	<u>6,038,093</u>	<u>4,871,044</u>	<u>23.96%</u>
Net position - beginning - restated	<u>83,607,833</u>	<u>79,907,700</u>	<u>8,501,486</u>	<u>7,368,178</u>	<u>92,109,319</u>	<u>87,275,878</u>	<u>5.54%</u>
Net position - ending	<u>\$ 88,669,553</u>	<u>\$ 83,644,736</u>	<u>\$ 9,477,859</u>	<u>\$ 8,502,186</u>	<u>\$ 98,147,412</u>	<u>\$ 92,146,922</u>	<u>6.51%</u>

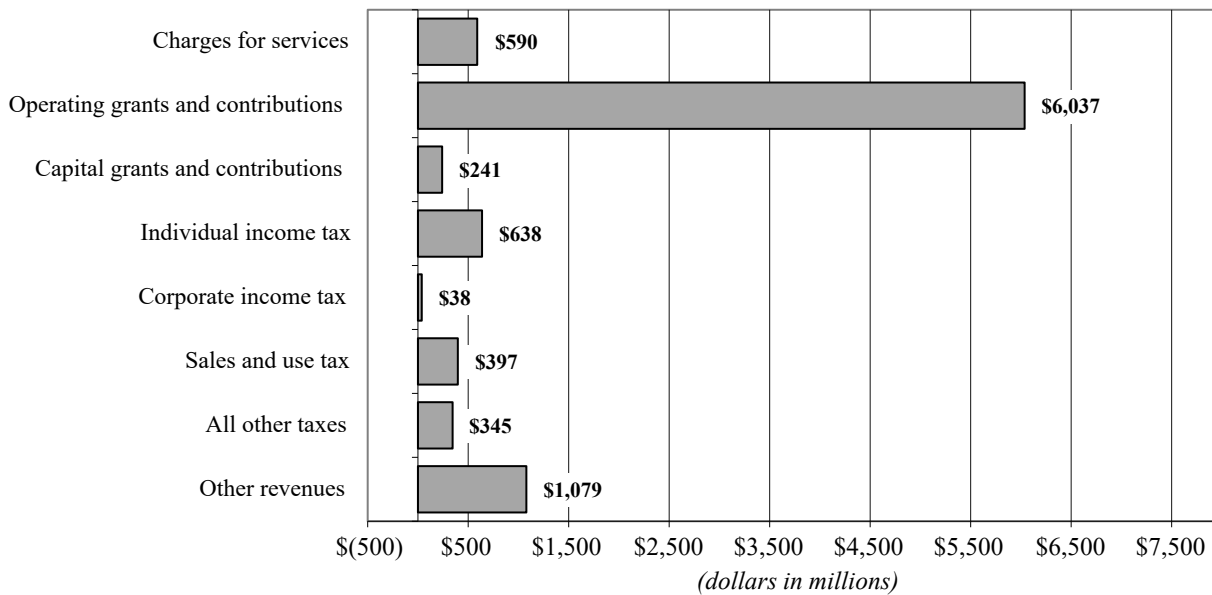
Governmental Activities. For fiscal year 2025, revenues outpaced expenses and when combined with contributions to permanent funds and transfers from the State’s business-type activities, an increase in net position of \$5.02 billion (6.01%) resulted for governmental activities. Total revenues increased by \$9.37 billion (12.42%) while total expenses increased by \$8.04 billion (11.07%).

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

- Operating grants and contributions experienced a significant increase of \$6.04 billion, or 18.94%, primarily driven by the Medicaid Expansion, which marks fiscal year 2025 as the first full fiscal year since its implementation in December 2023. This initiative resulted in the addition of nearly 185,000 new Medicaid members, with approximately 90% of their associated costs covered by federal receipts. Furthermore, the increase in operating grants and contributions was bolstered by additional federal funding received for hurricane and COVID-19 relief efforts.
- Individual income tax revenue saw an increase of \$637.82 million, reflecting a growth of 3.87%. This rise can be largely attributed to several key factors, including an increase in wage and salary income, persistently low unemployment rates, and robust performance in non-wage income sources. Notably, investment income and pension-related earnings, particularly from 401(k) plans, have contributed significantly to this positive trend in non-wage income sources.
- Charges for services increased by \$590.06 million, or 16.12%. This growth is primarily attributed to higher medical billing resulting from the Medicaid Expansion. Additionally, there was a rise in collections of Department of Motor Vehicles (DMV) fees linked to the quadrennial reset that took effect on July 1, 2024, further contributing to this positive trend.
- Sales and use tax experienced an increase of \$397.01 million, representing a growth of 3.28%. This positive trend can be attributed to the sustained strength in consumer spending throughout the year.
- All other taxes also saw an increase from the prior year, rising by \$384.34 million, or 4.57%. This growth was primarily driven by the sports wagering tax and the insurance tax. The sports wagering tax continued to rise in fiscal year 2025, reflecting the growing popularity of sports betting, with this being the second full year of tax revenue collection since its introduction in fiscal year 2023. Additionally, the state experienced an increase in the number of sports betting operators. Meanwhile, the rise in insurance tax revenue can be attributed to the Medicaid expansion, as gross premium tax revenue from Medicaid Prepaid Health Plans increased due to hospital reimbursements and a rise in Medicaid enrollment.

The following chart reflects the dollar change in governmental activities revenues by source between fiscal years 2024 and 2025:

**Dollar Change in Governmental Activities Revenues by Source
Between Fiscal Years 2024 and 2025**



For fiscal year 2025, spending increased across the majority of the State’s functions, with notable exceptions in general government, primary and secondary education, and economic development. The decline in general government spending was primarily due to the absence of a nonrecurring grant, state aid, and subsidies that were awarded in fiscal year 2024 but not in fiscal year 2025.

Total health and human services (HHS) spending increased by \$5.67 billion or 16.37%. These increases were driven primarily by three factors: 1) the launch of Tailored Plans on July 1, 2024, a program providing enhanced services for NC Medicaid beneficiaries, 2) the first full fiscal year under Medicaid Expansion, and 3) increased spending associated with the Healthcare Access and Stabilization Program (HASP). Medicaid Expansion and HASP did not require any increase in State funding, as the expansions were fully supported by federal funds.

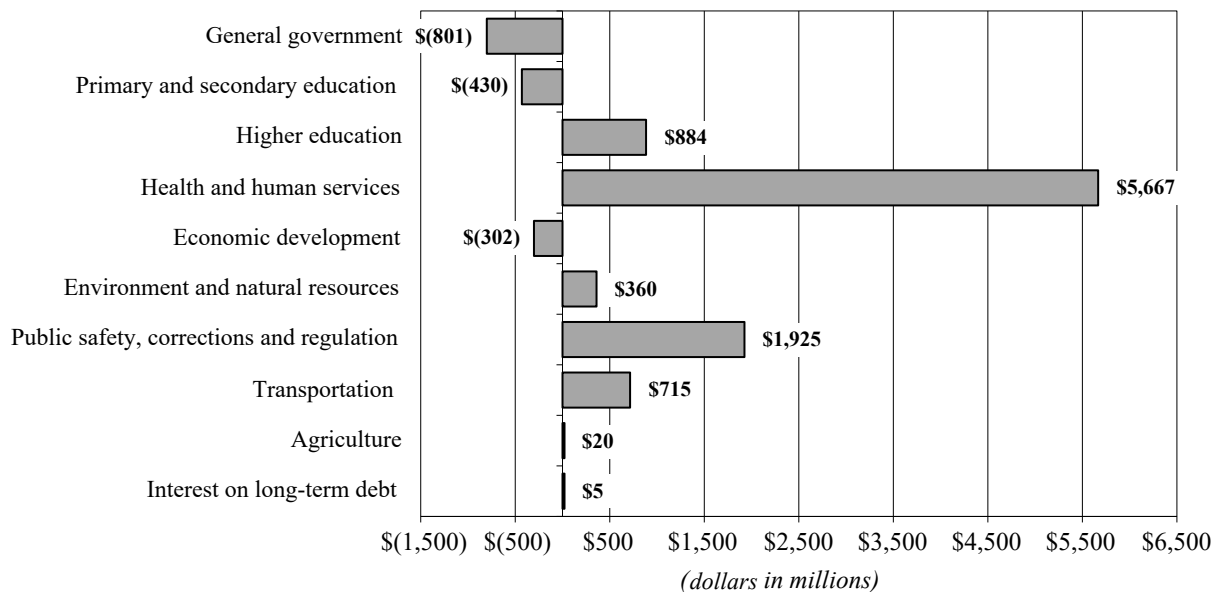
Public safety, corrections, and regulation experienced a substantial increase from the prior year, rising by \$1.92 billion, or 40.21%. This significant growth is primarily attributable to enhanced state aid grants and subsidies provided to governmental organizations and non-governmental organizations (NGOs) for programs such as Homeland Security, ongoing recovery efforts from Hurricanes Matthew and Helene, and COVID-19 initiatives. Additionally, contracted personal service expenses saw a notable rise related to the recovery efforts from Hurricane Helene.

In fiscal year 2025, spending for higher education saw an increase of \$884.48 million, representing growth of 13.51%. This increase can be attributed to enhanced state aid allocated to community colleges and state universities, supported by the availability of COVID-19 relief funds. Additionally, this growth in higher education spending is further linked to the increased distribution of sports wagering grants resulting from the rise in sports wagering taxes collected.

Transportation spending increased by \$715.04 million, reflecting a growth of 16.23%. This increase is primarily due to higher expenses in supplies, materials, general contracting and consulting, and data processing services. The significant rise in these areas is largely in response to recovery efforts from Hurricane Helene, which included substantial expenditures on sand, gravel and concrete supplies, as well as hardware, motor replacement parts, and general contracting and consulting services.

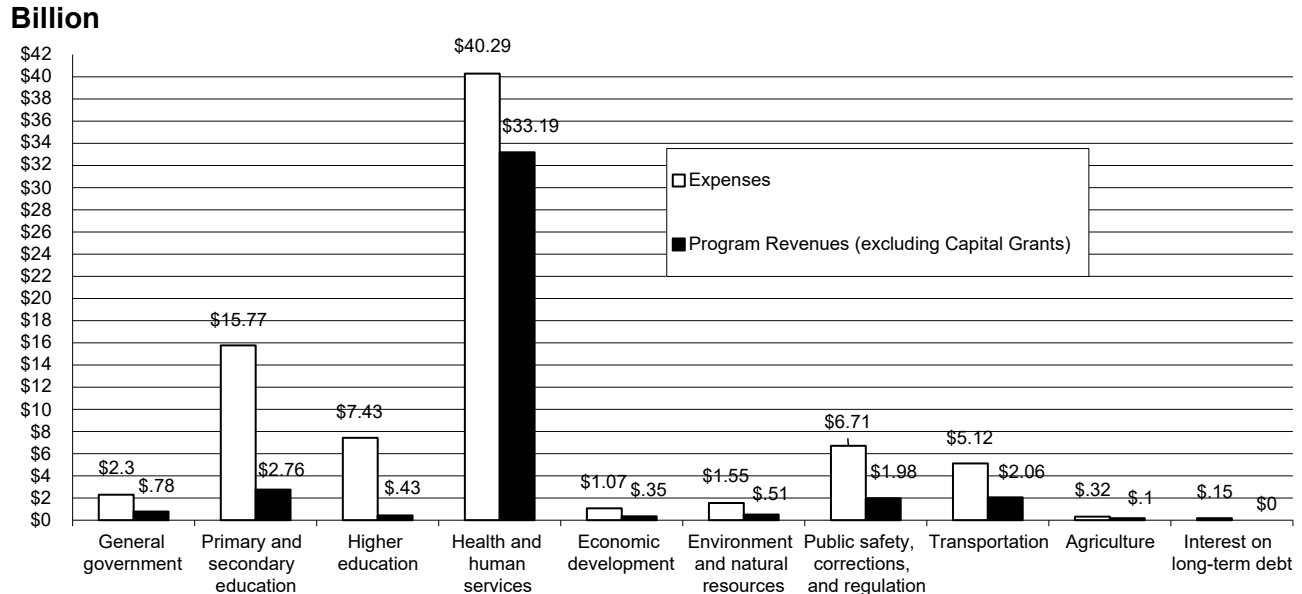
The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2024 and 2025:

**Dollar Change in Governmental Activities Functional Expenses
Between Fiscal Years 2024 and 2025**



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, 2025**



Business-type Activities. Business-type activities reflect an overall increase in net position of \$975.67 million or 11.48%, including a \$673.88 million or 12.86% increase in net position in the Unemployment Compensations Fund (Trust Fund), a \$137.1 million or 23.3% increase in net position at the N.C. Turnpike Authority (NCTA), a \$184.24 million or 7.67% increase in net position in the EPA Revolving Loan Fund (Loan Fund), and a (\$18.84) million or (5.95%) decrease in net position in the other enterprise funds due to various fluctuations. The Trust Fund reported operating income of \$486.85 million, including operating revenues of \$911.87 million predominantly related to employer unemployment contributions and operating expenses of \$425.02 million for unemployment benefits paid. The Trust Fund also reported nonoperating revenues of \$163.96 million, mostly related to investment earnings, and net transfers of \$23.07 million. NCTA reported \$70.33 million in operating income, including \$178.03 million in operating revenues for toll revenues and fees and \$107.71 million in operating expenses related to the toll road operations. NCTA also reported (\$64.62) million in nonoperating revenues and expenses, which included \$34.07 million in investment earnings and (\$99.3) million for interest and fees related to bond interest expense. In addition, NCTA received \$83.51 million in capital contributions and net transfers of \$47.89 million from the Highway and Highway Trust Funds related to project participation in the current fiscal year. The net position increase of \$184.24 million or 7.67% in the 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 grants for these projects. The N.C. State Lottery Fund’s net position did not change and will continue to remain constant due to legislative changes in the methodology used to calculate net revenues to be distributed to the State’s governmental activities, as required by statute. A more detailed discussion of the State’s business-type enterprise activities is provided in the following section (see Enterprise Funds).

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. At June 30, 2025, the State's governmental funds reported combined fund balances of \$29.62 billion, an increase of 7.16% from the prior fiscal year-end (as restated). Of this amount, \$3.26 billion is classified as unassigned fund balance in the General Fund (available for spending at the State's discretion). The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is: 1) not in spendable form (e.g., inventories), 2) restricted for particular purposes by external sources, 3) committed for particular purposes by the General Assembly, or 4) assigned for particular purposes by the Office of State Budget and Management. The major governmental funds are discussed individually below.

General Fund

The General Fund serves as the primary operating fund for the State. As of June 30, 2025, the General Fund balance increased by 1.07%, or \$222.99 million, to \$21.12 billion. General Fund revenues grew from \$67.31 billion to \$75.42 billion, a 12.05% increase, outpacing the rise in expenditures that climbed by \$6.5 billion (9.55%) from \$68.09 billion to \$74.6 billion.

This growth in expenditures was observed across several general fund functions and was mainly driven by Medicaid Expansion; grants, state aid, and subsidies to local education agencies, community colleges, and state universities; various infrastructure projects; and new expenditures for Hurricane Helene recovery. Slightly offsetting the growth in expenditures, there was a sizeable decrease in amounts granted out for regional economic development. Meanwhile, Federal COVID-19 funds remained on the decline, though not as steep when compared to the prior fiscal year, revenues still fell by \$509.87 million (15.76%) during fiscal year 2025. Conversely, there was an uptick in revenues from federal funds and individual income tax which saw substantial gains of \$7.35 billion (26.57%) and \$637.82 million (3.87%), respectively.

Historically, the Medicaid program has been a significant driver for the General Fund. In fiscal year 2025, Medicaid enrollment increased by 139,406 members (4.69%). This growth is attributed to the State's Medicaid expansion, launched in December 2023, only a partial year in fiscal 2024, fiscal 2025 is the first full year which resulted in a much larger population now being served. Consequently, both federal fund receipts and expenditures significantly grew, with 90% of the costs covered by federal funding. Medicaid expansion was also the main reason for the increase in fees, licenses, and fines of \$202.69 million (12.32%). Although the increase in federal receipts for Medicaid expansion was significant, the reduction in Federal COVID-19 relief funds continued to negatively impact programs for immunizations, testing, low-income heating subsidies, and childcare assistance. Even so, the Medicaid program concluded the fiscal year with \$9 thousand in unspent state appropriations, reverting these funds to the General Fund. This marks the 12th consecutive year that the Medicaid program has ended with cash reserves, a contrast to the nearly \$2 billion shortfall experienced over four years prior to fiscal year 2014.

Overall tax revenues in the General Fund increased by \$1.05 billion (3.2%) in fiscal year 2025. The modest increase in individual income tax collections was largely due to growth in wage and salary income that was counterbalanced by legislative changes affecting withholding amounts for tax years 2024 and 2025. Specifically, Session Law 2023-134 lowered this rate from 4.75% to 4.5%, effective January 1, 2024, and to 4.25% effective January 1, 2025. The impact of reduced tax rates was softened by continued low unemployment. Corporate income tax revenues remained relatively flat rising by only \$27.03 million (1.79%) compared to the previous year, primarily due to collections on estimated tax payments from corporations being lower likely due to the corporations anticipating higher input costs and lower profits from recently implemented tariffs. Furthermore, the corporate income tax rate was lowered from 2.5% in tax year 2024 to 2.25% in tax year 2025. Despite this, insurance tax revenues grew by \$233.1 million (18.82%) most notably because of tax law changes, an increase in taxable premiums written by insurers, and the amount of installment payments made towards 2024 tax liabilities.

Revenues from other taxes went down in fiscal year 2025 with two key factors to consider. First, privilege license tax, which is presented in the Other Taxes caption, decreased by \$21.49 million (44.17%) due to Session Law 2023-134 that repealed the annual payment of this tax imposed on selected groups of individuals including realtors, attorneys, and other professionals. Second, sports wagering tax, which was previously presented in the Other Taxes caption. This is a newer tax that passed in fiscal year 2024, the first full year of collection, and the State realized \$45.56 million in revenue. During the fiscal year ended June 30, 2025, revenues climbed by an impressive \$82.81 million (181.75%) earning sports wagering tax its own separate caption to now be presented in the ACFR.

North Carolina's labor market continued to grow through June 2025. The number of payroll jobs in North Carolina has increased steadily since the pandemic shutdown in 2020, according to data compiled by the Bureau of Labor Statistics. By March 2023, the seasonally adjusted unemployment rate had fallen to 3.4% but had slowly risen to 3.7% by August 2024. It remained at 3.7% through June 2025. The number of non-farm jobs was nearly 5.1 million in June 2025. In June 2025, there were 77,100 more jobs than in June 2024 and 141,700 more than in June 2023.

General Fund Budget Variances

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

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

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

Variances – Original and Final Budget

The timing and length of the budget preparation process, as well as budget adjustments that occurred during fiscal year 2024-25, are the causes for the expenditure variances between the original and final budget. In January 2023, the Office of State Budget and Management (OSBM) finalized the two-year base budget adopted by the General Assembly for the 2023-25 biennium. This was approximately nine months prior to the General Assembly adopting an adjusted biennial budget at the beginning of October 2023 for the biennium that started on July 1, 2023. In addition, the General Assembly did not pass a comprehensive set of adjustments for the second year of the 2023-25 biennium, choosing instead to rely on the 2023 Appropriations Act for fiscal year 2024-25 and a variety of smaller appropriations bills. The recommended base budget included estimated amounts for federal, intra-governmental transfers, fees/licenses/fines, contributions, gifts, grants, and miscellaneous receipts for a two-year budget cycle. Additionally, the final budget reflects all budget revisions made throughout the fiscal year based on adjustments to agency grant and receipt revenue and movement from state reserves. Consequently, significant variances are very likely to occur when the original budget is compared to the final budget.

In addition to the normal administrative adjustments that occurred during the fiscal year, the state was still expending funds from the American Rescue Plan Act. The state also expanded Medicaid in the 2023 Appropriations Act, which led to additional federal payments beyond what was originally budgeted. Finally, Hurricane Helene struck the state on September 27, 2024, causing an estimated \$59.6 billion in damage and needs, leading to numerous budget adjustments from federal funding and state appropriations.

Additional factors leading to variances between the original and final budget in fiscal year 2024-25 include the following:

1. New unanticipated federal grants and/or increased or decreased amounts in long-standing federally supported programs.
2. Depositing \$1.2 billion in cash from fiscal year 2023-24 into fiscal year 2024-25 as a result of the statewide encumbrance carryforward process, which was then budgeted to allow the expenditure of the funds in fiscal year 2024-25 by administrative action.
3. Re-budgeting of unspent hurricane disaster balances in special funds that were appropriated and authorized in prior fiscal years but not expended until fiscal year 2024-25. These recovery funds are located in various state agencies such as Agriculture and Consumer Services, Environmental Quality, Office of State Budget and Management, and the Division of Emergency Management in the Department of Public Safety.
4. Administrative budgeting of cash balances for economic development grants and awarded obligations, Economic Development Project Grants, and the Industrial Development Fund Utility Account.
5. Allocating and re-budgeting the distribution of statewide reserves to agencies and universities, including the salary pay plan reserve, Clean Water Drinking Reserve, and disaster relief funding from both the State Emergency Response and Disaster Relief Fund and the Hurricane Helene Disaster Recovery Fund.
6. Budgeting unspent, but appropriated, funds from the State Capital and Infrastructure Fund, which totaled approximately \$3.2 billion in adjustments in fiscal year 2024-25.
7. Budgeting unspent federal State Fiscal Recovery Funds, which totaled approximately \$1.4 billion in fiscal year 2024-25.
8. Budgeting of cash balances, over-realized receipts, prior-year-earned revenue, or unanticipated donations and grants.

Variances - Final Budget and Actual Results

Actual total own-source General Fund revenue collected (both tax and non-tax) was 6.93% higher than budgeted revenue amounts in fiscal year 2024-25. Tax revenues were 6.37% greater than anticipated mainly due to better-than-expected individual income tax and sales tax collections. Non-tax revenues also exceeded expectations largely due to investment income collections delivering 29.31% over budget, which was primarily driven by persistently generous interest rates.

Collections for individual income taxes, which accounted for 50.33% of total General Fund tax revenue collections in fiscal year 2024-25, were \$790.01 million (4.85%) higher than budgeted (on a cash basis) primarily due to higher-than-expected withholding payments, which were \$422.8 million (3.2%) above target. Persistently strong wage and salary growth along with growth in non-wage sources subject to withholding requirements, including some types of investment and pension income, drove elevated withholding collections in fiscal year 2024-25. This was partly counterbalanced by combined non-withholding payments (primarily quarterly estimated payments, extension payments, and final payments), which were \$295.8 million (5.4%) below the fiscal-year target. Sales and use tax collections, which comprised 34.98% of total General Fund tax revenues in fiscal year 2024-25, were \$1.09 billion (10.09%) above budgeted revenue (on a cash basis). In spite of competing economic pressures, overall consumer spending remained resilient. Corporate income tax collections, which accounted for 4.63% of total General Fund tax revenues in fiscal year 2024-25, were 65.28 million (3.99%) below budgeted revenues (on a cash basis). Estimated tax payment collections from corporations have been lower as companies attempt to mitigate financial uncertainty associated with recently implemented tariffs.

Departmental federal funds received by agencies were less than the final authorized budgeted federal fund revenues. A variance between the budget and actual federal funds occurs because actual federal fund receipts are reflective of the actual expenditures. Therefore, if qualifying federal costs are not incurred by an agency, the actual receipt of federal funds could be significantly less than the budget.

Although the General Assembly did not enact a comprehensive budget during the 2024-25 legislative session, other legislation passed during the session included minor changes to General Fund revenue, including an adjustment to the allocation of scrap tire disposal in Session Law 2025-66 and adjustments to transfers, including to the Insurance Regulatory Fund and the Health Advancement Receipts Special Fund, in Session Law 2025-89.

Highway Fund

The Highway Fund dates back to 1921 when the General Assembly first imposed the gasoline tax. It accounts for most of the activities of the North Carolina Department of Transportation (NCDOT), including the maintenance and construction of the State's primary and secondary road systems, the Division of Motor Vehicles, transit, aviation, rail, and ferry system. The primary revenue sources of the Highway Fund are federal funds, 75% of motor fuels taxes, vehicle registration fees, and driver's license fees.

The Highway Fund reported a fund balance of \$1.18 billion at June 30, 2025, consistent with the prior year. The Highway Fund issued \$441.52 million in GARVEE refunding bonds, which were offset by increased expenditures for highway and other infrastructure maintenance as well as recovery costs associated with Hurricane Helene.

Total revenues were \$5.42 billion, an increase of 14.87% or \$702.29 million, and total expenditures increased by 18.64% from \$5.36 billion at June 30, 2024 to \$6.35 billion at June 30, 2025. The increase in revenue is attributable to many factors, including legislative action. Session Law 2022-74, Section 42.3.(a) established a transfer for a percentage of sales and use tax from the General Fund to the Highway Fund and the Highway Trust Fund. In fiscal year 2025, the percentage transferred to the Highway Fund increased to 1.5% from 1.0% in the prior year. Reimbursements for Hurricane Helene related expenditures, specifically from the Federal Highway Administration (FHWA) and Federal Emergency Management Agency (FEMA) funds (via the N.C. Department of Public Safety), also contributed to the increase in revenue. Other factors contributing to the increase in revenue included Division of Motor Vehicle (DMV) fee increases related to the N.C. quadrennial reset on July 1, 2024, and an increase in the monthly average of the State Treasurer's short-term investment fund (STIF) interest rate from 4.1% in 2024 to 4.63% in 2025, which increased investment earnings.

Expenditures increased primarily due to Hurricane Helene related costs for capital outlay and supplies and materials. Expenditures related to Hurricane Helene totaled \$909.2 million in the current fiscal year. In addition, expenditures for principal retirement increased significantly due to the payment for the refunding of the 2015 Grant Anticipation Revenue Vehicles (GARVEE) bond issuance. Continued increases for capital outlays and maintenance on State-maintained roads also contributed to the increase.

In May 2025, the State issued \$441.52 million in GARVEE Refunding Bonds. Of that issuance, \$167.7 million of the net proceeds were used to refund the 2015 GARVEE Bonds. This innovative financing tool was used to accelerate the construction on a variety of transportation improvement projects across the State by leveraging future federal transportation revenues. At June 30, 2025, \$300 million of GARVEE proceeds were unspent.

Transportation is fundamental in continuing North Carolina's prosperity and quality of life as the state's population continues to grow. To address the growing demand on the transportation system, increased cost of supplies, and slow growing revenues, NCDOT continues to seek innovative solutions to meet the growing stress on the transportation system. Session Law 2020-91 revised the motor

fuels tax distribution formula. Effective July 1, 2022, and thereafter, the distribution percentage of motor fuels revenue to the Highway Fund is 75%. Session Law 2022-74, Section 42.3.(a), established a transfer of a percentage of the sales and use tax to the Highway Fund and Highway Trust Fund. For fiscal year 2025, the percentage transferred to the Highway Fund was 1.5%. Session Law 2023-134 increased vehicle registration fees for electric vehicles and plug-in hybrid vehicles and created a Transportation Commerce Tax, effective July 1, 2025, on the gross receipts derived from each for-hire ground transport service.

According to the N.C. Division of Highways, from 2023 to 2024, paved lane miles grew by 0.23%, vehicle miles traveled grew by 4%, and bridge deck area grew by 0.68%. These increases place a heavier burden on the existing infrastructure and accentuate the need for additional capacity, safety, and maintenance funding to address the deterioration in service created by the increase in traffic. Furthermore, many of the State's highways were built as farm-to-market roads and were not designed to handle the heavy traffic volumes of today. Other aging highways, such as the interstate highway system, will also require increasing investment to maintain acceptable condition.

NCDOT has identified approximately 9,400 sites where roads and bridges were damaged by Hurricane Helene. In its December 2024 report, the Office of State Budget and Management (OSBM) estimated the damage to transportation infrastructure at approximately \$10.3 billion. Of this total need, OSBM projected NCDOT's highway and bridge system to require \$6 billion in repairs and replacements. In reaching this total cost estimate, OSBM applied a cost inflation factor of 20% to NCDOT's initial appraisals to reflect prior experience of construction costs relative to estimates following major disasters. NCDOT expects federal funding to cover a significant majority of repair costs and currently estimates its share of the total cost to be \$922 million (the "Forecasted State Share"). Changes in federal funding and net reimbursement rates, price changes related to tariffs, rates of inflation and/or contracts being awarded above or below project estimates could result in the Forecasted State Share being higher or lower. N.C. Session Law 2025-26 repurposed existing funds totaling \$164.2 million for the 2025-26 fiscal year and directed the Department to use all future Credit Balance Funds for activities related to recovery from Hurricane Helene until recovery is completed. Absent a special appropriation of funds from the State and/or increased federal money, program cuts will be needed. It is expected that most of these cuts will come from maintenance programs.

A vast majority of the federal money will be received as reimbursement after NCDOT has incurred the cost. Once major repair and replacement projects are underway, NCDOT may require cash flow support while awaiting federal reimbursements, particularly if there are significant changes to start dates and/or duration for repair projects or the reimbursement timeline is longer than the current forecast. Although the Highway Fund is the source of funds, the Highway Trust Fund has previously made loans to the Highway Fund and may do so in the future.

While federal funds are expected to be received from FHWA and FEMA, there is no guarantee that the federal government will provide the level of funding currently expected.

As of June 30, 2025, expenditures related to Hurricane Helene totaled \$909.2 million. Through the same date, NCDOT received federal funds related to the Hurricane Helene recovery of approximately \$182.1 million.

Highway Trust Fund

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

The fund balance of the Highway Trust Fund increased 59.68% to \$1.35 billion at June 30, 2025. The fund balance increase was the result of increased revenues and a reduction in expenditures for the Strategic Transportation Improvement Program (STIP). Also contributing to the increase was the issuance of \$300 million in limited obligation Build NC Bonds.

Total revenues were \$2.5 billion, an increase of 12.53% from the prior year. Sales and use tax increased by 54.99% or \$175.9 million. Motor fuel taxes increased 1.69% or \$10.4 million, and highway use taxes increased 4.21% or \$45.64 million. Session Law 2022-74, Section 42.3.(a), established a transfer of a percentage of sales and use tax to the Highway Trust Fund. The percentage transferred increased from 3% in the prior year to 4.5% for fiscal year 2025 and thereafter. The increase in highway use taxes was due to the continued increase in the number of transactions to title a motor vehicle. This was driven by increased vehicle purchases as a result of new residents moving to North Carolina who must title a vehicle in the state before registering the vehicle.

The Highway Trust Fund reported \$2.22 billion in total transportation expenditures, a decrease of 3.02% or \$69.17 million from the previous year. A reduction in land acquisitions and easements contributed to the decrease. In addition, the Highway Trust Fund transfers to NCTA for toll road project participation decreased by \$65.02 million or 52.98% from the prior year.

In May 2025, the State issued \$300 million special indebtedness (limited obligation bonds) as authorized by Session Law 2018-16, Session Law 2020-91, and Session Law 2021-189, which allows for up to \$3 billion in Build NC Bonds. The proceeds from the bonds can be used for certain regional and divisional transportation projects contained in the Statewide Transportation Improvement Plan (STIP). As of June 30, 2025, the unspent original proceeds of the Build NC Bonds residing in the Debt Service Fund were \$352.58 million.

As discussed under the Highway Fund section, Session Law 2022-74, Section 42.3.(a), which amends General Statute 105-164.44M, established a transfer of a percentage of the sales and use tax to the Highway Fund and the Highway Trust Fund. In fiscal year 2025 and thereafter, the Highway Trust Fund will receive 4.5% of the tax, an increase from 4% in the prior year.

ENTERPRISE FUNDS

The State's enterprise funds or business-type activities provide the same type of information found in the government-wide financial statements, but in more detail. The major enterprise funds are discussed individually below.

Unemployment Compensation Fund

The Unemployment Compensation Fund (Unemployment Insurance Trust Fund or "Trust Fund") reported net position of \$5.91 billion at June 30, 2025, compared to \$5.24 billion at June 30, 2024. The \$673.88 million or 12.86% increase in net position is related to various fluctuations in the Trust Fund's activities. Unemployment rates in North Carolina remained low during the 2025 fiscal year, never exceeding 3.7%, which was the unemployment rate in June 2025.

The Trust Fund's operating margin (operating revenues, less operating expenses) was \$486.85 million for fiscal year 2025, which represents a \$94.27 million decrease or 16.22% from the prior fiscal year. While operating revenues increased by \$102.69 million, mostly related to a \$114.28 million increase in employer unemployment contributions received, there was also a significant increase in unemployment benefits paid from the prior year, creating a negative operating margin in the Trust Fund for the current year.

The Trust Fund reported \$908.89 million in employer contributions for the 2025 fiscal year. Employer contributions increased as the taxable wage base increased, requiring employers to pay higher unemployment taxes.

Unemployment benefits paid were \$425.02 million in the current fiscal year, which was an increase of \$196.96 million or 86.36%. The increase in unemployment benefit claims relates to claims paid for communities impacted by the Hurricane Helene disaster. The North Carolina governor signed Executive Order 322 that temporarily increased unemployment benefits up to \$600 per week for areas affected by Hurricane Helene.

The Trust Fund also reported \$163.96 million in nonoperating revenues, which was an increase of \$46.68 million from the prior year. The increase is due almost entirely to an increase in investment earnings, which were \$163.47 million in the current fiscal year, an increase of \$42.35 million or 34.96% from the prior year. Investment earnings increased due to higher interest rates in the current fiscal year and a \$652.77 million increase in cash balances earning interest.

In addition, there was a \$38.91 million transfer from the federal government for the 2025 fiscal year related to Disaster Unemployment Assistance to cover Hurricane Helene unemployment claims.

N.C. State Lottery Fund

The enabling legislation for the N.C. Education Lottery (NCEL) contains a requirement that the net revenues of the NCEL are transferred at least four times a year to the State's General Fund. The legislation defines net revenues as amounts remaining after accrual of expenses for prizes and operations, excluding balance sheet or prior-period expense adjustments of a specific nature. The NCEL transferred \$1.079 billion to the General Fund in 2025 to support educational programs for the State. The amount transferred in 2024 was \$1.092 billion.

For fiscal year 2024-25, net ticket sales increased 22.51% or \$1.21 billion from the previous fiscal year to \$6.59 billion. With this increase in ticket sales, the NCEL saw a corresponding increase in prize payouts of 31.44% or \$1.2 billion, and an overall decrease in operating income of 1.85% or \$20.17 million. Significant financial highlights include the following: awarded \$1 million or more to an NCEL player for the 1,032nd time; released 48 new instant scratch-off games into the marketplace generating gross instant ticket sales of \$2.8 billion; and completed the first full-year of Digital Instants, generating \$2.6 billion in gross sales.

N.C. Turnpike Authority

Major accomplishments for the N.C. Turnpike Authority (NCTA) include the Complete 540 project, a greenfield project in the greater Raleigh area in North Carolina that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1, which extends the existing Triangle Expressway approximately 17.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh to partially complete the "Outer Loop" was completed in September 2024. Complete 540 Phase II is currently under construction and is anticipated to open in late 2028. This project will extend the Triangle Expressway to complete a

loop around the greater Raleigh area. In addition, under a public-private partnership arrangement with I-77 Mobility Partners, LLC, the NTCA provides operational support to the I-77 Express Lanes and the I-485 Express Lanes.

The NCTA reported operating income of \$70.33 million for fiscal year 2025, which represents an increase in net operating income of \$36.01 million or 104.96% from the prior year. Contributing to the increase was a \$48.87 million increase in operating revenues. Operating revenues predominantly consist of toll revenues, fees, and sales revenue from the sale of transponders. The increase in operating revenues was related to an increase in traffic levels that generated \$118.65 million in toll revenues, along with a \$20.73 increase in miscellaneous revenues also related to toll revenues specifically for the I-77 Express Lanes. Operating expenses increased by \$12.85 million during the year related to modest increases in costs for supplies and materials, depreciation expense and other expenses, including a \$3.95 million increase in depreciation and a \$4.49 million increase in other expenses which include collection costs, payment processing fees and other administration expenses. In addition to the operating income, NCTA reported \$64.62 million in nonoperating expenses (net), which represents a \$4.84 million decrease in net nonoperating expenses (6.97%) or an increase in nonoperating revenues (expenses) from the prior year. Notable caption variances in nonoperating revenue (expenses), included a \$14.22 million increase in investment earnings related to increases in interest earnings as a result of higher interest rates and a \$14.98 million increase in interest and fees related to bond interest expense based on the bond amortization.

Funding for administrative expenses continues to be advanced, as needed, from the Highway Trust Fund to be repaid from NCTA revenue collections. Interest continues to accrue on the unpaid balance of the advance.

The high cost of building, operating, and maintaining a major highway facility is typically more than the revenue a new road can generate through tolls. The gap between what tolling can pay for and the cost of the road requires additional support from the State is known as gap funding. These annual transfers from the Highway Trust Fund to the NCTA are used to pay debt service and fund required reserves on bonds issued to finance turnpike projects. Funds transferred in include funds received from NCDOT's Highway Fund and Highway Trust Fund during fiscal year 2025 and the Federal Highway Administration State match. Combined transfers in from NCDOT's Highway Trust Fund and Highway Fund decreased by \$72.65 million or 55.74% because of a decrease in project participation with the completion of the Southern Wake Expressway (Phase I of the Complete 540 project) in fiscal year 2025. Corresponding to the completion of the project, there was also a \$88.91 million decrease (or 51.57%) in federal capital contributions received from the Federal Highway Administration (FHWA).

NCTA's operating income, nonoperating net expenses and additional funding from transfers and capital grants all contributed to an increase of \$137.1 million or 23.3% in net position to \$725.38 million at the end of fiscal year 2025. Corresponding to factors identified above related to the statement of changes, there were also significant impacts on NCTA's balance sheet. Restricted cash and cash equivalents increased by \$37.62 million related to the increases in toll revenues and interest earnings. Nondepreciable capital assets decreased by \$602.21 million or 33.74% and depreciable capital assets increased by \$794.51 million or 62.58% with the completion of the Southern Wake Expressway during fiscal year 2025 when it was capitalized from construction in progress and added to NCTA's toll road system. Accounts receivable decreased by \$14.69 million due to an increase in the allowance for bad debts. As the toll revenues increase during the year, the bad debt allowance also increased, reducing the net accounts receivable. The liability for amounts due to other funds also increased by \$42.25 million or 58.04% from the prior year related to the civil penalties due to other funds in connection with the increased usage of toll facilities.

EPA Revolving Loan Fund

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

The net position of the Loan Fund increased 7.67% or \$184.24 million to \$2.59 billion in fiscal year 2025. This increase in net position is due to the receipt of \$685 million from the EPA through the American Relief Act of 2025 (Public Law 118-158) and appropriated to the Department of Environmental Quality (DEQ) through Session Law 2025-26 for Helene State Revolving Funds (SRFs), which DEQ began awarding in 2025. With the additional \$685 million in supplemental appropriations for SRFs for Hurricane Helene, DEQ established new programs for administering the SRF Helene funds for drinking water, wastewater, and decentralized wastewater treatment systems. In addition, DEQ received grant awards from the EPA for base CWSRF and additional funds from the Infrastructure Investment and Jobs Act for general use and emerging contaminants.

In compliance with executive orders signed by the President of the United States, EPA leadership initiated administrative changes to the SRF programs. The EPA no longer requires states to report on SRF-funded projects related to procurement practices involving Disadvantaged Business Enterprises. SRF-funded projects are no longer required to comply with the Federal Flood Risk Management Standard. And signage requirements were changed related to projects funded by the Infrastructure Investment and Jobs Act.

The amount of new loans issued during the current year was \$243.21 million, an increase of \$32.55 million or 15.45%, and the amount of principal received on existing loans during the year was \$109.66 million, a \$16.69 million or 17.95% increase. As a result, notes receivable increased by \$160.47 million or 11.53%. The increase in loans issued during the fiscal year is not unusual for a year-over-

year fluctuation. Funds are managed with a long-term focus, typically with more loans issued over time. In any given year, there may be a slight increase or decrease from the previous year.

Operating income (operating revenues less operating expenses) was \$4.47 million, an increase of \$984 thousand from the previous year, or a 28.24% increase. The Loan Fund reported operating revenues of \$22.83 million, an increase of \$7.63 million or 50.21%, mostly related to a \$7.32 million increase in sales and services. Operating expenses for the fiscal year were \$18.36 million, an increase of \$6.65 million or 56.74%, mostly related to a \$4.74 million increase in the cost of services. Net nonoperating revenues were \$143.6 million, a \$19.07 million or 15.31% increase from the prior year. Nonoperating revenues consist of noncapital grants (federal capitalization grants) and investment earnings. Noncapital grants were \$118.25 million, a \$15.39 million or 11.52% decrease from the prior year related to decreases in capitalization grants received from the Infrastructure and Jobs Act. Investment earnings were \$49.43 million, an increase of \$14.86 million or 42.98%. Payments for grants, aid and subsidies were \$24.79 million, a decrease of \$17.6 million or 41.52%. The decrease is due to the expiration of one-time temporary programs associated with COVID-19 relief and recovery. As those program periods end, disbursements decline. In addition, the EPA Revolving Loan Fund received \$36.17 million in transfers for appropriated state match funds for Clean Water and Drinking Water projects, a \$12.45 million or 52.49% increase from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION**CAPITAL ASSETS**

As of June 30, 2025, the State's investment in capital assets was \$76.57 billion, an increase of 4.85% 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	
	2024		2024		2024	
	2025	(as restated)	2025	(as restated)	2025	(as restated)
Land and permanent easements	\$24,514,495	\$ 23,503,681	\$ 723,045	\$ 650,650	\$25,237,540	\$ 24,154,331
Buildings	2,952,508	3,050,879	52,187	54,680	3,004,695	3,105,559
Machinery and equipment	1,155,402	1,194,051	9,580	9,024	1,164,982	1,203,075
Infrastructure:						
State highway system	38,027,568	36,137,609	—	—	38,027,568	36,137,609
NC toll road system	—	—	2,064,093	1,269,585	2,064,093	1,269,585
General infrastructure	229,716	232,695	5,187	5,495	234,903	238,190
Computer software	313,098	289,639	488	455	313,586	290,094
Subscription asset	262,696	192,505	10,358	2,258	273,054	194,763
Art, literature, and other artifacts	200,189	190,820	1,293	1,293	201,482	192,113
Construction in progress	3,985,988	3,570,212	476,073	1,148,695	4,462,061	4,718,907
Computer software in development	1,194,175	1,103,201	—	—	1,194,175	1,103,201
RTU Land and permanent easements	2,485	673	—	—	2,485	673
RTU Buildings	374,568	408,151	9,304	6,021	383,872	414,172
RTU Machinery and equipment	1,465	3,382	455	576	1,920	3,958
RTU General infrastructure	4,668	902	—	—	4,668	902
Total	<u>\$73,219,021</u>	<u>\$ 69,878,400</u>	<u>\$ 3,352,063</u>	<u>\$ 3,148,732</u>	<u>\$76,571,084</u>	<u>\$ 73,027,132</u>
Total percent change between fiscal years 2024 and 2025	4.78 %		6.46 %		4.85 %	

The largest component of capital assets is the state highway system. North Carolina has an 80,593 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- The NCDOT reported year-end construction in progress of \$3.14 billion for state highway projects. Additionally, the NCTA (business-type activity) reported year-end construction in progress of \$297.55 million for the Complete 540 project. This project is being completed in two phases and involves completing the 540 loop around the greater Raleigh area. Phase one extends the Triangle Expressway approximately 18 miles while phase two will extend the Expressway an additional 10 miles to complete the 540 loop. NCTA also has \$46.28 million construction in progress for the Mid-Currituck Bridge project. This project is a 7-mile roadway toll project, which includes a two-lane bridge, that spans the Currituck Sound and connects the Currituck County mainland to the Outer Banks; it also includes a second two-lane bridge that spans Maple Swamp on the Currituck County mainland.
- The NC General Assembly (NCGA) is tasked with the planning and construction of a downtown Raleigh Education Campus as appropriated in Session Law 2022-74, and more money was appropriated in Session Law 2023-134 (40.1a). The facility will house The University of North Carolina System Office, the Community Colleges System Office, the Department of Public Instruction, and the Department of Commerce. The project cost is up to \$395 million and is expected to be completed by June 2027. At June 30, 2025, the NCGA reported \$107.41 million in construction in progress.
- The Department of Administration (DOA) is collaborating with the Department of Health and Human Services on the Dorothea Dix campus relocation project pursuant to Session Law 2020-88. Phase 1 of this project consists of the planning expenses associated with the relocation of the campus. The relocation project is scheduled to be completed in January 2026. At June 30, 2025, the DOA reported \$246.99 million in construction in progress for the first phase of the project.
- The Department of Health and Human Services (DHHS) is replacing seven major legacy IT systems. NC FAST, the new system for managing and administering social services benefits, will improve the way DHHS and the 100 county departments of social services conduct business. At year-end, computer software in development for NC FAST totaled \$820.85 million.

Further detailed in Note 21E to the financial statements, the State has commitments of \$7.55 billion for the construction of highway infrastructure (\$6.93 billion for governmental activities and \$617.76 million for business-type activities), which are expected to be financed by motor fuels tax collections, motor vehicle fees, toll collections, federal funds, and debt proceeds. Other commitments of \$790.12 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

More detailed information about the State's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

At year-end, the State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$7.2 billion, an increase of 0.08% 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	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 1,412,640	\$ 1,645,060	\$ —	\$ —	\$ 1,412,640	\$ 1,645,060
Special Indebtedness:						
Limited obligation bonds	1,978,945	1,887,790	—	—	1,978,945	1,887,790
GARVEE bonds	1,044,580	845,715	—	—	1,044,580	845,715
Revenue bonds	—	—	2,018,664	2,060,470	2,018,664	2,060,470
Notes from direct borrowings	62,424	70,263	681,181	683,118	743,605	753,381
Total	<u>\$ 4,498,589</u>	<u>\$ 4,448,828</u>	<u>\$ 2,699,845</u>	<u>\$ 2,743,588</u>	<u>\$ 7,198,434</u>	<u>\$ 7,192,416</u>

Total percent change between
fiscal years 2024 and 2025

1.12 %

(1.59)%

0.08 %

The State has financed a number of transportation improvement initiatives across North Carolina with Grant Anticipation Revenue Vehicle Bonds ("GARVEE") bonds. Authorized under Session Law 2005-403, proceeds from GARVEE bonds provide financing for the construction on a variety of highway projects. In April 2025, the State issued \$441.5 million in GARVEE refunding bonds. The GARVEE Bond Package was approved for the completion of Interstate 540 Phase II and to generate interest rate savings. The State also issued \$300 million in limited obligation bonds for its governmental activities. The limited obligation bonds were issued pursuant to the Build NC Bond Act of 2018 (see below); the proceeds of these bonds are being used to pay for transportation projects throughout North Carolina.

The State issues two types of tax-supported debt: general obligation (GO) bonds and special indebtedness (i.e., debt not subject to a vote of the people). GO bonds are secured by the full faith, credit, and taxing power of the State and require approval by a majority of voters. The payments on special indebtedness are subject to appropriation by the General Assembly and also may be secured by a lien on facilities or equipment. The General Statutes (Chapter 142, Article 9) prohibit the issuance of special indebtedness except for projects specifically authorized by the General Assembly. Special indebtedness is also known as appropriation-supported debt. Limited obligation bonds may be issued by the State directly rather than through a conduit issuer. The use of alternative financing methods provides financing flexibility to the State and permits the State to take advantage of changing financial and economic environments. The GARVEE bonds are a revenue bond-type debt instrument where the debt service is to be paid solely from federal transportation revenues. The State did not issue any new general obligation bonds or special indebtedness bonds supported by the State's General Fund during the fiscal year ended June 30, 2025.

The State's total long-term debt (bonds, special indebtedness, and notes from direct borrowings) reported in governmental activities increased from \$3.48 billion in 2002 to \$4.5 billion in 2025, in part due to large issuances of non-GO debt (special indebtedness) for higher education capital projects in previous years. Prior to 2003, the State only issued general obligation debt. The NCTA had its first debt issuance in 2010. The NCTA's long-term debt has increased from \$691.56 million in 2010 to \$2.8 billion in 2025.

The following is a summary of recent debt authorizations.

Build NC Bond Act of 2018

The 2017-18 Session of the General Assembly authorized the issuance of up to \$300 million annually over ten years (subsequently extended to 13 years per Session Law 2024-15), not to exceed \$3 billion in total, of special indebtedness. The maturity of the bonds is limited to 15 years, and the issuance is contingent upon the N.C. State Treasurer’s recommendation. The Build NC Bonds will be repaid from appropriations from the Highway Trust Fund. The proceeds will enable the N.C. Department of Transportation to accelerate Regional and Divisional transportation projects authorized pursuant to the State’s Strategic Transportation Investments Act (STI), build a debt service reserve fund and pay costs incurred in connection with the issuance of bonds. The Build NC Bond Act of 2018 became effective January 1, 2019. The State has issued \$1.6 billion of Build NC Bonds to date, and approximately \$1.28 billion remained outstanding at June 30, 2025.

Connect NC Bond Act of 2015

The 2015-16 Session of the General Assembly authorized, subject to a vote of the qualified voters of the State, the issuance of \$2 billion of general obligation bonds of the State to be secured by a pledge of the faith and credit and taxing power of the State. The Connect NC Bonds were approved by a statewide voter referendum held on March 15, 2016. The general obligation bonds provided financing for various capital improvements throughout the State as follows: University of North Carolina System (\$980 million), North Carolina Community Colleges (\$350 million), local parks and infrastructure (\$312.5 million), National Guard (\$70 million), agriculture (\$179 million), State parks and attractions (\$100 million), and public safety (\$8.5 million). The 2021 Session of the General Assembly (Session Law 2021-180) repealed the remaining authorization of the Connect NC general obligation bonds that had not been issued as of June 30, 2021, and replaces it with pay-as-you-go capital for the remaining amount of \$400 million total authorization.

Credit Ratings

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

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

State of North Carolina General Obligation Bond Credit Ratings		
<u>Rating Agency</u>	<u>Rating</u>	<u>Outlook</u>
Fitch Ratings	AAA	Stable
Moody’s Investors Service	Aaa	Stable
Standard & Poor’s Rating Services	AAA	Stable

These ratings are the highest attainable from all three rating agencies. In 2025, Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the triple-A bond rating for the State. A triple-A bond rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State’s historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 14 states with a triple-A rating from all three rating agencies.

Special indebtedness is not subject to a vote of the people, and its repayment is based on the State’s annual debt service appropriation. For these reasons, special indebtedness is rated lower than the State’s general obligation bonds and typically carries a higher interest rate.

Limitations on Debt

The Constitution of North Carolina (Article 5, Section 3) imposes limitations upon the increase of certain state debt. It restricts the General Assembly from contracting debt secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State, except for the following purposes:

1. To fund or refund a valid existing debt;
2. To supply an unforeseen deficiency in the revenue;
3. To borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 percent of such taxes;
4. To suppress riots or insurrections; or to repel invasions;

5. To meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
6. For any other lawful purpose, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the preceding biennium.

The 2013-14 Session of the General Assembly enacted legislation (Session Law 2013-78) to limit the amount of special indebtedness that the State may incur. According to this law, special indebtedness authorized by legislation enacted after January 1, 2013, cannot exceed 25% of the total bond indebtedness of the State supported by the General Fund that was authorized pursuant to legislation enacted after January 1, 2013.

More detailed information about the State's long-term liabilities is presented in Note 8 to the financial statements.

FUTURE OUTLOOK

Next Year's Budget and Rates

As of the auditor's opinion date, North Carolina has not enacted a comprehensive budget for fiscal year 2026. However, the General Assembly has passed seven separate bills containing appropriations for State Government. The combined impact of these bills, including various movements of non-General Funds totals \$591 million in net appropriations from the base budget. The current total General Fund appropriation for fiscal year 2026 is \$31.9 billion.

- Session Law 2025-26 transferred an additional \$650 million in funds from various General Fund reserves to be used for Hurricane Helene recovery and economic development.
- Session Law 2025-89 appropriated the base budget for the State, which sets spending at a different level than the recurring certified budget for the previous years and made \$636 million in additional General Fund appropriations, most notably:
 - Required health and retirement contributions for General Fund supported state employees.
 - Provided \$518 million in funds toward the Medicaid rebase.
 - Allowed state personnel to receive pay increases and advance on various statutory pay plans.
 - Appropriated \$823 million in funds from the State Capital and Infrastructure Fund for state capital projects.
- Session Law 2025-91 appropriated an additional \$15 million from the Information Technology Reserve for cyber security efforts and \$4.4 million for State Highway Patrol and the State Bureau of Investigation.
- Session Law 2025-92 appropriated an additional \$9.5 million in General Funds and also appropriated \$65 million from the State Emergency Response and Disaster Relief Reserve for disaster response and \$86 million from the Stabilization and Inflation Reserve. An additional \$71 million in State Capital and Infrastructure Funds for capital projects was also appropriated.
- Session Law 2025-97 appropriated an additional \$43 million in General Funds across State Government and most notably included \$25 million in adjustments for shortages in various statutory pay plans.
- Effective July 7, 2025, General Statute 105-187.19(b) was rewritten to credit thirty percent (30%) of the net tax proceeds generated from the Scrap Tire Disposal Tax to the Scrap Tire Disposal Account. Previously, the thirty percent (30%) was contributed to the General Fund. The net amount contributed to the General Fund in the 2025 fiscal year from the Scrap Tire Disposal Tax was \$8.6 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Carolina Office of the State Controller, Accounting and Financial Reporting Section, 1410 Mail Service Center, Raleigh, N.C. 27699-1410. In addition, this financial report is available on the Office of the State Controller's internet home page at <https://www.osc.nc.gov/public-information/reports>.



*BASIC
FINANCIAL
STATEMENTS*

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*GOVERNMENT-WIDE
FINANCIAL STATEMENTS*

STATEMENT OF NET POSITION

June 30, 2025

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 26,981,212	\$ 6,756,273	\$ 33,737,485	\$ 6,164,547
Investments (Note 3)	414,537	437,813	852,350	7,155,743
Securities lending collateral (Note 3)	849,032	34,654	883,686	174,836
Receivables, net (Note 4)	8,881,264	785,370	9,666,634	2,485,737
Due from component units (Note 18)	18,933	-	18,933	15,338
Due from primary government (Note 18)	-	-	-	286,397
Internal balances	239,039	(239,039)	-	-
Inventories	257,111	1,372	258,483	186,492
Prepaid items	23,204	35,074	58,278	168,297
Hedging derivatives asset	-	-	-	3,654
Advances to component units	1,191	-	1,191	-
Advances to outside entities	3,290	-	3,290	-
Notes receivable, net (Note 4)	33,730	1,552,306	1,586,036	569,889
Lease receivable	7,382	8,304	15,686	229,502
PPP receivable	-	-	-	40,974
Investment in joint venture	-	-	-	287,054
Equity interest in component unit	316,719	-	316,719	-
Securities held in trust	64,919	-	64,919	-
Restricted/designated cash and cash equivalents (Note 3)	3,392,966	117,809	3,510,775	5,925,377
Restricted investments (Note 3)	1,041,173	516,745	1,557,918	18,796,934
Restricted due from primary government (Note 18)	-	-	-	2,886
Restricted due from component units (Note 18)	-	-	-	21,356
Beneficial interest in assets held by others	-	-	-	9,036
Net pension asset (Note 12)	41,734	-	41,734	-
Net OPEB asset (Note 14)	6,266	100	6,366	10,501
Capital assets-nondepreciable (Note 5)	29,894,847	1,200,411	31,095,258	3,257,883
Capital assets-depreciable, net (Note 5)	43,324,174	2,151,652	45,475,826	20,453,986
Total Assets	115,792,723	13,358,844	129,151,567	66,246,419
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	-	-	-	41,714
Deferred loss on refunding	12,188	18,985	31,173	41,817
Forward funded state aid	789,283	-	789,283	-
Deferred outflows for asset retirement obligation	-	-	-	14,632
Deferred outflows for pensions (Note 12)	2,108,409	33,042	2,141,451	1,649,859
Deferred outflows for OPEB (Note 14)	3,302,102	64,361	3,366,463	3,408,960
Other deferred outflows	-	-	-	582
Total Deferred Outflows of Resources	6,211,982	116,388	6,328,370	5,157,564
Liabilities				
Accounts payable and accrued liabilities	2,924,864	473,605	3,398,469	2,171,352
Medical claims payable	4,162,338	-	4,162,338	378,792
Unemployment benefits payable	-	3,892	3,892	-
Tax refunds payable	1,657,450	-	1,657,450	-
Obligations under securities lending	849,032	34,654	883,686	174,836
Interest payable	22,983	177,324	200,307	113,663
Short-term debt (Note 6)	-	-	-	39,000
Due to component units (Note 18)	289,283	-	289,283	36,695
Due to primary government (Note 18)	-	-	-	18,933
Unearned revenue	2,822,490	71,330	2,893,820	976,037
Advance from primary government	-	-	-	1,191
Deposits payable	-	27,099	27,099	34,704
Funds held for others	113,779	-	113,779	5,325,189
Hedging derivatives liability (Note 7)	-	-	-	41,831
Long-term liabilities (Note 8):				
Due within one year	842,454	68,935	911,389	758,114
Due in more than one year	17,336,598	3,056,695	20,393,293	24,226,003
Total Liabilities	31,021,271	3,913,534	34,934,805	34,296,340

STATEMENT OF NET POSITION

June 30, 2025

*Exhibit A-1**(Dollars in Thousands)***Primary Government**

	Governmental Activities	Business-type Activities	Total	Component Units
Deferred Inflows of Resources				
Deferred gain on refunding	10,647	32,012	42,659	8,602
Deferred inflows for PPP arrangements	65,776	-	65,776	318,591
Deferred state aid	-	-	-	789,283
Deferred inflows for lease agreements	7,127	7,779	14,906	197,549
Deferred inflows for pensions (Note 12)	283,652	5,170	288,822	44,335
Deferred inflows for OPEB (Note 14)	1,946,679	38,878	1,985,557	1,611,601
Deferred inflows irrevocable split-interest agreements	-	-	-	31,179
Accumulated increase in fair value of hedging derivatives	-	-	-	3,654
Other deferred inflows	-	-	-	39,348
Total Deferred Inflows of Resources	2,313,881	83,839	2,397,720	3,044,142
Net Position				
Net investment in capital assets	69,715,710	978,785	70,694,495	16,604,892
Restricted for:				
Nonexpendable:				
Environment and natural resources	147,190	-	147,190	-
Higher education	-	-	-	4,393,180
Expendable:				
Primary and secondary education	28,270	-	28,270	-
Higher education	8,536	-	8,536	8,350,577
Higher education student aid	1,698,359	-	1,698,359	-
Health and human services	181,311	-	181,311	608,852
Economic development	51,125	1,382	52,507	1,676,190
Environment and natural resources	132,253	-	132,253	-
Public safety, corrections, and regulation	106,822	-	106,822	-
Transportation	3,644	82,259	85,903	-
Highway construction/preservation	29,736	-	29,736	-
Debt service	-	199,233	199,233	-
Capital projects/repairs and renovations	93,615	-	93,615	-
Other purposes	12,847	3,094	15,941	-
Unrestricted	16,460,135	8,213,106	24,673,241	2,429,810
Total Net Position	\$ 88,669,553	\$ 9,477,859	\$ 98,147,412	\$ 34,063,501

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 2,299,617	\$ 396,108	\$ 383,921	\$ 789	\$ (1,518,799)
Primary and secondary education	15,772,911	222,058	2,540,735	-	(13,010,118)
Higher education	7,431,222	277,464	153,145	-	(7,000,613)
Health and human services	40,290,630	1,044,774	32,141,039	-	(7,104,817)
Economic development	1,065,093	17,767	330,555	-	(716,771)
Environment and natural resources	1,547,719	245,072	265,875	54,481	(982,291)
Public safety, corrections, and regulation	6,710,657	624,276	1,360,414	18,677	(4,707,290)
Transportation	5,119,753	1,391,001	664,758	1,426,698	(1,637,296)
Agriculture	322,029	32,914	65,432	5,000	(218,683)
Interest on long-term debt	154,284	-	-	-	(154,284)
Total Governmental Activities	<u>80,713,915</u>	<u>4,251,434</u>	<u>37,905,874</u>	<u>1,505,645</u>	<u>(37,050,962)</u>
Business-type Activities					
Unemployment Compensation	425,186	911,872	164,124	-	650,810
N.C. State Lottery	5,522,617	6,591,773	8,674	-	1,077,830
EPA Revolving Loan	45,022	22,830	170,260	-	148,068
N.C. Turnpike Authority	207,607	178,033	35,277	83,505	89,208
Regulatory programs	191,344	192,640	11,342	-	12,638
Insurance programs	55,317	15,376	4,604	-	(35,337)
North Carolina State Fair	17,317	17,231	1,844	-	1,758
Other business-type activities	17,172	16,235	1,689	1,747	2,499
Total Business-type Activities	<u>6,481,582</u>	<u>7,945,990</u>	<u>397,814</u>	<u>85,252</u>	<u>1,947,474</u>
Total Primary Government	<u>\$ 87,195,497</u>	<u>\$ 12,197,424</u>	<u>\$ 38,303,688</u>	<u>\$ 1,590,897</u>	<u>\$ (35,103,488)</u>
Component Units					
University of North Carolina System	\$ 19,872,422	\$ 13,298,773	\$ 3,629,198	\$ 789,736	\$ (2,154,715)
Community Colleges	3,120,332	325,259	1,297,776	580,866	(916,431)
State Health Plan	4,500,096	4,465,641	48,530	-	14,075
Other component units	1,994,394	514,393	1,672,661	18,152	210,812
Total Component Units	<u>\$ 29,487,244</u>	<u>\$ 18,604,066</u>	<u>\$ 6,648,165</u>	<u>\$ 1,388,754</u>	<u>\$ (2,846,259)</u>

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

Exhibit A-2

(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in Net Position				
Net (expense) revenue	\$ (37,050,962)	\$ 1,947,474	\$ (35,103,488)	\$ (2,846,259)
General Revenues:				
Taxes:				
Individual income tax	17,101,833	-	17,101,833	-
Corporate income tax	1,540,009	-	1,540,009	-
Sales and use tax	12,496,972	-	12,496,972	-
Motor fuels tax	2,541,788	-	2,541,788	-
Franchise tax	698,017	-	698,017	-
Highway use tax	1,251,028	-	1,251,028	-
Insurance tax	1,471,355	-	1,471,355	-
Beverage tax	588,633	-	588,633	-
Sports wagering tax	128,366	-	128,366	-
Tobacco products tax	249,018	-	249,018	-
Other taxes	324,893	-	324,893	-
Tobacco settlement	129,069	-	129,069	-
Federal COVID-19	1,546,320	-	1,546,320	-
Unrestricted investment earnings	967,460	-	967,460	246,469
State aid - coronavirus	-	-	-	37,589
State aid	-	-	-	6,565,295
Noncapital contributions	2,049	227	2,276	3,150
Miscellaneous	94,224	11	94,235	45,920
Contributions to permanent funds	10,309	-	10,309	-
Contributions to endowments	-	-	-	296,740
Transfers	971,339	(971,339)	-	-
Total general revenues, contributions, and transfers	42,112,682	(971,101)	41,141,581	7,195,163
Change in net position	5,061,720	976,373	6,038,093	4,348,904
Net position — July 1, as previously reported	83,675,322	8,466,125	92,141,447	29,656,186
Adjustments to July 1 balances	(67,489)	35,361	(32,128)	58,411
Net position — July 1, as restated (Note 23)	83,607,833	8,501,486	92,109,319	29,714,597
Net position — June 30	\$ 88,669,553	\$ 9,477,859	\$ 98,147,412	\$ 34,063,501

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FUND FINANCIAL STATEMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2025

Exhibit B-1

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 21,629,526	\$ 1,741,949	\$ 1,001,389	\$ 2,446,790	\$ 26,819,654
Investments (Note 3)	27,686	-	-	383,674	411,360
Securities lending collateral (Note 3)	697,214	34,573	25,749	90,215	847,751
Receivables, net: (Note 4)					
Taxes receivable	3,160,680	203,262	63,896	7,873	3,435,711
Accounts receivable	607,359	41,268	9	28,674	677,310
Intergovernmental receivable	4,588,742	114,196	3,958	1,155	4,708,051
Interest receivable	21,427	-	-	6,514	27,941
Other receivables	-	7,514	-	-	7,514
Due from other funds (Note 10)	177,554	122,492	4,602	24,584	329,232
Due from fiduciary funds	371	-	-	-	371
Due from component units (Note 18)	15,911	-	-	3,022	18,933
Inventories	106,346	117,432	-	33,132	256,910
Advances to other funds (Note 10)	-	-	35,207	-	35,207
Advances to component units	-	1,191	-	-	1,191
Advances to outside entities	3,290	-	-	-	3,290
Notes receivable, net (Note 4)	17,524	116	-	16,090	33,730
Lease receivable	7,174	-	-	208	7,382
Securities held in trust	13	839	-	64,067	64,919
Restricted/designated cash and cash equivalents (Note 3)	550,449	-	-	2,842,517	3,392,966
Restricted investments (Note 3)	-	301,566	382,296	357,311	1,041,173
Total Assets	<u>31,611,266</u>	<u>2,686,398</u>	<u>1,517,106</u>	<u>6,305,826</u>	<u>42,120,596</u>
Deferred Outflows of Resources					
Forward funded state aid	725,586	-	-	63,697	789,283
Total Assets and Deferred Outflows	<u>\$ 32,336,852</u>	<u>\$ 2,686,398</u>	<u>\$ 1,517,106</u>	<u>\$ 6,369,523</u>	<u>\$ 42,909,879</u>
Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	\$ 609,979	\$ 514,823	\$ 118,815	\$ 89,207	\$ 1,332,824
Accrued payroll	3,955	17,145	-	129	21,229
Intergovernmental payable	1,079,084	194,673	-	7,580	1,281,337
Claims payable	-	-	-	110,000	110,000
Medical claims payable	4,162,338	-	-	-	4,162,338
Tax refunds payable	1,657,450	-	-	-	1,657,450
Obligations under securities lending	697,214	34,573	25,749	90,215	847,751
Due to fiduciary funds (Note 10)	152,085	-	-	554	152,639
Due to other funds (Note 10)	125,491	15,405	-	21,781	162,677
Due to component units (Note 18)	280,086	1,378	-	2,886	284,350
Unearned revenue	2,151,182	627,694	24,099	510	2,803,485
Funds held for others	18,651	30,934	-	64,194	113,779
Total Liabilities	<u>10,937,515</u>	<u>1,436,625</u>	<u>168,663</u>	<u>387,056</u>	<u>12,929,859</u>
Deferred Inflows of Resources					
Unavailable revenue	273,471	3,506	-	12,044	289,021
Deferred inflows for PPP arrangements	-	65,776	-	-	65,776
Deferred inflows for lease agreements	7,039	-	-	88	7,127
Total Deferred Inflows of Resources	<u>280,510</u>	<u>69,282</u>	<u>-</u>	<u>12,132</u>	<u>361,924</u>
Fund Balances (Note 11)					
Nonspendable	106,443	117,432	-	180,522	404,397
Restricted	344,448	305,210	382,296	2,055,450	3,087,404
Committed	14,957,903	757,849	966,147	3,649,206	20,331,105
Assigned	2,451,712	-	-	87,555	2,539,267
Unassigned	3,258,321	-	-	(2,398)	3,255,923
Total Fund Balances	<u>21,118,827</u>	<u>1,180,491</u>	<u>1,348,443</u>	<u>5,970,335</u>	<u>29,618,096</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 32,336,852</u>	<u>\$ 2,686,398</u>	<u>\$ 1,517,106</u>	<u>\$ 6,369,523</u>	<u>\$ 42,909,879</u>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2025

Exhibit B-1a

(Dollars in Thousands)

Total fund balances - governmental funds (see Exhibit B-1)		\$ 29,618,096
Amounts reported for governmental activities in the Statement of Net Position are different because:		
– Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 5). These consist of:		
Cost of capital assets (excluding internal service funds)	\$ 74,120,766	
Less: Accumulated depreciation (excluding internal service funds)	<u>(1,105,282)</u>	
Net capital assets		73,015,484
– Some assets , such as receivables, are not available soon enough to pay for current period expenditures and thus, are offset by unavailable revenue in the governmental funds.		289,021
– Equity interest in component unit is not a financial resource and, therefore, is not reported in the funds.		316,719
– Net pension asset (excluding internal service funds) resulting from contributions in excess of the actuarially determined contribution are not financial resources and, therefore, are not reported in the funds (see Note 12).		41,734
– Net OPEB asset (excluding internal service funds) resulting from contributions in excess of the actuarially determined contribution are not financial resources and, therefore, are not reported in the funds (see Note 14).		6,116
– Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds.		12,188
– Deferred gain on refunding is reported in the Statement of Net Position (to be amortized as a component of interest expense) but is not reported in the funds.		(10,647)
– Deferred outflows for pensions (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 12).		2,061,021
– Deferred outflows for OPEB (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 14).		3,225,278
– Long-term debt instruments , such as bonds and notes from direct borrowings, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 8). Also, unamortized debt premiums are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:		
General obligation bonds payable	(1,412,640)	
Limited obligation bonds payable	(1,978,945)	
GARVEE bonds payable	(1,044,580)	
Unamortized debt premiums (to be amortized as interest expense)	(395,669)	
Notes from direct borrowings	(62,424)	
Lease liability (excluding internal service funds)	(384,487)	
Subscription liability (excluding internal service funds)	<u>(230,855)</u>	
Net long-term debt		(5,509,600)
– Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 8 as applicable) consist of:		
Accrued interest payable	(22,983)	
Compensated absences (excluding internal service funds)	(718,855)	
Obligations for workers' compensation (excluding internal service funds)	(607,336)	
Arbitrage rebate payable	(2,586)	
Death benefit payable	(37)	
Pollution remediation payable	(6,457)	
Claims and judgments payable	(731,703)	
Pension liability (excluding internal service funds)	(3,718,709)	
Net OPEB liability (excluding internal service funds)	<u>(6,573,251)</u>	
Total other liabilities		(12,381,917)
– Deferred inflows for pensions (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 12).		(282,088)
– Deferred inflows for OPEB (excluding internal service funds) are reported in the Statement of Net Position but are not reported in the funds (see Note 14).		(1,918,671)
– Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position (see Exhibit B-3).		<u>186,819</u>
Total net position - governmental activities (see Exhibit A-1)		<u>\$ 88,669,553</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2025

Exhibit B-2

(Dollars in Thousands)

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Individual income tax	17,101,833	-	-	-	17,101,833
Corporate income tax	1,536,667	-	-	-	1,536,667
Sales and use tax	11,815,150	165,248	495,744	10,040	12,486,182
Motor fuels tax	-	1,888,802	624,887	28,064	2,541,753
Franchise tax	696,690	-	-	-	696,690
Highway use tax	-	120,688	1,130,340	-	1,251,028
Insurance tax	1,471,660	-	-	-	1,471,660
Beverage tax	588,583	-	-	-	588,583
Sports wagering tax	128,366	-	-	-	128,366
Tobacco products tax	248,670	-	-	-	248,670
Other taxes	199,696	-	-	128,295	327,991
Federal funds	35,020,046	1,805,698	-	159,367	36,985,111
Local funds	144,712	17,968	14,606	13,103	190,389
Investment earnings (losses)	1,352,182	85,715	47,074	211,584	1,696,555
Interest earnings on loans	30	-	1,334	1,435	2,799
Sales and services	167,962	10,944	-	171,961	350,867
Rental and lease of property	14,697	3,655	757	2,269	21,378
Fees, licenses, and fines	1,848,391	1,183,810	175,384	180,744	3,388,329
Tobacco settlement	132,506	-	-	-	132,506
Contributions, gifts, and grants	78,826	100,280	4,667	86,440	270,213
Funds escheated	-	-	-	277,010	277,010
Federal COVID-19 funds	2,725,994	13,189	-	33,824	2,773,007
Miscellaneous	143,421	28,069	5,566	16,861	193,917
Total revenues	<u>75,416,082</u>	<u>5,424,066</u>	<u>2,500,359</u>	<u>1,320,997</u>	<u>84,661,504</u>
Expenditures					
Current:					
General government	2,218,621	-	-	85,229	2,303,850
Primary and secondary education	15,866,572	-	-	-	15,866,572
Higher education	7,280,586	-	-	150,124	7,430,710
Health and human services	39,993,602	-	-	100,566	40,094,168
Economic development	1,056,732	-	-	1,278	1,058,010
Environment and natural resources	1,189,508	-	-	335,357	1,524,865
Public safety, corrections, and regulation	6,091,673	-	-	353,443	6,445,116
Transportation	-	6,022,229	2,100,169	-	8,122,398
Agriculture	300,278	-	-	30,664	330,942
Capital outlay	-	-	-	512,676	512,676
Debt service:					
Principal retirement	473,084	281,104	72,930	4,856	831,974
Interest and fees	126,956	50,162	49,016	1,025	227,159
Debt issuance costs	16	151	374	-	541
Total expenditures	<u>74,597,628</u>	<u>6,353,646</u>	<u>2,222,489</u>	<u>1,575,218</u>	<u>84,748,981</u>
Excess revenues over (under) expenditures	818,454	(929,580)	277,870	(254,221)	(87,477)
Other Financing Sources (Uses)					
Special indebtedness issued	-	-	300,000	-	300,000
GARVEE bonds issued	-	275,750	-	-	275,750
Refunding bonds issued	-	165,765	-	-	165,765
Other debt issued	194,313	43,191	-	-	237,504
Premium on debt issued	-	27,124	23,950	-	51,074
Sale of capital assets	28,070	8,537	145	5,265	42,017
Insurance recoveries	3,715	17,449	-	1,024	22,188
Transfers in (Note 10)	1,337,503	458,885	-	1,697,441	3,493,829
Transfers out (Note 10)	(2,159,068)	(55,891)	(97,985)	(209,533)	(2,522,477)
Total other financing sources (uses)	<u>(595,467)</u>	<u>940,810</u>	<u>226,110</u>	<u>1,494,197</u>	<u>2,065,650</u>
Net change in fund balances	222,987	11,230	503,980	1,239,976	1,978,173
Fund balances — July 1, as previously reported	20,891,192	1,169,261	844,463	4,729,249	27,634,165
Adjustments to July 1 balances	4,648	-	-	1,110	5,758
Fund balances — July 1, as restated (Note 23)	<u>20,895,840</u>	<u>1,169,261</u>	<u>844,463</u>	<u>4,730,359</u>	<u>27,639,923</u>
Fund balances — June 30	<u>\$ 21,118,827</u>	<u>\$ 1,180,491</u>	<u>\$ 1,348,443</u>	<u>\$ 5,970,335</u>	<u>\$ 29,618,096</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds (see Exhibit B-2)		\$	1,978,173
Amounts reported for governmental activities in the Statement of Activities are different because:			
– Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital outlays (including construction-in-progress and computer soft. in develop.)	\$	4,953,785	
Less: Depreciation expense (excluding internal service funds)		<u>(1,397,751)</u>	
Net capital outlay adjustment			3,556,034
– Proceeds from the sale of capital assets increase financial resources in the funds, whereas in the Statement of Activities only the gain or loss on the sale is reported. This adjustment reduces the proceeds by the book value of the capital assets sold.			(200,515)
– Pension Contributions (excluding internal service funds) to defined benefit pension plans in the current fiscal year are not included on the Statement of Activities.			812,701
– OPEB Contributions (excluding internal service funds) to defined benefit OPEB plans in the current fiscal year are not included on the Statement of Activities.			301,563
– Benefit payments to the special separation allowance defined benefit pension plan in the current fiscal year are not included on the Statement of Activities (see Note 12).			27,825
– Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of:			
Debt issued or incurred:			
Bonds and similar debt issued		(575,750)	
Refunding bonds issued		(165,765)	
Premiums on debt issued		(51,074)	
Leases (excluding internal service funds)		(66,425)	
Subscriptions (excluding internal service funds)		(171,079)	
Principal repayments:			
Bonds, notes, and similar debt		691,754	
Leases (excluding internal service funds)		48,851	
Subscriptions (excluding internal service funds)		<u>91,369</u>	
Net debt adjustments			(198,119)
– Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.			90,656
– Change in equity interest of component unit resulting from changes in stockholder's equity are not current financial resources, and therefore, are not recognized in the funds.			2,257
– Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in the funds. Also, some payments related to prior periods are recognized in the funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:			
Accrued interest		1,903	
Compensated absences (excluding internal service funds)		(69,469)	
Workers' compensation (excluding internal service funds)		(1,099)	
Pension expense (excluding internal service funds)		(1,041,997)	
OPEB expense (excluding internal service funds)		(249,528)	
Pollution remediation		278	
Arbitrage rebate		(2,586)	
Amortization of deferred amounts		<u>70,971</u>	
Net expense accruals			(1,291,527)
– Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of internal service funds are included with governmental activities in the Statement of Activities (see Exhibit B-4).			<u>(17,328)</u>
Change in net position - governmental activities (see Exhibit A-2)		<u>\$</u>	<u>5,061,720</u>

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

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2025

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Assets				
Current Assets				
Cash and cash equivalents (Note 3)	5,483,367	805,427	191,737	-
Investments (Note 3)	-	237,664	8,746	-
Securities lending collateral (Note 3)	1,809	20,189	4,046	5,405
Receivables: (Note 4)				
Accounts receivable, net	89,329	2,418	16,295	45,877
Intergovernmental receivable	193	279	-	7,677
Interest receivable	-	-	501	-
Premiums receivable	-	-	-	-
Contributions receivable, net	324,216	-	-	-
Notes receivable	-	128,940	-	-
Lease receivable	-	-	-	-
Due from other funds (Note 10)	52,879	-	-	-
Inventories	-	-	-	693
Prepaid items	-	-	-	341
Restricted cash and cash equivalents (Note 3)	-	-	-	-
Total current assets	<u>5,951,793</u>	<u>1,194,917</u>	<u>221,325</u>	<u>59,993</u>
Noncurrent Assets				
Accounts receivable (Note 4)	290,620	-	-	-
Investments (Note 3)	-	-	77,744	-
Notes receivable	-	1,423,118	-	-
Lease receivable	-	-	-	-
Prepaid items	-	-	755	8,557
Restricted/designated cash and cash equivalents (Note 3)	-	-	-	115,861
Restricted investments (Note 3)	-	-	-	516,745
Net OPEB asset	-	9	38	4
Capital assets-nondepreciable (Note 5)	-	-	-	1,182,901
Capital assets-depreciable, net (Note 5)	-	14	12,303	2,064,097
Total noncurrent assets	<u>290,620</u>	<u>1,423,141</u>	<u>90,840</u>	<u>3,888,165</u>
Total Assets	<u>6,242,413</u>	<u>2,618,058</u>	<u>312,165</u>	<u>3,948,158</u>
Deferred Outflows of Resources				
Deferred loss on refunding	-	-	-	18,985
Deferred outflows for pensions	-	2,751	9,813	1,168
Deferred outflows for OPEB	-	3,864	17,288	1,912
Total Deferred Outflows of Resources	<u>-</u>	<u>6,615</u>	<u>27,101</u>	<u>22,065</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	77,673	1,045	69,450	27,344
Accrued payroll	-	-	58	-
Intergovernmental payable	242,224	1,334	-	2,550
Claims payable	-	-	-	-
Unemployment benefits payable	3,892	-	-	-
Obligations under securities lending	1,809	20,189	4,046	5,405
Interest payable	-	-	-	52,296
Due to fiduciary funds (Note 10)	-	-	856	-
Due to other funds (Note 10)	278	-	141,325	115,049
Due to component units (Note 18)	-	-	-	-
Unearned revenue	2,724	-	-	397
Deposits payable	-	-	-	19,957
Annuity and life income payable (Note 8)	-	-	8,746	-
Notes from direct borrowings (Note 8)	-	-	-	1,078
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	8,132	-
Bonds payable (Note 8)	-	-	-	45,609
Compensated absences (Note 8)	-	138	391	59
Workers' compensation (Note 8)	-	-	88	-
Total current liabilities	<u>328,600</u>	<u>22,706</u>	<u>233,092</u>	<u>269,744</u>

Exhibit B-3

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities —
		Internal Service Funds
275,742	6,756,273	161,558
80,256	326,666	3,177
3,205	34,654	1,281
1,747	155,666	24,347
3,819	11,968	-
1,685	2,186	-
714	714	19
-	324,216	-
-	128,940	-
1,870	1,870	-
-	52,879	40,176
679	1,372	201
25,070	25,411	23,204
1,877	1,877	-
<u>396,664</u>	<u>7,824,692</u>	<u>253,963</u>
-	290,620	-
33,403	111,147	-
248	1,423,366	-
6,434	6,434	-
351	9,663	-
71	115,932	-
-	516,745	-
49	100	150
17,510	1,200,411	3,089
75,238	2,151,652	200,447
<u>133,304</u>	<u>5,826,070</u>	<u>203,686</u>
<u>529,968</u>	<u>13,650,762</u>	<u>457,649</u>
-	18,985	-
19,310	33,042	47,388
41,297	64,361	76,824
<u>60,607</u>	<u>116,388</u>	<u>124,212</u>
23,965	199,477	16,262
197	255	9,381
-	246,108	37
24,217	24,217	1,154
-	3,892	-
3,205	34,654	1,281
1	52,297	-
-	856	-
59	256,711	2,899
-	-	4,933
68,209	71,330	19,005
7,142	27,099	-
-	8,746	-
1,273	2,351	-
1,324	1,324	179
181	8,313	8,604
-	45,609	-
1,910	2,498	2,603
6	94	288
<u>131,689</u>	<u>985,831</u>	<u>66,626</u>

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)

June 30, 2025

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Interest payable	-	-	-	125,027
Advances from other funds (Note 10)	-	-	-	35,207
Annuity and life income payable (Note 8)	-	-	77,744	-
Notes from direct borrowings (Note 8)	-	-	-	663,956
Lease liability (Note 8)	-	-	-	-
Subscription liability (Note 8)	-	-	2,637	-
Bonds payable, net (Note 8)	-	-	-	2,111,929
Compensated absences (Note 8)	-	963	2,796	527
Workers' compensation (Note 8)	-	-	-	-
Net pension liability (Note 8)	-	4,694	19,872	1,886
Net OPEB liability (Note 8)	-	8,622	41,722	3,947
Total noncurrent liabilities	-	14,279	144,771	2,942,479
Total Liabilities	328,600	36,985	377,863	3,212,223
Deferred Inflows of Resources				
Deferred gain on refunding	-	-	-	32,012
Deferred inflows for lease agreements	-	-	-	-
Deferred inflows for pensions	-	133	249	6
Deferred inflows for OPEB	-	2,218	5,851	606
Total Deferred Inflows of Resources	-	2,351	6,100	32,624
Net Position				
Net investment in capital assets	-	14	1,534	911,859
Restricted for:				
Expendable:				
Economic development	-	-	-	-
Transportation	-	-	-	82,259
Debt service	-	-	-	199,233
Other purposes	-	-	-	-
Unrestricted	5,913,813	2,585,323	(46,231)	(467,975)
Total Net Position	\$ 5,913,813	\$ 2,585,337	\$ (44,697)	\$ 725,376

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

Exhibit B-3

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities —
		Internal Service Funds
2,692	2,692	-
-	125,027	-
-	35,207	-
-	77,744	-
14,874	678,830	-
9,303	9,303	574
319	2,956	25,360
-	2,111,929	-
8,886	13,172	20,756
29	29	1,014
27,379	53,831	80,633
54,610	108,901	170,507
<u>118,092</u>	<u>3,219,621</u>	<u>298,844</u>
<u>249,781</u>	<u>4,205,452</u>	<u>365,470</u>
-	32,012	-
7,779	7,779	-
4,782	5,170	1,564
<u>30,203</u>	<u>38,878</u>	<u>28,008</u>
<u>42,764</u>	<u>83,839</u>	<u>29,572</u>
65,378	978,785	168,819
1,382	1,382	-
-	82,259	-
-	199,233	-
3,094	3,094	-
228,176	8,213,106	18,000
<u>\$ 298,030</u>	<u>\$ 9,477,859</u>	<u>\$ 186,819</u>

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

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Operating Revenues				
Employer unemployment contributions	\$ 908,886	\$ -	\$ -	\$ -
Federal funds	2,986	-	-	-
Sales and services	-	10,362	6,585,616	1,007
Student tuition and fees, net	-	-	-	-
Interest earnings on loans	-	12,468	-	-
Rental and lease earnings	-	-	-	-
Fees, licenses, and fines	-	-	5,303	23,174
Toll revenues	-	-	-	118,645
Insurance premiums	-	-	-	-
Miscellaneous	-	-	854	35,207
Total operating revenues	<u>911,872</u>	<u>22,830</u>	<u>6,591,773</u>	<u>178,033</u>
Operating Expenses				
Personal services	-	10,181	39,795	5,238
Supplies and materials	-	106	2,587	27,190
Services	-	7,127	462,334	21,450
Cost of goods sold	-	-	-	739
Depreciation	-	1	7,042	33,637
Lottery prizes	-	-	4,998,261	-
Claims	-	-	-	-
Unemployment benefits	425,018	-	-	-
Insurance and bonding	-	-	233	6
Other	-	947	11,157	19,446
Total operating expenses	<u>425,018</u>	<u>18,362</u>	<u>5,521,409</u>	<u>107,706</u>
Operating income (loss)	<u>486,854</u>	<u>4,468</u>	<u>1,070,364</u>	<u>70,327</u>
Nonoperating Revenues (Expenses)				
Noncapital grants	649	118,248	-	-
Noncapital gifts, net	-	-	-	-
Noncapital contributions	-	3	13	1
Lease revenue	-	-	-	-
Investment earnings (losses)	163,473	49,432	8,336	34,065
Insurance recoveries	-	-	-	161
Grants, aid, and subsidies	-	(24,790)	-	-
Gain (loss) on sale of equipment	-	-	(5)	-
Federal interest subsidy on debt	-	-	-	1,051
Interest and fees	-	-	(774)	(99,304)
Miscellaneous	(166)	710	(91)	(597)
Total nonoperating revenues (expenses)	<u>163,956</u>	<u>143,603</u>	<u>7,479</u>	<u>(64,623)</u>
Income (loss) before contributions and transfers	650,810	148,071	1,077,843	5,704
Capital contributions	-	-	-	83,505
Transfers in (Note 10)	38,907	36,170	2,187	57,697
Transfers out (Note 10)	(15,839)	-	(1,080,030)	(9,809)
Change in net position	673,878	184,241	-	137,097
Net position — July 1, as previously reported	5,239,935	2,372,681	(44,697)	588,300
Adjustments to July 1 balances	-	28,415	-	(21)
Net position — July 1, as restated (Note 23)	<u>5,239,935</u>	<u>2,401,096</u>	<u>(44,697)</u>	<u>588,279</u>
Net position — June 30	<u>\$ 5,913,813</u>	<u>\$ 2,585,337</u>	<u>\$ (44,697)</u>	<u>\$ 725,376</u>

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

<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities — Internal Service Funds</u>
\$ -	\$ 908,886	\$ -
47	3,033	-
2,322	6,599,307	577,591
29	29	-
-	12,468	-
8,929	8,929	-
211,727	240,204	7,032
-	118,645	-
15,376	15,376	64,314
2,189	38,250	585
<u>240,619</u>	<u>7,945,127</u>	<u>649,522</u>
122,535	177,749	344,512
3,371	33,254	25,162
78,849	569,760	152,222
442	1,181	4,657
6,690	47,370	42,696
-	4,998,261	-
18,505	18,505	8,281
-	425,018	-
37,062	37,301	47,410
11,682	43,232	44,772
<u>279,136</u>	<u>6,351,631</u>	<u>669,712</u>
<u>(38,517)</u>	<u>1,593,496</u>	<u>(20,190)</u>
12	118,909	32
2,769	2,769	-
210	227	51
875	875	-
16,320	271,626	3,526
153	314	19
-	(24,790)	-
(869)	(874)	1,293
-	1,051	-
(839)	(100,917)	(1,989)
(82)	(226)	(57)
<u>18,549</u>	<u>268,964</u>	<u>2,875</u>
(19,968)	1,862,460	(17,315)
1,747	85,252	-
718	135,679	9,829
<u>(1,340)</u>	<u>(1,107,018)</u>	<u>(9,842)</u>
(18,843)	976,373	(17,328)
309,906	8,466,125	232,123
6,967	35,361	(27,976)
<u>316,873</u>	<u>8,501,486</u>	<u>204,147</u>
<u>\$ 298,030</u>	<u>\$ 9,477,859</u>	<u>\$ 186,819</u>

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Cash Flows From Operating Activities				
Receipts from customers	\$ 847,567	\$ 7,944	\$ 6,329,137	\$ 178,219
Receipts from federal agencies	2,923	-	-	-
Receipts from program loan - interest	-	12,468	-	-
Receipts from program loan - principal	-	109,660	-	-
Receipts from other funds	-	-	-	-
Payments to suppliers	-	(7,421)	(176,283)	(48,051)
Payments to employees	-	(9,661)	(37,121)	(4,758)
Payments for prizes, benefits, and claims	(385,236)	-	(4,996,347)	-
Payments for program loans issued	-	(243,205)	-	-
Payments to other funds	-	-	-	-
Other receipts	278	4,695	395	37,882
Other payments	-	-	(429)	(616)
Net cash provided by (used for) operating activities	<u>465,532</u>	<u>(125,520)</u>	<u>1,119,352</u>	<u>162,676</u>
Cash Flows From Noncapital Financing Activities				
Grant receipts	649	118,248	-	-
Grants, aid, and subsidies	-	(52,573)	-	-
Noncapital contributions	-	-	-	-
Advances from other funds	-	-	-	1,334
Transfers from other funds	38,907	36,170	2,187	-
Transfers to other funds	(15,839)	-	(1,099,163)	-
Gifts	-	-	-	-
Net cash provided by (used for) noncapital financing activities	<u>23,717</u>	<u>101,845</u>	<u>(1,096,976)</u>	<u>1,334</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	-	(6,758)	(240,497)
Proceeds from the sale of capital assets	-	-	-	-
Transfers from other funds	-	-	-	57,697
Transfers to other funds	-	-	-	(9,809)
Capital contributions	-	-	-	83,478
Capital gifts	-	-	-	-
Principal paid on capital debt	-	-	-	(42,516)
Interest paid on capital debt	-	-	(774)	(72,406)
Federal subsidy for interest on debt	-	-	-	1,052
Insurance recoveries	-	-	-	161
Proceeds from lease arrangements	-	-	-	-
Bond issuance costs	-	-	-	(268)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(7,532)</u>	<u>(223,108)</u>
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	634,200
Purchase of non-State Treasurer investments	-	-	-	(566,034)
Purchase into State Treasurer investment pool	-	-	-	-
Redemptions from State Treasurer investment pool	-	-	-	-
Investment earnings	163,518	34,440	8,337	28,553
Net cash provided by investment activities	<u>163,518</u>	<u>34,440</u>	<u>8,337</u>	<u>96,719</u>

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

Exhibit B-5

		Governmental Activities —	
Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 262,872	\$ 7,625,739	\$ 22,185	
1,046	3,969	-	
-	12,468	-	
-	109,660	-	
-	-	631,633	
(99,606)	(331,361)	(265,373)	
(115,180)	(166,720)	(319,719)	
(16,630)	(5,398,213)	-	
-	(243,205)	-	
-	-	(28,887)	
2,621	45,871	12,226	
(23,536)	(24,581)	-	
<u>11,587</u>	<u>1,633,627</u>	<u>52,065</u>	
136	119,033	32	
-	(52,573)	-	
192	192	-	
-	1,334	-	
718	77,982	10,497	
(1,340)	(1,116,342)	(10,510)	
<u>2,646</u>	<u>2,646</u>	<u>-</u>	
<u>2,352</u>	<u>(967,728)</u>	<u>19</u>	
(3,835)	(251,090)	(23,571)	
177	177	6,053	
-	57,697	-	
-	(9,809)	-	
1,410	84,888	-	
24	24	(69)	
(3,354)	(45,870)	(14,123)	
(839)	(74,019)	(1,989)	
-	1,052	-	
-	161	-	
727	727	-	
-	(268)	-	
<u>(5,690)</u>	<u>(236,330)</u>	<u>(33,699)</u>	
34,292	668,492	-	
(37,522)	(603,556)	-	
(1)	(1)	-	
25,000	25,000	24,381	
<u>8,944</u>	<u>243,792</u>	<u>2,541</u>	
<u>30,713</u>	<u>333,727</u>	<u>26,922</u>	

Continued

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Business-type Activities — Enterprise Funds			
	Unemployment Compensation Fund	EPA Revolving Loan Fund	N.C. State Lottery Fund	N.C. Turnpike Authority
Net increase (decrease) in cash and cash equivalents	652,767	10,765	23,181	37,621
Cash and cash equivalents at July 1, as previously reported	4,830,600	794,662	168,556	78,240
Adjustments to cash and cash equivalents	-	-	-	-
Cash and cash equivalents at July 1, as restated	4,830,600	794,662	168,556	78,240
Cash and cash equivalents at June 30	<u>\$ 5,483,367</u>	<u>\$ 805,427</u>	<u>\$ 191,737</u>	<u>\$ 115,861</u>

Reconciliation of Operating Income to Net Cash Provided

By Operating Activities

Operating income (loss)	\$ 486,854	\$ 4,468	\$ 1,070,364	\$ 70,327
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	1	7,042	33,637
Management fees	-	-	-	(616)
Nonoperating miscellaneous and other income (expense)	-	2,580	(91)	(596)
Change in assets and deferred outflows:				
Receivables	142,317	(2,418)	22,396	34,427
Intergovernmental receivables	-	-	-	661
Due from other funds	(5,430)	2,115	-	-
Inventories	-	-	-	762
Prepaid items	-	-	991	-
Net OPEB asset	-	(9)	(38)	(4)
Notes receivable	-	(133,544)	-	-
Deferred outflows for pensions	-	575	(801)	276
Deferred outflows for OPEB	-	(750)	(5,067)	(319)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(158,487)	758	15,329	(2,495)
Due to other funds	278	-	-	22,513
Due to component units	-	-	-	-
Due to fiduciary funds	-	-	309	-
Compensated absences	-	36	419	59
Workers' compensation	-	-	66	-
Unearned revenue	-	-	-	306
Net pension liability	-	(22)	(374)	(182)
Net OPEB liability	-	2,077	12,148	940
Deferred inflows for pensions	-	(81)	(186)	(19)
Deferred inflows for OPEB	-	(1,306)	(2,550)	(338)
Deposits payable	-	-	(605)	3,337
Net cash provided by (used for) operations	<u>\$ 465,532</u>	<u>\$ (125,520)</u>	<u>\$ 1,119,352</u>	<u>\$ 162,676</u>

Noncash Investing, Capital, and Financing Activities

Noncash distributions from the State Treasurer				
Bond Index External Investment Pool and/or other agents	\$ -	\$ 7,353	\$ -	\$ -
Donated or transferred assets	-	-	-	-
Change in construction in progress as a result of accrual of accounts payable	-	-	-	13,525
Capital asset writeoff	-	-	-	-
Assets acquired through the assumption of a liability	-	-	8,857	2,758
Change in fair value of investments	-	5,770	-	(29,486)
Increase in receivables related to nonoperating income	-	-	-	27
Change in securities lending collateral	(3,569)	(49,433)	(11,522)	(2,035)
Decrease in net OPEB liability related to noncapital contributions	-	(3)	13	(1)

Exhibit B-5

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities — Internal Service Funds
38,962	763,296	45,307
236,580	6,108,638	116,251
2,148	2,148	-
<u>238,728</u>	<u>6,110,786</u>	<u>116,251</u>
<u>\$ 277,690</u>	<u>\$ 6,874,082</u>	<u>\$ 161,558</u>

\$ (38,517) \$ 1,593,496 \$ (20,190)

6,690	47,370	42,696
-	(616)	-
363	2,256	90
824	197,546	5,542
-	661	-
-	(3,315)	(10,538)
(80)	682	16
6,222	7,213	6,443
(49)	(100)	(150)
-	(133,544)	-
8,524	8,574	14,043
2,074	(4,062)	(10,947)
7,722	(137,173)	(2,078)
59	22,850	(263)
-	-	(3,142)
-	309	-
695	1,209	2,127
(15)	51	(580)
24,263	24,569	9,878
(3,651)	(4,229)	(7,281)
10,375	25,540	43,033
(3,107)	(3,393)	(1,392)
(12,429)	(16,623)	(15,242)
1,624	4,356	-
<u>\$ 11,587</u>	<u>\$ 1,633,627</u>	<u>\$ 52,065</u>

\$ 1,098 \$ 8,451 \$ 416

(25)	(25)	69
-	13,525	-
(361)	(361)	580
4,661	16,276	13,809
902	(22,814)	642
966	993	-
(6,404)	(72,963)	157
(18)	(9)	(53)

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2025

Exhibit B-6

(Dollars in Thousands)

	<u>Custodial Funds</u>			
	<u>Pension and Other Employee Benefit Trust</u>	<u>Private- Purpose Trust Funds</u>	<u>External Investment Pools and Investment Account</u>	<u>Other Custodial Funds</u>
Assets				
Cash and cash equivalents (Note 3)	\$ 1,653,251	\$ 181,767	\$ 15,364	\$ 1,414,420
Investments (Note 3):				
Certificates of deposit	-	37,882	-	400
Collective investment funds	34,419	-	-	-
State Treasurer investment pool	134,836,477	-	2,427,047	-
Synthetic guaranteed investment contracts	2,192,643	-	-	-
Non-State Treasurer pooled investments	15,462,757	-	-	-
Securities lending collateral (Note 3)	1,507,097	3	21,252	3,622
Receivables:				
Taxes receivable	-	-	-	292,600
Accounts receivable	27,988	-	-	698
Intergovernmental receivable	22	-	-	-
Interest receivable	7,146	-	10,407	245
Contributions receivable	261,063	-	-	-
Due from fiduciary funds	-	-	-	284
Due from other funds (Note 10)	118,521	-	-	34,975
Due from component units	38,561	-	-	-
Notes receivable	329,318	-	-	-
Sureties	-	1,033,752	-	11,667
Total Assets	<u>156,469,263</u>	<u>1,253,404</u>	<u>2,474,070</u>	<u>1,758,911</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	1,580	-	978	30
Intergovernmental payable	-	-	-	1,446,266
Benefits payable	7,946	-	-	-
Obligations under securities lending	1,507,097	3	21,252	3,622
Due to fiduciary funds	-	-	-	284
Due to other funds	-	-	-	371
Deposits payable	-	-	-	251
Funds held for others	6,968	-	-	92,514
Total Liabilities	<u>1,523,591</u>	<u>3</u>	<u>22,230</u>	<u>1,543,338</u>
Net Position				
Restricted for:				
Pension benefits	147,871,806	-	-	-
Other postemployment benefits	4,509,974	-	-	-
Other employment benefits	2,563,892	-	-	-
Pool participants	-	-	1,591,233	-
Individuals, organizations, and other governments	-	1,253,401	860,607	215,573
Total Net Position	<u>\$ 154,945,672</u>	<u>\$ 1,253,401</u>	<u>\$ 2,451,840</u>	<u>\$ 215,573</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2025

Exhibit B-7

(Dollars in Thousands)

	Custodial Funds			
	Pension and Other Employee Benefit Trust Funds	Private- Purpose Trust Funds	External Investment Pools and Investment Account	Other Custodial Funds
Additions				
Contributions:				
Employer Contributions	\$ 6,637,332	\$ -	\$ -	\$ -
Members Contributions	2,492,443	-	-	-
Trustee deposits	-	309,493	-	-
Other contributions	52,192	-	-	-
Total contributions	<u>9,181,967</u>	<u>309,493</u>	<u>-</u>	<u>-</u>
Investment income:				
Investment earnings	14,614,415	239	184,826	3,585
Less investment expenses	(447,281)	-	(2,088)	(291)
Net investment income	<u>14,167,134</u>	<u>239</u>	<u>182,738</u>	<u>3,294</u>
Pool share transactions:				
Reinvestment of dividends	-	-	182,738	-
Net share purchases/(redemptions)	-	-	349,243	-
Net pool share transactions	<u>-</u>	<u>-</u>	<u>531,981</u>	<u>-</u>
Property tax collections for local governments	-	-	-	1,386,022
Sales and use tax collections for local governments	-	-	-	5,164,570
Participant deposits	-	-	-	803,955
Child support deposits	-	-	-	688,769
Other additions:				
Sales and services	-	-	-	70
Fees, licenses, and fines	3,017	-	-	-
Interest earnings on loans	24,433	-	-	-
Miscellaneous	4,659	-	-	-
Total other additions	<u>32,109</u>	<u>-</u>	<u>-</u>	<u>70</u>
Total additions	<u>23,381,210</u>	<u>309,732</u>	<u>714,719</u>	<u>8,046,680</u>
Deductions				
Claims and benefits	9,052,910	-	-	-
Medical insurance premiums	1,280,654	-	-	-
Refund of contributions	206,681	-	-	-
Distributions paid and payable	-	-	182,738	-
Payments in accordance with trust arrangements	-	251,220	-	-
Payments of property tax to local governments	-	-	-	1,385,989
Payments of sales and use tax to local governments	-	-	-	5,164,570
Payments in accordance with custodial arrangements	-	-	-	870,299
Payments in accordance with child support arrangements	-	-	-	677,929
Administrative expenses	38,799	-	-	667
Other deductions	608	-	-	-
Total deductions	<u>10,579,652</u>	<u>251,220</u>	<u>182,738</u>	<u>8,099,454</u>
Change in net position	12,801,558	58,512	531,981	(52,774)
Net position — July 1, as previously reported	142,144,114	1,194,889	1,919,859	1,591,517
Adjustments to July 1 balances	-	-	-	(1,323,170)
Net position — July 1, as restated (Note 23)	<u>142,144,114</u>	<u>1,194,889</u>	<u>1,919,859</u>	<u>268,347</u>
Net position — June 30	<u>\$ 154,945,672</u>	<u>\$ 1,253,401</u>	<u>\$ 2,451,840</u>	<u>\$ 215,573</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

Fiduciary Component Units**Teachers' and State Employees' Retirement System**

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

Local Governmental Employees' Retirement System

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

Firefighters' and Rescue Squad Workers' Pension Fund

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

Register of Deeds' Supplemental Pension Fund

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

Consolidated Judicial Retirement System

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

NOTES TO THE FINANCIAL STATEMENTS**Legislative Retirement System**

The Legislative Retirement System (LRS) pension plan is a legally separate entity established by the State to provide retirement and disability benefits for members of the General Assembly. The LRS is governed by the TSERS Board of Trustees. The State is required to make contributions to the plan creating a financial benefit/burden relationship.

North Carolina National Guard Pension Fund

The North Carolina National Guard Pension Fund (NGPF) is a legally separate entity established by the State to provide pension benefits for members of the North Carolina National Guard. The NGPF is governed by the TSERS Board of Trustees. The State is legally obligated to make contributions to the plan creating a financial benefit/burden relationship.

Retiree Health Benefit Fund

The Retiree Health Benefit Fund (RHBF) is a legally separate entity in which the State is currently funding on a pay-as-you-go basis with appropriated contributions matching benefit payments, creating a financial benefit/burden relationship. The RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, community colleges, Local Education Agencies, charter schools and select local governments. Retiree health benefit programs and premiums are determined by the State Health Plan Board of Trustees. The State Health Plan Board of Trustees consists of 10 members – two appointed by the Governor, two appointed by the State Treasurer, two appointed by the State Senate, two appointed by the State House of Representatives, and State Treasurer and the Director of State Budget and Management who serve as ex officio members.

Disability Income Plan of North Carolina

The Disability Income Plan of North Carolina (DIPNC) is a legally separate entity in which the State is legally required to make contributions towards creating a financial benefit/burden relationship. DIPNC is a cost-sharing, multiple-employer defined benefit plan for eligible members of TSERS providing other post-employment (OPEB) benefits. The plan provides extended short-term and long-term disability income benefits to eligible members. DIPNC is governed by the Department of State Treasurer and the TSERS Board of Trustees.

Death Benefit Plan

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

Supplemental Retirement Income Plan

The Supplemental Retirement Income Plan of North Carolina (NC 401(k) Plan) is a State-sponsored, qualified defined contribution pension plan under Internal Revenue Code (Code) Section 401(k) that is available to members of TSERS, LGERS, CJRS, LRS, and certain other governmental defined benefit plans, as well as state and local law enforcement officers and others eligible under the Code and is a legally separate entity. The NC 401(k) Plan is governed by the Department of State Treasurer and the Supplemental Retirement Board of Trustees (Board), a nine-member board, with six members appointed by the Governor, one appointed by the State Senate, and one appointed by the State House of Representatives. The State Treasurer serves as an ex officio member and chair of the Board. The State can impose its will on the NC 401(k) Plan.

Public Employee Deferred Compensation Plan

The North Carolina Public Employee Deferred Compensation Plan (NC 457 Plan) is a State-sponsored, eligible defined contribution plan under Code Section 457(b) that is available to the employees of the State and participating local governmental entities. The NC 457 Plan is a legally separate entity and is governed by the Department of State Treasurer and the Supplemental Retirement Board of Trustees. The State can impose its will on the NC 457 Plan. The NC 457 Plan's assets are administered through a trust committed to providing benefits to recipients and the assets are protected from creditors.

NOTES TO THE FINANCIAL STATEMENTS**Discretely Presented Component Units - Major****University of North Carolina System**

The Board of Governors of the consolidated University of North Carolina (UNC) System is a legally separate body, composed of 24 members elected by the General Assembly. The Board of Governors establishes system-wide administrative policies while budgetary decisions are exercised at the State level. Within the consolidated UNC System are UNC System Office, which is the administrative arm of the Board of Governors; the 16 constituent universities; a joint research campus; a constituent high school; an arboretum; and the University of North Carolina Health Care System (UNCHCS). Each of the 16 universities, the joint research campus, and the high school, in turn, is governed by its own separate board of trustees that is responsible for the operations of that campus only. The arboretum and the UNCHCS are each governed by its own separate board of directors. Funding for the UNC System is accomplished by State appropriations, tuition and fees, sales and services, federal grants, state grants, and private donations and grants.

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

The following constituent institutions comprise the UNC System for financial reporting purposes:

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

Community Colleges

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

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

NOTES TO THE FINANCIAL STATEMENTS

The following are the State's 58 community colleges:

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

State Health Plan

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

Discretely Presented Component Units - Other**The Golden LEAF (Long-term Economic Advancement Foundation), Inc.**

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

NOTES TO THE FINANCIAL STATEMENTS**North Carolina Housing Finance Agency**

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

State Education Assistance Authority

The State Education Assistance Authority (Authority) is a legally separate authority created to provide a system of financial assistance, consisting of grants, loans, work-study or other employment, and other aids, to qualified students to obtain an education by attending public or private educational institutions. The Authority is governed by a nine-member board of directors, four of whom are appointed by the Governor, three of whom are appointed by the UNC Board of Governors, and two of whom serve ex officio by virtue of their positions with the North Carolina Community College System and the UNC System. The State provides program subsidies to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority.

North Carolina Global TransPark Authority

The North Carolina Global TransPark Authority (Authority) is a legally separate authority created to administer the development of the North Carolina Global TransPark. Of the 20-member governing board, 19 are voting members. Six of the voting members are appointed by the Governor and six are appointed by the General Assembly. The State has obligated itself to provide significant funding to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority. Effective July 2011, the General Assembly enacted legislation that made the Authority subject to the direction and supervision of the North Carolina Secretary of Transportation. Also included in the Authority is the financial data of its discretely presented component unit, the North Carolina Global TransPark Foundation.

North Carolina State Ports Authority

The North Carolina State Ports Authority (Authority) is a legally separate authority established to operate the State's port facilities in Wilmington and Morehead City and an inland terminal in Charlotte. It is governed by an 11-member board, all of whom are appointed by either the Governor or the General Assembly. The State has obligated itself to provide significant funding to the Authority; therefore, a financial benefit/burden relationship exists between the State and the Authority. Effective July 2011, the General Assembly enacted legislation that made the Authority subject to and under the direct supervision of the North Carolina Secretary of Transportation.

North Carolina Railroad Company

The North Carolina Railroad Company (Railroad) is a legally separate, for-profit corporation owned by the State for the purpose of promoting trade, industry, and transportation within North Carolina and advancing the economic interests of the State. The Railroad is governed by a 13-member board, all of whom are elected by shares held by the State. A financial benefit/burden relationship exists between the State and the Railroad. Also, the State is financially accountable since the State's intent in owning the Railroad's stock is to directly enhance the State's ability to provide governmental services.

The North Carolina Partnership for Children, Inc.

The North Carolina Partnership for Children, Inc. (Partnership) is a legally separate organization established to develop and oversee a comprehensive long-range strategic plan for high-quality early childhood education and development. A 26-member board governs the Partnership. Certain elected state officials appoint 22 of the members, while three members serve ex officio by virtue of their state positions, and one serves as the Director of the North Carolina Pre-Kindergarten Program. The State provides significant operating subsidies to the Partnership, creating a financial benefit/burden relationship.

North Carolina Biotechnology Center

The North Carolina Biotechnology Center (NCBiotech) is a legally separate nonprofit corporation established for the purpose of furthering economic development and job creation in North Carolina through life science technology, company, and sector development statewide. NCBiotech is governed by a 40-member board. Twelve of the board members are appointed by the Governor or General Assembly; four serve as a result of their positions with the UNC System, a component unit of the State; two serve ex officio by virtue of their state positions; and two serve ex officio by virtue of their positions with private universities. The President of NCBiotech serves as an ex officio member. The other members are elected by the board of directors. The State has provided significant funding to NCBiotech since its inception; therefore, a financial benefit/burden relationship exists between the State and NCBiotech.

Centennial Authority

The Centennial Authority (Authority) is a legally separate authority created to study, design, plan, construct, own, promote, finance, and operate a regional facility in Wake County, North Carolina. The regional facility consists of an arena where sports, fitness, health, recreational, entertainment or cultural activities can be conducted. The Authority is governed by a 21-member board comprised of ten members appointed by the General Assembly, four members appointed by the Wake County Board of Commissioners, four members appointed by the Raleigh City Council, one member appointed by the Chancellor of North Carolina State University or the Chancellor's

NOTES TO THE FINANCIAL STATEMENTS

designee, and two members appointed jointly by the mayors of all the cities in Wake County. The facility is located on land owned by the State and leased to the Authority at an annual rent of \$1 per year. Therefore, a financial benefit/burden relationship exists between the State and the Authority.

Economic Development Partnership of North Carolina

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

NCInnovation, Inc.

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

Availability of Financial Statements

Complete financial statements for the Supplemental Retirement Plan of North Carolina (the NC 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the NC 457 Plan) can be obtained from the North Carolina Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604.

Unless otherwise noted, complete financial statements for the following component units can be obtained from the Office of the State Auditor, 20601 Mail Service Center, Raleigh, NC 27699-0600 or can be accessed from the Office of the State Auditor internet home page at <https://www.auditor.nc.gov>.

Constituent institutions in the UNC System (excluding Gateway Research Park, Inc., North Carolina Arboretum, and University of North Carolina Health Care System)

North Carolina Global TransPark Authority

North Carolina State Ports Authority

The North Carolina Partnership for Children, Inc.

Complete financial statements for the following component units can be obtained from the respective administrative offices of those units listed below:

The Golden LEAF, Inc.
301 North Winstead Avenue
Rocky Mount, NC 27804

North Carolina Railroad Company
2809 Highwoods Boulevard
Raleigh, NC 27604-1000

Gateway Research Park, Inc.
2901 East Gate City Boulevard Ste 2500
Greensboro, NC 27401-4904

North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

North Carolina Biotechnology Center
15 TW Alexander
Durham, NC 27713

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

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

Centennial Authority
1400 Edwards Mill Road
Raleigh, NC 27607

NCInnovation
3040 East Cornwallis Road
Research Triangle Park, NC 27709

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

NOTES TO THE FINANCIAL STATEMENTS**B. Basis of Presentation**

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

The financial statements are presented as of and for the fiscal year ended June 30, 2025, except for the USS North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 2024, and the North Carolina Deferred Compensation Plan (the NC 457 Plan), the Supplemental Retirement Income Plan of North Carolina (the NC 401(k) Plan), and the North Carolina Railroad Company whose statements are as of and for the fiscal year ended December 31, 2024. Occupational licensing boards have financial statements with various fiscal year ending dates.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The State reports the following major governmental funds:

General Fund

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

Highway Fund

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

NOTES TO THE FINANCIAL STATEMENTS**Highway Trust Fund**

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

The State reports the following major enterprise funds:

Unemployment Compensation Fund

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

North Carolina State Lottery Fund

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

EPA Revolving Loan Fund

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

North Carolina Turnpike Authority

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

Additionally, the State reports the following fund types:

Internal Service Funds

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

Pension and Other Employee Benefit Trust Funds

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

Private-purpose Trust Funds

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

Custodial Funds

These funds account for resources held by the State in a purely custodial capacity for individuals, private organizations, or other governments. This includes sales tax and vehicle tax collections held on behalf of local government and resources held by the Administrative Office of the Courts for distribution to designated beneficiaries. Custodial funds include the external portions of investment pools sponsored by the Department of State Treasurer and individual investment accounts held by the Department of State

NOTES TO THE FINANCIAL STATEMENTS

Treasurer. Resources are also held by the State for Local Fiscal Recovery under the federal American Rescue Plan Act, the Swain County Settlement with the federal government, and other Departmental funds.

C. Measurement Focus and Basis of Accounting**Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

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

Lottery games are sold to the public by contracted retailers. For the North Carolina Education Lottery Commission's Fast Play and draw games, Powerball, Mega Millions, Carolina Cash 5, Carolina Pick 4, Carolina Pick 3, EZ Match, Lucky for Life, Keno, and Cash Pop, revenue is recognized at the time of sale on a daily basis. For scratch ticket games, revenue is recognized at the time a pack of tickets is settled. For Powerball, Mega Millions, Carolina Cash 5, Carolina Pick 4, Carolina Pick 3, and Lucky for Life, prize expense is recorded at 50% of sales on a daily basis. EZ Match is recorded at 63.36% of sales on a daily basis. Keno is recorded at 65.73% of sales on a daily basis. Fast Play and Cash Pop prize expense is recorded daily based on each game's particular prize structure percentage. Cash Pop's approximate overall prize percentage is 67.07%. For scratch games, prize expense is accrued based on the final production prize structure percentage provided by the gaming vendor for each game and recorded daily on the value of packs settled. For the scratch-off games with prize tickets, the final prize structure percentage used is adjusted to eliminate the value of the prize tickets. Digital Instants' prize expense is recorded daily based on each game's particular return player structure, which has set the return to player to 87% of sales. Prize expense for merchandise prizes is recognized as prizes are fulfilled.

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

Governmental Fund Financial Statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**D. Cash and Cash Equivalents**

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

E. Investments

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

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

F. Securities Lending

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

G. Receivables and Payables

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

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

H. Inventories and Prepaid Items

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

I. Securities Held in Trust

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

J. Restricted/Designated Assets

In the government-wide and enterprise fund financial statements, certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. The following resources are not available for current operations and are reported as restricted assets: 1) resources restricted for the acquisition/construction of the government’s own capital

NOTES TO THE FINANCIAL STATEMENTS

assets, 2) resources legally segregated for the payment of principal and interest as required by debt covenants, 3) temporarily invested debt proceeds, and 4) nonexpendable resources of permanent funds. This financial statement caption also includes resources designated by management for the acquisition/construction of the government's own capital assets and thus not available for current operations.

K. Capital Assets

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

Generally, capital assets are defined by the State and component units as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years, except for internally generated computer software and other intangible assets, which are capitalized when the value or cost is greater than or equal to \$1 million and \$100 thousand, respectively. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of two or more years but are individually below the \$5,000 threshold are capitalized. Intangible right-to-use lease assets and subscription assets associated with leases/subscriptions of the primary government are defined by the State as leased assets whose future lease/subscription payments through the lease/subscription term are respectively \$10,000 or greater and \$400,000 or greater. Component units of the State have established their own thresholds for defining lease and subscription assets whose future lease/subscription payments through the lease/subscription term; leased assets range from \$5,000 or greater to \$1,100,000 and greater, or by specific asset class, and subscription assets range from \$10,000 or greater to \$400,000 and greater by specific asset class.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**L. Tax Refund Liabilities**

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

M. Compensated Absences

The State recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences – vacation, bonus, and sick leave. The liability for compensated absences is reported as incurred in government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits.

Vacation leave accrues monthly. It is subject to a maximum accumulation of 30 days, which are carried forward each January 1, or for which an employee can be paid upon termination. Also, any accumulated vacation leave in excess of 30 days at calendar year end is converted to sick leave.

Bonus leave refers to special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred to the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave. Payment for accumulated vacation and bonus leave is at the employee's current pay rate.

Sick leave accrues monthly. The policy provides for unused sick leave to be carried forward until used. When employment is terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement System (TSERS). However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

N. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities, and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. If material, debt premiums and discounts of the State are deferred and amortized over the life of the debt using the effective interest method. If material, debt premiums and discounts of the UNC System (component unit) are generally deferred and amortized using the straight-line method. Long-term debt is reported net of the applicable debt premium, and/or discount. In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

O. Deferred Outflows/Inflows of Resources

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

P. Net Position/Fund Balance

Net Position

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

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

Fund Balance

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

In 2025, the OSBM along with the Fiscal Research Division of the General Assembly recommended a Savings Reserve target balance of 11.9% of prior fiscal year’s General Fund operating budget appropriations. At June 30, 2025, the balance of the Savings Reserve was \$3.62 billion, which represents 12.16% of the prior year’s General Fund appropriation budget. The Savings Reserve is included with unassigned fund balance.

Q. Revenues and Expenses

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

R. Food and Nutrition Services

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2025, the State implemented the following pronouncements and implementation guide issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 101, *Compensated Absences*
- GASB Statement No. 102, *Certain Risk Disclosures*
- Implementation Guide 2025-1.

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, Accounting for Compensated Absences, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB Statement No. 102 improves financial reporting by providing users of financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The State did not identify any such concentrations or constraints to disclose in the notes to the financial statements.

Implementation Guide 2025-1 provides additional guidance and clarification on cash flows reporting, basic financial statements and management's discussion and analysis, leases, and other implementation guidance.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 3: DEPOSITS AND INVESTMENTS****A. Deposits and Investments with State Treasurer**

Unless specifically exempt, every agency of the State and certain component units are required by General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. Certain local governmental units that are not part of the reporting entity are also allowed to invest money with the State Treasurer. Expenditures for the primary government and certain component units are made by wire transfers, ACH transactions, and warrants issued by the agencies and drawn on the State Treasurer. The State Treasurer processes these transactions each day. General Statute 147-69.1 authorizes the State Treasurer to invest all deposits in obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; time deposits with specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

General Statute 147-69.2 authorizes the State Treasurer to invest the deposits of certain special funds, including the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund (collectively referred to as the pension and OPEB trust funds in this note), the Register of Deeds' Supplemental Pension Fund, the Disability Income Plan of N.C., the Escheat Fund, the State Public Education Property Insurance Fund, the Local Government Other Post-Employment Benefits (OPEB) Trust, public hospitals, local government Law Enforcement Officer Special Separation Allowance (LEOSSA) trusts, and deposits of certain component units including trust funds of the University of North Carolina System, and funds of the State Health Plan and State Education Assistance Authority in the investments authorized in General Statute 147-69.1; general obligations of other states; general obligations of North Carolina local governments; asset-backed securities bearing specific ratings; and obligations of any company incorporated within or outside the United States bearing specific ratings. The deposits of the pension and OPEB trust funds may be invested in all of the above plus certain insurance contracts; group trusts; individual, common or collective trusts of banks and trust companies; real estate investment trusts; limited partnership interest in limited liability partnerships or limited liability companies; and certain stocks and mutual funds.

North Carolina Department of State Treasurer External Investment Pool (External Investment Pool)

To ensure that these and other legal and regulatory limitations are met, all cash deposited with the State Treasurer, except for other investment programs, is maintained in the External Investment Pool. Other investment programs may include the public hospitals, certain investments of the Escheat Fund, certain investments of other funds and component units of the reporting entity, the Local Government OPEB Trust, local government LEOSSA trusts, and bond proceeds investment accounts. This pool, a government sponsored external investment pool, consists of the following individual investment portfolios:

Short-term Investment – This portfolio may hold any of the investments authorized by General Statute 147-69.1. The Short-term Investment portfolio is the primary cash management account for the State and is managed in such a manner as to be readily convertible into cash. The primary participants of this portfolio are the General Fund, Highway Fund, Highway Trust Fund, and the remaining portfolios listed below. Other participants include universities and various boards, commissions, community colleges, the Local Government OPEB Trust, and school administrative units that make voluntary deposits with the State Treasurer.

Long-term Investment – This portfolio may hold the fixed-income investments authorized by General Statutes 147-69.1 and 147-69.2. Since the deposits in this fund are typically not needed for day-to-day operations, the investment vehicles used generally have a longer term and higher yield than those held in the Short-term Investment portfolio. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Fixed Income Investment – This portfolio may hold fixed income investments authorized by General Statute 147-69.2. Investments in this portfolio generally have a short to intermediate term horizon. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Equity Investment – This portfolio is managed pursuant to General Statute 147-69.2(b)(8) and primarily holds an equity-based trust. The State's pension and OPEB trust funds are the sole participants in this portfolio.

Real Estate Investment – This portfolio holds investments in real estate-based trust funds, limited partnerships and other limited liability investment vehicles, and group annuity contracts, which is managed pursuant to General Statute 147-69.2(b)(7). The State's pension and OPEB trust funds are the sole participants in this portfolio.

Alternative Investment – This portfolio holds investments in various limited partnerships and limited liability companies, hedge funds, U.S. Treasuries, and equities, which is managed pursuant to General Statute 147-69.2(b)(9). The State's pension and OPEB trust funds are the sole participants in this portfolio.

NOTES TO THE FINANCIAL STATEMENTS

Opportunistic Fixed Income Investment – This portfolio may hold investments in debt-related strategies made primarily through limited partnerships or other limited liability vehicles as defined by General Statute 147-69.2(b)(6c). The State’s pension and OPEB trust funds are the sole participants in this portfolio.

Inflation Sensitive Investment – This portfolio may hold investments in assets that are acquired for the primary purpose of providing protection against risks associated with inflation made primarily through limited partnerships, other limited liability vehicles, or fixed income securities managed pursuant to General Statute 147-69.2(b)(9a). The State’s pension and OPEB trust funds are the sole participants in this portfolio.

All of the preceding investment portfolios operate like individual investment pools, except that an investment portfolio may hold shares in other investment portfolios at the discretion of the State Treasurer and subject to the legal limitations discussed previously. To this extent, the deposits are commingled; and therefore, the State Treasurer considers all investment portfolios to be part of a single pool, the External Investment Pool. The External Investment Pool contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). This pool is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body.

The external portion of the External Investment Pool is presented in the State’s financial statements as a custodial fund. Each fund and component unit’s share of the internal equity in the External Investment Pool is reported in the State’s financial statements as an asset of those funds or component units. Equity in the Short-term Investment portfolio is reported as cash and cash equivalents while equity in the Long-term Investment, Equity Investment, Real Estate Investment, Fixed Income Investment, Opportunistic Fixed Income Investment, Inflation Sensitive Investment, and Alternative Investment portfolios is reported as investments. The internal equity of the pool differs from the amount of assets reported by the funds and component units due to the typical banker/customer outstanding and in-transit items. Additionally, each fund reports its share of the assets and liabilities arising from securities lending transactions.

Net investment income earned by the External Investment Pool is generally distributed on a pro rata basis. However, in accordance with legal requirements, the General Fund receives all investment income earned by funds created for purposes of meeting appropriations. For the fiscal year ended June 30, 2025, \$219.3 million of investment income associated with other funds was credited to the General Fund.

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

Bond Index External Investment Pool (BIF)

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

Participants in the BIF may include public hospitals, Local Government OPEB Trusts, Local Government LEOSSA Trusts, the Death Benefit Plan of N.C., the Disability Income Plan of N.C., the Register of Deeds’ Supplemental Pension Fund, and other funds and component units of the reporting entity with investment authority under General Statute 147-69.2. Participation in the BIF is voluntary.

The deposits are commingled; and therefore, the State Treasurer considers all funds to be part of a single pool. The BIF contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). The BIF is not registered with the Securities and Exchange Commission and is not subject to any formal oversight other than that of the legislative body.

The external portion of the BIF is presented in the State’s financial statements as a custodial fund. Each fund and component unit’s share of the internal equity in the BIF is reported in the State’s financial statements as an investment asset of those funds or component units. Net investment income earned by the BIF is distributed on a pro rata basis.

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

NOTES TO THE FINANCIAL STATEMENTS**Bond Proceeds Investment Accounts**

The State Treasurer has established separate investment accounts for each State bond issue to comply with Internal Revenue Service regulations on bond arbitrage. A private investment company under contract with the State Treasurer manages these separate accounts. In the State's financial statements, each fund's equity in these accounts is reported as investments.

At year-end, the bond proceeds investment accounts had the following investments and maturities (dollars in thousands):

Investment Type	Carrying Amount	Weighted Average Maturity (Days)
Debt investments:		
U.S. Treasuries	\$ 121,873	53
Repurchase agreements	905	
Total Investments	122,778	

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

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

U.S. Treasuries are valued at fair value at June 30, 2025 (\$121.87 million) and are classified as Level 2 in the fair value hierarchy. The valuation technique for these securities is the market approach where the pricing vendor gathers real-time market data and uses direct observations to compute an independent price.

Equity Index Investment Account (EIF)

The State Treasurer has contracted with an external party (Trustee) to create the equity index investment account (EIF). The primary participants of this equity index investment account are public hospitals and Local Government OPEB Trust (OPEB) funds. Other participants include local government LEOSA trusts, other entities as permitted by General Statute 147-69.2, and certain funds of the reporting entity. These funds are part of a commingled equity index investment trust (Trust). The Trustee manages the assets in the Trust, primarily in equity and equity-based securities in accordance with the General Statutes. The Trustee maintains custody of the underlying securities in the name of the Trust, services the securities, and maintains all related accounting records.

Pursuant to General Statute 159-30.1, the State Treasurer manages the OPEB trusts' assets. These trusts are established for local governments, public authorities, any entity eligible to participate in the State's Local Governmental Employees' Retirement System, and local school administrative units. Eligible participants make voluntary contributions to the trusts for the purpose of depositing and investing all or part of the contribution from their other post-employment benefit plans. As of June 30, 2025, there were 28 OPEB trust participants in the EIF. Each participant is responsible for making its own investment decision.

The State Treasurer also manages the public hospitals' assets. As of June 30, 2025, there were three participants consisting of the Margaret R. Pardee Hospital, Columbus Regional Healthcare, and Watauga Medical Center. Two public hospitals also participate in the BIF. Each participant is responsible for making its own decision.

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

NOTES TO THE FINANCIAL STATEMENTS**Escheat Investment Account**

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

Investments Measured at the NAV	Fair Value 6/30/2025	Unfunded Commitments
Private credit limited partnership	\$ 13,391	\$ 309
Private equity investment partnerships	<u>34,576</u>	4,248
Total investments measured at the NAV	<u>\$ 47,967</u>	

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

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

B. Deposits Outside the State Treasurer

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

Primary Government

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

Uninsured and Uncollateralized	<u>\$ 5,658</u>
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Component Units

The University of North Carolina (UNC) System does not have a deposit policy for custodial credit risk. At year-end, the bank balances maintained outside the State Treasurer by the UNC System were exposed to custodial credit risk as follows (dollars in thousands):

Uninsured and Uncollateralized	\$ 953,600
Uninsured and collateral held by pledging bank's trust department or agent but not in the entity's name	<u>3,359</u>
Total	<u>\$ 956,959</u>

NOTES TO THE FINANCIAL STATEMENTS**C. Investments Outside the State Treasurer****Primary Government**

At year-end, 92% of investments held outside the State Treasurer were maintained by the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

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

The Iran Divestment Act (North Carolina General Statutes Sections 147-86.55 through 147-86.63) places investment restrictions on the Supplemental Retirement Income Plan of North Carolina (the NC 401(k) Plan) and the North Carolina Public Employee Deferred Compensation Plan (the NC 457 Plan). Specifically, pursuant to the North Carolina Department of State Treasurer's "Iran Divestment Policy", adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain investment activities in Iran.

The Divestment from Companies Boycotting Israel Act (North Carolina General Statutes Sections 147-86.80 through 147-86.84) places investment restrictions on the NC 401(k) Plan and the NC 457 Plan. Specifically, pursuant to the North Carolina Department of State Treasurer's "Boycott Israel Divestment Policy," adopted in compliance with the statute, the Department of State Treasurer, including the Supplemental Retirement Plans, shall refrain from making investments in companies on the State Treasurer's list of entities engaging in certain boycotting activities against Israel.

In addition, the State Treasurer is required to comply with certain restrictions issued by the United States government, including Executive Order 14032, which restricts investment activity in certain Chinese entities as identified by the Secretary of Treasury (generally military-related companies), as well as restrictions issued by the Office of Foreign Assets Control. The form of governance over the investments is the prudent-person or prudent-expert rule. These rules are broad statements of intent, generally requiring investment selection and management to be made with prudent and intelligent judgment and care.

At December 31, 2024, the NC 401(k) and NC 457 Plans of North Carolina had the following investments and maturities that were maintained outside the State Treasurer (dollars in thousands). Investments in the Pooled Account totaled \$15.46 billion. The NC 401(k) and NC 457 Plans' investments are held in a group trust established as of January 4, 2016. Their Board authorized the establishment of the North Carolina Supplemental Retirement Plans Group Trust (the "Group Trust") for the purpose of commingling the corpus of the separate trusts of the Plans; and the Board adopted the Declaration of Trust establishing the Group Trust. The Pooled Account offers six equity funds, an inflation responsive fund, an inflation protected securities fund and two fixed income funds. The actively managed separate account funds have multiple investment managers, and the passively managed separate accounts each have a single investment manager. The remainder of the investments is the Stable Value Fund, which consists of five synthetic guaranteed investment contracts and a short-term investment fund.

Investment Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 1,260,770	\$ 29,735	\$ 825,911	\$ 272,134	\$ 132,990
U.S. agencies	130,769	1,752	47,133	61,456	20,428
Mortgage pass-throughs	845,891	151,919	1,035	26,557	666,380
Collateralized mortgage obligations	133,588	21,120	22	345	112,101
State and local government	47,040	6,864	14,984	17,083	8,109
Asset-backed securities	482,780	33,543	228,794	38,553	181,890
Fixed income collective investment funds	95,976	-	-	95,976	-
Debt mutual funds	10,582	-	10,582	-	-
Pooled debt funds	1,185,845	-	-	1,185,845	-
Domestic corporate bonds	609,433	64,155	357,606	149,380	38,292
Foreign corporate bonds	128,604	12,149	80,035	30,337	6,083
Foreign government bonds	10,127	1,038	3,892	4,293	904
	4,941,405	\$ 322,275	\$ 1,569,994	\$ 1,881,959	\$ 1,167,177
Other investments:					
Equity collective investment trusts	5,882,920				
Domestic stocks	2,824,361				
Foreign stocks	2,990,985				
Short-term investment collective trust	256,214				
Hedge/commodity/debt collective investment trust	677,453				
Total investments	\$ 17,573,338				

NOTES TO THE FINANCIAL STATEMENTS

In the above table, the underlying investments of fully benefit-responsive synthetic guaranteed investment contracts (SGICs) are disclosed at fair value. On the Statement of Net Position, SGICs are reported at contract value. At year-end, the contract value exceeded the fair value of the underlying investments of fully benefit-responsive SGICs by \$116.48 million.

Interest Rate Risk. The NC 401(k) and NC 457 Plans do not have a formal investment policy that limits duration as a means of managing their exposure to fair value losses arising from increasing interest rates. The managers within the NC Fixed Income Fund and the NC TIPS Fund have duration targets relative to a specified benchmark. Asset-backed securities are securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders. Collective investment funds include units in the various funds. The interest rate risk in each of the funds is dependent upon the weighted average maturity of each of the collective investment funds which holds securities with maturities ranging from short to intermediate in duration. As a result, the collective investment funds are sensitive to changes in interest rates. Collateralized mortgage obligations generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value sensitive to changes in interest rates. Investments consist of units in various commingled funds, each with an investment objective relative to maturity and liquidity with interest rate risk dependent upon the weighted average maturity of each of the funds.

Credit Risk. The NC 401(k) and NC 457 Plans do not have a formal investment policy on credit risk. The investment guidelines applicable to the NC Fixed Income Fund places restrictions on the total risk exposure of the fund and specifically the concentration of the debt securities in which the fund invests. The investment guidelines for the NC TIPS Fund limit non-cash sweep investments to U.S. Treasury Inflation Protected Securities (TIPS) and TIPS futures. At December 31, 2024, the NC 401(k) and NC 457 Plan investments maintained outside the State Treasurer had the following credit quality distribution for securities with credit exposure (dollars in thousands):

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	\$ -	\$ 130,769	\$ -	\$ -	\$ -	\$ -
Mortgage pass-throughs	-	636,224	-	704	-	87,140
Collateralized mortgage obligations	53,464	15,106	4,951	5,362	28,349	26,356
State and local government	9,042	31,888	5,071	-	-	1,039
Asset-backed securities	430,019	14,085	8,599	-	12,190	17,887
Fixed income collective investment funds	-	-	-	-	-	95,976
Debt mutual funds	-	-	-	-	-	10,582
Pooled debt funds	-	-	-	-	-	1,185,845
Domestic corporate bonds	5,223	20,433	187,731	356,191	23,203	16,652
Foreign corporate bonds	1,094	1,553	49,328	74,051	2,532	46
Foreign government bonds	-	4,398	1,032	2,174	2,523	-
	<u>\$ 498,842</u>	<u>\$ 854,456</u>	<u>\$ 256,712</u>	<u>\$ 438,482</u>	<u>\$ 68,797</u>	<u>\$ 1,441,523</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The NC 401(k) and NC 457 Plans do not have formal investment policies that address foreign currency risk. Investment manager guidelines describe how and if foreign currency hedging can be utilized in the portfolio. At December 31, 2024, the Plans' exposure to foreign currency risk was as follows (dollars in thousands):

Currency	Foreign stocks
Euro	\$ 718,341
Japanese Yen	473,564
Pound Sterling	338,459
Hong Kong Dollar	178,183
New Taiwan Dollar	138,668
Canadian Dollar	128,726
Indian Rupee	108,624
Swiss Franc	83,667
Danish Krone	67,952
South Korean Won	53,389
Swedish Krona	49,967
Singapore Dollar	34,809
Chinese Yuan Renminbi	23,482
South African Rand	21,677
Australian Dollar	19,628
Indonesian Rupiah	18,511
Mexican Peso	17,666
Brazilian Real	17,621
UAE Dirham	13,938
Saudi Riyal	13,369
Norwegian Krone	10,531
Malaysian Ringgit	9,501
Philippine Peso	3,805
Vietnamese Dong	3,186
Polish Zloty	2,797
Thai Baht	2,209
Turkish Lira	549
Qatari Riyal	490
Israeli Shekel	300
Egyptian Pound	39
Total	<u>\$ 2,553,648</u>

Note: The total in this table does not agree to the total disclosed in the investment table above because the foreign currency total of \$2.55 billion only includes \$2.49 billion of foreign stocks, \$18.34 million of foreign corporate bonds denominated in foreign currency, \$39.78 million of US stock in foreign currency, and does not include \$495.46 million in foreign stock denominated in US dollars.

The fair value measurements of the NC 401(k) and NC 457 Plans' investments are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2024, the investments of these Plans maintained outside the State Treasurer had the following recurring fair value measurements (dollars in thousands):

	Fair Value Measurements Using		
	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 1,260,770	\$ -	\$ 1,260,770
U.S. agencies	130,769	-	130,769
Mortgage pass-throughs	845,891	-	845,891
Collateralized mortgage obligations	133,588	-	133,588
State and local government	47,040	-	47,040
Asset-backed securities	482,780	-	482,780
Domestic corporate bonds	609,433	-	609,433
Foreign corporate bonds	128,604	-	128,604
Foreign government bonds	10,127	-	10,127
Domestic stocks	2,824,361	2,824,361	-
Foreign stocks	2,990,985	2,990,985	-
Total investments by fair value level	<u>9,464,348</u>	<u>\$ 5,815,346</u>	<u>\$ 3,649,002</u>
Investments measured at the net asset value (NAV)			
Short-term investment collective trust	256,214		
Hedge/commodity/debt collective investment trust	677,453		
Fixed income collective investment funds	95,976		
Debt mutual funds	10,582		
Pooled mutual funds	1,185,845		
Equity collective investment trusts	<u>5,882,920</u>		
Total investments measured at the NAV	<u>8,108,990</u>		
Total investments measured at fair value	<u>\$ 17,573,338</u>		

U.S. Treasuries, U.S. agencies, mortgage pass-throughs, collateralized mortgage obligations, and state and local government securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities, domestic corporate bonds, foreign corporate bonds, and foreign government bonds classified in Level 2 of the fair value hierarchy are valued using discounted cash flow techniques.

Investments measured at the net asset value (NAV) per share are presented on the following table (dollars in thousand):

Investments Measured at the NAV	Fair Value 6/30/2025	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Short-term investment collective trust	\$ 256,214	Daily	1 day
Hedge/commodity/debt collective investment trust	677,453	Daily	1 day
Fixed income collective investment funds	95,976	Daily	1 day
Debt mutual funds	10,582	Daily	1 day
Pooled debt funds	1,185,845	Daily	1 day
Equity collective investment trusts	<u>5,882,920</u>	Daily	1 day
Total investments measured at the NAV	<u>\$ 8,108,990</u>		

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

Other Primary Government Investments

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

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

Investment Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 816,167	\$ 741,328	\$ 74,838	\$ -	\$ -
U.S. agencies	41,461	2,254	39,207	-	-
Repurchase agreements	87,281	87,281	-	-	-
Commercial paper	1,498	1,498	-	-	-
Annuity contracts	72,566	8,746	30,611	30,611	2,598
Money market mutual funds	288,465	288,465	-	-	-
Debt mutual funds	3,548	-	3,364	-	185
Pooled debt funds	1,339	1,339	-	-	-
	1,312,325	\$ 1,130,911	\$ 148,020	\$ 30,611	\$ 2,783
Other investments:					
Domestic stocks	180,775				
Equity mutual funds	8,908				
Total investment securities	\$ 1,502,008				

NOTES TO THE FINANCIAL STATEMENTS

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

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

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch				
	Aaa/AAA	Aa/AA	A	Baa/BBB	Unrated
U.S. agencies	\$ -	\$ 41,461	\$ -	\$ -	\$ -
Commercial paper	-	1,498	-	-	-
Annuity contracts	-	72,566	-	-	-
Money market mutual funds	288,146	319	-	-	-
Debt mutual funds	119	2,459	480	490	-
Pooled debt funds	-	-	-	-	1,339
Total	<u>\$ 288,265</u>	<u>\$ 118,303</u>	<u>\$ 480</u>	<u>\$ 490</u>	<u>\$ 1,339</u>

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

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

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

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

	6/30/2025	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 816,167	\$ 801,599	\$ 14,568
U.S. agencies	41,461	-	41,461
Commercial paper	1,498	-	1,498
Annuity contracts	72,566	72,566	-
Debt mutual funds	3,548	3,548	-
Equity mutual funds	8,908	8,908	-
Domestic stocks	180,775	180,775	-
Total investments by fair value level	<u>1,124,923</u>	<u>\$ 1,067,396</u>	<u>\$ 57,527</u>
Investments as a position in an External Investment Pool			
Pooled debt funds	1,339		
Total investments measured at fair value	<u>\$ 1,126,262</u>		

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

NOTES TO THE FINANCIAL STATEMENTS

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

Component Units**University of North Carolina System**

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

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

Investment Type	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt investments:					
U.S. Treasuries	\$ 691,834	\$ 319,896	\$ 236,462	\$ 85,690	\$ 49,786
U.S. agencies	13,590	2,757	2,538	5,063	3,232
Collateralized mortgage obligations	66,402	299	3,591	1,388	61,124
Asset-backed securities	52,456	141	6,664	18,896	26,755
Collective investment funds	86,677	72,687	-	13,990	-
Annuity contracts	181	181	-	-	-
Debt mutual funds	762,507	2,818	361,261	395,449	2,979
Money market mutual funds	253,374	253,374	-	-	-
Pooled debt funds	561	-	-	561	-
Domestic corporate bonds	42,882	118	38,608	4,113	43
Foreign corporate bonds	3,028	-	3,028	-	-
Other	30,028	14	10,235	19,779	-
	2,003,520	\$ 652,285	\$ 662,387	\$ 544,929	\$ 143,919
Other investments:					
Balanced mutual funds	2,731				
International mutual funds	30,991				
Equity mutual funds	77,276				
Investments in real estate	185,130				
Real estate investment trust	96,151				
Hedge funds	5,169,425				
Private equity limited partnerships	5,135,153				
Real assets limited partnerships	1,234,921				
Other limited partnerships	494,575				
Domestic stocks	1,196,596				
Foreign stocks	43,558				
Other	218,277				
Total investments	\$ 15,888,304				

NOTES TO THE FINANCIAL STATEMENTS

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

Investment Type	Carrying Amount by Credit Rating - Moody's/S&P/Fitch					
	Aaa/AAA	Aa/AA	A	Baa/BBB	Less than Investment Grade	Unrated
U.S. agencies	\$ 347	\$ 11,550	\$ -	\$ 181	\$ 1,512	\$ -
Collateralized mortgage obligations	-	-	3,284	14,220	29,903	18,995
Asset-backed securities	446	98	1,072	7,839	30,713	12,288
Collective investment funds	-	13,990	-	-	-	72,687
Annuity contracts	-	-	-	-	-	181
Debt mutual funds	6,869	298,540	381,410	4,187	1,615	69,886
Money market mutual funds	251,280	42	-	-	-	2,052
Pooled debt funds	-	-	-	-	-	561
Domestic corporate bonds	14,879	3,229	24,133	613	28	-
Foreign corporate bonds	1,597	-	1,431	-	-	-
Other	14	-	19,779	-	10,235	-
Total	<u>\$ 275,432</u>	<u>\$ 327,449</u>	<u>\$ 431,109</u>	<u>\$ 27,040</u>	<u>\$ 74,006</u>	<u>\$ 176,650</u>

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

Investment Type	Carrying Amount
	Held by Counterparty
Domestic stocks	\$ 33,590
Foreign stocks	37
Total	<u>\$ 33,627</u>

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

Currency	Carrying Amount			
	Hedge funds	Private equity limited partnerships	Real assets limited partnerships	Foreign stocks
Euro	\$ 30,610	\$ 176,954	\$ 621	\$ -
British Pound Sterling	-	105,171	-	318
Canadian Dollar	-	-	2,912	-
Australian Dollar	-	411	-	-
Total	<u>\$ 30,610</u>	<u>\$ 282,536</u>	<u>\$ 3,533</u>	<u>\$ 318</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Fair Value Measurements Using			
	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasuries	\$ 691,834	\$ 691,834	\$ -	\$ -
U.S. agencies	13,590	347	13,243	-
Collateralized mortgage obligations	66,402	-	66,402	-
Asset-backed securities	52,456	141	52,315	-
Collective investment funds	86,677	86,677	-	-
Annuity contracts	181	-	181	-
Debt mutual funds	762,507	762,507	-	-
Money market mutual funds	207,057	207,057	-	-
Pooled debt funds	561	561	-	-
Balanced mutual funds	2,731	2,731	-	-
International mutual funds	30,991	30,991	-	-
Equity mutual funds	77,276	77,276	-	-
Domestic corporate bonds	42,882	1,312	41,570	-
Foreign corporate bonds	3,028	-	3,028	-
Domestic stocks	1,196,596	1,181,520	-	15,076
Foreign stocks	43,558	42,177	10	1,371
Investments in real estate	185,130	188	161,626	23,316
Real estate investment trust	95,988	95,988	-	-
Other	248,069	243,266	-	4,803
Total investments by fair value level	3,807,514	<u>\$ 3,424,573</u>	<u>\$ 338,375</u>	<u>\$ 44,566</u>
Investments measured at the net asset value (NAV)				
Real estate investment trust	163			
Hedge funds	5,169,425			
Private equity limited partnerships	5,135,153			
Real assets limited partnerships	1,234,921			
Other limited partnerships	494,575			
Other	236			
Total investments measured at the NAV	<u>12,034,473</u>			
Total investments measured at fair value	<u>\$ 15,841,987</u>			

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

NOTES TO THE FINANCIAL STATEMENTS

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

Investments Measured at the NAV	Fair Value 6/30/2025	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
UNC at Chapel Hill:				
Hedge funds	\$ 5,055,924	\$ —	Ranges from 30 days to 3+ years with certain notices	30-180 days
Private equity limited partnerships	4,939,366	1,113,539	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Real assets limited partnerships	1,234,712	531,586	Not currently eligible	These funds do not have redemption rights, but have terms of 10 years and make periodic distributions.
Total investments measured at the NAV	\$11,230,002			

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

Private Equity Limited Partnerships. Private equity managers typically invest in equity investments and transactions in private companies. These investments are typically illiquid and are expected to control volatility and provide higher returns over the long term than public equity investments. Private equity managers may use derivatives to hedge risk in the underlying portfolio. In addition, certain venture capital managers may use derivatives with their investment activities.

Real Assets Limited Partnerships. Real estate managers invest in private portfolio investments focusing on specific niche markets within the real estate sector. Such sectors may include investments in public real estate investment trusts that provide a more liquid means of gaining exposure to this asset class. These investments primarily serve as a hedge against unanticipated general price inflation but are also a source of current income. In addition, Energy managers provide investment exposure to the energy and related sector. The principal attraction of these investments is the lack of correlation with the balance of the portfolio. Real estate and energy managers may use derivatives to gain additional market exposure and manage risk.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 4: RECEIVABLES**

Receivables at June 30, 2025, are reported net of allowances for doubtful accounts as follows (dollars in thousands):

Governmental Activities:

	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Internal Service Fund	Total
Receivables, gross (excluding notes) **	\$ 11,302,156	\$ 384,411	\$ 67,863	\$ 414,160	\$ 24,366	\$ 12,192,956
Allowance for doubtful accounts	(2,923,577)	(18,171)	-	(369,944)	-	(3,311,692)
Receivables, net	<u>\$ 8,378,579</u>	<u>\$ 366,240</u>	<u>\$ 67,863</u>	<u>\$ 44,216</u>	<u>\$ 24,366</u>	<u>\$ 8,881,264</u>
Notes receivable, gross	\$ 17,524	\$ 116	\$ -	\$ 16,125	\$ -	\$ 33,765
Allowance for doubtful accounts	-	-	-	(35)	-	(35)
Notes receivable, net	<u>\$ 17,524</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ -</u>	<u>\$ 33,730</u>

** General Fund Receivables, gross includes a \$371 thousand balance due from fiduciary funds.

Within governmental activities, the significant receivables not expected to be collected within one year total \$215.56 million. Amounts not expected to be collected within one year in the General Fund are \$210.99 million, \$670 thousand in Special Revenue Funds, and \$3.9 million in Capital Projects Funds.

Business-type Activities:

	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC State Lottery Fund	N.C. Turnpike Authority	Other Enterprise Funds	Total
Receivables, gross (excluding notes)	\$ 1,099,442	\$ 2,697	\$ 16,796	\$ 184,017	\$ 7,965	\$ 1,310,917
Allowance for doubtful accounts	(395,084)	-	-	(130,463)	-	(525,547)
Receivables, net	<u>\$ 704,358</u>	<u>\$ 2,697</u>	<u>\$ 16,796</u>	<u>\$ 53,554</u>	<u>\$ 7,965</u>	<u>\$ 785,370</u>

NOTES TO THE FINANCIAL STATEMENTS**NOTE 5: CAPITAL ASSETS**

Primary Government A summary of changes in capital assets for the year ended June 30, 2025 is presented below (dollars in thousands).

Governmental Activities	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025
Capital Assets, nondepreciable				
Land and permanent easements	\$ 23,503,681	\$ 1,020,068	\$ (9,254)	\$ 24,514,495
Art, literature, and other artifacts	190,820	9,376	(7)	200,189
Construction in progress	3,570,212	3,480,904	(3,065,128)	3,985,988
Computer software in development	1,103,201	90,974	-	1,194,175
Total Capital Assets-nondepreciable	<u>28,367,914</u>	<u>4,601,322</u>	<u>(3,074,389)</u>	<u>29,894,847</u>
Capital Assets, depreciable				
Buildings	4,850,218	8,548	(101,291)	4,757,475
Machinery and equipment	2,628,650	161,154	(159,352)	2,630,452
General infrastructure	401,685	9,373	(8,303)	402,755
State highway system	52,351,581	2,996,929	(178,210)	55,170,300
Computer software	454,684	41,064	(360)	495,388
Subscription asset	334,823	174,310	(33,646)	475,487
Right to use lease assets, depreciable				
Land and permanent easements	789	2,292	(290)	2,791
Buildings	536,391	52,451	(37,630)	551,212
Machinery and equipment	6,253	448	(1,249)	5,452
General infrastructure	1,187	3,996	-	5,183
Total Capital Assets-depreciable	<u>61,566,261</u>	<u>3,450,565</u>	<u>(520,331)</u>	<u>64,496,495</u>
Less accumulated depreciation for				
Capital assets, depreciable				
Buildings	(1,799,339)	(41,345)	35,717	(1,804,967)
Machinery and equipment	(1,434,599)	(110,828)	70,377	(1,475,050)
General infrastructure	(168,990)	(8,396)	4,347	(173,039)
State highway system	(16,213,972)	(1,103,406)	174,646	(17,142,732)
Computer software	(165,045)	(17,356)	111	(182,290)
Subscription asset	(142,318)	(98,722)	28,249	(212,791)
Right to use lease assets, depreciable				
Land and permanent easements	(116)	(203)	13	(306)
Buildings	(128,240)	(57,596)	9,192	(176,644)
Machinery and equipment	(2,871)	(2,365)	1,249	(3,987)
General infrastructure	(285)	(230)	-	(515)
Total accumulated depreciation	<u>(20,055,775)</u>	<u>(1,440,447)</u>	<u>323,901</u>	<u>(21,172,321)</u>
Total Capital Assets-depreciable, net	<u>41,510,486</u>	<u>2,010,118</u>	<u>(196,430)</u>	<u>43,324,174</u>
Governmental activities				
Capital Assets, net	<u>\$ 69,878,400</u>	<u>\$ 6,611,440</u>	<u>\$ (3,270,819)</u>	<u>\$ 73,219,021</u>

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

	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025
Capital Assets, nondepreciable				
Land and permanent easements	\$ 650,650	\$ 72,395	\$ -	\$ 723,045
Art, literature, and other artifacts	1,293	-	-	1,293
Construction in progress	<u>1,148,695</u>	<u>155,521</u>	<u>(828,143)</u>	<u>476,073</u>
Total Capital Assets-nondepreciable	<u>1,800,638</u>	<u>227,916</u>	<u>(828,143)</u>	<u>1,200,411</u>
Capital Assets, depreciable				
Buildings	115,119	350	(176)	115,293
Machinery and equipment	29,027	2,440	(1,097)	30,370
General infrastructure	20,240	-	-	20,240
NC toll road system	1,534,469	828,143	-	2,362,612
Computer software	2,085	124	-	2,209
Subscription asset	3,897	15,182	-	19,079
Right to use lease assets, depreciable				
Buildings	9,156	5,674	(1,649)	13,181
Machinery and equipment	<u>900</u>	<u>91</u>	<u>(92)</u>	<u>899</u>
Total Capital Assets-depreciable	<u>1,714,893</u>	<u>852,004</u>	<u>(3,014)</u>	<u>2,563,883</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(60,439)	(2,670)	3	(63,106)
Machinery and equipment	(20,003)	(1,802)	1,015	(20,790)
General infrastructure	(14,745)	(308)	-	(15,053)
NC toll road system	(264,884)	(33,635)	-	(298,519)
Computer software	(1,630)	(91)	-	(1,721)
Subscription asset	(1,639)	(7,082)	-	(8,721)
Right to use lease assets, depreciable				
Buildings	(3,135)	(1,569)	827	(3,877)
Machinery and equipment	<u>(324)</u>	<u>(213)</u>	<u>93</u>	<u>(444)</u>
Total accumulated depreciation	<u>(366,799)</u>	<u>(47,370)</u>	<u>1,938</u>	<u>(412,231)</u>
Total Capital Assets-depreciable, net	<u>1,348,094</u>	<u>804,634</u>	<u>(1,076)</u>	<u>2,151,652</u>
Business-type activities				
Capital Assets, net	<u>\$ 3,148,732</u>	<u>\$ 1,032,550</u>	<u>\$ (829,219)</u>	<u>\$ 3,352,063</u>

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

General government	\$	76,455
Primary and secondary education		18,491
Higher education		895
Health and human services		72,473
Economic development		2,837
Environment and natural resources		30,334
Public safety, corrections, and regulation		48,679
Transportation		1,176,719
Agriculture		13,564
Total depreciation expense	\$	<u>1,440,447</u>

Business-type activities

N.C. State Lottery	\$	7,042
EPA Revolving Loan		1
N.C. Turnpike Authority		33,637
Regulatory programs		4,795
North Carolina State Fair		821
Other business-type activities		1,074
Total depreciation expense	\$	<u>47,370</u>

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

In June 2014, the North Carolina Department of Transportation (NCDOT) entered into a public-private partnership (PPP) arrangement with I-77 Mobility Partners LLC (MP LLC) to design, build, finance and operate the I-77 High Occupancy Toll (HOT) Lanes Project. During fiscal year 2020, improvements were completed along approximately 26 miles of the I-77 corridor, in Mecklenburg and Iredell Counties. This included the conversion of HOV (high occupancy vehicles) lanes to express lanes or high occupancy toll (HOT) lanes and the construction of new HOT lanes and two major interchanges. Under the arrangement, MP LLC will operate the HOT lanes for 50 years and have the exclusive right to impose tolls and incidental charges to express lane users. NCDOT maintains title of the real property underlying the I-77 toll lanes and reports the I-77 HOT lanes as a capital asset with a carrying value of \$168.38 million at fiscal year-end and a related deferred inflow of resources of \$65.77 million that is amortized using the straight-line method over the term of the PPP agreement. NCDOT recognized \$1.47 million in revenue during the fiscal year related to the amortization of the deferred inflow of resources.

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

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

In the arrangement, CRM LLC is given exclusive use of the existing buildings, trails, furnishings, vehicles and equipment for the operation of the Park. While the operating plan is subject to the approval of the DNCR, CRM LLC makes all employment and business decisions as it relates to the operations of the park and is responsible for collecting fees from Park visitors, including fees collected for various Park services and use of facilities. DNCR receives a certain percentage of Park revenues, with no minimum payment requirements.

Chimney Rock State Park sustained significant damage from Hurricane Helene on September 27, 2024 leading to its closure. The park reopened on June 27, 2025, nine months after it closed. The percentage received is based on annual gross sales and a fee schedule outlined in the arrangement as amended. DNCR received and recognized \$228 thousand in sales and services related to

NOTES TO THE FINANCIAL STATEMENTS

Park revenues in fiscal year 2025. DNCR reported capital assets for the park and the associated public facilities with a carrying value of \$1.21 million at the fiscal year-end. However, the actual carrying value could not be determined because of the damage from Hurricane Helene.

Component Units (University of North Carolina System and community colleges). Capital asset activity for the University of North Carolina System and community colleges for the fiscal year ended June 30, 2025, was as follows (dollars in thousands):

University of North Carolina System

	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025
Capital Assets, nondepreciable				
Land and permanent easements	\$ 564,903	\$ 3,068	\$ (3,705)	\$ 564,266
Art, literature, and other artifacts	263,708	2,836	(12)	266,532
Construction in progress	1,225,797	950,966	(731,842)	1,444,921
Computer software in development	2,764	3,338	(5,271)	831
Other intangible assets	19,688	-	(4,806)	14,882
Total Capital Assets-nondepreciable	<u>2,076,860</u>	<u>960,208</u>	<u>(745,636)</u>	<u>2,291,432</u>
Capital Assets, depreciable				
Buildings	17,935,934	671,308	(20,690)	18,586,552
Machinery and equipment	3,661,901	346,252	(112,192)	3,895,961
Art, literature, and artifacts	202	-	(7)	195
General infrastructure	2,498,557	118,436	(2,638)	2,614,355
Computer software	492,835	15,284	(619)	507,500
Subscription asset	456,030	156,064	(24,795)	587,299
Right to use lease assets, depreciable				
Land and permanent easements	11,317	-	(140)	11,177
Buildings	822,495	103,058	(17,048)	908,505
Machinery and equipment	48,784	11,477	(2,511)	57,750
General infrastructure	6,573	-	-	6,573
Total Capital Assets-depreciable	<u>25,934,628</u>	<u>1,421,879</u>	<u>(180,640)</u>	<u>27,175,867</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(6,620,359)	(421,738)	12,435	(7,029,662)
Machinery and equipment	(2,191,948)	(227,708)	98,167	(2,321,489)
Art, literature, and other artifacts	(198)	(1)	7	(192)
General infrastructure	(1,184,563)	(66,394)	1,342	(1,249,615)
Computer software	(419,276)	(26,954)	-	(446,230)
Subscription asset	(174,973)	(136,006)	18,834	(292,145)
Right to use lease assets, depreciable				
Land and permanent easements	(553)	(231)	-	(784)
Buildings	(343,481)	(111,552)	7,329	(447,704)
Machinery and equipment	(19,133)	(9,542)	2,499	(26,176)
General infrastructure	(2,298)	(766)	-	(3,064)
Total accumulated depreciation	<u>(10,956,782)</u>	<u>(1,000,892)</u>	<u>140,613</u>	<u>(11,817,061)</u>
Total Capital Assets-depreciable, net	<u>14,977,846</u>	<u>420,987</u>	<u>(40,027)</u>	<u>15,358,806</u>
University of North Carolina System				
Capital Assets, net	<u>\$ 17,054,706</u>	<u>\$ 1,381,195</u>	<u>\$ (785,663)</u>	<u>\$ 17,650,238</u>

Capital assets of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At June 30, 2025, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had nondepreciable capital assets of \$61.157 million and net depreciable capital assets of \$192.413 million.

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

In August 2016, construction was completed on Noble Hall pursuant to a public-private partnership agreement between Western Carolina University (University) and a third-party developer, Collegiate Housing Foundation (Foundation), under which the Foundation designed and built a mixed use facility that includes residential units, commercial, and dining establishments. The building is on land owned by the Board of Trustees of the University's Endowment Fund, a body established under the State of North Carolina, and leased to Foundation for 40 years. The student housing facility is managed by the University under the terms of the management agreement. The University is operating the facility with budgetary oversight from the Foundation. At the end of the arrangement, the Foundation will transfer its interest in the facility at no cost to the University or, if directed by the University, to the Board of Trustees of the University's Endowment Fund.

In order to promote economic, cultural, and community development opportunities, including the creation of employment, and the stimulation of economic activity, the University entered into this agreement with the Foundation to construct the facility. Under this arrangement, the University is responsible for providing electricity to the facility over the course of the 40-year lease agreement. The University reports the facility as a capital asset with a carrying amount of \$23.38 million at year-end and a related deferred inflow of resources of \$19.87 million that is amortized using the straight-line method over the terms of the lease agreement.

Public-Private Partnership Arrangements for Student Housing

The University of North Carolina at Wilmington, Appalachian State University, and North Carolina Central University (collectively "the universities") completed construction on student housing facilities pursuant to separate agreements with third-party developers, under which such developers will construct and operate the facilities for 50 years, in certain cases with the budgetary oversight of the developer. Each student housing facility is located on property either owned or leased by each individual university. Residence life programming will be managed by each individual university under the terms of the management agreements and operating agreements established with each third-party developer. At the end of each arrangement, the third-party developers will transfer interest in the facilities at no cost to the universities. North Carolina Central University retains the right to buy out its ground lease prior to the expiration of its lease.

The universities entered into these agreements to address shortages in student housing caused by enrollment growth as well as increased demand for updated on-campus housing, while avoiding the issuance of debt. Under its specific arrangement, Appalachian State University is required to provide certain services related to the facility under the agreement, including facility management, maintenance, and security. Collectively, the universities report the facilities as capital assets with an aggregate carrying amount of \$309.9 million at year-end and a related deferred inflow of resources of \$298.72 million.

Availability Payment Arrangement for a State Energy System

On October 27, 2023, Appalachian State University ("the University") entered into a Build Transfer Agreement (BTA) and a Long-Term Utility Agreement (LTUA) with Mountaineer Energy P3, LLC (MEP3) to design, construct, finance, operate, and maintain a District Energy System (DES) to provide utility services for 50 years to the university's innovation district, which will include a new State funded academic Science, Technology, Engineering, and Mathematics (STEM) building and the faculty staff housing project. Under the arrangement, MEP3 constructed and transferred ownership of the DES in 2025 to the University and began providing utility services to the university when the DES became operational during the year. This agreement is accounted for as an availability payment arrangement.

The University's obligations under these agreements meet the definition of long-term debt under GASB Statement No. 88 because they arise from contractual obligations to pay fixed amounts in the future. These obligations include "Milestone Payments" that are fixed amounts due to MEP3 upon mechanical completion and transfer of ownership to the University, including \$15.38 million for the Thermal Utility System, \$1.87 million for the Wind Assets, and \$899 thousand for the Solar Assets. The University's obligations will be funded by federal energy tax credits in addition to monthly payments representing the financing purchase of the assets and their operation and maintenance. An intergovernmental receivable was reported by the University in 2025 in the amount of \$18.62 million for the tax credits that are expected to be received in 2027. Payments are not contingent on usage but on the availability of the assets for service.

Early termination for convenience is permitted after year 20 but subject to significant termination costs estimated at \$54 million. Events of default include failure to make payments when due, insolvency, or material breach of obligations. Upon default, the service provider may accelerate all amounts due under the LTUA and BTA, including unpaid milestone payments and the present value of remaining capital components. The University has retained cure rights prior to acceleration.

NOTES TO THE FINANCIAL STATEMENTS

The University also entered into a Recognition Agreement with Sumitomo Mitsui Banking Corporation (Collateral Agent) acknowledging MEP3's collateral assignment of its rights under the BTA and LTUA to secure financing. The University has not pledged any of its own assets as collateral. At year-end the University reports the DES as its own capital asset with a carrying amount of \$52.58 million and a related availability payment arrangement liability of \$53.21 million using the implicit rate of 4.5%.

Community Colleges

	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025
Capital Assets, nondepreciable				
Land and permanent easements	\$ 236,190	\$ 6,484	\$ (535)	\$ 242,139
Art, literature, and other artifacts	1,161	23	-	1,184
Construction in progress	177,270	247,421	(109,927)	314,764
Other intangible assets	2,292	-	-	2,292
Total Capital Assets-nondepreciable	<u>416,913</u>	<u>253,928</u>	<u>(110,462)</u>	<u>560,379</u>
Capital Assets, depreciable				
Buildings	4,610,376	102,227	(5,525)	4,707,078
Machinery and equipment	818,183	102,463	(28,209)	892,437
Art, literature, and artifacts	1,060	-	(15)	1,045
General infrastructure	319,393	10,838	(738)	329,493
Computer software	720	-	-	720
Subscription asset	38,131	4,612	(9,389)	33,354
Right to use lease assets, depreciable				
Land and permanent easements	2,245	366	(461)	2,150
Buildings	55,440	14,370	(2,066)	67,744
Machinery and equipment	12,988	1,863	(2,594)	12,257
General infrastructure	9,451	-	-	9,451
Total Capital Assets-depreciable	<u>5,867,987</u>	<u>236,739</u>	<u>(48,997)</u>	<u>6,055,729</u>
Less accumulated depreciation for				
Capital Assets, depreciable				
Buildings	(1,373,928)	(89,988)	1,900	(1,462,016)
Machinery and equipment	(365,361)	(54,395)	23,541	(396,215)
Art, literature, and other artifacts	(321)	(25)	-	(346)
General infrastructure	(98,477)	(7,574)	152	(105,899)
Computer software	(102)	(177)	-	(279)
Subscription asset	(17,004)	(8,324)	7,321	(18,007)
Right to use lease assets, depreciable				
Land and permanent easements	(617)	(55)	430	(242)
Buildings	(14,089)	(4,734)	1,703	(17,120)
Machinery and equipment	(7,309)	(2,550)	2,537	(7,322)
General infrastructure	(2,227)	(289)	-	(2,516)
Total accumulated depreciation	<u>(1,879,435)</u>	<u>(168,111)</u>	<u>37,584</u>	<u>(2,009,962)</u>
Total Capital Assets-depreciable, net	<u>3,988,552</u>	<u>68,628</u>	<u>(11,413)</u>	<u>4,045,767</u>
Community Colleges				
Capital Assets, net	<u>\$ 4,405,465</u>	<u>\$ 322,556</u>	<u>\$ (121,875)</u>	<u>\$ 4,606,146</u>

Capital assets of nongovernmental component units of community colleges are excluded from the above amounts. At June 30, 2025, nongovernmental component unit foundations and similarly affiliated organizations of community colleges had nondepreciable capital assets of \$14.811 million and net depreciable capital assets of \$10.668 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: SHORT-TERM DEBT

Component Units**University of North Carolina System**

The University of North Carolina at Chapel Hill issued commercial paper to provide interim financing for the construction of capital projects. In June of 2012, the Board of Governors for the University of North Carolina issued a resolution to limit the cumulative amount of commercial paper for the University of North Carolina at Chapel Hill under this program to \$250 million. As of June 30, 2025, the amount of outstanding commercial paper was \$39 million. The outstanding commercial paper contains a provision that in an event of default, the commercial paper may become immediately due and payable if the University fails to pay any outstanding obligations.

North Carolina State University has available commercial paper program financing for short-term credit up to \$100 million to finance capital construction projects. The University's available funds are pledged to the commercial paper program financing with the anticipation of converting to general revenue bond financing in the future. The University had no net draws during the year to bring the total amount of outstanding commercial paper as of June 30, 2025 to zero. The outstanding commercial paper contains provisions that in an event of default, the commercial paper may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The North Carolina State University Partnership Corporation has a revolving line of credit for an amount up to \$300 thousand to be used for operations at the Lonnie Poole Golf Course. As of June 30, 2025, the total amount outstanding on the revolving line of credit was zero resulting in an unused line of credit of \$300 thousand. The outstanding line of credit contains an event of default provision that if the North Carolina State University Partnership Corporation is unable to make any payment when due, all commitments and obligations of the lender immediately will terminate and, at lender's option, all indebtedness immediately will become due and payable. Also, upon default, the interest rate on the line of credit will be increased by an additional 3% margin, subject to the maximum interest rate limitations under applicable law.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: DERIVATIVE INSTRUMENTS

A. Summary Information

Component Unit – University of North Carolina System

The following table summarizes the University of North Carolina (UNC) System's significant derivative instruments. It includes the fair value balances and notional amounts of derivative instruments outstanding at June 30, 2025, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended (dollars in thousands).

Type	(a) Changes in Fair Value	(b) Fair Value at June 30, 2025	Fair Value Measurements Using		Notional
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
UNC at Chapel Hill:					
Cash flow hedges:					
Pay-fixed interest rate swaps	\$ (715)	\$ (40,464)	\$ -	\$ (40,464)	\$ 250,000
Investment derivatives:					
Pay-fixed interest rate swaps	\$ 44	\$ (27)	\$ -	\$ (27)	\$ 2,090
U.S. dollar equity futures	37,933	4,822	4,822	-	105,688
Total	\$ 37,977	\$ 4,795	\$ 4,822	\$ (27)	

- (a) For the fiscal year ended June 30, 2025, the changes in fair value of cash flow hedges are classified as both *deferred outflows of resources* and *deferred inflows of resources*, and the changes in fair value of investment derivatives are classified as *operating grants and contributions*.
- (b) At June 30, 2025, the fair value balances of cash flow hedges outstanding are classified as *hedging derivative asset* and *hedging derivative liability*. The fair value balances of investment derivatives outstanding are classified as *investments*, except that investment derivatives with a negative fair value are classified as *accounts payable and accrued liabilities*.

For the UNC System, the total fair value of cash flow hedges that are classified as both hedging derivative asset and hedging derivative liability at June 30, 2025, was negative \$40.88 million.

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

B. Hedging Derivative Instruments

Component Unit – University of North Carolina System

The following table displays the objectives and terms of the UNC System's significant hedging derivative instruments outstanding at June 30, 2025 (dollars in thousands):

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

NOTES TO THE FINANCIAL STATEMENTS

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

UNC at Chapel Hill

Interest rate risk. UNC at Chapel Hill (University) is exposed to interest rate risk on its interest rate swaps which is largely offset (or expected to be offset) by rates paid on variable-rate debt. In addition, the fair values of these instruments are highly sensitive to changes in interest rates. Because rates have changed since the effective dates of the swaps, the swaps have a negative fair value as of June 30, 2025. The fair values are calculated as of June 30, 2025, and based on the implied forward rate for 67% of SOFR plus 7.4 basis points, which trended lower during fiscal year 2025. As a result, the fair values have decreased on a year over year basis, which increases the liability.

Basis risk. The University is exposed to basis risk on the swaps to the extent there is a mismatch between variable bond rates paid and swap index rates received.

Termination risk. The swap agreements use the International Swaps and Derivatives Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the University being required to make an unanticipated termination payment. The swaps may mandatorily terminate if the University fails to perform under terms of the contract.

Information on debt service requirements on long-term debt of the primary government and component units and net cash flows on associated hedging derivative instruments is presented in Note 8E.

C. Investment Derivative Instruments

Primary Government

The North Carolina Department of State Treasurer External Investment Pool (External Investment Pool) has investments in equity and commodity futures, foreign currency forward and spot currency contracts. More detailed information about the External Investment Pool is available in a separate report (see Note 3A).

Component Unit – University of North Carolina System

The University of North Carolina System's investment derivative instruments are exposed to the following risks that could give rise to financial loss:

UNC at Chapel Hill

Interest rate risk. The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because rates have changed since the effective date of the swap, the swap has a negative fair value as of June 30, 2025. The negative fair value may be countered by a reduction in total interest paid under the variable-rate bonds, creating lower synthetic interest rates. As forward rates rise, the fair value of the swap will increase and as rates fall, the fair value of the swap decreases. The University pays 5.24% and receives the Securities Industry and Financial Markets Association (SIFMA) Swaps Index rate. On June 30, 2025, SIFMA was 1.92%. The interest rate swap has a notional amount of \$2.09 million and matures November 1, 2025.

D. Synthetic Guaranteed Investment Contracts

Primary Government

In the Supplemental Retirement Income Plan of North Carolina, NC 401(k) Plan, there are synthetic guaranteed investment contracts (SGICs) within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with The Prudential Insurance Company of America (Prudential), one SGIC with Nationwide Life Insurance Company (Nationwide Life), one SGIC with American General Life Insurance Company (American General), one SGIC with Transamerica Life Insurance Company (Transamerica Life), and one SGIC with Metropolitan Tower Life Insurance Company (Met Tower) which are all fully benefit responsive. The SGICs provided an average credit rating yield of 3.32%, 3.10%, 3.21%, 3.25%, and 2.80%, respectively. The fair value of the securities covered by the contracts as of December 31, 2024, is \$1.76 billion and the contract value is \$1.85 billion. The contracts are unrated and have a maturity of less than one year.

In the North Carolina Public Employee Deferred Compensation Plan, NC 457 Plan, there are SGICs within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is one SGIC with Prudential, one SGIC with Nationwide Life, one SGIC with American General, one SGIC with Transamerica Life, and one SGIC with Met Tower which are all fully benefit responsive. The SGICs provided an average credit rating yield of 3.32%, 3.10%, 3.21%, 3.25%, and 2.80%, respectively. The fair value of the securities covered

NOTES TO THE FINANCIAL STATEMENTS

by the contracts as of December 31, 2024, is \$319.73 million and the contract value is \$337.67 million. The contracts are unrated and have a maturity of less than one year.

Both the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan have wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, American General, Transamerica Life, and Met Tower were determined to have no value.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Primary Government. Long-term liability activity for the year ended June 30, 2025, was as follows (dollars in thousands):

	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025	Due Within One Year
Governmental Activities					
Bonds and similar debt payable:					
General obligation bonds	\$ 1,645,060	\$ -	\$ (232,420)	\$ 1,412,640	\$ 173,320
Special indebtedness:					
Limited obligation bonds	1,887,790	300,000	(208,845)	1,978,945	219,235
GARVEE bonds	845,715	441,515	(242,650)	1,044,580	97,165
Issuance premium	427,772	51,074	(83,177)	395,669	-
Total bonds and similar debt payable	4,806,337	792,589	(767,092)	4,831,834	489,720
Notes from direct borrowings	70,263	-	(7,839)	62,424	5,366
Lease liability	367,900	66,425	(49,085)	385,240	43,985
Subscription liability	189,469	181,054	(105,704)	264,819	73,184
Compensated absences	670,616	446,419	(374,821)	742,214	89,377
Pension liability (Note 12)	4,152,974	11,181	(364,813)	3,799,342	27,825
Net OPEB liability (Note 14)	5,222,206	1,526,557	(5,005)	6,743,758	-
Workers' compensation	608,119	172,647	(172,128)	608,638	112,387
Arbitrage rebate payable	-	2,586	-	2,586	306
Death benefit payable	37	-	-	37	-
Pollution remediation payable	6,735	-	(278)	6,457	304
Claims and judgments payable	731,703	-	-	731,703	-
Governmental activity					
long-term liabilities	<u>\$ 16,826,359</u>	<u>\$ 3,199,458</u>	<u>\$ (1,846,765)</u>	<u>\$ 18,179,052</u>	<u>\$ 842,454</u>
Business-type Activities					
Bonds payable:					
Revenue bonds	\$ 2,060,470	\$ -	\$ (41,806)	\$ 2,018,664	\$ 45,609
Issuance premium	149,045	-	(10,171)	138,874	-
Total bonds payable	2,209,515	-	(51,977)	2,157,538	45,609
Notes from direct borrowings	683,118	-	(1,937)	681,181	2,351
Lease liability	6,694	5,761	(1,828)	10,627	1,324
Subscription liability	2,176	9,373	(280)	11,269	8,313
Annuity and life income payable	74,747	21,342	(9,599)	86,490	8,746
Compensated absences	14,540	7,007	(5,877)	15,670	2,498
Net pension liability (Note 12)	58,063	-	(4,232)	53,831	-
Net OPEB liability (Note 14)	83,422	25,589	(110)	108,901	-
Workers' compensation	72	70	(19)	123	94
Business-type activity					
long-term liabilities	<u>\$ 3,132,347</u>	<u>\$ 69,142</u>	<u>\$ (75,859)</u>	<u>\$ 3,125,630</u>	<u>\$ 68,935</u>

For governmental activities, the compensated absences, pension liability, net OPEB liability, and workers' compensation liabilities are generally liquidated by the General Fund. Pollution remediation payable is generally liquidated by the Highway Fund. A portion of compensated absences, the pension liability, the net OPEB liability, and workers' compensation liabilities is also liquidated by the Highway Fund. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, the following long-term liabilities of internal service funds were included in the above amounts: compensated absences of \$23.359 million, net pension liability of \$80.633 million, net OPEB liability of \$170.507 million, workers' compensation liability of \$1.302 million, lease liability of \$753 thousand, and subscription liability of \$33.964 million. The claims and judgments liability of \$731.7 million is paid from State appropriations as approved by the N.C. General Assembly. Funds were not appropriated in the current fiscal year nor the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS**Governmental Activities**

The Master Trust Indenture of the State's outstanding limited obligation bonds of \$1.979 billion contain a provision that in an event of default, all outstanding limited obligation bond amounts may become immediately due if the State fails to pay any outstanding limited obligation bond amount by its due date, or if the State fails to budget and appropriate moneys sufficient to make payment on such bonds coming due in any fiscal year.

The outstanding notes from direct borrowings of \$23.786 million contain provisions that in the event of default, (1) outstanding amounts become immediately due and payable, (2) the project can be sold and the proceeds applied to outstanding amounts due, (3) the custodian could be directed to apply all acquisition fund amounts to the outstanding amounts due, or (4) proceed by appropriate court action to enforce performance of the applicable covenants in the agreement.

Business-type Activities

The outstanding notes from direct borrowings of \$665.035 million contain provisions that in the event of default, the lender may terminate its obligations to disburse any remaining undisbursed loan proceeds immediately.

The occupational licensing boards have pledged buildings and land as collateral for its outstanding notes from direct borrowings of \$7.872 million.

Component Unit (University of North Carolina System). Long-term liability activity for the year ended June 30, 2025, was as follows (dollars in thousands):

	Balance July 1, 2024 (as restated)	Increases	Decreases	Balance June 30, 2025	Due Within One Year
University of North Carolina System					
Bonds payable:					
Revenue bonds	\$ 4,271,080	\$ 92,840	\$ (173,182)	\$ 4,190,738	\$ 167,405
Direct placements	257,259	15,160	(22,164)	250,255	82,047
Certificates of participation	2,447	-	(378)	2,069	390
Limited obligation bonds	165,575	-	(9,290)	156,285	9,700
Issuance premium	262,822	3,713	(15,097)	251,438	-
Issuance discount	(2,570)	(580)	130	(3,020)	-
Total bonds payable	4,956,613	111,133	(219,981)	4,847,765	259,542
Notes from direct borrowings	282,253	128,114	(27,843)	382,524	23,428
Lease liability	562,027	112,330	(122,981)	551,376	112,991
Subscription liability	202,208	152,091	(138,035)	216,264	99,516
APA liability	-	53,208	-	53,208	1,851
Annuity and life income payable	55,366	10,813	(6,532)	59,647	1,216
Compensated absences	564,297	370,249	(354,037)	580,509	98,800
Net pension liability (Note 12)	2,699,270	502	(242,087)	2,457,685	-
Net OPEB liability (Note 14)	6,763,990	1,876,196	(3,995)	8,636,191	-
Workers' compensation	40,147	13,841	(10,393)	43,595	13,108
Arbitrage rebate payable	-	1,479	-	1,479	886
Pollution remediation payable	3,867	15,030	(145)	18,752	5,310
Asset retirement obligation	16,173	826	-	16,999	-
Liability insurance trust fund payable	31,607	8,759	-	40,366	13,317
Total long-term liabilities	\$ 16,177,818	\$ 2,854,571	\$ (1,126,029)	\$ 17,906,360	\$ 629,965

Long-term liabilities of nongovernmental component units of the University of North Carolina System are excluded from the above amounts. At year-end, nongovernmental component unit foundations and similarly affiliated organizations of the University of North Carolina System had total long-term liabilities of \$335.765 million, of which \$7.888 million was due within one year and \$327.877 million was due in more than one year.

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

NOTES TO THE FINANCIAL STATEMENTS*Revenue Bonds*

Various universities within the University of North Carolina System (UNC System) have outstanding revenue bonds totaling \$2.114 billion that contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

Various universities within the UNC System have outstanding revenue bonds totaling \$1.563 billion that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to pay any outstanding bond debt service.

The University of North Carolina Hospitals has pledged future revenues as collateral for the revenue bonds payable of \$364.845 million, and certain funds held have been reserved as restricted equal to 7.5% of gross patient revenues as stipulated by the bond covenants. As of June 30, 2025, the amount pledged as collateral is \$602.461 million. In the event of default, the bonds will become immediately due and payable. At such time, the Board of Governors may require a sum sufficient to pay all matured installments of principal and interest due, be deposited with the Hospitals' Trustee. Additionally, the bonds can be replaced with a replacement indenture. The owners of the outstanding bonds may be required to accept the replacement bonds in lieu of the bonds held by them. Any such replacement may result in a reduction or material alteration in the covenants and other provisions provided to secure payment of the outstanding bonds.

Rex Healthcare has outstanding revenue bonds of \$149.4 million secured by a lien on substantially all of Rex's real and personal property and by a security interest in Rex's unrestricted revenues.

Fayetteville State University has pledged all buildings and other improvements and additions for its outstanding revenue bonds of \$6.265 million.

Direct Placement Bonds

Various universities within the UNC System have outstanding direct placement bonds totaling \$181.441 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to pay any outstanding bond debt service.

Various universities within the UNC System have outstanding direct placement bonds totaling \$68.815 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice (\$63.37 million) or a period of 60 days after written notice (\$5.445 million).

Special Indebtedness

The University of North Carolina at Wilmington has outstanding limited obligation bonds (LOBs) of \$86.655 million secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Western Carolina University has outstanding limited obligation bonds of \$37.595 million. These bonds are secured by revenues which include rentals payable by the University under leases and use agreements on the funded project. The LOBs are further secured by a deed of trust on the property. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable.

The University of North Carolina at Pembroke has outstanding limited obligation bonds of \$18.86 million. These bonds are secured by revenues which include rentals payable by the University under leases and use agreements on the funded project. The LOBs are further secured by a deed of trust on the property. The LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

NOTES TO THE FINANCIAL STATEMENTS

Fayetteville State University has outstanding limited obligation bonds totaling \$13.175 million and the University of North Carolina School of the Arts has outstanding certificates of participation totaling \$2.069 million that contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. The University of North Carolina School of the Arts has pledged an apartment complex as collateral for its outstanding certificates of participation of \$2.069 million.

Notes from Direct Borrowings

Various universities within the UNC System have outstanding notes from direct borrowings totaling \$67.942 million that contain a provision that in an event of default, the notes may become immediately due and payable if the University fails to pay any outstanding debt service.

The UNC System has pledged the energy savings improvements installed in its buildings and other structures as collateral for Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowings of \$51.616 million. These agreements contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

Appalachian State University has outstanding notes from direct borrowings of \$192.13 million to finance construction of a residence hall, student housing facilities, and to make associated site improvements. The University assigned to the financial institution the right, title, and interest in lease and use agreements and upon default, the base rentals, which includes all rental revenue from the facility, and payments received or receivable under these agreements, and a continuing security interest in the base rentals as well as the lease and use agreements after commencement of any proceeding under the bankruptcy code. The financial institution has the right, power, and authority to: (1) settle, compromise, release, extend the time of payment of, and make allowances, adjustments, and discounts of any base rentals or other obligations; (2) enforce payment of base rentals; (3) enter on, take possession of and operate the residence hall if a default occurs; and (4) perform any and all obligations of the university.

Elizabeth City State University has outstanding notes from direct borrowings of \$18.191 million that contain: (1) a provision that in an event of default, the direct borrowings may become immediately due if pledged revenues during the year are less than 100 percent of debt service coverage due in the following year and (2) a provision that if the University is unable to make payment, outstanding amounts are due immediately. These notes contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. These notes are secured by student housing facilities.

Various universities within the UNC System have outstanding notes from direct borrowings totaling \$22.438 million that contain a provision that in an event of default, the notes may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 15 days after written notice (\$12.958 million) or a period of 30 days after written notice (\$9.48 million). Appalachian State University has pledged land for its outstanding notes from direct borrowings of \$12 million. The University of North Carolina at Pembroke has pledged machinery and equipment as security for its outstanding notes from direct borrowings of \$1.744 million.

Gateway Research Park has outstanding notes from direct borrowings of \$15.828 million secured with collateral of real estate.

NOTES TO THE FINANCIAL STATEMENTS**B. Bonds, Special Indebtedness, Direct Placements, and Notes from Direct Borrowings**

Bonds, special indebtedness, direct placements and notes from direct borrowings at June 30, 2025 were as follows (dollars in thousands):

	Interest Rates	Maturing Through Fiscal Year	Original Borrowing	Outstanding Balance
Primary Government				
<u>Governmental activities</u>				
General obligation bonds	1.50% - 5.00%	2039	\$3,071,158	\$1,412,640
Special indebtedness:				
Limited obligation bonds	2.00% - 5.00%	2040	3,099,030	1,978,945
GARVEE bonds	2.00% - 5.00%	2040	1,294,110	1,044,580
Notes from direct borrowings	2.10% - 4.02%	2045	93,445	62,424
<u>Business-type activities</u>				
Revenue bonds	1.83% - 7.10%	2058	\$2,169,889	\$2,018,664
Notes from direct borrowings	1.83% - 6.25%	2058	689,320	681,181
Component Units				
<u>University of North Carolina System</u>				
Revenue bonds**	0.63% - 6.52%*	2055	\$5,098,140	\$4,190,738
Direct Placements	1.29% - 5.43%*	2051	356,088	250,255
Certificates of participation	2.00% - 2.00%	2030	5,400	2,069
Limited obligation bonds	2.50% - 6.23%	2043	201,690	156,285
Notes from direct borrowings**	0.00% - 7.50%*	2057	533,797	382,524

* For variable rate debt, interest rates in effect at June 30, 2025 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.

** The issuer has elected to treat a portion of these obligations as federally taxable "Build America Bonds" for purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury for a specified percentage of the interest payable on these obligations. The outstanding balance of "Build America Bonds" was \$27.4 million for component units. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

General obligation bonds are secured by the full faith, credit, and taxing power of the State. The payments on special indebtedness, which include certificates of participation (COPs) and limited obligation bonds, are subject to appropriation by the N.C. General Assembly. Special indebtedness may also be secured by a lien on equipment or facilities, or by lease payments made by the State. Other long-term debts of the State and its component units are payable solely from certain resources of the funds to which they relate.

C. Debt Authorized but Unissued

At June 30, 2025, the State had no authorized but unissued general obligation bonds. At June 30, 2025, the State had no authorized but unissued special indebtedness supported by the General Fund. At June 30, 2025, the State had \$1.4 billion in authorized but unissued special indebtedness supported by the Highway Trust Fund.

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

General Statute 143-64.17 as amended allows state agencies and universities to utilize Guaranteed Energy Savings Contracts to implement and finance major facility upgrades which save energy and reduce utility expenditures. The State and universities currently are authorized to finance up to \$500 million for such projects that provide energy cost savings that are sufficient to pay the debt service on the projects' financing. A total of \$310 million of such contracts have been entered into by the State and universities. At June 30, 2025, some of the projects have been completed and only \$246 million of such contracts are currently active.

NOTES TO THE FINANCIAL STATEMENTS**D. Demand Bonds**

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

Component Unit**University of North Carolina System***The University of North Carolina at Chapel Hill*

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

General Revenue Bonds, Series 2012D

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

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

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

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

The unpaid principal balance of the 2012D Bond outstanding from time to time will bear interest at the Adjusted SOFR Rate. “Adjusted SOFR Rate” means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate Published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2025, no accrued interest payable remained for the 2012D direct placement bond.

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

General Revenue Bonds, Series 2021A

On March 24, 2021, the University issued a direct placement bond in the amount of \$30 million with a maturity date of March 1, 2051, to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Indoor Practice Facility and Fetzer Field), Series 2021A" (the "2021A Bond") to The Educational Foundation, Inc. (the "Owner") in exchange for certain improvements to the Indoor Practice Facility and Fetzer Field on the University's campus.

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

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

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

The unpaid principal balance of the 2021A Bond outstanding from time to time will bear interest at the Adjusted SOFR Rate. "Adjusted SOFR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1%) by adding (1) 30-Day Average SOFR Rate published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2025, no accrued interest payable remained for the 2021A direct placement bond.

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

The University of North Carolina Hospitals

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

Revenue Bonds, Series 2001A and Series 2001B

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

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

Under separate Standby Bond Purchase Agreements for the Series 2001A and Series 2001B (Agreements) between UNC Hospitals and TD Bank, N.A., a Liquidity Facility has been established for the Tender Agent to draw amounts sufficient to pay the purchase price and accrued interest on bonds delivered for purchase when remarketing proceeds or other funds are not available. These Agreements require an adjustable facility fee based on the long-term rating of the bonds, which is calculated as a percentage of the available commitment. Payments are made quarterly in arrears, on the first business day of each February, May, August, and November, thereafter until the expiration date or the termination date of the Agreements. On September 11, 2020, UNC Hospitals entered into a new multiple year agreement with TD

NOTES TO THE FINANCIAL STATEMENTS

Bank, N.A. to provide liquidity service at a fee of 0.32%, effective September 11, 2020. The applicable percentage will be determined based upon the long-term ratings of the Bonds (without regard to any credit enhancement) as follows:

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

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

Under the Agreements, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate, the Federal Funds Rate plus 0.5% or 3%) until 180 days after the initial purchase date and thereafter bear interest at the Base Rate plus 1% per annum and thereafter. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2025, there were no Bank Bonds held by the 2001 Liquidity Facility.

Included in the Agreements is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Agreements allow UNC Hospitals to redeem Bank Bonds in monthly installments of principal beginning on the first business day of the month until the fourth anniversary of the purchase date, until fully paid. If the take-out agreement were to be exercised because the entire outstanding \$66.2 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$21.15 million, \$20.08 million, \$18.69 million, and \$17.3 million in years one, two, three, and four, respectively, following the termination date under the installment loan agreement assuming a Base Rate of 7.5% (Prime Rate) for the first 180 days and a rate of 8.5% (Base Rate plus 1.00%) thereafter. The expiration date of the Agreements is September 10, 2027.

Revenue Refunding Bonds, Series 2003A and Series 2003B

On February 13, 2003, UNC Hospitals issued two series of tax-exempt variable rate demand bonds in the amount of \$63.77 million (2003A) and \$34.25 million (2003B) that have a final maturity date of February 1, 2029. The bonds are subject to mandatory sinking fund redemption that began on February 1, 2004. The proceeds were used to advance refund \$88.33 million of the Series 1996 Bonds. While initially bearing interest in a weekly mode, the mode on these bonds may change to a daily rate, a unit pricing rate, a term rate, or a fixed rate.

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

While in the weekly mode, the bonds are subject to purchase on demand with seven days' notice to the Remarketing Agent and delivery to the bond Tender Agent, U.S. Bank, National Association. UNC Hospitals' Remarketing Agents, Bank of America Securities, LLC (Series 2003A) and TD Securities (USA) LLC (Series 2003B), have agreed to exercise their best efforts to remarket bonds for which a notice of purchase has been received. The quarterly remarketing fee is payable in arrears and is equal to 0.08% of the outstanding principal amount of the bonds assigned to the Remarketing Agent for Series 2003A and is equal to 0.05% of the outstanding principal amount of the bonds assigned to the Remarketing Agent for Series 2003B. Bank of America Securities, LLC agreed to reduce their remarketing fee to 0.05% effective June 16, 2021 for the Series 2003A.

Under separate Standby Bond Purchase Agreements for the Series 2003A and Series 2003B (Agreements) between UNC Hospitals, Bank of America, N.A. (Series 2003A) and TD Securities (USA) LLC (Series 2003B), Liquidity Facilities have been established for the Tender Agent to draw amounts sufficient to pay the purchase price on bonds delivered for purchase when remarketing proceeds or other funds are not available.

The 2003A Agreement with Bank of America, N.A. required a Commitment Fee of 0.35% for fiscal year 2025. Payments are made quarterly in arrears, on the first business day of each November, February, May, and August, thereafter until the expiration date or termination date of the Agreement. The Commitment Rate remains in effect over the life of the Agreement so long as the rating assigned to Parity Debt by Moody's and S&P is A1/A+ or higher. If the rating assigned to Parity Debt by either Moody's or S&P is downgraded below A1 or A+, respectively, the Commitment Rate assigned to such lower rating as set forth below shall apply, effective as of the public announcement of the rating:

NOTES TO THE FINANCIAL STATEMENTS

<u>S&P</u>	<u>Moody's</u>	<u>Commitment Rate</u>
A+	A1	0.35%
A	A2	0.53%
A- or lower	A3 or lower	0.73%

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

Under the 2003A Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Bond Interest Rate (equal to the greater of the Prime Rate plus 1% or the Federal Funds Rate plus 3% and 7.5%), the Base Rate, for the first 90 days and then the Base Rate plus 0.5% from the 91st day to the 367th day following the date of purchase and the Base Rate plus 1% from the 368th day following such date of purchase and thereafter subject to a maximum rate as permitted by law. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2025, there were no Bank Bonds held by the 2003A Liquidity Facility.

Included in the 2003A Agreement is a take-out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 367 days of the "put" date. In this situation, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003A Agreement allows UNC Hospitals to redeem Bank Bonds in six consecutive, equal semi-annual installments of principal beginning on the first business day of the month that occurs at least five and not more than six months following the termination date, until fully paid. In any event, all principal and accrued and unpaid interest shall be due and payable on the date the sixth installment is due. If the take-out agreement were to be exercised because the entire outstanding \$20.29 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$8.4 million, \$7.9 million, and \$7.2 million in years one, two and three respectively, following the termination date under the installment loan agreement assuming a Base Rate of 8.5% (Prime plus 1%). The current expiration date of the Agreement is July 1, 2027.

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

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

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

Under the 2003B Agreement, any bonds purchased through the Liquidity Facility become Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Base Rate (equal to the greater of the Prime Rate, the Federal Funds Rate plus 0.5%, or 3%), until 180 days after the initial date of purchase, and thereafter at the Base Rate plus 1% per annum. Upon remarketing of Bank Bonds and the receipt of the sales price by the Liquidity Provider, such bonds are no longer considered Bank Bonds. Payment of the interest on the Bank Bonds is on the first business day of each calendar month following the date on which such Bank Bond became a Bank Bond. As of June 30, 2025, there were no Bank Bonds held by the 2003B Liquidity Facility.

Included in the 2003B Agreement is a take out provision, in case the Remarketing Agent is unable to resell any bonds that are "put" within the earlier of the termination date and 365 days of the "put" date. In this situation, UNC Hospitals is required to redeem the Bank Bonds held by the Liquidity Facility. The Series 2003B Agreement allows UNC Hospitals to redeem Bank Bonds in monthly installments of principal beginning on the first business day of the month until the fourth anniversary of the purchase date, until fully paid. If the take out agreement were to be exercised because the entire outstanding \$10.9 million of demand bonds was "put" and not resold, UNC Hospitals would be required to pay \$3.49 million, \$3.31 million, \$3.08 million, and \$2.85 million in years one, two, three, and four, respectively,

NOTES TO THE FINANCIAL STATEMENTS

following the termination date under the installment loan agreement assuming a Base Rate of 7.5% (Prime Rate) for the first 180 days and a rate of 8.5% (Base Rate plus 1%) thereafter. The expiration date of the agreement is July 8, 2027.

E. Debt Service Requirements

The following schedules show the debt service requirements for the primary government (governmental activities and business-type activities) and component unit (University of North Carolina System). The debt service requirements of variable rate debt are based on rates as of June 30, 2025 and assume that current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

Primary Government

Fiscal Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 173,320	\$ 53,202	\$ 219,235	\$ 90,531
2027	156,620	44,536	220,300	80,156
2028	129,230	36,936	223,780	69,141
2029	112,900	30,677	217,355	58,839
2030	112,745	25,334	183,895	48,279
2031-2035	457,825	73,930	736,010	124,205
2036-2040	270,000	16,763	178,370	21,457
Total	<u>\$ 1,412,640</u>	<u>\$ 281,378</u>	<u>\$ 1,978,945</u>	<u>\$ 492,608</u>

Fiscal Year Ending June 30	Governmental Activities			
	GARVEE Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2026	\$ 97,165	\$ 46,175	\$ 5,366	\$ 2,026
2027	97,065	46,283	5,710	1,876
2028	101,915	41,430	4,732	1,732
2029	107,005	36,334	3,870	1,618
2030	112,360	30,984	9,465	6,393
2031-2035	391,115	84,380	16,034	4,719
2036-2040	137,955	18,364	13,585	2,196
2041-2045	-	-	3,662	92
2046-2050	-	-	-	-
Total	<u>\$ 1,044,580</u>	<u>\$ 303,950</u>	<u>\$ 62,424</u>	<u>\$ 20,652</u>

Fiscal Year Ending June 30	Business-type Activities			
	Revenue Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2026	\$ 45,609	\$ 83,881	\$ 2,351	\$ 8,554
2027	49,788	82,182	2,237	10,907
2028	53,690	80,141	2,418	12,498
2029	54,635	78,036	2,799	15,035
2030	57,985	79,174	3,363	15,711
2031-2035	318,833	426,711	24,933	76,763
2036-2040	427,779	369,199	29,814	73,693
2041-2045	265,714	256,899	182,073	74,558
2046-2050	265,125	220,683	234,881	53,916
2051-2055	263,626	167,951	135,561	24,628
2056-2060	215,880	22,120	60,751	6,226
Total	<u>\$ 2,018,664</u>	<u>\$ 1,866,977</u>	<u>\$ 681,181</u>	<u>\$ 372,489</u>

NOTES TO THE FINANCIAL STATEMENTS**Component Unit****University of North Carolina System**

Fiscal Year Ending June 30	Revenue Bonds			Direct Placements		Certificates of Participation	
	Principal	Interest	Interest Rate Swaps, Net	Principal	Interest	Principal	Interest
2026	\$ 167,405	\$ 156,528	\$ 2,619	\$ 22,047	\$ 9,941	\$ 390	\$ 41
2027	173,576	151,634	2,557	18,517	9,353	401	34
2028	177,263	145,689	2,518	18,812	8,811	413	26
2029	189,447	139,476	2,476	14,581	8,250	426	17
2030	196,348	132,589	2,451	15,106	7,750	439	9
2031-2035	1,151,574	543,134	12,155	58,857	31,482	-	-
2036-2040	818,645	341,265	10,608	37,495	21,216	-	-
2041-2045	821,865	180,024	2,985	32,475	11,188	-	-
2046-2050	432,205	58,285	-	2,365	8,343	-	-
2051-2055	62,410	5,749	-	30,000	679	-	-
Total	<u>\$ 4,190,738</u>	<u>\$ 1,854,373</u>	<u>\$ 38,369</u>	<u>\$ 250,255</u>	<u>\$ 117,013</u>	<u>\$ 2,069</u>	<u>\$ 127</u>

Fiscal Year Ending June 30	Limited Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2026	\$ 9,700	\$ 6,319	\$ 23,428	\$ 12,000
2027	10,110	5,909	40,732	10,782
2028	10,525	5,488	33,784	9,452
2029	10,995	5,019	16,359	8,553
2030	11,485	4,527	131,151	7,780
2031-2035	61,255	15,537	89,857	11,248
2036-2040	38,160	4,249	36,272	3,341
2041-2045	4,055	343	3,008	1,099
2046-2050	-	-	3,363	745
2051-2055	-	-	3,759	349
2056-2060	-	-	811	18
Total	<u>\$ 156,285</u>	<u>\$ 47,391</u>	<u>\$ 382,524</u>	<u>\$ 65,367</u>

For revenue bonds and direct placements of the University of North Carolina System, the fiscal year 2025 principal requirements exclude demand bonds classified as current liabilities (see Note 8D).

F. Bond Defeasances

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

Primary Government**Governmental Activities**

On May 22, 2025, the North Carolina Department of Transportation issued \$161.125 million in Series 2025 Grant Anticipation Revenue Vehicle (GARVEE) refunding bonds with an average interest rate of 5%. The bonds were issued for a current refunding of \$165.765 million of outstanding Series 2015 GARVEE refunding bonds with an average interest rate of 5%. The refunding was undertaken to reduce the outstanding principal amount of the Series 2015 GARVEE bonds, to pay the cost of issuance for the Series 2025 GARVEE bonds, and to finance the construction of qualified federally supported transportation projects. The refunding is estimated to result in total savings of \$7.35 million over the next five years and resulted in an economic gain of \$6.74 million.

NOTES TO THE FINANCIAL STATEMENTS**Component Unit****University of North Carolina System***The University of North Carolina at Greensboro*

On October 24, 2024, the University of North Carolina at Greensboro issued \$15.16 million in direct placement General Revenue Refunding Bonds, Series 2024B, with an average interest rate of 3.61%. The bonds were issued for a current refunding of \$15 million of outstanding General Revenue Bonds, Series 2014, with an average interest rate of 4%. The refunding was undertaken to reduce total debt service payments by \$594 thousand over the next 15 years and resulted in an economic gain of \$464 thousand.

Prior Year Defeasances

During prior years, the State and certain component units defeased certain general obligation and other bonds. For those defeasances involving advance refundings, the proceeds and any securities purchased with the proceeds were placed in an irrevocable trust with an escrow agent in an amount sufficient to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government-wide statement of net position. At June 30, 2025, the primary government had no outstanding balance of prior year defeased bonds. The outstanding balance of prior year defeased bonds was \$40.33 million for the University of North Carolina System (component unit). The substitution of essentially risk-free securities with securities that are not essentially risk-free is not allowed for \$40.33 million of the prior year defeased bonds for the University of North Carolina System (component unit).

G. Pollution Remediation Payable**Primary Government****Governmental Activities**

The North Carolina Department of Transportation (DOT) has several equipment yards across the state with old underground fuel storage tanks. State law requires leaks from tanks to be assessed for remediation. The Department of Environmental Quality (DEQ) assigns a health risk based score to each incident. Incidents with a site score over a set criteria are identified as high priority sites and are required to be remediated. The Department is in process of cleaning up these sites for pollution remediation. There are currently 18 active sites with an average cost of \$304 thousand per site.

At year-end, the State recognized a pollution remediation liability of \$6.457 million for leaking underground fuel tanks at DOT. The liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Component Unit**University of North Carolina System**

North Carolina State University recognized a pollution remediation liability of \$3.692 million for remediation of a lot the University used as a burial site for hazardous chemical and low level radioactive waste generated in its laboratories. The University also recognized a hazardous material remediation liability of \$15 million for Poe Hall to abate the hazardous materials and deconstruct the building. The amount of the liability was measured using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Fayetteville State University recognized a pollution remediation liability of \$60 thousand for underground storage tank removal at campus buildings. The amount of the liability was calculated from the estimated costs of the removal.

NOTES TO THE FINANCIAL STATEMENTS**H. Asset Retirement Obligation****Component Unit****University of North Carolina System**

North Carolina State University has asset retirement obligations arising from federal regulations to perform certain decommissioning activities at the time of disposal of its PULSTAR reactor facility. These activities include removal of all activated reactor components, demolition of the reactor biological shield, and disposal costs for radioactive materials. The liability was estimated by analyzing the actual decommissioning costs of a representative university reactor facility and adjusting the costs to be consistent with the N.C. State PULSTAR facility. Costs were also adjusted for the effects of inflation and an updated decommissioning estimate. At year-end, the estimated remaining useful life of the PULSTAR reactor facility was 38 years. In accordance with 10 CFR 50.75(e)(1)(iv), the University has provided the following Statement of Intent regarding decommissioning funding. The decommissioning funding obligations are fully backed by the State of North Carolina. Decommissioning funds will be appropriated when necessary following the provisions of General Statute 116-11(9)(a).

NOTES TO THE FINANCIAL STATEMENTS**NOTE 9: LEASE AND SUBSCRIPTION LIABILITY OBLIGATIONS****A. Summary Information**

Primary Government – Lease activity for the year ended June 30, 2025, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2025	Current Portion	Lease Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Right-to-Use Land	\$ (2,400)	\$ (411)	1 - 27	3.25%
Right-to-Use Buildings	(378,376)	(42,611)	1 - 30	2.50% - 8.50%
Right-to-Use Machinery and Equipment	(1,812)	(831)	1 - 10	2.50% - 8.50%
Right-to-Use General Infrastructure	(2,652)	(132)	6 - 30	3.25% - 8.50%
Total	<u>\$ (385,240)</u>	<u>\$ (43,985)</u>		
Lessor:				
Right-to-Use Land	\$ 3,223	\$ 211	1 - 26	3.25% - 8.50%
Right-to-Use Buildings	4,159	458	3 - 12	7.00% - 8.50%
Total	<u>\$ 7,382</u>	<u>\$ 669</u>		
Business-type Activities				
Lessee:				
Right-to-Use Buildings	\$ (10,262)	\$ (1,183)	1 - 15	2.99% - 7.50%
Right-to-Use Machinery and Equipment	(365)	(141)	1 - 5	3.00% - 6.00%
Total	<u>\$ (10,627)</u>	<u>\$ (1,324)</u>		
Lessor:				
Right-to-Use Land	\$ 3,613	\$ 469	2 - 25	3.30% - 8.30%
Right-to-Use Buildings	4,691	1,402	1 - 10	3.00% - 8.50%
Total	<u>\$ 8,304</u>	<u>\$ 1,871</u>		

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

Subscription liability activity for the year ended June 30, 2025, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2025	Current Portion	Subscription Terms in Years	Interest Rate
Governmental Activities				
Lessee:				
Subscription Asset	\$ (264,819)	\$ (73,184)	1 - 17	3.25% - 8.25%
Total	<u>\$ (264,819)</u>	<u>\$ (73,184)</u>		
Business-type Activities				
Lessee:				
Subscription Asset	\$ (11,269)	\$ (8,313)	1 - 16	3.50% - 8.50%
Total	<u>\$ (11,269)</u>	<u>\$ (8,313)</u>		

NOTES TO THE FINANCIAL STATEMENTS

The subscription liability for primary government excluded the amount of outflow of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability. The N.C. Department of Information Technology recognized outflow of resources of \$11.25 million that was excluded from the above table.

Component Units - Lease activity for the year ended June 30, 2025, was as follows (dollars in thousands):

Classification:	Lease Receivable (Liability) June 30, 2025	Current Portion	Lease Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Right-to-Use Land	\$ (1,636)	\$ (577)	1 - 99	1.34% - 7.50%
Right-to-Use Buildings	(453,037)	(101,871)	1 - 75	0.32% - 10.05%
Right-to-Use Machinery and Equipment	(31,371)	(9,737)	1 - 12	0.70% - 25.00%
Right-to-Use General Infrastructure	(3,902)	(806)	3 - 49	0.75% - 5.25%
Total	\$ (489,946)	\$ (112,991)		
Lessor:				
Right-to-Use Land	54,840	751	1 - 105	0.02% - 8.50%
Right-to-Use Buildings	73,392	20,229	1 - 99	0.30% - 9.50%
Right-to-Use Machinery and Equipment	2,528	205	5 - 20	2.69% - 3.18%
Right-to-Use General Infrastructure	408	72	4 - 10	1.10% - 7.98%
Total	\$ 131,168	\$ 21,257		
Classification:	Lease Receivable (Liability) June 30, 2025	Current Portion	Lease Terms in Years	Interest Rate
Community Colleges				
Lessee:				
Right-to-Use Land	\$ (1,630)	\$ (55)	5 - 36	4.00% - 8.00%
Right-to-Use Buildings	(55,757)	(3,876)	1 - 30	0.53% - 8.29%
Right-to-Use Machinery and Equipment	(5,247)	(1,903)	1 - 25	0.53% - 8.50%
Right-to-Use General Infrastructure	(2,207)	(605)	1 - 39	3.25% - 8.00%
Total	\$ (64,841)	\$ (6,439)		
Lessor:				
Right-to-Use Land	\$ 49	\$ 23	5	4.00%
Right-to-Use Buildings	1,338	398	1 - 5	1.02% - 23.90%
Right-to-Use General Infrastructure	1,899	210	1 - 19	1.24% - 6.25%
Total	\$ 3,286	\$ 631		

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

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

The University of North Carolina at Chapel Hill is in multiple leasing arrangements with UNC Healthcare to lease building space. UNC Chapel Hill recognized a lease liability as the lessee of \$18.11 million. UNC Healthcare recognized a lease receivable as the lessor of \$18.11 million. North Carolina State University (NCSU) is in a leasing arrangement with the Centennial Authority to lease building space. NCSU recognized a lease liability as the lessee of \$43.32 million. The Centennial Authority recognized a lease receivable as the lessor of \$44.31 million. NCSU's reported lease liability amount and the Centennial Authority's reported lease receivable amount differ by \$996.49 thousand due to each entity using different interest rates. Leasing arrangements of nongovernmental component units of the University of North Carolina System are excluded from the above amounts.

NOTES TO THE FINANCIAL STATEMENTS

The University of North Carolina at Chapel Hill had commitments under leases for a five year lease agreement for right-to-use building space beginning on August 1, 2025 with total payments over the period of \$381.19 thousand; and a three and a half year lease agreement for right to use building space beginning on July 1,2025 with total payments over the period of \$266.87 thousand.

Subscription liability activity for the year ended June 30, 2025, was as follows (dollars in thousands):

Classification:	Subscription (Liability) June 30, 2025	Current Portion	Subscription Terms in Years	Interest Rate
University of North Carolina System				
Lessee:				
Subscription Asset	\$ (216,264)	\$ (99,516)	1 - 10	1.90% - 9.76%
Total	<u>\$ (216,264)</u>	<u>\$ (99,516)</u>		
Community Colleges				
Lessee:				
Subscription Asset	\$ (11,190)	\$ (5,309)	1 - 10	0.29% - 8.50%
Total	<u>\$ (11,190)</u>	<u>\$ (5,309)</u>		

B. Principal and Interest Requirements for Lease Liability

Future principal and interest lease payments as of June 30, 2025, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 43,985	\$ 16,966	\$ 1,324	\$ 566	\$ 112,991	\$ 9,861	\$ 6,439	\$ 2,474
2027	40,888	14,708	1,345	508	105,143	7,723	5,542	2,243
2028	44,187	14,879	1,068	450	85,695	5,984	4,628	2,044
2029	41,473	11,804	951	402	64,497	4,718	4,211	1,872
2030	29,949	10,449	904	359	47,511	3,777	3,546	1,719
2031 - 2035	92,116	30,747	2,709	1,199	83,632	11,263	13,385	6,936
2036 - 2040	55,595	13,994	2,326	478	7,305	7,003	12,224	4,295
2041 - 2045	27,693	4,429	-	-	639	6,346	10,296	2,014
2046 - 2050	8,862	787	-	-	490	6,220	4,051	202
2051 - 2055	492	82	-	-	19	6,105	281	32
2056 - 2060	-	-	-	-	29	5,966	238	9
2061 - 2065	-	-	-	-	442	5,724	-	-
2066 - 2070	-	-	-	-	3,205	5,368	-	-
2071 - 2075	-	-	-	-	4,276	4,881	-	-
2076 - Beyond	-	-	-	-	35,502	12,889	-	-
	<u>\$ 385,240</u>	<u>\$ 118,845</u>	<u>\$ 10,627</u>	<u>\$ 3,962</u>	<u>\$ 551,376</u>	<u>\$ 103,828</u>	<u>\$ 64,841</u>	<u>\$ 23,840</u>

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

Future principal and interest subscription liability payments as of June 30, 2025, were as follows (dollars in thousands):

Fiscal Year	Primary Government				Component Units			
	Governmental Activities		Business-type Activities		University of North Carolina System		Community College	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 73,184	\$ 19,275	\$ 8,313	\$ 378	\$ 99,516	\$ 5,924	\$ 5,309	\$ 545
2027	46,794	14,277	1,317	26	63,040	3,907	3,287	295
2028	26,600	11,146	1,179	12	35,454	1,768	1,917	125
2029	21,680	9,367	460	4	13,905	600	276	13
2030	17,853	7,232	-	-	3,167	144	401	19
2031 - 2035	67,626	15,053	-	-	1,182	42	-	-
2036 - 2040	11,082	1,341	-	-	-	-	-	-
	<u>\$ 264,819</u>	<u>\$ 77,691</u>	<u>\$ 11,269</u>	<u>\$ 420</u>	<u>\$ 216,264</u>	<u>\$ 12,385</u>	<u>\$ 11,190</u>	<u>\$ 997</u>

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

The General Fund balance of \$152.09 million due to fiduciary funds is composed of \$34.42 million related to local sales taxes collected in the General Fund and due to the custodial fund, as well as \$117.67 million related to retirement contributions payable to retirement systems at year end.

Amounts payable to or receivable from fiduciary funds are considered interfund balances in the fund financial statements, but are not reported as internal balances in the government-wide statement of net position.

Due To/From Other Funds

Balances due to/from other funds at June 30, 2025 consisted of the following (dollars in thousands):

	Due From Other Funds						
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Unemployment Compensation Fund	Internal Service Funds	Total
Due To Other Funds							
General Fund.....	\$ —	\$ 13,809	\$ 4,602	\$ 19,366	\$ 52,879	\$34,835	\$125,491
Highway Fund.....	8,193	—	—	2,398	—	4,814	15,405
Other Governmental Funds.....	21,392	—	—	5	—	384	21,781
Unemployment Compensation Fund.....	278	—	—	—	—	—	278
N.C. State Lottery Fund.....	141,325	—	—	—	—	—	141,325
N.C. Turnpike Authority.....	6,366	108,683	—	—	—	—	115,049
Other Enterprise Funds.....	—	—	—	—	—	59	59
Internal Service Funds.....	—	—	—	2,815	—	84	2,899
Total.....	<u>\$177,554</u>	<u>\$ 122,492</u>	<u>\$ 4,602</u>	<u>\$ 24,584</u>	<u>\$ 52,879</u>	<u>\$40,176</u>	<u>\$422,287</u>

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

Advances To/From Other Funds

The advance of \$35.21 million to the N.C. Turnpike Authority from the Highway Trust Fund is related to operating costs.

NOTES TO THE FINANCIAL STATEMENTS**B. Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2025, consisted of the following (dollars in thousands):

	Transfers In									Total
	General Fund	Highway Fund	Other Governmental Funds	Unemployment Compensation Fund	EPA Revolving Loan Fund	NC State Lottery Fund	NC Turnpike Authority	Other Enterprise Funds	Internal Service Funds	
Transfers Out										
General Fund	-	408,887	1,672,102	38,907	36,170	2,187	-	706	109	2,159,068
Highway Fund	36,703	-	19,188	-	-	-	-	-	-	55,891
Highway Trust Fund	408	39,880	-	-	-	-	57,697	-	-	97,985
Other Governmental Funds	203,753	629	5,139	-	-	-	-	12	-	209,533
Unemployment Compensation Fund	15,839	-	-	-	-	-	-	-	-	15,839
NC State Lottery Fund	1,079,030	-	1,000	-	-	-	-	-	-	1,080,030
NC Turnpike Authority	320	9,489	-	-	-	-	-	-	-	9,809
Other Enterprise Funds	1,328	-	12	-	-	-	-	-	-	1,340
Internal Service Funds	122	-	-	-	-	-	-	-	9,720	9,842
Total	\$ 1,337,503	458,885	1,697,441	38,907	36,170	2,187	57,697	718	9,829	\$ 3,639,337

Transfers are primarily used to (1) transfer revenues and bond proceeds from the fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them, (2) provide unrestricted revenues collected in the General Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations, and (3) reflect reversions of State funds from other funds to the General Fund in accordance with Office of State Budget and Management or legislative requirements.

In compliance with the North Carolina State Lottery Act, House Bill 1023 [Session Law 2005-344] as amended by Senate Bill 99 [Session Law 2018-5], all “Net Revenues” of the N.C. State Lottery Fund are required to be transferred to the Education Lottery Fund (General Fund) for educational purposes. Transfers of \$1.079 billion were made to the Education Lottery Fund for this fiscal year, as set forth in General Statute 18C-164.

House Bill 817 [Session Law 2013-183] amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the N.C. Turnpike Authority (NCTA) to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Connector/Bypass. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and \$57.697 million was transferred to the NCTA during fiscal year 2025.

House Bill 259 [Session Law 2023-134] established that the Department of Environment Quality received a transfer of \$1 billion for the Clean Water and Drinking Water Reserve for fiscal year 2025.

House Bill 10 [Session Law 2024-55] Section 2.2(h) transferred an additional \$250 million from the General Fund to the Economic Development Project Reserve.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 11: FUND BALANCE**

Fund Balance. The details of the fund balance classifications for governmental funds at June 30, 2025 are as follows (dollars in thousands):

Fund Balance	Governmental Funds				
	General Fund	Highway Fund	Highway Trust Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 106,346	\$ 117,432	\$ -	\$ 33,132	\$ 256,910
Permanent corpus	-	-	-	147,390	147,390
Long-term portion of notes receivable	97	-	-	-	97
Restricted for:					
General government	10,782	-	-	2,065	12,847
Primary and secondary education	28,270	-	-	-	28,270
Higher education	4,497	-	-	4,039	8,536
Higher education student aid	-	-	-	1,698,359	1,698,359
Health and human services	179,600	-	-	1,511	181,111
Economic development	51,125	-	-	-	51,125
Environment and natural resources	19,749	-	-	112,504	132,253
Public safety, corrections, and regulation	50,425	-	-	14,663	65,088
Transportation	-	3,644	-	-	3,644
Highway construction/preservation	-	301,566	202,758	-	504,324
Debt service	-	-	179,538	-	179,538
Capital projects/repairs and renovations	-	-	-	222,309	222,309
Committed to:					
General government	5,942,966	-	-	69,615	6,012,581
Primary and secondary education	544,399	-	-	-	544,399
Public school capital projects/repairs and renovations	1,601,541	-	-	-	1,601,541
Higher education	904,595	-	-	-	904,595
Health and human services	1,860,790	-	-	90,095	1,950,885
Economic development	1,344,505	-	-	712	1,345,217
Environment and natural resources	1,141,715	-	-	466,568	1,608,283
Public safety, corrections, and regulation	622,584	-	-	263,192	885,776
Transportation	-	106,420	966,147	213	1,072,780
Highway construction/preservation	-	651,429	-	-	651,429
Agriculture	401,991	-	-	91,056	493,047
Disaster relief	213,923	-	-	-	213,923
Capital projects/repairs and renovations	378,894	-	-	2,667,755	3,046,649
Assigned to:					
Subsequent year's budget	2,196,360	-	-	-	2,196,360
General government	8,436	-	-	67	8,503
Primary and secondary education	7,670	-	-	-	7,670
Higher education	517	-	-	-	517
Health and human services	221,194	-	-	1,634	222,828
Economic development	4,495	-	-	-	4,495
Environment and natural resources	3,055	-	-	85,512	88,567
Public safety, corrections, and regulation	9,098	-	-	342	9,440
Agriculture	887	-	-	-	887
Unassigned	3,258,321	-	-	(2,398)	3,255,923
Total fund balance	\$ 21,118,827	\$ 1,180,491	\$ 1,348,443	\$ 5,970,335	\$ 29,618,096

NOTES TO THE FINANCIAL STATEMENTS**NOTE 12: RETIREMENT PLANS**

The State reports nine retirement plans as pension trust funds, seven defined benefit public employee retirement plans administered by the State as well as two defined contribution plans, one of which is administered by the State and the other is overseen and administered by a third party under the auspices of the State. Although the assets of the plans directly administered by the State are commingled for investment purposes, each plan's assets may be used only for payment of benefits to the members of that plan and for the administrative costs in accordance with the terms of each plan. Eight of the pension plans held in trust in this note do not issue separate financial statements, and none of the plans are reported as part of other entities. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information (RSI)* section of this ACFR. The Supplemental Retirement Income Plan of North Carolina (NC 401(k) Plan) issues separately audited financial statements. Information on how to obtain the NC 401(k) Plan financial statements is found in Section B.10. The State also provides a defined benefit special separation allowance for eligible sworn law enforcement officers and a defined contribution optional retirement plan for university employees.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

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

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

Plan administration. The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who are not law enforcement officers and were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly. At June 30, 2025, the number of participating employers was as follows:

State of North Carolina	1
LEAs	115
Charter Schools	54
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
	<u>252</u>

NOTES TO THE FINANCIAL STATEMENTS

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

Benefits provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member’s average final compensation times the member’s years of creditable service. A member’s average final compensation is calculated as the average of a member’s four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life in lieu of the return of the member’s contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with unreduced retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service (not including sick leave) regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life in lieu of the return of the member’s contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the General Assembly. The State’s and other participating employers’ contractually required contribution rate for the year ended June 30, 2025, was 16.79% of covered payroll. This was equal to the actuarially determined contribution. This amount, combined with plan member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

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

2. LOCAL GOVERNMENTAL EMPLOYEES’ RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Local Governmental Employees’ Retirement System (LGERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide benefits for employees of local governments. Membership is comprised of general employees, local law enforcement officers of participating local governmental entities, firefighters and rescue squad workers. Benefit provisions are established by General Statute 128-27 and may be amended only by the North Carolina General Assembly. At June 30, 2025, the number of participating local governments was as follows:

Cities	432
Counties	100
Special Districts	<u>362</u>
	<u><u>894</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

Benefits provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad workers who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with unreduced retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. The Board establishes a funding policy from which accrued liability rates and normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2025, all employers made contributions of 15.10% of covered payroll for law enforcement officers and 13.60% for general employees and firefighters. These were greater than the actuarially determined contribution rates of 14.69% for law enforcement officers and 12.66% for general employees and firefighters. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only.

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

3. FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND

Plan administration. The Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) is a cost sharing, defined benefit pension plan with a special funding situation in that the State of North Carolina is not the employer but is legally obligated to contribute to the plan. The State established the plan to provide pension benefits for all eligible firefighters and rescue squad workers. Membership is comprised of both volunteer and locally employed firefighters and emergency medical personnel who elect membership. Benefit provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. At June 30, 2025, there were 1,654 participating fire and rescue units.

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

NOTES TO THE FINANCIAL STATEMENTS

Benefits provided. FRSWPF provides retirement, disability and survivor benefits. The present retirement benefit is \$175 per month. Effective January 1, 2025, the retirement benefit increased from \$170 to \$175 per month in accordance with Session Laws 2024-29 and 2024-42. Plan members are eligible to receive the monthly retirement benefit at age 55 with 20 years of fully credited service as a firefighter or rescue squad worker regardless of whether the member has terminated paid employment. Disabled members may be able to receive benefits after attaining age 55 under certain plan provisions. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected. A survivorship benefit in the case of pre-retirement death in the line of duty provides that beneficiaries may receive the same benefit the deceased member would have received beginning when the deceased would have reached age 55, or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. Plan member benefits earned during the year, a payment to reduce the net pension liability and administrative expenses are funded by a \$10 monthly contribution by the member, investment income and an actuarially based state appropriation developed under a funding policy adopted by the LGERS Board of Trustees, which may recommend to the North Carolina General Assembly an appropriation that is higher than the actuarially determined contribution. As a result of Session Laws 2024-29 and 2024-42, the contribution rate for members increased to \$15 per month effective January 1, 2025. Actual contributions are reported in Section F of this note.

Refunds of contributions. Members who are no longer eligible or choose not to participate in the fund may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by FRSWPF.

4. REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND

Plan administration. The State of North Carolina administers the Registers of Deeds' Supplemental Pension Fund (RODSPF) which is a cost-sharing, multiple-employer, defined benefit pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county registers of deeds. Membership is comprised of registers of deeds who are retired from the Local Governmental Employees' Retirement System or an equivalent locally sponsored plan and have met the statutory eligibility requirements. At June 30, 2025, there were 111 individuals receiving benefits in the plan with 100 counties participating. Benefit provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. The State's only cost in the plan is administration.

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

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

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

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

Contributions. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution for the fiscal year ending 2025 is zero. Registers of Deeds do not contribute.

NOTES TO THE FINANCIAL STATEMENTS***Single-Employer Defined Benefit Plans*****5. CONSOLIDATED JUDICIAL RETIREMENT SYSTEM**

Plan administration. The State of North Carolina administers the Consolidated Judicial Retirement System (CJRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys, public defenders and clerks of court. Benefit provisions are established by Article 4 of General Statute 135 and may be amended only by the North Carolina General Assembly.

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

Benefits provided. The plan provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's final compensation times the member's years of creditable service. The percentage used is determined by the position held by the member. A member's final compensation is the annual equivalent of the rate of compensation most recently applicable to the retiree as a member of the Retirement System. Plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of membership service, or at age 50 with 24 years of creditable service. Plan members are eligible to retire with reduced retirement benefits at age 50 with five years of membership service. The reduced benefit is calculated using the same formula as a service retirement benefit, multiplied by a reduction percentage based on the member's age and/or service at early retirement. The unreduced benefit from CJRS, when combined with the same member's unreduced benefits calculated under TSERS, LGERS, or Legislative Retirement System (LRS), if any, is limited to an amount no greater than 75% of the member's final compensation. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to spouses of deceased retirees and spouses of members who die while in active service after reaching age 50 with five years of service. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Contribution provisions are established by General Statutes 135-68 and 135-69 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate developed by the consulting actuary. The Board of Trustees must recommend a contribution rate that is no less than the actuarially determined rate. The Board of Trustees may adopt a contribution rate policy that results in a recommendation greater than the actuarially determined rate. The State's contractually required contribution for the year ended June 30, 2025 was 34.92% of covered payroll. This was equal to the actuarially determined contribution. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note.

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

6. LEGISLATIVE RETIREMENT SYSTEM

Plan administration. The State of North Carolina administers the Legislative Retirement System (LRS). This plan is a single-employer, defined benefit pension plan established by the State of North Carolina to provide retirement and disability benefits for members of the General Assembly. The benefit will not be payable while the retiree is employed in a position requiring participation in either the Teachers' and State Employees' Retirement System or Consolidated Judicial Retirement System. Benefit provisions are established by Article 1A of General Statute 120 and may be amended only by the North Carolina General Assembly.

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

Benefits provided. LRS provides retirement, disability and survivor benefits. Retirement benefits are determined as 4.02% of the highest annual compensation as a member of the General Assembly times years of creditable service. A member's highest annual compensation is the 12 consecutive months of salary authorized during the member's final legislative term for the highest position ever held as a member of the General Assembly. Plan members are eligible to retire with unreduced retirement benefits at age 65 after five years of service. Plan members are eligible to retire with reduced retirement benefits at age 60 after five years of service or at age 50 with 20 years of service. Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of contributing members of the General Assembly who die while in active service. The beneficiary will receive a return of the member's contributions

NOTES TO THE FINANCIAL STATEMENTS

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

Contributions. Contribution provisions are established by General Statutes 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 7% of their annual pay. The contribution rate for the State is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially determined rate recommended by the consulting actuary. The annual contributions by the State in a given year when combined with the LRS assets in the pension accumulation fund at the beginning of the year may not be less than the projected retirement allowances and other expected benefits to be paid during that year. For the fiscal year ended June 30, 2025, the State's contractually required contribution was 16.64% of covered payroll. This was equal to the actuarially determined contribution. This amount, combined with member contributions and investment income, funds the benefits earned by plan members during the year, a payment to reduce the net pension liability and administrative expenses. Actual contributions are reported in Section F of this note

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

7. NORTH CAROLINA NATIONAL GUARD PENSION FUND

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

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

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

Contributions. Contribution provisions are established by General Statute 127A-40 and may be amended only by the North Carolina General Assembly. Plan member benefits and administrative expenses are funded by investment income and an actuarially determined state appropriation. The Board of Trustees must recommend a contribution amount that is no less than the actuarially determined amount. The Board of Trustees may adopt a contribution policy that results in a recommendation greater than the actuarially determined amount. The State's contractually required contribution for the year ended June 30, 2025 was \$1.12 million This was greater than the actuarially determined contribution of \$0. NGPF members do not contribute. Actual contributions are reported in Section F of this note.

8. SPECIAL SEPARATION ALLOWANCE

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

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

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

NOTES TO THE FINANCIAL STATEMENTS***Defined Contribution Plans*****9. SHERIFFS' SUPPLEMENTAL PENSION FUND**

Plan administration. This plan is a defined contribution pension plan established by the State of North Carolina to provide supplemental pension benefits for all eligible, retired county sheriffs. Membership is comprised of sheriffs who are retired from the Local Governmental Employees' Retirement System and beneficiaries that meet the statutory eligibility requirements. At June 30, 2025, there were 106 sheriffs, and 2 beneficiaries enrolled in the plan with 79 of the State's 100 counties participating.

Benefits provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on minimum years of service as a sheriff with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The North Carolina Department of Justice administers the plan. If the plan purchases any investments, they are held as part of the State Treasurer's External Investment Pool. The State's only cost in the plan is administration.

Contributions. Receipts collected by each county's Clerk of Superior Court under General Statutes 7A-304(a)(3a), along with investment income, support the plan's benefits and administrative expenses. At the beginning of each calendar year, the Department of Justice invoices and collects from county governments, on a pro rata basis by population, an amount of funds needed in addition to the receipts collected, to pay the pension benefits for that year. Sheriffs do not contribute to the plan. For the fiscal year ended June 30, 2025, the Clerks remitted \$695 thousand and \$1.09 million was invoiced to the county governments, with \$1.07 million collected. All benefit and contribution provisions are established by Chapter 143, Article 12H of the General Statutes and may be amended only by the North Carolina General Assembly.

10. IRC SECTION 401 (K) PLAN

Effective January 1, 1985, Chapter 135, Article 5 of the General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina (the NC 401(k) Plan) in accordance with Internal Revenue Code (IRC) Section 401(k). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the NC 401(k) Plan according to the plan document, the North Carolina General Statutes, and the IRC, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Empower Retirement (Empower) to perform recordkeeping, administration, and education services.

All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program and retirement and pension plans sponsored by political subdivisions of the State that qualify under Section 401(a) of the IRC, law enforcement officers as defined under North Carolina General Statutes 143-166.30 and 143-166.50 and individuals who are required under the IRC to be eligible for participation in the NC 401(k) Plan, are eligible to enroll in the NC 401(k) Plan and may contribute up to 80% (limited to an Internal Revenue maximum dollar amount) of their compensation during the plan fiscal year. The assets of the NC 401(k) Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. All contributions and costs of administering the NC 401(k) Plan are the responsibility of the participants. All contributions and earnings are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166 30(g1) and 143-165 50(e2). At December 31, 2024, there were approximately 294,600 employees enrolled with 1,000 participating employers.

The NC 401(k) Plan is a defined contribution pension plan and benefits of the Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. Members of the NC 401(k) Plan may receive their benefits upon retirement, termination, hardship, death, or the attainment of age 59 ½.

Participants may choose from several withdrawal options, including systematic withdrawals, full or partial lump-sum withdrawals, or transfer of their balance to an eligible employer-sponsored retirement plan or IRA.

Financial statements are based on the Plan's fiscal year. The audited statements for the year ended December 31, 2024, are presented in this financial report as a pension and other employee benefit trust fund. The NC 401(k) Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The NC 401(k) Plan's financial statements are available online at myNCRetirement.com or by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

In addition to the voluntary contribution criteria above, General Statutes 143-166.30 and 143-166.50 require employer contributions to the NC 401(k) Plan to provide benefits for all law enforcement officers (LEOs) employed by State and local governments. Participation begins at the date of employment. Employers are required to contribute monthly to the individual accounts of participants an amount equal to 5%

NOTES TO THE FINANCIAL STATEMENTS

of each officer's monthly salary. In addition, State law enforcement officers receive a contribution into the NC 401(k) equal to a pro rata share of \$.50 for each court cost assessed and collected under General Statute 7A-304, while \$1.25 of this assessment goes to local law enforcement officers, except Sheriffs. All contributions are immediately vested in the name of each participant, subject to the felony forfeiture provisions for law enforcement officers in General Statutes 143-166.30(g1) and 143-166.50(e2). At December 31, 2024, 55 state agencies and component units along with 437 local governmental units outside the reporting entity contributed the required 5%. In addition, 5 state agencies and 524 local government employers contributed to the NC 401(k) Plan on a voluntary basis. There were approximately 12,900 LEOs actively contributing to the NC 401(k) Plan and approximately 24,200 LEOs receiving employer contributions as of December 31, 2024.

The NC 401(k) Plan reported total member contributions of \$597 million. The payrolls for law enforcement officers, on which the required contributions were based for the year ended December 31, 2024, amounted to \$365.87 million for the State, \$40.78 million for universities, and \$11.34 million for community colleges, public schools and other miscellaneous component units. The required 5% employer's contribution was made by the State for \$18.29 million, by universities for \$2.04 million, and by the remaining component units, public schools and community colleges for \$567 thousand. In addition, the State contributed \$267 thousand for required court cost assessments. The amount of pension expense recognized in the current fiscal year is equal to the employer contributions.

The NC 401(k) Plan discloses a related party transaction in Note 20 of this ACFR. The NC 401(k) Plan's investment risks are described in Note 3.

11. OPTIONAL RETIREMENT PROGRAM

The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University of North Carolina (UNC) System may join the ORP instead of the Teachers' and State Employees' Retirement System. The ORP is administered by the UNC System. At June 30, 2025, the plan had 25,156 participants with 19 constituent institutions of the UNC System participating.

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

Participants contribute 6% of compensation and the university contributes 6.84%. The universities contributed \$182.19 million for the fiscal year ended June 30, 2025. Annual covered payroll was \$2.66 billion and employer contributions expressed as a percentage of annual payroll were 6.84% for the period. Employee contributions expressed as a percentage of annual covered payroll were the required 6% with actual employee contributions of \$159.82 million for the fiscal year ended June 30, 2025. The amount of pension expense recognized in the current fiscal year related to ORP was \$165.14 million. Forfeitures reduced the universities' pension expense by \$17.05 million for the fiscal year ended June 30, 2025. Any liabilities reported by the universities are immaterial to this ACFR.

C. Plan Membership

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

	Cost-Sharing, Multiple-Employer				Single-Employer			
	Teachers' and State Employees'	Local Governmental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
Inactive plan members or beneficiaries currently receiving benefits	257,645	87,699	15,487	111	862	291	4,895	1,317
Inactive plan members entitled to but not yet receiving benefits	237,365	115,944	101	-	66	112	2,391	-
Active plan members	301,507	145,531	45,576	104	594	170	5,729	4,818
	<u>796,517</u>	<u>349,174</u>	<u>61,164</u>	<u>215</u>	<u>1,522</u>	<u>573</u>	<u>13,015</u>	<u>6,135</u>
Valuation date	12-31-24	12-31-24	12-31-24	12-31-24	12-31-24	12-31-24	12-31-24	12-31-23

NOTES TO THE FINANCIAL STATEMENTS**D. Investments**

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

For all plans participating in the External Investment Pool, the following table displays the adopted asset allocation policy as of June 30, 2025:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	29%
Global Equity	42%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	100%

The Registers of Deeds' Supplemental Pension fund is 100% invested in the Bond Index External Investment Pool.

Rate of return. For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was:

	<u>Cost-Sharing, Multiple-Employer</u>				<u>Single-Employer</u>		
	<u>Teachers' and State Employees'</u>	<u>Local Governmental</u>	<u>Firefighters' and Rescue Squad</u>	<u>Registers of Deeds'</u>	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>North Carolina National Guard</u>
Money-weighted Rate of Return	9.96%	9.95%	9.94%	5.86%	9.95%	9.87%	9.94%

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

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2025, were as follows (dollars in thousands):

	<u>Cost-Sharing, Multiple-Employer</u>				<u>Single-Employer</u>		
	<u>Teachers' and State Employees'</u>	<u>Local Governmental</u>	<u>Firefighters' and Rescue Squad</u>	<u>Registers of Deeds'</u>	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>North Carolina National Guard</u>
Total pension liability	\$105,134,285	\$43,141,921	\$ 532,516	\$ 34,607	\$ 976,106	\$ 30,113	\$ 154,550
Plan fiduciary net position	93,375,669	36,962,476	568,886	47,378	772,761	30,264	188,874
Net pension liability (asset)	<u>\$ 11,758,616</u>	<u>\$ 6,179,445</u>	<u>\$ (36,370)</u>	<u>\$ (12,771)</u>	<u>\$ 203,345</u>	<u>\$ (151)</u>	<u>\$ (34,324)</u>
Plan fiduciary net position as a percentage of the total pension liability	88.82%	85.68%	106.83%	136.90%	79.17%	100.50%	122.21%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability was determined by actuarial valuations as of December 31, 2024, using the following actuarial assumptions, applied to all prior periods included in the measurement. The total pension liability was then rolled forward to June 30, 2025 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2024 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019. The actuarial assumptions used in the December 31, 2023 valuation for the Special Separation Allowance were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

	Cost-Sharing, Multiple-Employer				Single-Employer		North Carolina National Guard
	Teachers' and State Employees'	Local Govern- mental	Firefighters' and Rescue Squad	Registers of Deeds'	Consolidated Judicial	Legislative	
	(1)	(1)		(1)	(1)	(1)	
Valuation date	12/31/24	12/31/24	12/31/24	12/31/24	12/31/24	12/31/24	12/31/24
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary Increases	3.25-8.05%	3.25-8.25%	N/A	3.25-8.25%	3.25-4.75%	3.25%	N/A
Investment Rate of Return (2)	6.5%	6.5%	6.5%	3%	6.5%	6.5%	6.5%

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

(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.

N/A - Not Applicable

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy in Section D) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.8%
Real Estate	6.1%
Alternatives	7.9%
Opportunistic Fixed Income	5.1%
Inflation Sensitive	4.2%

The information in the preceding table is based on 30 year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 is 2.53%. The total return for the Bond Index Investment Pool is expected to exceed the assumed investment rate of return of 3.00% used to measure the total actuarial accrued liability for Register of Deeds' Supplemental Pension Fund. As such, the investment rate of return of 3.00% includes provisions for adverse deviation.

NOTES TO THE FINANCIAL STATEMENTS

Discount rate. The discount rate used to measure the total pension liability was 6.5% except for Registers of Deeds' Supplemental Pension Fund which was 3% for the December 31, 2024 valuation. The 6.5% discount rate is within a reasonable range of the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Plans' net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the plans at June 30, 2025, as well as what each plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
<u>Cost-Sharing, Multiple-Employer</u>			
TSERS's net pension liability	\$ 24,608,185	\$ 11,758,616	\$ 1,164,294
LGERS's net pension liability	11,781,955	6,179,445	1,574,339
FRSWPF's net pension liability (asset)	30,892	(36,370)	(91,358)
<u>Single-Employer</u>			
CJRS's net pension liability	\$ 308,924	\$ 203,345	\$ 113,648
LRS's net pension liability (asset)	2,682	(151)	(2,570)
NCNG's net pension asset	(17,345)	(34,324)	(48,182)
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
<u>Cost-Sharing, Multiple-Employer</u>			
RODSPF's net pension asset	\$ (8,888)	\$ (12,771)	\$ (16,046)

NOTES TO THE FINANCIAL STATEMENTS**F. GASB Statements 68 and 73 Employer Reporting****1. EMPLOYER CONTRIBUTIONS**

The following table presents the primary government's and component units' contributions recognized by the pension plans at June 30, 2025 (dollars in thousands):

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Total
Primary Government	\$ 761,887	\$ 20,402	\$ 38,028	\$ 698	\$ 1,121	\$ 822,136
Component Units						
University of North Carolina System	518,685	—	—	—	—	518,685
Community Colleges	189,585	—	—	—	—	189,585
Other Component Units	7,108	—	—	—	—	7,108
Total Contributions	<u>\$ 1,477,265</u>	<u>\$ 20,402</u>	<u>\$ 38,028</u>	<u>\$ 698</u>	<u>\$ 1,121</u>	<u>\$1,537,514</u>

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

As of June 30, 2025, the primary government and component units reported pension liabilities for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

	Primary Government	Component Units		
		University of North Carolina System ⁽¹⁾	Community Colleges	Other Component Units ⁽²⁾
Proportionate Share of the Net Pension Liability				
Teachers' and State Employees' Retirement System	\$ 3,302,838	\$ 2,350,458	\$ 832,099	\$ 30,791
Consolidated Judicial	208,481	—	—	—
Legislative	1,146	—	—	—
Pension Liability				
Special Separation Allowance	340,708	—	—	—
Total Pension Liability	<u>\$ 3,853,173</u>	<u>\$ 2,350,458</u>	<u>\$ 832,099</u>	<u>\$ 30,791</u>

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. The net pension liability of Rex's retirement plan is excluded from the above amounts. At June 30, 2025, Rex Healthcare had a net pension liability of \$107.23 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. The net pension liability of Centennial Authority's retirement plan is excluded from the above amounts. At June 30, 2025, Centennial Authority had a net pension liability of \$256 thousand.

NOTES TO THE FINANCIAL STATEMENTS

As of June 30, 2025, the primary government reported a net pension asset for the defined benefit pension plan that is administered by the State as follows (dollars in thousands).

	Primary Government
Net Pension Asset	
Firefighters' and Rescue Squad	\$ 14,140
North Carolina National Guard	27,594
Total Pension Asset	<u>\$ 41,734</u>

Each net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate each net pension liability was determined by an actuarial valuation as of December 31, 2023. Update procedures were used to roll forward the total pension liability to June 30, 2024. For TSERS, the primary government's and each component unit's proportion of the collective net pension liability was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net pension liability was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year pension contributions.

For SSA, the primary government's pension liability was measured as of June 30, 2024. The total pension liability was determined by an actuarial valuation as of December 31, 2023. Update procedures were used to roll forward the total pension liability to June 30, 2024. The discount rate used to measure the total pension liability was 3.93% at June 30, 2024. The economic assumptions used for the discount rate are based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

The primary government's and component units' proportions of the collective net pension liability for the Teachers' and State Employees' Retirement System as of June 30, 2024 and 2023 were as follows:

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Teachers' and State Employees' Retirement System				
Proportion – June 30, 2024	22.29%	15.86%	5.62%	0.21%
Proportion – June 30, 2023	21.97%	15.48%	5.62%	0.20%
Change – Increase	0.32	0.38	0.00	0.01

For the year ended June 30, 2025, the primary government and component units recognized pension expense for the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State as follows (dollars in thousands):

	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
Pension Expense				
Teachers' and State Employees' Retirement System	\$ 967,258	\$ 674,060	\$ 236,352	\$ 9,742
Consolidated Judicial	63,946	–	–	–
Legislative	953	–	–	–
Special Separation Allowance	44,010	–	–	–
Total Pension Expense	<u>\$ 1,076,167</u>	<u>\$ 674,060</u>	<u>\$ 236,352</u>	<u>\$ 9,742</u>

NOTES TO THE FINANCIAL STATEMENTS

As a result of its requirement to contribute, the primary government recognized expense of \$7.58 million for FRSWPF and \$1.09 million for NCNG for the year ended June 30, 2025. The primary government's proportion of the collective net pension liability for Firefighters' and Rescue Squad Workers' and for North Carolina National Guard was 100% and 100%, respectively, as of June 30, 2024 and 2023.

At June 30, 2025, the primary government and component units reported deferred outflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources						Total
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	
Primary Government:							
Difference between actual and expected experience	\$ 297,640	\$ —	\$ 44,286	\$ —	\$ 5,744	\$ 43,304	\$ 390,974
Changes of assumptions	11	—	—	—	—	19,512	19,523
Net difference between projected and actual earnings on pension plan investments	544,659	14,634	20,815	928	5,301	—	586,337
Change in proportion and differences between agency's contributions and proportionate share of contributions	294,656	—	—	—	—	—	294,656
Contributions subsequent to the measurement date	761,887	20,402	38,028	698	1,121	27,825	849,961
Total	\$ 1,898,853	\$ 35,036	\$ 103,129	\$ 1,626	\$ 12,166	\$ 90,641	\$ 2,141,451
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	\$ 211,817	—	—	—	—	—	—
Changes of assumptions	—	—	—	—	—	—	—
Net difference between projected and actual earnings on pension plan investments	387,579	—	—	—	—	—	—
Change in proportion and differences between agency's contributions and proportionate share of contributions	72,432	—	—	—	—	—	—
Contributions subsequent to the measurement date	518,685	—	—	—	—	—	—
Total ⁽¹⁾	\$ 1,190,513						
Community Colleges							
Difference between actual and expected experience	\$ 74,987	—	—	—	—	—	—
Changes of assumptions	—	—	—	—	—	—	—
Net difference between projected and actual earnings on pension plan investments	137,209	—	—	—	—	—	—
Change in proportion and differences between agency's contributions and proportionate share of contributions	20,849	—	—	—	—	—	—
Contributions subsequent to the measurement date	189,585	—	—	—	—	—	—
Total	\$ 422,630						
Other Component Units							
Difference between actual and expected experience	\$ 2,775	—	—	—	—	—	—
Changes of assumptions	—	—	—	—	—	—	—
Net difference between projected and actual earnings on pension plan investments	5,077	—	—	—	—	—	—
Change in proportion and differences between agency's contributions and proportionate share of contributions	2,013	—	—	—	—	—	—
Contributions subsequent to the measurement date	7,108	—	—	—	—	—	—
Total ⁽²⁾	\$ 16,973						

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. Deferred outflows of resources of Rex's retirement plan are excluded from the above amounts. At June 30, 2025, Rex Healthcare had deferred outflows of resources of \$19.545 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. Deferred outflows of resources of Centennial Authority's retirement plan are excluded from the above amounts. At June 30, 2025, Centennial Authority had deferred outflows of resources of \$198 thousand.

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2025, the primary government and component units reported deferred inflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources						
	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance	Total
Primary Government:							
Difference between actual and expected experience	\$ 9,765	\$ 4,674	\$ —	\$ 28	\$ 2,324	\$ —	\$ 16,791
Changes of assumptions	—	—	—	—	—	24,308	24,308
Change in proportion and differences between agency's contributions and proportionate share of contributions	247,723	—	—	—	—	—	247,723
Total	\$ 257,488	\$ 4,674	\$ —	\$ 28	\$ 2,324	\$ 24,308	\$ 288,822
Component Units:							
University of North Carolina System							
Difference between actual and expected experience	\$ 6,948						
Change in proportion and differences between agency's contributions and proportionate share of contributions	22,428						
Total⁽¹⁾	\$ 29,376						
Community Colleges							
Difference between actual and expected experience	\$ 2,458						
Change in proportion and differences between agency's contributions and proportionate share of contributions	10,399						
Total	\$ 12,857						
Other Component Units							
Difference between actual and expected experience	\$ 91						
Change in proportion and differences between agency's contributions and proportionate share of contributions	152						
Total⁽²⁾	\$ 243						

(1) Rex Healthcare is part of the University of North Carolina Health Care System and administers its own Rex Employees' Retirement Plan. It does not participate in TSERS. Deferred inflows of resources of Rex's retirement plan are excluded from the above amounts. At June 30, 2025, Rex Healthcare had deferred inflows of resources of \$1.852 million.

(2) Centennial Authority is a component unit of the State of North Carolina and participates in the Local Governmental Employees' Retirement System (LGERS). It does not participate in TSERS. Deferred inflows of resources of Centennial Authority's retirement plan are excluded from the above amounts. At June 30, 2025, Centennial Authority had deferred inflows of resources of seven thousand.

NOTES TO THE FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources related to contributions or transactions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

Teachers' and State Employees'

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
2026	\$ 264,884	\$ 198,779	\$ 67,990	\$ 3,414
2027	686,913	495,185	170,433	6,882
2028	(14,030)	(10,024)	(3,549)	(131)
2029	(58,289)	(41,488)	(14,686)	(543)

Other Plans

Year Ending June 30	Primary Government				
	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
2026	\$ (346)	\$ 25,188	\$ 158	\$ 1,806	\$ 14,366
2027	12,709	34,648	835	7,540	11,142
2028	(752)	7,432	(8)	(86)	6,876
2029	(1,651)	(2,167)	(85)	(539)	3,510
2030	—	—	—	—	2,343
Thereafter	—	—	—	—	271

Unrestricted net position has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plans administered by the State and the defined benefit pension plan provided by the State. As of June 30, 2025, the effect of these transactions on unrestricted net position is presented as follows (dollars in thousands):

	Governmental Activities	Business- type Activities	Total Primary Government	Component Units
Unrestricted net position	<u>\$ 16,460,135</u>	<u>\$ 8,213,106</u>	<u>\$ 24,673,241</u>	<u>\$ 2,429,810</u>
Effect on unrestricted net position				
TSERS	\$ (1,635,515)	\$ (25,961)	\$ (1,661,476)	\$ (1,625,708)
CJRS	(105)	—	(105)	—
LRS	—	—	—	—
SSA	(274)	—	(274)	—
Total effect on unrestricted net position	<u>\$ (1,635,894)</u>	<u>\$ (25,961)</u>	<u>\$ (1,661,855)</u>	<u>\$ (1,625,708)</u>
Restricted net position	<u>\$ 2,493,708</u>	<u>\$ 285,968</u>	<u>\$ 2,779,676</u>	<u>\$ 15,028,799</u>
Effect on restricted net position				
FRSWPF	\$ 45	\$ —	\$ 45	\$ —
NCNG	37	—	37	—
Total effect on restricted net position	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ 82</u>	<u>\$ —</u>

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Teachers' and State Employees'	Firefighters' and Rescue Squad	Consolidated Judicial	Legislative	North Carolina National Guard	Special Separation Allowance
	(1)		(1)	(1)		(3)
Valuation date	12/31/23	12/31/23	12/31/23	12/31/23	12/31/23	12/31/23
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary Increases	3.25-8.05%	N/A	3.25-4.75%	3.25%	N/A	3.25% - 8.05%
Investment Rate of Return (2)	6.5%	6.5%	6.5%	6.5%	6.5%	N/A

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

(2) - Investment rate of return includes inflation assumption and is net of pension plan investment expense.

(3) - Salary increases include 2.5% inflation and 0.75% real wage growth.

N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33%	2.4%
Global Equity	38%	6.9%
Real Estate	8%	6.0%
Alternatives	8%	8.6%
Opportunistic Fixed Income	7%	5.3%
Inflation Sensitive	6%	4.3%
Total	<u>100%</u>	

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>Net Pension Liability (Asset)</u>		
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Teachers' and State Employees' Proportionate Share			
Primary Government	\$ 6,058,322	\$ 3,302,838	\$ 1,030,172
University of North Carolina System	4,310,677	2,350,458	732,998
Community Colleges	1,527,491	832,099	259,738
Other Component Units	57,077	30,791	9,706
Firefighters' and Rescue Squad	\$ 50,992	\$ (14,140)	\$ (67,380)
Consolidated Judicial	\$ 307,902	\$ 208,481	\$ 123,944
Legislative	\$ 3,992	\$ 1,146	\$ (1,285)
North Carolina National Guard	\$ (10,984)	\$ (27,594)	\$ (41,180)

Sensitivity of the total pension liability to changes in the discount rate. The following presents the total pension liability calculated using the discount rate, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (dollars in thousands):

	<u>Total Pension Liability</u>		
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Special Separation Allowance	\$ 365,474	\$ 340,708	\$ 317,993

NOTES TO THE FINANCIAL STATEMENTS**3. CHANGES IN PENSION LIABILITY FOR SINGLE-EMPLOYER, DEFINED-BENEFIT PLANS**

The following schedule presents the changes in the pension liability for the single-employer, defined-benefit plans as of June 30, 2025 (dollars in thousands):

	<u>Consolidated Judicial</u>	<u>Legislative</u>	<u>Special Separation Allowance</u>
Total pension liability			
Service Cost	\$ 16,220	\$ 798	\$ 12,406
Interest	56,527	1,948	11,834
Differences between expected and actual experience	31,620	(57)	11,608
Changes of assumptions	-	-	(6,721)
Benefit payments, including refunds of member contributions	(60,931)	(2,557)	(25,295)
Net change in total pension liability	<u>43,436</u>	<u>132</u>	<u>3,832</u>
Total pension liability - beginning (a)	<u>883,416</u>	<u>30,433</u>	<u>336,876</u>
Total pension liability - ending (c)	<u>\$ 926,852</u>	<u>\$ 30,565</u>	<u>\$ 340,708</u>
Plan fiduciary net position			
Contributions-employer	\$ 35,574	\$ 748	\$ —
Contributions-member	6,715	253	—
Net investment income	54,594	2,243	—
Benefit payments, including refunds of member contributions	(60,931)	(2,557)	—
Administrative expense	(43)	(16)	—
Other	100	-	—
Net change in plan fiduciary net position	<u>36,009</u>	<u>671</u>	<u>—</u>
Plan fiduciary net position - beginning (b)	<u>682,362</u>	<u>28,748</u>	<u>—</u>
Plan fiduciary net position - ending (d)	<u>\$ 718,371</u>	<u>\$ 29,419</u>	<u>\$ —</u>
Net pension liability - beginning (a) - (b)	<u>201,054</u>	<u>1,685</u>	<u>—</u>
Net pension liability - ending (c) - (d)	<u>\$ 208,481</u>	<u>\$ 1,146</u>	<u>\$ —</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: DEFERRED COMPENSATION PLANS

1. IRC SECTION 457 PLAN

General Statute 143B-426.24 authorized the creation of the North Carolina Public Employee Deferred Compensation Plan (the NC 457 Plan) to offer a uniform deferred compensation plan to the employees of the State, any county or municipality, the North Carolina Community College System, any political subdivision of the State and any other entity whose employees are eligible to participate in the plan pursuant to the North Carolina General Statutes and Internal Revenue Code (IRC). The Supplemental Retirement Board of Trustees (the Board) and the Retirement Systems Division of the Department of State Treasurer (the Department) have the responsibility for administering the NC 457 Plan according to the plan document, the North Carolina General Statutes, and Internal Revenue Code (IRC) Section 457, with the Department serving as the primary administrator carrying out the provisions of the plan, as directed by the Board. The Board and the Department currently have an agreement with Empower Retirement (Empower) to perform recordkeeping, administration, and education services. At December 31, 2024, there were approximately 57,400 plan members with 622 employers adopting the NC 457 Plan.

The NC 457 Plan is a defined contribution plan. Benefits of the NC 457 Plan depend solely on amounts contributed to the plan plus investment earnings net of expenses. The assets of the NC 457 Plan are held in trust for the exclusive benefit of participants and their beneficiaries and for paying the reasonable costs of the plan. The deferred compensation is available to employees upon separation from service, death, retirement, financial hardships or attainment of age 59 ½. All costs of administering and funding the NC 457 Plan are the responsibility of the plan participants.

The audited statements for the year ended December 31, 2024 are presented in this financial report as a pension and other employee benefit trust fund. The NC 457 Plan's financial statements are prepared using the accrual basis of accounting. Notes receivable represent loans to participants and are reported at outstanding principal balances. The NC 457 Plan's financial statements are available online at myNCRetirement.com or by contacting the N.C. Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604-1668.

The NC 457 Plan discloses a related party transaction in Note 20 of this ACFR. The NC 457 Plan's investment risks are described in Note 3.

2. IRC SECTION 403(B) PLAN

Effective January 1, 2009, the University of North Carolina System established the UNC System 403(b) Plan for all constituent institutions. Employees can participate in tax-sheltered annuity contracts and custodial accounts created under Internal Revenue Code (IRC) Section 403(b). All employees who receive compensation reportable on a W-2 and pay FICA are eligible to participate in the 403(b) Plan, so long as the employee elects to contribute at least \$200 each calendar year. The University System administers the UNC 403(b) Plan and Teachers Insurance and Annuity Association (TIAA) and Fidelity serve as the record keepers of the plan. The plan is designed to provide a low-cost retirement savings option to university employees. At December 31, 2024, there were 15,545 employees participating in the plan. No direct costs are incurred by the State.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 14: OTHER POSTEMPLOYMENT BENEFITS**

The State administers two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina as pension and other employee benefit trust funds. Although the assets of the administered plans are commingled for investment purposes, each plan's assets may be used only for payment of benefits to members of that plan and for related administrative costs. The plans in this note do not issue separate financial statements. The financial statements and other required disclosures are presented in Note 16 and in the *Required Supplementary Information* section of this Annual Comprehensive Financial Report (ACFR).

A. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of these plans are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool.

Additionally, the securities lending balance represents assets occurring from securities lending transactions that result from the funds' participation in the External Investment Pool. The investments of the State Treasurer are discussed in Note 3.

B. Plan Descriptions***Cost-Sharing, Multiple-Employer, Defined Benefit Plans*****1. HEALTH BENEFITS**

Plan administration. The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the financial reporting entity also participate. The Plan is reported as a major component unit. Management of the Plan is vested in the State Health Plan Board of Trustees, which consists of 10 members – two appointed by the Governor, two appointed by the State Treasurer, two appointed by the State Senate, two appointed by the State House of Representatives, and the State Treasurer and the Director of State Budget and Management who serve as ex officio members. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments that are not part of the financial reporting entity also participate. At June 30, 2025, the number of participating employers was as follows:

State of North Carolina	1
LEAs	115
Charter Schools	54
Community Colleges	58
University of North Carolina System	19
Other Component Units	5
Local governments	11
	<u>263</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, RHBF assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Act. For the fiscal year ended June 30, 2025, the State and the other employers contributed the legislatively mandated 6.99% of covered payroll. This amount, combined with investment income, funds the benefits received during the year. RHBF is reported as an employee benefit trust fund. Actual contributions are reported in Section F of this note.

NOTES TO THE FINANCIAL STATEMENTS**2. DISABILITY INCOME**

Plan administration. As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of the Teachers' and State Employees' Retirement System which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and Local Education Agencies (LEAs) which are not part of the reporting entity, and the University Employees' Optional Retirement Program. At June 30, 2025, the number of participating employers was as follows:

State of North Carolina	1
LEAs	115
Charter Schools	54
Community Colleges	58
University of North Carolina System	19
Other Component Units	<u>5</u>
	<u>252</u>

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Contributions Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the state fiscal year. For the fiscal year ended June 30, 2025, the State and the other employers made a statutory contribution of 0.13% of covered payroll. This was greater than the actuarially determined contribution of 0.11%. Actual contributions are reported in Section F of this note.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

C. Plan Membership

The following tables summarize membership information by plan at the actuarial valuation date:

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Retired members and beneficiaries		
currently receiving benefits	256,452	N/A
Disabled members and survivors of deceased		
members currently receiving benefits	N/A	3,257
Terminated members entitled to but not yet		
receiving benefits	58,068	-
Active members	<u>241,330</u>	<u>321,613</u>
Total	<u><u>555,850</u></u>	<u><u>324,870</u></u>
Date of valuation	<i>12/31/24</i>	<i>12/31/24</i>
N/A - Not Applicable		

D. Investments

Investment policy. The OPEB plans' policy in regard to the allocation of invested assets is established and may be amended by the State Treasurer. Plan assets are managed by the Investment Management Division of the North Carolina Department of the State Treasurer (IMD) under the direction of the State Treasurer. It is the policy of the State Treasurer to invest plan assets with a focus on protection through diversification, achievement of stable and consistent returns that meet or exceed benchmarks and actuarial assumptions over a long-term projection, with a primary objective of ensuring that all liability payments and obligations are met. The target asset allocation is designed to reflect the policy objectives.

NOTES TO THE FINANCIAL STATEMENTS

The adopted asset allocation policies for the Disability Income Plan of North Carolina are primarily in the Bond Index Investment Pool as of June 30, 2025 as described in Note 3. The following table displays the adopted asset allocation policy for the Retiree Health Benefit Fund as of June 30, 2025:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	29%
Global Equity	42%
Real Estate	8%
Alternatives	8%
Opportunistic Fixed Income	7%
Inflation Sensitive	6%
Total	<u><u>100%</u></u>

Rate of return. For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was:

	<u>Cost-Sharing, Multiple-Employer</u>	
	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Money-weighted Rate of Return	8.27%	5.85%

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

E. Net OPEB Liability (Asset) of Participating Employers

The components of the net OPEB liability (asset) of the participating employers at June 30, 2025, were as follows (dollars in thousands):

	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Total OPEB liability	\$ 26,195,351	\$ 202,366
Plan fiduciary net position	<u>4,242,260</u>	<u>267,714</u>
Net OPEB liability (asset)	<u><u>\$ 21,953,091</u></u>	<u><u>\$ (65,348)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.19%	132.29%

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions. The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2025 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
	(1)	(1)
Valuation Date	12/31/2024	12/31/2024
Inflation	2.5%	2.5%
Salary Increases	3.25% to 8.05%	3.25% to 8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	9.5% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates (3)	9.77% grading down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	Premium adjustments for IRA impact through 2027, down to 5% by 2028	N/A
Healthcare Cost Trend Rate - Administrative (3)	-7.9% increasing to 3% by 2027	N/A

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

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

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2025.

NOTES TO THE FINANCIAL STATEMENTS

Best estimates of real rates of return for each major asset class included in the RHBF's target asset allocation as of June 30, 2025 (see the discussion of the OPEB plans' investment policy in Section D) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.4%
Global Equity	6.8%
Real Estate	6.1%
Alternatives	7.9%
Opportunistic Fixed Income	5.1%
Inflation Sensitive	4.2%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025, is 2.53%. The total return for the Bond Index Investment Pool is expected to exceed the assumed investment rate of return of 3% used to measure the total OPEB liability for DIPNC. As such, the investment rate of return of 3% includes a provision for adverse deviation.

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

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2024 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount rate. The discount rate used to measure the total OPEB liability for RHBF was 5.2% at June 30, 2025 compared to 3.93% at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current levels as approved by the State Health Plan Board of Trustees. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 5.2% was used as the discount rate used to measure the total OPEB liability. The 5.2% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2025.

The discount rate used to measure the total OPEB liability for DIPNC was 3% at June 30, 2025 and at June 30, 2024. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the plans at June 30, 2025, as well as what each plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollars in thousands):

	1% Decrease (4.2%)	Current Discount Rate (5.2%)	1% Increase (6.2%)
RHBF net OPEB liability	\$ 25,829,234	\$ 21,953,091	\$ 18,779,313

	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC net OPEB asset	\$ (62,208)	\$ (65,348)	\$ (68,670)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the plans, as well as what each plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (dollars in thousands):

	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Pharmacy Rebate - 4% - 8.77% Med. Advantage - 0% - 4%, Administrative - (8.9)% to 2%)	Current Healthcare Cost Trend Rates (Medical -5% -6%, Pharmacy - 5% - 9.5%, Pharmacy Rebate - 5% - 9.77% Med. Advantage - 0% - 5%, Administrative - (7.9)% to 3%)	1% Increase (Medical - 6% -7%, Pharmacy - 6% - 10.5%, Pharmacy Rebate - 6% - 10.77% Med. Advantage - 0% - 6%, Administrative - (6.9)% to 4%)
RHBF net OPEB liability	\$ 18,296,002	\$ 21,953,091	\$ 26,564,810

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

NOTES TO THE FINANCIAL STATEMENTS**F. GASB Statement 75 Employer Reporting****1. EMPLOYER AND NONEMPLOYER CONTRIBUTIONS**

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at June 30, 2025 (dollars in thousands):

	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government	\$ 395,443	\$ 5,900	\$ 401,343
Component Units			
University of North Carolina System	385,534	7,157	392,691
Community Colleges	74,770	1,387	76,157
Other Component Units	3,033	56	3,089
Total Contributions	<u>\$ 858,780</u>	<u>\$ 14,500</u>	<u>\$ 873,280</u>

In fiscal year 2024, the State Health Plan (the Plan) transferred \$10.3 million to the Retiree Health Benefit Fund as a result of cost savings to the Plan. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the primary government and component units recognized noncapital contributions for the RHBF as follows (dollars in thousands):

	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Noncapital Contributions	\$ 2,085	\$ 2,627	\$ 504	\$ 18

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

As of June 30, 2025, the primary government and component units reported net OPEB liabilities for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

	Primary Government	University of North Carolina System	Component Units Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Liability				
Retiree Health Benefit Fund	<u>\$ 6,852,659</u>	<u>\$ 8,636,191</u>	<u>\$ 1,657,879</u>	<u>\$ 58,618</u>

NOTES TO THE FINANCIAL STATEMENTS

	Component Units			
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Proportionate Share of the Net OPEB Asset				
Disability Income Plan of N.C.	\$ 6,366	\$ 8,814	\$ 1,631	\$ 56

Each net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate each net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2023. Update procedures were used to roll forward the total OPEB liability to June 30, 2024. For RHBF and DIPNC, the primary government's and each component unit's proportion of the collective net OPEB liability (asset) was based on a projection of the present value of future salaries relative to the projected present value of future salaries of all participating employers, actuarially determined. The primary government's proportion of the collective net OPEB liability (asset) was further allocated to individual proprietary funds based on each fund's proportionate share of the total prior year OPEB contributions.

The primary government's and component units' proportions of the collective net OPEB liability for the Retiree Health Benefit Fund and net OPEB asset for the Disability Income Plan of N.C. as of June 30, 2024 and 2023 were as follows:

	Component Units			
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
Retiree Health Benefit Fund				
Proportion – June 30, 2024	20.15%	25.39%	4.87%	0.17%
Proportion – June 30, 2023	19.89%	25.36%	4.86%	0.17%
Change – Increase	0.26	0.03	0.01	0.00
Disability Income Plan of N.C.				
Proportion – June 30, 2024	19.34%	26.90%	4.84%	0.17%
Proportion – June 30, 2023	19.12%	26.25%	4.86%	0.17%
Change – Increase (Decrease)	0.22	0.65	(0.02)	0.00

For the fiscal year ended June 30, 2025, the primary government and component units recognized OPEB expense for defined benefit OPEB plans administered by the State as follows (dollars in thousands):

	Component Units			
	Primary Government	University of North Carolina System	Community Colleges	Other Component Units
OPEB Expense				
Retiree Health Benefit Fund	\$ 277,953	\$ 313,371	\$ 38,388	\$ 4,045
Disability Income Plan of N.C.	3,856	4,392	964	40
Total OPEB Expense	<u>\$ 281,809</u>	<u>\$ 317,763</u>	<u>\$ 39,352</u>	<u>\$ 4,085</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2025, the primary government and component units reported deferred outflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Outflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	\$ 55,854	\$ 2,567	\$ 58,421
Changes of assumptions	1,650,367	95	1,650,462
Net difference between projected and actual earnings on OPEB plan investments	29,366	4,999	34,365
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,220,004	1,868	1,221,872
Contributions subsequent to the measurement date	395,443	5,900	401,343
Total	<u>\$ 3,351,034</u>	<u>\$ 15,429</u>	<u>\$3,366,463</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ 70,390	\$ 3,570	\$ 73,960
Changes of assumptions	2,079,947	132	2,080,079
Net difference between projected and actual earnings on OPEB plan investments	37,007	6,952	43,959
Change in proportion and differences between agency's contributions and proportionate share of contributions	220,627	479	221,106
Contributions subsequent to the measurement date	385,534	7,157	392,691
Total	<u>\$ 2,793,505</u>	<u>\$ 18,290</u>	<u>\$2,811,795</u>
Community Colleges			
Difference between actual and expected experience	\$ 13,513	\$ 642	\$ 14,155
Changes of assumptions	399,285	24	399,309
Net difference between projected and actual earnings on OPEB plan investments	7,104	1,251	8,355
Change in proportion and differences between agency's contributions and proportionate share of contributions	75,629	312	75,941
Contributions subsequent to the measurement date	74,770	1,387	76,157
Total	<u>\$ 570,301</u>	<u>\$ 3,616</u>	<u>\$ 573,917</u>
Other Component Units			
Difference between actual and expected experience	\$ 478	\$ 22	\$ 500
Changes of assumptions	14,118	1	14,119
Net difference between projected and actual earnings on OPEB plan investments	251	44	295
Change in proportion and differences between agency's contributions and proportionate share of contributions	5,218	27	5,245
Contributions subsequent to the measurement date	3,033	56	3,089
Total	<u>\$ 23,098</u>	<u>\$ 150</u>	<u>\$ 23,248</u>

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2025, the primary government and component units reported deferred inflows of resources related to defined benefit OPEB plans administered by the State from the following sources (dollars in thousands):

	Deferred Inflows of Resources		
	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Total
Primary Government:			
Difference between actual and expected experience	\$ —	\$ 7,323	\$ 7,323
Changes of assumptions	893,482	2,966	896,448
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>1,080,449</u>	<u>1,337</u>	<u>1,081,786</u>
Total	<u>\$ 1,973,931</u>	<u>\$ 11,626</u>	<u>\$ 1,985,557</u>
Component Units:			
University of North Carolina System			
Difference between actual and expected experience	\$ —	\$ 10,186	\$ 10,186
Changes of assumptions	1,125,983	4,126	1,130,109
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>193,248</u>	<u>1,034</u>	<u>194,282</u>
Total	<u>\$ 1,319,231</u>	<u>\$ 15,346</u>	<u>\$ 1,334,577</u>
Community Colleges			
Difference between actual and expected experience	\$ —	\$ 1,833	\$ 1,833
Changes of assumptions	216,154	742	216,896
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>49,348</u>	<u>87</u>	<u>49,435</u>
Total	<u>\$ 265,502</u>	<u>\$ 2,662</u>	<u>\$ 268,164</u>
Other Component Units			
Difference between actual and expected experience	\$ —	\$ 64	\$ 64
Changes of assumptions	7,643	26	7,669
Change in proportion and differences between agency's contributions and proportionate share of contributions	<u>1,117</u>	<u>10</u>	<u>1,127</u>
Total	<u>\$ 8,760</u>	<u>\$ 100</u>	<u>\$ 8,860</u>

NOTES TO THE FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2026. These amounts are found in the preceding Deferred Outflows of Resources table. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (dollars in thousands):

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
		2026	\$ 20,569	\$ (35,140)
2027	188,922	185,534	48,572	2,518
2028	430,486	528,057	108,371	3,894
2029	341,683	410,289	79,519	3,048

Disability Income Plan of N.C.

Year Ending June 30	Primary Government	Component Units		
		University of North Carolina System	Community Colleges	Other Component Units
		2026	\$ (2,139)	\$ (3,758)
2027	(1,497)	(2,577)	(354)	(9)
2028	990	1,115	271	8
2029	355	581	124	4
2030	194	426	65	3
Thereafter	—	—	—	—

Restricted and unrestricted net position have been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources related to the defined benefit OPEB plans administered by the State. The effect of these transactions on restricted and unrestricted net position is presented as follows (dollars in thousands):

	Governmental Activities	Business- type Activities	Total Primary Government	Component Units
Unrestricted net position	<u>\$ 16,460,135</u>	<u>\$ 8,213,106</u>	<u>\$ 24,673,241</u>	<u>\$ 2,429,810</u>
Effect on unrestricted net position				
RHBF	\$ (5,392,081)	\$ (83,474)	\$ (5,475,555)	\$ (8,707,808)
DIPNC	10,011	158	10,169	14,449
Total effect on unrestricted net position	<u>\$ (5,382,070)</u>	<u>\$ (83,316)</u>	<u>\$ (5,465,386)</u>	<u>\$ (8,693,359)</u>

NOTES TO THE FINANCIAL STATEMENTS

Actuarial assumptions. The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
	(1)	(1)
Valuation Date	12/31/23	12/31/2023
Inflation	2.5%	2.5%
Salary Increases	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return (2)	6.5%	3%
Healthcare Cost Trend Rate - Medical (3)	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug (3)	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates (3)	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage (3)	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative (3)	3%	N/A

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

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

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

N/A - Not Applicable

The following table presents the adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33%	2.4%
Global Equity	38%	6.9%
Real Estate	8%	6.0%
Alternatives	8%	8.6%
Opportunistic Fixed Income	7%	5.3%
Inflation Sensitive	6%	4.3%
Total	100%	

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>Net OPEB Liability</u>		
	Current		
	1% Decrease <u>(2.93%)</u>	Discount Rate (3.93%)	1% Increase <u>(4.93%)</u>
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 8,152,892	\$ 6,852,659	\$ 5,808,688
University of North Carolina System	10,274,831	8,636,191	7,320,504
Community Colleges	1,972,447	1,657,879	1,405,308
Other Component Units	69,740	58,618	49,687
	<u>Net OPEB Asset</u>		
	Current		
	1% Decrease <u>(2%)</u>	Discount Rate (3%)	1% Increase <u>(4%)</u>
Disability Income Plan of N.C.			
Proportionate Share			
Primary Government	\$ 5,677	\$ 6,366	\$ 7,091
University of North Carolina System	7,896	8,814	9,864
Community Colleges	1,421	1,631	1,775
Other Component Units	50	56	62

NOTES TO THE FINANCIAL STATEMENTS

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

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6% Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17% Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
Retiree Health Benefit Fund			
Proportionate Share			
Primary Government	\$ 5,656,379	\$ 6,852,659	\$ 8,401,611
University of North Carolina System	7,128,555	8,636,191	10,588,284
Community Colleges	1,368,460	1,657,879	2,032,620
Other Component Units	48,384	58,618	71,867

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: RISK MANAGEMENT AND INSURANCE

A. Public Entity Risk Pool**State Public Education Property Insurance Fund**

The State Public Education Property Insurance Fund (the Fund) is a public entity risk pool reported within the enterprise funds. In accordance with Chapter 58, Article 31A, of the General Statutes, the purpose of the Fund is to insure the Local Education Agencies (LEAs), in order to safeguard the property investments made in the public schools of North Carolina. The community colleges, which are component units, can also acquire insurance through the Fund as stated in General Statute 115D-58.11(c). The board of each LEA and the board of trustees of each community college are required to insure their buildings and contents on a replacement cost basis, as suggested by the Fund. The Fund is financed by premiums collected from the LEAs and the community colleges and interest is earned on the Fund's cash balance. Each board must give notice of its election to insure in the Fund at least 30 days prior to such insurance becoming effective and shall furnish to the Fund a detailed list of all school buildings, contents and other insurable school property. While policies remain in effect, the Fund shall act as insurer of the properties covered by such insurance. The Fund currently insures 71 out of 123 LEAs and 18 out of 58 community colleges.

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

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

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

	<u>Fiscal Year</u>	
	<u>2025</u>	<u>2024</u>
Unpaid claims at beginning of year	\$ 3,963	\$ 5,056
Incurred claims:		
Provision for insured events		
of the current year	12,295	917
Increases (decreases) in provision		
for insured events of prior years	(4,708)	195
Total incurred claims	<u>7,587</u>	<u>1,112</u>
Payments:		
Claims attributable to insured		
events of the current year	10,158	998
Claims attributable to insured		
events of the prior years	(1,199)	1,207
Total payments	<u>8,959</u>	<u>2,205</u>
Total unpaid claims at end		
of the year	<u>\$ 2,591</u>	<u>\$ 3,963</u>

With the collection of premiums from the insured educational units, payment of valid claims becomes the responsibility of the Fund. All claims greater than \$10 million per occurrence are covered by reinsurance contracts. Maximum recoverable from reinsurance for any one catastrophic event is \$200 million per occurrence. Losses in excess of the reinsurance limit would be paid by the Fund from long-term investments, subject to the maximum amount of available funds. Annual aggregate limits of \$200 million apply separately with respect to flood and earthquake. Coverage applies to "all risk" perils. Boiler and machinery coverage is provided under separate contract underwritten by Hartford Steam & Boiler with a combined limit of \$50 million per occurrence. Incurred losses are reduced by estimated amounts recoverable under the Fund's reinsurance policies. As of June 30, 2025, there were claims for reinsurance. There were no premium

NOTES TO THE FINANCIAL STATEMENTS

deficiencies in fiscal year 2025 that resulted in a 20% rate increase of the excess reinsurance. Investment income was not considered in the determination of premium deficiencies.

B. Employee Benefit Plans

1. State Health Plan

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

The Plan is reported as a major component unit. Coverage for active employees, non-Medicare retirees, and some Medicare retirees is self-funded. Medicare retirees also had the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options in Calendar Year 2024 and in Calendar Year 2025. Contributions for employee and retiree coverage are made by the State, its participating component units, LEAs, and other qualified employing units. Some of the plans also require an employee or retiree contribution, depending on the plan selected or the employee's or retiree's willingness to participate in wellness activities that reduce employee contributions. Contributions for dependent coverage are made by employees and retirees. As described in Note 14, coverage is also extended to certain individuals as another postemployment benefit. The Plan has contracted with third parties to process claims.

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

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

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2023-24	\$ 415,033	\$ 3,990,700	\$ (4,036,855)	\$ 368,878
2024-25	368,878	4,262,999	(4,253,085)	378,792

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) is provided through the Death Benefit Plan, a pension and other employee benefit trust fund, to all members of the Teachers' and State Employees' Retirement System who have completed at least 12 consecutive months of membership in the System. Membership includes employees of the State, the University of North Carolina System, community colleges, and certain participating proprietary component units. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service. The benefit payment is equal to the greater of (1) the compensation on which contributions were made by the member during the calendar year preceding the year in which his/her death occurs or (2) the member's highest 12 month's salary in a row during the 24 months prior to his/her death. The benefit is subject to a minimum of \$25,000 and to a maximum of \$50,000.

For the period July 1, 2024 to June 30, 2025, death benefits were funded by actuarially based employer contributions that are established in the biennial appropriation bill by the General Assembly. The State, the University of North Carolina System, community colleges, participating proprietary component units, LEAs and other miscellaneous educational units contributed 0.13% of covered payroll (as defined in Note 14) to fund the Death Benefit Plan for the period July 2024 to June 2025.

These benefits are established by Chapter 135, Article 8, of the General Statutes and may be amended only by the North Carolina General Assembly. Claims liabilities are based on estimates of the ultimate cost of claims that have been incurred (both reported and unreported).

NOTES TO THE FINANCIAL STATEMENTS

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

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2023-24	\$ 4,189	\$ 59,623	\$ (57,931)	\$ 5,881
2024-25	5,881	53,000	(53,814)	5,067

3. Disability Income Plan of North Carolina

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a pension and other employee benefit trust fund, to the eligible members of the Teachers' and State Employees' Retirement System (TSERS) which includes employees of the State, the University of North Carolina System, community colleges, certain participating proprietary component units and the University Employees' Optional Retirement Program. Employees of LEAs and miscellaneous educational units which are not part of the reporting entity are also included. Short-term benefits are payable after a waiting period of 60 continuous calendar days from the onset of disability. The 60 day waiting period is determined from the last actual day of service, the day of the disabling event if the disabling event occurred on a day other than a normal workday, or the day following at least 365 calendar days of employment as a State teacher or State employee, whichever is later. Short-term benefits are provided to currently active employees and the related liability is not measurable. Short-term benefits during the initial short-term disability period are payable by the employer outside of DIPNC, for a period of up to 365 days following the waiting period. The Board of Trustees may extend the short-term disability benefits of a beneficiary beyond the benefit period of 365 days for an additional period of not more than 365 days, provided the Medical Board determines that the beneficiary's disability is temporary and likely to end within the extended period of short-term disability benefits. During the extended period of short-term disability benefits, payment of benefits shall be made by DIPNC directly to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as an other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. These benefits are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly.

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

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

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

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

The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. If aggregate uninsured losses sustained by the Fund, in excess of \$50,000 per loss, other than flood and earthquake losses and wind losses by named storms, reach

NOTES TO THE FINANCIAL STATEMENTS

\$10 million in any one annual period, the Fund's retention for the remainder of the annual period is \$100,000 per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

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

	Beginning of Fiscal Year Liability (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2023-24	\$ 21,129	\$ -	\$ (8,987)	\$ 12,142
2024-25	12,142	\$ 8,281	(11,521)	8,902

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

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

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

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

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

b. Self-Insurance through the Liability Insurance Trust Fund

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

NOTES TO THE FINANCIAL STATEMENTS

For the periods ending June 30, 2024 and June 30, 2025, the Trust Fund provided coverage on an occurrence basis of \$3 million per individual and \$7 million in the aggregate per claim. Excess reinsurance coverage was not purchased for the policy years ending June 30, 2024 and June 30, 2025, as the Trust Fund chose to retain 100% of the liability. In lieu of reinsurance, the participants contributed \$10 million in the aggregate into the Reimbursement Fund during previous fiscal years for future losses.

For the fiscal year ending June 30, 2025, the Trust Fund purchased a direct insurance policy to cover the first \$1 million per occurrence and \$3 million in the aggregate for dental residents. In the event the Trust Fund has insufficient funds to pay existing and future claims, it has the authority to borrow necessary amounts up to \$30 million. Any such borrowing would be repaid from the assets and revenues of program participants. No borrowings have been made under this authority to date. The Trust Fund council believes adequate funds are on deposit in the Trust Fund to meet estimated losses based upon the results of the independent actuary's report.

The Trust Fund establishes claim liabilities based on estimates of the ultimate cost of all losses and loss adjustment expenses, including losses and loss adjustment expenses incurred but not yet reported, which are unpaid at the balance sheet date. The claims liabilities of \$33.409 million and \$40.350 million are the present values of the aggregate actuarially determined claims liabilities of \$ 31.607 million and \$41.739 million, discounted at 2.5% at June 30, 2024 and 1.5% at June 30, 2025.

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

	Beginning of Fiscal Year Liability (as restated)	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2023-24	\$ 27,247	\$ 11,132	\$ (6,772)	\$ 31,607
2024-25	31,607	17,179	(8,420)	40,366

3. Public Officers' and Employees' Liability Insurance

In accordance with Chapter 58, Article 32, Part 15, of the General Statutes, public officers' and employees' liability insurance is provided by private insurers for all employees of the State and participating component units except for doctors and dentists. The policy provides \$2 million excess insurance per person over the \$1 million statutory limit payable for any one claim under the State Tort Claims Act. The policy aggregate limit is \$10 million. The first \$150,000 of an award against a state agency is the responsibility of the state agency's General Fund budget code or up to \$1 million if a Non-General Fund budget code. For General Fund budget codes, any award greater than \$150,000 but less than \$1 million is funded by proportionate shares of estimated lapse salaries from all agencies' General Fund budget codes. Since state agencies and component units are responsible for funding any tort claims of \$1 million or less from their budget and/or lapse salaries, total claims liabilities are not measurable. Employers are charged a premium for the excess insurance based on a composite rate. The employers pay the premiums to a private insurer through the State's Agent of Record. Settled claims have not exceeded coverage in any of the past three fiscal years.

4. Employee Dishonesty and Computer Fraud

Blanket public employee dishonesty and computer fraud insurance is available for agencies of the State and its component units with a limit of \$5 million per occurrence, subject to a \$100,000 deductible. This coverage is placed on a master policy and is handled by the Office of State Fire Marshal. Agencies of the State and its component units are charged premiums by the private insurance company and pays through the State's Agent of Record. A small number of state agencies and component units of the State require faithful performance coverage in addition to employee dishonesty coverage. In these instances, separate policies have been purchased. The amounts of coverage and the deductibles vary among these separate policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

5. Statewide Workers' Compensation Program

The State has two separate workers' compensation programs that cover employees statewide. The workers' compensation program authorized by Chapter 143, Article 63 administered by the Office of State Human Resources (OSHR) covers workplace injuries under North Carolina Workers' Compensation Act, Chapter 97 of the General Statutes of State employees (excluding Department of Public Instruction (DPI) employees and UNC Health), universities, and community college employees paid with State funds. The workers' compensation program authorized by Chapter 115C, Article 23, and Chapter 115, Article 2 administered by the Department of Public Instruction (DPI) covers workplace injuries of DPI and Local Education Agencies' (LEAs) employees.

NOTES TO THE FINANCIAL STATEMENTS

The State and its component units are self-insured for workers' compensation liabilities. The OSHR and DPI programs separately contract with third party administrators and other vendors to handle their program's respective claims. Workers' compensation budgets for most state agencies and participating component units are based on the prior year's loss experience. Workers' compensation liabilities are recognized when probable and reasonably estimated. This liability is presented as a component of the Governmental Activities and University of North Carolina System Long-Term Liabilities.

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

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

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

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

	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2023-24	\$ 665,644	\$ 223,633	\$ (240,939)	\$ 648,338
2024-25	648,338	186,558	(182,540)	652,356

6. Workers' Compensation Fund

The Workers' Compensation Fund (the Fund) is an insurance enterprise reported within the enterprise funds. The Fund is created in the Department of Insurance (the Department) and is administered by the Office of State Fire Marshal through a service contract with a third-party administrator, with oversight by the State Fire and Rescue Commission (the Commission). In accordance with Chapter 58, Article 87, of the General Statutes, the purpose of the Workers' Compensation Fund is to provide workers' compensation benefits to members of "eligible units," which consist of volunteer fire departments or volunteer rescue/EMS units that are not part of a unit of local government and are exempt from state income tax under General Statute 105-130.11. These eligible units are not part of the reporting entity. Benefits are payable for compensable injuries or deaths which occurred on or after July 1, 1996. The Fund is financed by transfers from General Fund and ten percent (10%) of the net proceeds of the gross premium tax pursuant to General Statute 105-228.5(d)(3), and per capita fixed dollar amounts for each member of a participating eligible unit's roster. The per capita fixed dollar amount is set annually by the Office of the State Fire Marshal and is paid by the eligible units to the Office of State Fire Marshal on or before July 1 of each year for credit to the Fund. If payment is not received by July 1, the eligible unit shall not receive workers' compensation coverage for that fiscal year. Pursuant to Section 30.5 of Session Law 2023-134, as amended by Section 11.49(d) of Session Law 2023-151, the State Fire Marshal shall not set an amount to be paid by every eligible unit and eligible entity that elects to participate in the Fund. For the 2024-2025 fiscal year and the 2025-2026 fiscal year, no eligible unit or eligible entity shall be required to submit to the State Fire Marshal any payment to participate in the Fund. As of June 30, 2025, the Fund consisted of 1,107 eligible units representing approximately 45,938 members.

NOTES TO THE FINANCIAL STATEMENTS

The liability for unpaid claims is based on an actuarial determination and represents a reasonable estimate of the ultimate cost of open claims and claim settlement expenses that are unpaid as of the fiscal year end, including incurred but not reported losses. The liability for unpaid claims is continually reviewed, and as adjustments become necessary such adjustments are included in current operations. Claim liabilities do not include nonincremental claims adjustment expenses. The Fund considers anticipated investment income in determining if a premium deficiency exists. The Fund recognizes subrogation from third parties as a reduction to claim and claim settlement expenses incurred. As of June 30, 2025, there was no reduction for subrogation.

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

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

	Beginning of Fiscal Year Liability (as restated)	Current-Year Claims and Changes in Estimates (as restated)	Claim Payments (as restated)	Balance at Fiscal Year-End (as restated)
2023-24	\$ 20,380	\$ 7,521	\$ (8,631)	\$ 19,270
2024-25	19,270	9,984	(7,628)	21,626

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NOTES TO THE FINANCIAL STATEMENTS**NOTE 16: INDIVIDUAL PLAN FINANCIAL STATEMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

Financial statements for Pension and Other Employee Benefit Trust Funds as of and for the fiscal year ended June 30, 2025 are presented below.

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2025

(Dollars in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System
Assets						
Cash and cash equivalents	\$ 165,884	\$ 1,029	\$ 450	\$ 328	\$ 487	\$ 214,432
Investments:						
Collective investment funds	-	-	-	-	-	-
Synthetic guaranteed investment contracts	-	-	-	-	-	-
State Treasurer investment pool	92,995,977	768,216	29,801	568,549	188,381	36,626,912
Non-State Treasurer pooled investments	-	-	-	-	-	-
Securities lending collateral	1,020,696	8,423	337	6,222	2,071	405,625
Receivables:						
Accounts receivable	5,069	-	14	2	3	2,530
Intergovernmental receivable	-	-	-	-	-	-
Interest receivable	1,556	14	2	8	4	1,038
Contributions receivable	104,099	-	-	-	-	118,585
Due from other funds	86,718	3,565	-	-	-	-
Due from component units	24,730	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total Assets	<u>94,404,729</u>	<u>781,247</u>	<u>30,604</u>	<u>575,109</u>	<u>190,946</u>	<u>37,369,122</u>
Liabilities						
Accounts payable and accrued liabilities:						
Accounts payable	-	-	-	-	-	-
Benefits payable	1,543	10	-	1	-	993
Obligations under securities lending	1,020,696	8,423	337	6,222	2,071	405,625
Funds held for others	6,820	53	3	-	-	28
Total Liabilities	<u>1,029,059</u>	<u>8,486</u>	<u>340</u>	<u>6,223</u>	<u>2,071</u>	<u>406,646</u>
Net Position						
Restricted for:						
Pension benefits	93,375,670	772,761	30,264	568,886	188,875	36,962,476
Other postemployment benefits	-	-	-	-	-	-
Other employment benefits	-	-	-	-	-	-
Total Net Position	<u>\$ 93,375,670</u>	<u>\$ 772,761</u>	<u>\$ 30,264</u>	<u>\$ 568,886</u>	<u>\$ 188,875</u>	<u>\$ 36,962,476</u>

NOTES TO THE FINANCIAL STATEMENTS

<u>NC 401(k) Plan</u>	<u>NC 457 Plan</u>	<u>Death Benefit Plan of N.C.</u>	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>	<u>Sheriffs' Pension Fund</u>	<u>Register of Deeds' Supplemental Pension Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 17,118	\$ 1,245,923	\$ 6,270	\$ 1,269	\$ 61	\$ 1,653,251
29,118	5,301	-	-	-	-	-	34,419
1,854,976	337,667	-	-	-	-	-	2,192,643
-	-	451,855	2,918,812	240,732	-	47,242	134,836,477
13,733,629	1,729,128	-	-	-	-	-	15,462,757
-	-	428	63,107	155	32	1	1,507,097
-	-	-	618	19,752	-	-	27,988
-	-	-	-	-	22	-	22
-	-	62	4,433	24	5	-	7,146
4,395	721	815	31,786	587	-	75	261,063
-	-	495	27,248	495	-	-	118,521
-	-	141	13,440	250	-	-	38,561
303,358	25,960	-	-	-	-	-	329,318
<u>15,925,476</u>	<u>2,098,777</u>	<u>470,914</u>	<u>4,305,367</u>	<u>268,265</u>	<u>1,328</u>	<u>47,379</u>	<u>156,469,263</u>
1,276	232	72	-	-	-	-	1,580
-	-	5,067	-	332	-	-	7,946
-	-	428	63,107	155	32	1	1,507,097
-	-	-	-	64	-	-	6,968
<u>1,276</u>	<u>232</u>	<u>5,567</u>	<u>63,107</u>	<u>551</u>	<u>32</u>	<u>1</u>	<u>1,523,591</u>
15,924,200	-	-	-	-	1,296	47,378	147,871,806
-	-	-	4,242,260	267,714	-	-	4,509,974
-	2,098,545	465,347	-	-	-	-	2,563,892
<u>\$ 15,924,200</u>	<u>\$ 2,098,545</u>	<u>\$ 465,347</u>	<u>\$ 4,242,260</u>	<u>\$ 267,714</u>	<u>\$ 1,296</u>	<u>\$ 47,378</u>	<u>\$ 154,945,672</u>

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

For Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System	Firefighters' and Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System
Additions						
Contributions:						
Employer Contributions	\$ 3,186,638	\$ 38,028	\$ 698	\$ -	\$ -	\$ 1,409,118
Members Contributions	1,152,855	7,003	253	2,813	-	620,610
Other contributions	-	-	-	20,402	1,121	-
Total contributions	<u>4,339,493</u>	<u>45,031</u>	<u>951</u>	<u>23,215</u>	<u>1,121</u>	<u>2,029,728</u>
Investment income:						
Investment earnings (loss)	8,765,431	72,657	2,888	53,719	17,997	3,439,658
Less investment expenses	(291,429)	(2,414)	(96)	(1,785)	(596)	(114,579)
Net investment income (loss)	<u>8,474,002</u>	<u>70,243</u>	<u>2,792</u>	<u>51,934</u>	<u>17,401</u>	<u>3,325,079</u>
Other additions:						
Fees, licenses, and fines	-	-	-	-	-	2,322
Interest earnings on loans	-	-	-	-	-	-
Miscellaneous	1,757	86	-	19	9	640
Total other additions	<u>1,757</u>	<u>86</u>	<u>-</u>	<u>19</u>	<u>9</u>	<u>2,962</u>
Total additions	<u>12,815,252</u>	<u>115,360</u>	<u>3,743</u>	<u>75,168</u>	<u>18,531</u>	<u>5,357,769</u>
Deductions						
Claims and benefits	5,603,266	59,897	2,365	32,050	9,265	1,931,155
Medical insurance premiums	-	-	-	-	-	-
Refund of contributions	127,859	1,023	506	216	-	77,077
Administrative expenses	17,156	50	25	1,026	322	7,200
Other deductions	579	-	2	-	-	27
Total deductions	<u>5,748,860</u>	<u>60,970</u>	<u>2,898</u>	<u>33,292</u>	<u>9,587</u>	<u>2,015,459</u>
Change in net position	7,066,392	54,390	845	41,876	8,944	3,342,310
Net position — July 1, as previously reported	<u>86,309,278</u>	<u>718,371</u>	<u>29,419</u>	<u>527,010</u>	<u>179,931</u>	<u>33,620,166</u>
Net position — June 30	<u>\$ 93,375,670</u>	<u>\$ 772,761</u>	<u>\$ 30,264</u>	<u>\$ 568,886</u>	<u>\$ 188,875</u>	<u>\$ 36,962,476</u>

NOTES TO THE FINANCIAL STATEMENTS

NC 401(k) Plan	NC 457 Plan	Death Benefit Plan of N.C.	Retiree Health Benefit Fund	Disability Income Plan of N.C.	Sheriffs' Pension Fund	Register of Deeds' Supplemental Pension Fund	Total
\$ 411,817	\$ 7,178	\$ 29,505	\$ 1,524,319	\$ 28,066	\$ 1,054	\$ 911	\$ 6,637,332
596,699	112,210	-	-	-	-	-	2,492,443
-	-	30,375	294	-	-	-	52,192
<u>1,008,516</u>	<u>119,388</u>	<u>59,880</u>	<u>1,524,613</u>	<u>28,066</u>	<u>1,054</u>	<u>911</u>	<u>9,181,967</u>
1,677,349	222,555	25,666	320,174	13,616	48	2,657	14,614,415
(21,516)	(2,833)	(129)	(11,828)	(63)	(2)	(11)	(447,281)
<u>1,655,833</u>	<u>219,722</u>	<u>25,537</u>	<u>308,346</u>	<u>13,553</u>	<u>46</u>	<u>2,646</u>	<u>14,167,134</u>
-	-	-	-	-	695	-	3,017
22,584	1,849	-	-	-	-	-	24,433
1,866	282	-	-	-	-	-	4,659
<u>24,450</u>	<u>2,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695</u>	<u>-</u>	<u>32,109</u>
<u>2,688,799</u>	<u>341,241</u>	<u>85,417</u>	<u>1,832,959</u>	<u>41,619</u>	<u>1,795</u>	<u>3,557</u>	<u>23,381,210</u>
1,174,007	159,021	53,000	-	25,273	1,649	1,962	9,052,910
-	-	-	1,280,654	-	-	-	1,280,654
-	-	-	-	-	-	-	206,681
9,037	1,668	697	170	1,241	179	28	38,799
-	-	-	-	-	-	-	608
<u>1,183,044</u>	<u>160,689</u>	<u>53,697</u>	<u>1,280,824</u>	<u>26,514</u>	<u>1,828</u>	<u>1,990</u>	<u>10,579,652</u>
<u>1,505,755</u>	<u>180,552</u>	<u>31,720</u>	<u>552,135</u>	<u>15,105</u>	<u>(33)</u>	<u>1,567</u>	<u>12,801,558</u>
14,418,445	1,917,993	433,627	3,690,125	252,609	1,329	45,811	142,144,114
<u>\$ 15,924,200</u>	<u>\$ 2,098,545</u>	<u>\$ 465,347</u>	<u>\$ 4,242,260</u>	<u>\$ 267,714</u>	<u>\$ 1,296</u>	<u>\$ 47,378</u>	<u>\$ 154,945,672</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PLEDGED REVENUES

Primary Government**Governmental Activities**

The State has pledged future federal transportation revenues to repay \$1.045 billion of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2025. These bonds were issued in May 2015, June 2019, September 2021 and May 2025. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

During the fiscal year, the GARVEE series 2015 were refunded with appropriation revenue bonds. As a result, the refunded bonds were defeased and the liability was removed from the statement of net position as of June 30, 2025.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$1.349 billion, payable through fiscal year 2040. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$119.994 million and \$1.722 billion, respectively.

Business-type Activities**North Carolina Turnpike Authority**

The State has pledged, as security for revenue bonds issued by the North Carolina Turnpike Authority (NCTA), net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. As of June 30, 2025, the Triangle Expressway had \$1.638 billion of Appropriation and Revenue bonds payable and a \$499.462 million TIFIA line of credit. The Monroe Expressway had \$380.737 million of Appropriation and Revenue bonds payable and a \$165.573 million TIFIA line of credit. For the Senior Lien and Toll Revenue bonds and TIFIA, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018. The total principal and interest remaining to be paid on the bonds is \$3.886 billion, payable through fiscal year 2058 (final maturity date). For the current fiscal year, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy and investment revenues) were \$123.791 million and \$138.586 million respectively.

NOTES TO THE FINANCIAL STATEMENTS**Component Units****University of North Carolina System**

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

Purpose	Revenue Source	Future Revenues Pledged		Current Year			Payable as of 6/30/2025
		(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments	Final Maturity Date	
Revenue Bonds							
Millennial Campus	University Charges to Athletics & Auxiliary Services and to Indoor Practice Facility	\$ 88,910	100%	\$ 1,935	\$ 2,284	2049	\$ 56,045
Health Care Facilities	Patient Service Revenues	604,522	100%	208,317	24,795	2050	383,930
Total		<u>\$ 693,432</u>		<u>\$ 210,252</u>	<u>\$ 27,079</u>		<u>\$ 439,975</u>
Direct Placements							
Utilities	Utilities Revenues	\$ 6,590	14%	\$ 1,552	\$ 797	2040	\$ 5,810
Millennial Campus	University Charges to Athletic Turf Field	1,397	100%	40	280	2030	1,329
Student Housing System	Housing Revenues	18,298	50.3%	1,934	1,493	2035	14,598
Total		<u>\$ 26,285</u>		<u>\$ 3,526</u>	<u>\$ 2,570</u>		<u>\$ 21,737</u>
Special Indebtedness							
Student Housing System	Housing Revenues	\$ 74,028	39% - 67%	\$ 7,933	\$ 6,221	2041	\$ 58,524
Notes from Direct Borrowings							
Student Housing System	Housing Revenues	\$ 8,994	16%	\$ 467	\$ 406	2057	\$ 8,994

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: COMPONENT UNITS – FINANCIAL INFORMATION

Financial statements as of and for the fiscal year ended June 30, 2025 are presented below (dollars in thousands).

Statement of Net Position

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Assets					
Cash and cash equivalents	\$ 4,610,067	\$ 578,613	\$ 585,670	\$ 390,197	\$ 6,164,547
Investments	5,329,600	220,146	-	1,605,997	7,155,743
Securities lending collateral	145,715	14,144	13,867	1,110	174,836
Receivables, net	2,014,817	120,927	243,534	106,459	2,485,737
Due from component units	1,033	-	-	14,305	15,338
Due from primary government	286,397	-	-	-	286,397
Inventories	173,203	12,297	-	992	186,492
Prepaid items	142,805	18,387	-	7,105	168,297
Hedging derivatives asset	292	-	-	3,362	3,654
Notes receivable, net	79,089	1,502	-	489,298	569,889
Lease receivable	149,279	3,596	-	76,627	229,502
PPP receivable	-	-	-	40,974	40,974
Investment in joint venture	287,054	-	-	-	287,054
Restricted/designated cash and cash equivalents	2,890,091	763,505	-	2,271,781	5,925,377
Restricted investments	8,969,522	635,499	-	9,191,913	18,796,934
Restricted due from primary government	-	2,886	-	-	2,886
Restricted due from component units	-	19,707	-	1,649	21,356
Beneficial interest in assets held by others	9,036	-	-	-	9,036
Net OPEB asset	8,814	1,631	5	51	10,501
Capital assets-nondepreciable	2,352,589	575,190	-	330,104	3,257,883
Capital assets-depreciable, net	15,551,219	4,056,435	-	846,332	20,453,986
Total Assets	43,000,622	7,024,465	843,076	15,378,256	66,246,419
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	41,167	-	-	547	41,714
Deferred loss on refunding	41,817	-	-	-	41,817
Deferred outflows for asset retirement obligation	14,632	-	-	-	14,632
Deferred outflows for pensions	1,210,058	422,630	1,354	15,817	1,649,859
Deferred outflows for OPEB	2,811,795	573,917	2,100	21,148	3,408,960
Other deferred outflows	-	582	-	-	582
Total Deferred Outflows of Resources	4,119,469	997,129	3,454	37,512	5,157,564
Liabilities					
Accounts payable and accrued liabilities	1,587,587	112,871	30,490	440,404	2,171,352
Medical claims payable	-	-	378,792	-	378,792
Interest payable	44,568	1	-	69,094	113,663
Obligations under securities lending	145,715	14,144	13,867	1,110	174,836
Short-term debt	39,000	-	-	-	39,000
Due to component units	-	-	-	36,695	36,695
Due to primary government	14,006	-	-	4,927	18,933
Unearned revenue	726,770	47,384	38,811	163,072	976,037
Advance from primary government	-	-	-	1,191	1,191
Deposits payable	32,365	-	-	2,339	34,704
Funds held for others	36,951	10,738	-	5,277,500	5,325,189
Hedging derivatives liability	41,167	-	-	664	41,831
Long-term liabilities:					
Due within one year	637,853	28,565	93	91,603	758,114
Due in more than one year	17,604,272	2,652,113	8,555	3,961,063	24,226,003
Total Liabilities	20,910,254	2,865,816	470,608	10,049,662	34,296,340

NOTES TO THE FINANCIAL STATEMENTS**Statement of Net Position**

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Deferred Inflows of Resources					
Deferred inflows for PPP arrangements	318,591	-	-	-	318,591
Deferred state aid	570,000	-	-	219,283	789,283
Deferred gain on refunding	8,602	-	-	-	8,602
Deferred inflows for lease agreements	121,321	3,045	-	73,183	197,549
Deferred inflows for pensions	31,228	12,857	160	90	44,335
Deferred inflows for OPEB	1,334,577	268,164	1,458	7,402	1,611,601
Deferred inflows for irrevocable split-interest agreements	31,179	-	-	-	31,179
Accumulated increase in fair value of hedging derivatives	292	-	-	3,362	3,654
Other deferred inflows	2,358	-	-	36,990	39,348
Total Deferred Inflows of Resources	2,418,148	284,066	1,618	340,310	3,044,142
Net Position					
Net investment in capital assets	11,055,590	4,495,521	-	1,053,781	16,604,892
Restricted for:					
Nonexpendable:					
Higher education	4,094,275	298,905	-	-	4,393,180
Expendable:					
Higher education	7,032,328	1,244,431	-	73,818	8,350,577
Health and human services	608,833	-	-	19	608,852
Economic development	-	-	-	1,676,190	1,676,190
Unrestricted	1,000,663	(1,167,145)	374,304	2,221,988	2,429,810
Total Net Position	\$ 23,791,689	\$ 4,871,712	\$ 374,304	\$ 5,025,796	\$ 34,063,501

Statement of Activities

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
Total expenses	\$ 19,872,422	\$ 3,120,332	\$ 4,500,096	\$ 1,994,394	\$ 29,487,244
Program revenues:					
Charges for services [1]	13,298,773	325,259	4,465,641	514,393	18,604,066
Operating grants and contributions:					
Federal aid - COVID-19	3,620	4,528	-	-	8,148
State aid - program	-	-	-	616,160	616,160
Other operating grants and contributions	3,625,578	1,293,248	48,530	1,056,501	6,023,857
Capital grants and contributions:					
State capital aid	119,571	252,051	-	-	371,622
Other capital grants and contributions	670,165	328,815	-	18,152	1,017,132
Net program (expense) revenue	(2,154,715)	(916,431)	14,075	210,812	(2,846,259)
Non-tax general revenues:					
Unrestricted investment earnings	-	-	-	246,469	246,469
State aid - coronavirus	36,461	1,128	-	-	37,589
State aid - general	4,783,754	1,452,848	-	328,693	6,565,295
Noncapital contributions	2,627	504	2	17	3,150
Miscellaneous	37,435	(15)	-	8,500	45,920
Total non-tax general revenues	4,860,277	1,454,465	2	583,679	6,898,423
Contributions to endowments	281,609	15,131	-	-	296,740
Change in net position	2,987,171	553,165	14,077	794,491	4,348,904
Net position — July 1, as previously reported	20,726,420	4,320,292	360,266	4,249,208	29,656,186
Adjustments to July 1 balances	78,098	(1,745)	(39)	(17,903)	58,411
Net position — July 1, as restated	20,804,518	4,318,547	360,227	4,231,305	29,714,597
Net position — June 30	\$ 23,791,689	\$ 4,871,712	\$ 374,304	\$ 5,025,796	\$ 34,063,501

[1] The State Health Plan's charges for services include \$1.8 billion from the primary government.

NOTES TO THE FINANCIAL STATEMENTS

Significant Transactions Between Component Units

	University of North Carolina System	Community Colleges	State Health Plan	Other Component Units	Total
State Health Plan - premium revenue (expense)	\$ (451,194)	\$ (122,408)	\$ 577,439	\$ (3,837)	-

Intra-Entity Balances — Between Primary Government and Component Units

	Due From/Restricted Due From Component Units			Due From/Restricted Due From Primary Government		
	General Fund	Other Governmental Funds	Total	University of North Carolina System	Community Colleges	Total
Due To Component Units:						
General Fund	\$ —	\$ —	\$ —	\$ 280,086	\$ —	\$ 280,086
Other Governmental Funds	—	—	—	1,378	2,886	4,264
Other Funds	—	—	—	4,933	—	4,933
Due To Primary Government:						
University of North Carolina System	14,006	—	14,006	—	—	—
Other Component Units	1,905	3,022	4,927	—	—	—
Total	<u>\$ 15,911</u>	<u>\$ 3,022</u>	<u>\$ 18,933</u>	<u>\$ 286,397</u>	<u>\$ 2,886</u>	<u>\$ 289,283</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: RELATED ORGANIZATIONS

MCNC

MCNC (formerly the Microelectronics Center of North Carolina) is a legally separate private nonprofit corporation fostering the advancement of education, innovation and economic development throughout North Carolina by providing high quality network infrastructure and network-based services. It is managed by a board of directors comprised of two members appointed by the Governor; up to four members appointed by the president of the University of North Carolina System, a component unit of the State; up to six members elected by the majority vote of persons then constituting the MCNC Board; and one member elected by the majority vote of persons then constituting the MCNC Advisory Council. Any director may be removed from office by the MCNC Board with cause.

North Carolina Agricultural Finance Authority

The North Carolina Agricultural Finance Authority (Authority) is a legally separate authority created to administer the financing of loans to farmers and agribusiness at reasonable terms and interest rates. The Authority is governed by a 10-member board comprised of three members appointed by the Governor; six members appointed by the General Assembly; and serving ex officio, the Commissioner of Agriculture or the Commissioner's designee.

North Carolina Institute of Medicine

The North Carolina Institute of Medicine (NCIOM) is a legally separate private nonprofit corporation created to be concerned with the health of the people of North Carolina by monitoring and studying health matters and providing authoritative responses that aid in forming a basis for health policy decisions. The NCIOM is governed by a 21-member board of directors comprised of 14 members appointed by the General Assembly of which seven are appointed upon recommendation of the Speaker of the House of Representatives and seven are appointed upon recommendation of the President Pro Tempore of the Senate; and seven members appointed by the Governor.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: RELATED PARTY TRANSACTIONS

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

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

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

The fees for wrap coverage, investment management and advisory services are deducted from participants' account balances. The Galliard contract was amended and restated in February 2018, which included a revision to the investment structure and guidelines and lower fees. Management fees were further reduced by agreement in January 2022. There was a 1 basis point reduction to the management fees during the 2024 year.

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

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

The University of North Carolina (UNC) System and community colleges have separately incorporated not-for-profit foundations that are associated with constituent institutions of the UNC System or individual colleges. These organizations serve as a fundraising arm of the respective institutions through which individuals, corporations, and other organizations support institution programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the institution's overall academic environment. These affiliated organizations are not included as component units since the economic resources received or held by an individual organization are not significant to the primary government. Therefore, the financial statements of the UNC System and community colleges do not include the assets, liabilities, net position, or operational transactions of these foundations, except for support from each organization to constituent institutions or colleges. For the fiscal year ended June 30, 2025, this support totaled \$171.07 million for the UNC System and \$2.88 million for community colleges.

The receivables from related parties as of June 30, 2025, were \$2.97 million for the UNC System and \$243 thousand for community colleges. The UNC System and the community colleges did not have any payables to related parties as of June 30, 2025.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: CONDUIT DEBT OBLIGATIONS, COMMITMENTS, AND CONTINGENCIES

A. Conduit Debt Obligations

The State, by action of the General Assembly, created the North Carolina Medical Care Commission which is authorized to issue tax-exempt bonds and notes to finance construction and equipment projects for nonprofit and public hospitals, nursing homes, continuing care facilities for the elderly and related facilities. The bonds are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. In addition, no commitments beyond the payments from the facilities and maintenance of the tax-exempt status of the conduit debt obligation were extended by the North Carolina Medical Care Commission. Therefore, each issue is separately secured and is separate and independent from all other issues as to source of payment and security. The indebtedness of each entity is serviced and administered by a trustee independent of the State. Maturing serially and term to calendar year 2055, the outstanding principal of such bonds and notes as of June 30, 2025, was \$4.92 billion with interest rates varying from .75% to 6.25%.

The North Carolina Capital Facilities Finance Agency (Agency) is authorized by the State to issue tax-exempt bonds and notes to finance industrial and manufacturing facilities, pollution control facilities for industrial (in connection with manufacturing) or pollution control facilities and to finance facilities and structures at private nonprofit colleges and universities, and institutions providing kindergarten, elementary and secondary education, and various other nonprofit entities. The Agency's authority to issue bonds and notes also includes financing private sector capital improvements for activities that constitute a public purpose. The bonds issued by the Agency are not an indebtedness of the State and, accordingly, are not reflected in the accompanying financial statements. Each issue is payable solely from the revenues of the facility financed by that issue and any other credit support provided. In addition, no commitments beyond the payments from the nonprofit entities and maintenance of the tax-exempt status of the conduit debt obligation were extended by the North Carolina Capital Facilities Finance Agency. Therefore, each issue is separately secured and is separate and independent from all other issues as to source of payment and security. The outstanding principal of such bonds and notes as of June 30, 2025, was \$1.22 billion carrying both fixed interest rates and variable interest rates which can be reset periodically.

The North Carolina Department of Transportation (NCDOT) is authorized by General Statute §136-18(39) and General Statute §136-18(39a) to enter into private partnership agreements to finance by tolls and other financing methods the cost of constructing transportation infrastructures. Such an agreement was entered into on June 26, 2014, with I-77 Mobility Partners LLC (Mobility Partners) to design, build, finance and operate the I-77 High Occupancy Toll (HOT) Lanes Project. The NCDOT issued \$100 million of senior private activity bonds (PABs) on behalf of Mobility Partners and provided additional direct funds of \$116.2 million. The PABs are not an obligation of the NCDOT or the State. The bonds are payable from payments received by the Mobility Partners, and NCDOT has committed to maintaining the tax-exempt status of the bonds. As of June 30, 2025, the outstanding principal of the PABs was \$99.45 million.

B. Litigation

Hoke County Board of Education et al. v. State of North Carolina et al. — Right to a Sound Basic Education (formerly Leandro) — In 1994, students and boards of education in five counties in the State filed a suit in Superior Court requesting a declaration that the public education system of North Carolina, including its system of funding, violates the state constitution by failing to provide adequate or substantially equal educational opportunities, by denying due process of law, and by violating various statutes relating to public education. Five other school boards and students therein intervened, alleging claims for relief on the basis of the high proportion of at-risk and high-cost students in their counties' systems.

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

NOTES TO THE FINANCIAL STATEMENTS

action necessary to ensure that every child has the opportunity to obtain a sound, basic education. Thereafter, the State took steps to respond to the trial court's orders.

On June 15, 2011, the General Assembly enacted legislation which placed certain restrictions on the North Carolina pre-kindergarten program which had been established by the General Assembly in 2001. Following a hearing requested by the plaintiffs, the trial court entered an order prohibiting the enforcement of legislation having the effect of restricting participation in the program. On appeal, the North Carolina Court of Appeals affirmed the trial court's order prohibiting the State from denying any eligible "at risk" children admission to the program. The State appealed this decision, and in November 2013, the North Carolina Supreme Court held that amendments to the 2011 legislation had rendered the appeal moot. The case was remanded to the Superior Court.

On March 13, 2018, the Superior Court issued an Order appointing WestEd to serve as the Court's independent, non-party consultant to make recommendations for specific actions necessary to achieve sustained compliance with the constitutional mandates of *Leandro*. On October 4, 2019, WestEd submitted its final report and recommendations to the Court. The WestEd report estimated that over the eight-year period beginning in the fiscal year 2019-20, it could take as much as \$6.86 billion in additional funding beyond 2018-19 appropriations for the State to meet its *Leandro* obligations. On January 21, 2020, the Court entered a Consent Order Regarding the Need for Immediate Systemic Action for the Achievement of *Leandro* Compliance. In that Order, the Court found that many children across North Carolina are still not receiving the constitutionally required opportunity for a sound basic education, and the State had to make systemic changes and investments to fulfill its obligations. Consistent with that decision, the Court ordered the State Defendants, in consultation with the plaintiff parties, to develop a comprehensive remedial plan to provide all children with the opportunity for a sound basic education. The Court did not order the State to appropriate any funds but ordered the State to remedy the deficiencies identified in its Order of January 21, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

Defendants then filed a motion for judgment on the pleadings and motion to dismiss Plaintiff's Complaint on all three causes of action because: (1) they are nonjusticiable under the political question doctrine; (2) they are barred by sovereign immunity as a matter of law; (3) there is no private right of action for "Violation of N.C. General Statute §135-5"; and (4) Plaintiff does not have standing to bring this action against CJRS and LRS. The plaintiff's only allegation that he has a relationship with any of the Defendants in this case is that he is a retiree of TSERS, a pension plan administered by the North Carolina Retirement Systems Division within the Department of State Treasurer. TSERS is not the same pension plan as the CJRS or LRS pension plans named in this suit and Plaintiff has not alleged that he is a vested member of CJRS or LRS or otherwise alleged a relationship with either entity.

The trial court granted Defendants' motion for judgment on the pleadings and dismissed the case. Plaintiffs appealed to the Court of Appeals. The Court of Appeals, in a split decision, ruled by the Defendants, the State and the Retirement System Division concluding that sovereign immunity shields the State from the Cost of Living Adjustment (COLA) grounded lawsuits for breach of contract. Plaintiffs sought an en banc rehearing/review from the Court of Appeals, but the Court of Appeals denied it. Plaintiffs petitioned the Supreme Court for discretionary review, and it has not yet ruled. The likelihood of an unfavorable outcome is only reasonably possible.

Lake v. State Health Plan — The main issue is whether the State wrongfully charged a monthly premium to retired State employees for the State's 80/20 coinsurance health plan. The general theme of the complaint is that the State established vesting requirements under which

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

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

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

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

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

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

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

Since June 30, 2024, the parties engaged in the discovery process pursuant to the Court's direction. Before another trial in Superior Court (scheduled for March 2025), the parties filed motions for summary judgment, to exclude certain experts, and, on the part of the Plan, to decertify the class of plaintiffs. These motions were denied. The Plan has appealed to the North Carolina Supreme Court with respect to the denial of its motion to decertify the class, filing its notice of appeal on April 11, 2025.

Legionnaires' Disease Litigation/2019 Mountain State Fair – North Carolina Department of Agriculture and Consumer Services —

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

Plaintiffs are individuals that alleged to have contracted Legionnaires' disease at the 2019 Mountain State Fair and the estates of two individuals that are alleged to have died as a result of contracting Legionnaires' Disease. In total, there are 78 individual Plaintiffs asserting claims. The Plaintiff brought claims against the two hot tub vendors in a series of 19 lawsuits filed in Henderson, Buncombe, and Mecklenburg County Superior Court. The hot tub vendors then brought third-party claims against NCDA&CS and seven other vendors that had been at the 2019 Mountain State Fair. Plaintiffs then amended their complaints to assert direct claims against NCDA&CS and the other vendors. NCDA&CS has also filed cross-claims and counterclaims for contribution and indemnity against the two hot tub vendors. All of these cases have been consolidated under a single Superior Court Judge pursuant to Rule 2.1. The maximum claimed exposure would be

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\$78 million (\$1 million per Plaintiff). The Plaintiffs have shifted their focus to NCDA&CS as the primary target given that the hot tub vendors appear to have insufficient assets.

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

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

Landowners' attorneys have also recently raised two new theories of recovery. There are three cases currently on appeal, which were argued in the Supreme Court on September 16, 2025: *Mata, et al. v. Department of Transportation* and *Wonder Day v. Department of Transportation* (combined in 217PA24), and *Sanders v. Department of Transportation* (87PA 24). Decision in these cases are expected in the Spring of 2026. The decisions could potentially increase liability for the Department by allowing consideration of additional damage theories presented by the landowners.

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

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

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

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

Bolch v. Governor, DHHS, Kody Kinsley, Susan Osborne, Mark Payne, Mecklenburg DSS & Gaston DSS — Plaintiffs, working with A Better Childhood, filed this Class Action Complaint on August 27, 2024, in the Western District alleging systemic issues in the child welfare system in violation of the Constitution, the Adoption Assistance and Child Welfare Act, and the Americans with Disabilities Act (ADA). The State Defendants filed motions to dismiss in December 2024. On September 25, 2025, the Court granted the motion to dismiss and dismissed the case without prejudice. Plaintiffs filed a motion to reconsider that is pending before the Court. If Plaintiffs are successful with the motion to reconsider or a subsequent appeal, fiscal exposure of the State may be substantial.

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

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

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

The N.C. Supreme Court issued an opinion on August 22, 2025, in which it affirmed in part and reversed in part the Court of Appeals' decision and remanded the case back to trial court for the parties to conduct further discovery. The N.C. Supreme Court affirmed the dismissal of Plaintiffs' statutory claims and reversed the Court of Appeals' entry of summary judgment on the fruits-of-labor and equal protection claims. The N.C. Supreme Court held that deferential rational-basis review applies to equal protection claims concerning state action that burdens a person's right to earn a living and because there was at least some "conceivable" justification for the Governor's orders the trial court properly dismissed that claim. The N.C. Supreme Court also held that because the Court of Appeals issued its decision before the N.C. Supreme Court had released its decision in the Ace Speedway case – a case in which it clarified the standard for fruits-of-labor claims – the case needed to be remanded to the trial court so that the parties can engage in discovery under the clarified standard. The answer has been filed by Defendants. The case, as an exceptional case, will likely be assigned to Rule 2.1 Judge for future proceedings. The risk of adverse fiscal impact is reasonably possible.

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

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

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

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

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

The NCSC issued an opinion on August 22, 2025, in which, relying on its prior decision in Ace Speedway, it held that plaintiffs' claims for damages here could proceed beyond a motion to dismiss. It held that the fruits-of-labor and law-of-the-land clauses are implicated whenever state action "interferes" in some way with a person's right to earn a living. If state action does so, the Court reaffirmed that then state action will be invalidated unless the State has 1) acted for a proper purpose and 2) chosen reasonable means to achieve that purpose. The Court also stressed that both inquiries are very fact-intensive, apparently requiring discovery to resolve. The answer has been filed in this case. The risk of adverse fiscal impact is reasonably possible.

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

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

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

The district court granted defendants' motions to dismiss and entered final judgment on the merits against Plaintiff on June 20, 2024. The district court dismissed Plaintiff's federal claims with prejudice and dismissed Plaintiff's state law claims without prejudice. Plaintiff filed the notice of appeal on July 19, 2024, the case is fully briefed in the Fourth Circuit, and, as none of the parties requested oral argument, the North Carolina Department of Justice is awaiting a decision from that Court. The risk of adverse fiscal impact is remote.

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

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

The Department of Transportation proposed statutory changes to limit the potential damages claims in these cases, by specifically stating that the imposition of these easements does not constitute new control of access, and that the decision in *Black* is limited to easements for right of way and not applicable to other easements. Legislation proposed to incorporate these changes, but to date has not been enacted or considered by the General Assembly as a whole, and the proposed changes included in Senate Bill 391 were not included in the comprehensive transportation bill (Session Law 2025-47). The Department is pursuing an additional legislative change.

This potential for increased liability has become even more extreme due to the results of trials in Guilford County in March 2025. The largest of those cases was *Department of Transportation v. JPC Monroe*, in which NCDOT prevented from putting on evidence on trial due to a previous ruling on a Section 108 motion. NCDOT's deposit was \$49 thousand, and the jury verdict was \$13.92 million. Five related cases were tried shortly thereafter, with the verdicts totaling \$6.64 million, off of deposits totaling \$235 thousand. These verdicts were appealed but were later withdrawn based on advice of outside counsel. Instead, the Department presented an alternative strategy involving market study evidence and new legal arguments in a hearing held during the week of 21 September 2025 in *Department of Transportation v. Indian Trail Plaza*, Mecklenburg County 24-CVS-005591. While the trial court ruled against DOT on the defendant's motion pursuant to Section 136-108, the Department anticipated a potential negative ruling and made a conscious effort to preserve all issues for appellate

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review in that case. The Department has filed its notice of appeal in the *Indian Trail* matter, and is in the process of preparing the Record on Appeal. While that appeal is pending, attorneys from the Condemnation Section are continuing to coordinate with outside counsel on the appropriate strategies for contesting the damages claims arising as a result of permanent utility easements.

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

The Complaint sets forth four causes of action: Conspiracy to deprive Plaintiff’s North Carolina constitutional rights; violation of N.C. Constitution Article I, §12 for the right to assembly and petition, violation of N.C. Constitution Article I, §14 for freedom of speech; violation of N.C. Constitution Article I, §19 for equal protection and due process. The plaintiff seeks both declaratory relief and monetary damages. On September 24, 2024, the State Defendants moved to dismiss Plaintiff’s complaint pursuant to Rules 12(b)(1), 12(b)(2), and 12(b)(6) of the North Carolina Rules of Civil Procedure. The other defendants also moved to dismiss the claims against them. The defendants’ motions to dismiss were heard before the Honorable George Hicks on April 21, 2025. On April 23, 2025, Judge Hicks granted in part the State Defendants’ motion to dismiss. The court dismissed all the claims against State Defendants Cooper, Hooks, Brock, and Fink for failure to state a claim under N.C. R. Civ. P. 12(b)(6) but denied the claims against State Defendants Hawley (now Terry Green who replaced the retired Hawley), Proctor, and the State of North Carolina. Those State Defendants filed a notice of appeal with the Court of Appeals on May 22, 2025. Plaintiff and the City of Raleigh also filed notice of appeal, the appeals have been consolidated. The parties have agreed up the Record on Appeal, and it will be filed with the court. The risk of adverse fiscal impact is remote.

Samantha R. v. N.C. and DHHS — filed in Wake County Superior Court in May 2017. The six individual plaintiffs and plaintiff organization Disability Rights North Carolina (DRNC) assert that the State of North Carolina and the North Carolina Department of Health and Human Services (NCDHHS) have violated the North Carolina Persons with Disabilities Protection Act and the state Constitution. Plaintiffs seek an injunction requiring the defendants to administer publicly funded behavioral health programs to individuals with intellectual and developmental disabilities in compliance with the Act and the North Carolina Constitution. As Plaintiffs do not seek monetary damages, it is hard to put a dollar amount on the litigation. However, if the Court does enter some sort of injunction, NCDHHS anticipates that substantial funds would be needed for implementation of any service or systems modification. Attorney General staff attorneys represent NCDHHS and the State. NCDHHS’ motion to dismiss was denied. After the completion of discovery, all parties filed Motions for Summary Judgment. The trial court denied the State’s Motion for Summary Judgment and granted Plaintiff’s partial Motion for Summary Judgment by order dated February 4, 2020. The Court ruled that the State was in violation of North Carolina General Statute §168A-7(b) of the North Carolina Persons with Disabilities Protection Act. At the Court’s direction, the parties briefed the question of the proper remedy for the violation of the integration mandate. The Court heard the issue on May 12, 2022.

On July 21, 2022, the Court directed the parties to submit a proposed order adopting specific and measurable goals. On November 2, 2022, the Court entered its Order, in the form of an injunction, directing North Carolina and NCDHHS to transition individuals from institutions to community settings; to reduce the Registry/Wait List; and to collect and report data to DRNC on direct care professionals.

On November 30, 2022, Defendants filed a Notice of Appeal and Motion to Stay the Court’s decision (from both the remedies order dated November 2, 2022, and the Summary Judgment order dated February 4, 2020) and a motion to stay enforcement of the remedies order pending the appeal. On February 9, 2023, the Court granted the motion to stay on Benchmarks 1 and 2 of the injunctions for the duration of the appeal. The Court also clarified the requirement on cessation of admissions.

The parties filed the record on appeal with the N.C. Court of Appeals in May 2023. The parties also agreed to mediation through the appellate court, which began in August 2023 and continued through April 2024. On April 10, 2024, the parties filed a joint motion and proposed consent order with the Superior Court which reflects the parties’ agreement to resolve the appeal and outstanding claims in the litigation. The parties appeared before the Superior Court on April 17, 2024. The Superior Court approved the parties’ plan, NCDHHS dismissed the appeal, and the case is continuing before the Superior Court as it monitors the parties’ compliance with the Consent Order. NCDHHS has ongoing quarterly reporting requirements through 2025 and part of 2026. The Consent Order provides that the parties will confer and propose potential further actions to the Court by July 1, 2026. The risk of adverse fiscal impact is reasonably possible.

Disability Rights North Carolina v NCDHHS, Case No. 1:24-cv-335-LCB-JLW (Middle District of North Carolina) — In May 2024, Plaintiff Disability Rights North Carolina brought claims against NCDHHS and its Secretary in his official capacity. Plaintiff alleged that state court criminal detainees with mental health disabilities, who may be incapable of proceeding to trial, are required to wait an unreasonable amount of time in county jails before they are provided with capacity assessments and capacity restoration services. Plaintiff asserted alleged violations under 42 USC § 1983 and the Fourteenth Amendment to the US Constitution (substantive due process and procedural due process), and under the Americans with Disabilities Act and the Rehabilitation Act. As Plaintiff does not seek monetary damages, it is difficult to put a dollar amount on the litigation; however, if the Court enters some sort of injunction, NCDHHS anticipates that substantial funds may be needed for implementation of any service or systems modifications. Plaintiff moved for a preliminary injunction in May 2024, and NCDHHS moved to dismiss in June 2024. In June 2025, the Court issued a Memorandum Opinion and

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Recommendation of United States Magistrate Judge. It concluded and recommended that the motion for preliminary injunction be denied, and that the motion to dismiss be denied in part and granted in part. In July 2025, both parties filed objections to portions of the Recommendation, which remain pending before the Court. The risk of adverse fiscal impact is reasonably possible.

Timothy B, Flora B, Isabella A, Steph C, DRNC, NC NAACP v. Kody Kinsley in his official capacity & NC DHHS — Class Action Complaint for Declaratory and Injunctive Relief filed in the Middle District on December 6, 2022. The complaint alleges that DHHS unlawfully places children with disabilities in child welfare custody (“foster care”) who are unnecessarily segregated from their home communities and routinely isolated in heavily restrictive, and often clinically inappropriate, institutional placements known as psychiatric residential treatment facilities (PRTFs). The claims are raised as unlawful pursuant to FED. R. CIV. P. 57: policies, procedures, and practices that violate Title II of the Americans with Disabilities Act, 42 U.S.C. § 12131 et seq., or Section 504 of the Rehabilitation Act, 29 U.S.C. § 794 et seq.. The parties mediated the case in June and July of 2025 and were unable to reach a settlement. The parties are proceeding with discovery. The risk of adverse fiscal impact is reasonably possible.

Lannan et al. v. UNC Board of Governors (20-CVS-9988-910) — This case is a putative class action seeking a refund of fees paid by students enrolled at University of North Carolina – Chapel Hill (UNC-Chapel Hill) and North Carolina State University (N.C. State) during the Fall 2021 semester. Specifically, the two named plaintiffs have claimed that they did not receive the value of these fees, particularly those directed to on-campus activities, when these two universities transitioned from an in-person to remote model of instruction several weeks into the Fall 2021 semester. They also claimed they did not receive the benefit of parking fees they paid.

In their original complaint, filed in September 2021, the plaintiffs brought a claim for breach of contract, as well as violations of the North Carolina Constitution. The trial court dismissed the plaintiffs’ constitutional claim but declined to dismiss their breach-of-contract claim. Both sides appealed, and the case eventually was heard by the North Carolina Supreme Court in October 2024. In March 2025, the Supreme Court affirmed the trial court’s decision, concluding that the plaintiffs had sufficiently alleged their breach-of-contract claims. The case is now back before the Wake County Superior Court (with Judge Ed Wilson as a Rule 2.1 judge) and proceeding through discovery.

The two named plaintiffs are seeking refunds of \$2,000 - \$2,500 in mandatory student fees. During the Fall 2021 semester, N.C. State had a total student enrollment of approximately 34,000 students, and UNC-Chapel Hill had a total student enrollment of approximately 29,500 students. Thus, if the plaintiffs are able to certify a class, the potential outside recovery could be more than \$150 million. However, North Carolina Department of Justice (NCDOJ) thinks it unlikely that the plaintiffs would be able to recover such an amount for the following reasons. First, NCDOJ believes NCDOJ will have strong arguments that the plaintiffs will not be able to meet the requirements to certify a class, particularly the requirement that plaintiffs show that a common issue predominates across the class. The class certification issue will likely be litigated in the trial court in early 2026, and that decision will almost certainly be appealed. If the Board of Governors is successful in defeating the plaintiffs’ class claims, the potential value of this case drops significantly.

Second, even if the plaintiffs are able to certify a class, NCDOJ believe NCDOJ have strong arguments that many of the fees are not recoverable either because they were not paid as part of an enforceable contract, or because the students were not in fact deprived of the benefit of any services for which those fees were paid. That said, the plaintiffs have stronger arguments that they are entitled to a refund of certain of the fees, specifically those directed towards the athletic program, student health services, student recreational facility and other on-campus services. Based on an analysis of the plaintiffs’ chance of succeeding on those fees, NCDOJ estimates a more likely value of the class claims to be approximately \$15.5 million (for N.C. State) and approximately \$12 million (for UNC-Chapel Hill). Thus, NCDOJ think a liability exposure above \$20 million is certainly possible, taking into considerations the conditions discussed above. The case is in the discovery phase.

N.C. School Boards Association v. Moore, 359 N.C. 474 (2005) —The North Carolina Supreme Court ruled that certain specified tax penalties must be paid to the State Civil Penalty and Forfeiture Fund for the benefit of the public schools, rather than the General Fund. The Court’s decision applies prospectively and retroactively. The Supreme Court remanded the case to the superior court for implementation. Upon remand, the superior court issued an order requiring the prospective payments to commence effective July 1, 2005. The superior court subsequently issued an order regarding the amount of civil penalties at issue for the period from July 1, 1996, to June 30, 2005. The court found that the civil penalties collected during this time totaled \$767 million (\$747 million after subtracting costs of collection). Of the total amount, \$585 million represented amounts collected by the Department of Revenue (\$583 million after subtracting the costs of collection).

In 2018, Plaintiffs filed a new complaint to renew the judgment, totaling \$729 million. Plaintiffs agreed based on the holding in *Richmond County Board of Education v. Cowell*, 254 N.C. App. 422, 803 S.E.2d 27 (2017) – that the courts do not have the authority to execute a judgment against the State – that they could not collect on the judgment. However, *Richmond County* was recently argued before the Supreme Court of North Carolina and an opinion is pending.

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

NOTES TO THE FINANCIAL STATEMENTS**C. Federal Grants**

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

An audit conducted by the United States Department of Health and Human Services Office of Inspector General concluded that the State did not comply with federal and state requirements when making Medicaid claims for school-based Medicaid administrative costs. Based on the audit, the Office of Inspector General recommended that the State refund \$53.8 million to the federal government for non-compliant claims. The State disagrees with the findings and recommendation. Once a final determination of liability is made, the amount will be paid to Centers for Medicare & Medicaid Services (CMS). As of June 30, 2025, the State had not received a demand for recovery from CMS.

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

As of June 30, 2025, the State is unable to estimate what liabilities may result from additional audits of federal grants and entitlements.

The State refunds federal shares of drug rebate collections to CMS. As of June 30, 2025, the amount due to CMS was \$259.87 million.

D. Highway Construction

The State has placed a deposit in court of \$445.98 million for a potential liability to property owners for contested rights-of-way acquisition costs in condemnation proceedings. The State may also be liable for an additional \$146.86 million in these proceedings. As of June 30, 2025, the State had no outstanding verified contractor's claims.

As a result of damages sustained from Hurricane Helene, the North Carolina Department of Transportation identified approximately 9,400 sites where roads and bridges were effected. The Office of State Budget and Management estimated total infrastructure restoration costs at approximately \$10.3 billion, with the forecasted State share estimated at \$922 million.

As of June 30, 2025, expenditures incurred related to Hurricane Helene recovery activities totaled approximately \$909.2 million, while federal reimbursements amounted to approximately \$182.1 million. Additional reimbursements are anticipated from the Federal Highway Administration (FHWA) and the Federal Emergency Management Agency (FEMA); however, the timing and amount of such reimbursements cannot be reasonably determined at this time.

E. Construction and Other Commitments

On June 30, 2025, the State had commitments of \$7.55 billion for construction of highway infrastructure. Of this amount, \$4.66 billion relates to the Highway Fund, \$617.76 million relates to the N.C. Turnpike Authority, and \$2.27 billion relates to the Highway Trust Fund. The other commitments for construction and improvements of state government facilities totaled \$790.12 million, including \$254.75 million for the General Assembly, \$241.55 million for the Department of Natural & Cultural Resources, \$70.35 million for the Department of Adult Correction, and \$54.53 million for the Department of Environmental Quality, \$39.95 million for the Department of Agriculture.

On June 30, 2025, the University of North Carolina System (component units) had outstanding construction commitments of \$1.26 billion (including \$258.9 million for East Carolina University, \$234.57 million for Appalachian State University, \$164.55 million for University of North Carolina Chapel Hill, \$116.33 million for North Carolina State University, and \$95.03 million for University of North Carolina at Greensboro).

On June 30, 2025, community colleges (component units) had outstanding construction commitments of \$411.19 million (including \$120.85 million for Wake Technical Community College, \$43.17 million for Brunswick Community College, \$38.7 million for South Piedmont Community College, \$34.37 million for Central Piedmont Community College, and \$29.47 million for Isothermal Community College).

The Department of Environmental Quality has other significant commitments of \$1.74 billion for clean water and other cost reimbursement grants. On June 30, 2025, the Department of Natural and Cultural Resources had other outstanding commitments of \$172.63 million for clean water grants to non-governmental organizations and local and state government. The Department of Public Instruction has other significant commitments of \$1.24 billion for needs-based public school building capital fund cost reimbursement grants awarded to Local Education Agencies (LEAs) for school capital projects.

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The 911 Board (Board), part of the Department of Information Technology Services, sets aside a portion of its fund annually to support local Public Safety Answering Points (PSAPs). The PSAPs apply to the Board for the funds with improvement project proposals that the Board evaluates and either approves or denies. On June 30, 2025, the 911 Fund (special revenue fund) had outstanding commitments for these cost-reimbursement grants and contracts to the PSAPs totaling \$43.52 million.

On June 30, 2025, the Administrative Office of the Courts had outstanding software in development contract commitments of \$158.65 million.

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

The University of North Carolina Investment Fund, LLC (UNC Investment Fund) at the University of North Carolina at Chapel Hill has entered into agreements with limited partnerships to invest capital. These agreements represent the funding of capital over a designated period of time and are subject to adjustments. As of June 30, 2025, the UNC Investment Fund had approximately \$1.65 billion unfunded committed capital.

F. Tobacco Settlement

In 1998, North Carolina, along with 45 other states, signed the Master Settlement Agreement (MSA) with the nation's largest tobacco companies to settle existing and potential claims of the states for damages arising from the use of the companies' tobacco products. Under the MSA, the tobacco companies are required to adhere to a variety of marketing, advertising, lobbying, and youth access restrictions, support smoking cessation and prevention programs, and provide payments to the states in perpetuity. The amount that North Carolina will receive from this settlement remains uncertain, but projections are that the State will receive approximately \$4.74 billion from the inception of the agreement through the year 2025. Since the inception, the State has received approximately \$4.02 billion in MSA payments. In the early years of MSA, participating states received initial payments that were distinct from annual payments. The initial payments were made for five years: 1998 and 2000 through 2003. The annual payments began in 2000 and will continue indefinitely. However, these payments are subject to a number of adjustments including an inflation adjustment and a volume adjustment. Some adjustments (e.g., inflation) should result in an increase in the payments while others (e.g., domestic cigarette sales volume) may decrease the payments. Also, future payments may be impacted by continuing and potential litigation against the tobacco industry and changes in the financial condition of the tobacco companies. At year-end, the State recognizes a receivable and revenue in the government-wide statements for the tobacco settlement based on the underlying domestic shipment of cigarettes. This accrual estimate is based on the projected payment schedule in the MSA adjusted for historical payment trends.

G. Other Contingencies

The Civil Rights Division of the U.S. Department of Justice (US DOJ) investigated the State's mental health system and found the State to be in violation of Title II of the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. Sec 12131, and the following, as interpreted by the U.S. Supreme Court in *Olmstead v. L.C.*, 527 U.S. 581 (1999), and Section 504 of the Rehabilitation Act of 1973 (Rehab Act), 29 U.S.C. Sec 794(a). On August 23, 2012, the Civil Rights Division and the State entered into an agreement that addresses the corrective measures that will ensure that the State will willingly meet the requirements of the ADA, Section 504 of the Rehab Act, and the *Olmstead* decision. Through the agreement, it is intended that the goals of community integration and self-determination will be achieved. Both parties to the agreement have selected a reviewer to monitor the State's implementation of this agreement. The reviewer has authority to independently assess, review, and report annually on the State's implementation of and compliance with the provisions of this agreement. The potential liability to the State cannot be reasonably estimated. If the State fails to comply with this agreement, the United States can seek an appropriate judicial remedy. To date, the State has demonstrated good faith effort by providing sufficient funding essential to meeting the settlement requirements. The State is responsible for determining and identifying the amount of appropriation funding that is needed to fulfill this agreement which was originally going to be phased in over eight years (2013-20). The settlement agreement was first extended for an additional year to July 1, 2021, to give the State more time to meet the requirements. In March of 2021, the parties signed an agreement acknowledging the State's compliance in some areas of the agreement but extending other items for an additional two years. In March 2023, the parties entered into another two-year extension of the agreement, which included the development and approval of an Implementation Plan to outline how the State will come into substantial compliance by July 2025. In the winter of 2024-25 the parties negotiated a consent order which both discharged the State of certain obligations under the settlement which US DOJ agreed NCDOJ had met substantial compliance on and agreed to another two-year extension of time for completion of the remaining aspects of the settlement.

In Session Law 2012-142 Section 10.23A.(e), \$10.3 million was appropriated as recurring funds to support the Department of Health and Human Services in the implementation of its plan for transitioning individuals with severe mental illness to community living arrangements, including establishing a rental assistance program. In Session Law 2013-360, additional money was appropriated in the expansion budget for \$3.83 million for fiscal 2014 and \$9.39 million for fiscal 2015. Funding has continued each budget year at appropriate levels to meet the terms of the agreement with a current net appropriation for Transition to Community Living across all N.C. Department of Health and Human Services (NCDHHS) divisions at \$83.8 million in each year of the biennium of the 2023-25 biennium.

NOTES TO THE FINANCIAL STATEMENTS

In Session Law 2015-241, the North Carolina Housing Finance Agency (NCHFA), in consultation with the N.C. Department of Health and Human Services (NCDHHS), was authorized to administer the Community Living Housing Fund (CLHF) in order to provide permanent community-based housing in integrated settings appropriate for individuals with severe mental illness and severe and persistent mental illness. The funds are first transferred from NCDHHS and then must be appropriated by the General Assembly in order for the NCHFA to expend the funds. NCDHHS transferred \$2.89 million to the Community Living Housing Fund in fiscal year 2015. House Bill 1030 authorized the NCHFA to expend receipts of \$5.52 million transferred from NCDHHS to the CLHF in fiscal year 2017. Session Law 2017-57 and Session Law 2018-5 provided funds of \$4.2 million and \$3.96 million, respectively, transferred from NCDHHS to the CLHF. In fiscal years 2019 through 2021, NCDHHS transferred \$10.47 million to the CLHF and Session Law 2020-97 appropriated those funds for the State to meet its commitment to the supported housing requirements of the agreement. At present, the work continues with the funds available through continuing budget provisions. NCDHHS did not transfer any funds to the CLHF for the state fiscal year 2021-22 or 2022-23 as no funds remained in accordance with the law. NCDHHS transferred \$3.37 million in remaining funds to the CLHF at the end of the 2023-24 fiscal year.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: TAX ABATEMENTS

As of June 30, 2025, the State provides tax abatements through one program, the Job Development Investment Grant (JDIG). The purpose of the JDIG program is to stimulate economic activity and benefit citizens throughout the State through the creation of new jobs, resulting in an enlargement of the overall tax base, an expansion and diversification of the State's industrial base, and an increase in revenue to the State and its political subdivisions.

The tax being abated is the State income tax withheld by employers under North Carolina General Statute Chapter 105 Article 4A. The authority for the abatement falls under North Carolina General Statute Chapter 143B Article 10 Part 2G.

The eligibility criteria for the abatement include the following:

- The project proposed by the business will create, during the term of the engagement, a net increase in employment in the State by the business.
- The project will benefit the people of the State by increasing opportunities for employment and by strengthening the State's economy by, for example, providing worker training opportunities, constructing and enhancing critical infrastructure, increasing development in strategically important industries, or increasing the State and local tax base.
- The project is consistent with economic development goals for the State and for the area where the project will be located.
- A grant is necessary for the completion of the project in the State.
- The total benefits of the project to the State outweigh the costs and render the grant appropriate for the project.
- For a project located in a tier three development area, the affected local governments have participated in recruitment and offered incentives in a manner appropriate for the project.

The amount of the grant awarded in each case shall be a percentage of the State income tax withholdings of eligible positions for a period of years. The percentage shall be no more than 80% for a tier one development area and no more than 75% for any other area.

The North Carolina Department of Commerce annually ranks the State's 100 counties based on economic well-being and assigns each a tier designation. The tier system encourages economic activity in less prosperous areas of the State. County tiers are calculated using four factors: the average unemployment rate, the median household income, the percentage growth in population, and the adjusted property tax base per capita. The 40 most distressed counties are designated as tier one, the next 40 as tier two, and the 20 least distressed counties as tier three.

If the business receiving a grant fails to meet or comply with any condition or requirement set forth in an agreement, the amount of the grant or the term of the agreement shall be reduced, the agreement may be terminated, or both. If a business fails to maintain employment at the levels stipulated in the agreement or otherwise fails to comply with any condition of the agreement for any two consecutive years, the grant payment will be withheld for any consecutive year after the second consecutive year remaining in the base period in which the business fails to comply with any condition of the agreement. If the business is no longer within the base period, the agreement shall be terminated.

The business commits to creating a minimum of 10 eligible positions in a tier one area, 20 eligible positions in a tier two area, or 50 eligible positions in a tier three area. The business must provide health insurance for all applicable full-time employees on the project with respect to which the grant is made.

The amount of taxes abated for fiscal year end June 30, 2025 on an accrual basis as a result of the agreements with the State is \$36.95 million. The State has made no other commitments other than to abate taxes.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 23: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS**

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands). Additional information related to adjustments to beginning fund equity by reporting entity is provided in narratives following the summary table.

	July 1, 2024 Fund Equity as Previously Reported	GASB 101 Implementation	Other Adjustments	July 1, 2024 Fund Equity as Restated
Primary Government				
Major Governmental Funds:				
General Fund	\$ 20,891,192	\$ —	\$ 4,648	\$ 20,895,840
Highway Fund	1,169,261	—	—	1,169,261
Highway Trust Fund	844,463	—	—	844,463
Other Governmental Funds:				
Special Revenue Funds	2,523,929	—	—	2,523,929
Capital Projects Funds	1,986,318	—	1,110	1,987,428
Permanent Funds	219,002	—	—	219,002
Total Governmental Funds	<u>27,634,165</u>	<u>—</u>	<u>5,758</u>	<u>27,639,923</u>
Internal Service Funds	232,123	(1,216)	(26,760)	204,147
Government-wide adjustments:				
Equity interest in component unit	314,462	—	—	314,462
Capital assets	69,653,857	—	6,554	69,660,411
Deferred losses on refundings	18,165	—	—	18,165
Deferred gain on refundings	(4,421)	—	—	(4,421)
Deferred outflows for pensions	2,769,867	—	—	2,769,867
Deferred inflows for pensions	(433,396)	—	—	(433,396)
Deferred outflows for OPEB	2,554,224	—	—	2,554,224
Deferred inflows for OPEB	(2,772,107)	—	—	(2,772,107)
Unavailable revenue	205,383	—	(7,015)	198,368
Long-term liabilities	(16,512,799)	(35,687)	(453)	(16,548,939)
Accrued interest payable	(16,216)	—	(8,670)	(24,886)
Pension assets	32,015	—	—	32,015
Total Government-wide adjustments	<u>55,809,034</u>	<u>(35,687)</u>	<u>(9,584)</u>	<u>55,763,763</u>
Total Governmental Activities	<u>\$ 83,675,322</u>	<u>\$ (36,903)</u>	<u>\$ (30,586)</u>	<u>\$ 83,607,833</u>
Business-type Activities - Enterprise Funds:				
Unemployment Compensation Fund	5,239,935	—	—	5,239,935
EPA Revolving Loan Fund	2,372,681	(55)	28,470	2,401,096
N.C. State Lottery Fund	(44,697)	—	—	(44,697)
N.C. Turnpike Authority	588,300	(21)	—	588,279
Other enterprise funds	309,906	(624)	7,591	316,873
Total Business-type Activities - Enterprise Funds	<u>\$ 8,466,125</u>	<u>\$ (700)</u>	<u>\$ 36,061</u>	<u>\$ 8,501,486</u>

NOTES TO THE FINANCIAL STATEMENTS

	July 1, 2024 Fund Equity as Previously Reported	GASB 101 Implementation	Other Adjustments	July 1, 2024 Fund Equity as Restated
Fiduciary Funds				
Pension and Other Employee Benefit Trust Funds	\$ 142,144,114	\$ —	\$ —	142,144,114
Investment Trust Funds	—	—	—	—
Private Purpose Trust Funds	1,194,889	—	—	1,194,889
Custodial Funds				
External Investment Pools and Accounts	1,919,859	—	—	1,919,859
Other Custodial Funds	1,591,517	—	(1,323,170)	268,347
Total Fiduciary Funds	\$ 146,850,379	\$ —	\$ (1,323,170)	\$ 145,527,209
Total Primary Government	\$ 238,991,826	\$ (37,603)	\$ (1,317,695)	\$ 237,636,528
Component Units				
University of North Carolina System	\$ 20,726,420	\$ (318)	\$ 78,416	20,804,518
Community Colleges	4,320,292	—	(1,745)	4,318,547
State Health Plan	360,266	(39)	—	360,227
Other component units	4,249,208	(6,021)	(11,882)	4,231,305
Total Component Units	\$ 29,656,186	\$ (6,378)	\$ 64,789	\$ 29,714,597

GASB 101 Implementation

Adjustments reported in the “GASB 101 Implementation” column are due to the State’s adoption of *GASB Statement No. 101, Compensated Absences*, (GASB 101) as discussed in Note 2. Reporting entities with adjustments in this column restated their compensated absence liabilities to include sick leave in the liability calculation as required by GASB 101. The beginning net position was also restated in the prior year’s statement of changes for the various reporting entities that restated the compensated absence liability according to the new standard.

Other Adjustments

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

*Governmental Activities*General Fund

The General Fund reported \$4.648 million as “Other Adjustments.” These error corrections were reported at four different state agencies. The Department of Public Safety (DPS) reported a restatement for \$1.009 million for notes receivable that were understated in the prior fiscal year related to loans to local governments. Because the loans were not issued in the prior year, only the beginning net position on the statement of changes would be impacted in the prior year. DPS also understated both their lease receivable and deferred inflows for leases in the amount of \$1.522 million, which had no impact on fund equity of the statement of changes in the prior year. The Department of Information Technology (DIT) understated their accounts receivable by \$1.152 million in the prior year related to billing errors in the new accounting system. Charges for services were also understated on the statement of changes in the prior year. The Department of Natural and Cultural Resources (DNCR) understated accounts receivable by \$1.923 million for security deposits held in reserve at the North Carolina Aquarium Society. The receivable for the security deposits has been understated for several prior periods, so only the beginning net position on the statement of changes would be impacted in the prior year. The Office of the State Controller (OSC) understated accounts receivable in the prior year by \$564 thousand related to amounts due from the Department of Revenue (DOR) for unauthorized substance taxes. The statement of changes understated other taxes by \$564 thousand in the prior year.

Capital Projects Funds

Capital projects funds reported \$1.11 million as “Other Adjustments” related to understated notes receivable in the prior year at the Department of Environmental Quality (DEQ). Expenses related to loans to local governments, functionalized as environment and natural resource expenses, were overstated by the same amount on the prior year’s statement of changes.

NOTES TO THE FINANCIAL STATEMENTSInternal Service Funds

Internal Service Funds reported (\$26.76) million as “Other Adjustments. Capital assets were overstated in the prior year by \$5.752 in various internal service funds. Included in the net capital assets overstatement, there was an understatement for subscription asset accumulated depreciation in the amount of \$6.001 million related to DIT’s subscription assets in their Computing Services and State Telecommunication Services funds. General government expenses related to depreciation were understated in the prior year’s statement of changes by \$6.446 million, and general government expenses related to capital outlay were overstated by \$694 thousand. DIT also reported a \$14.407 million overstatement for accounts receivable in the prior year in their Computing Services fund and a \$6.601 million overstatement in accounts receivable in their State Telecommunication Services fund due to billing errors. Charges for services were also overstated by \$21.008 million between the two DIT funds in the prior year’s statement of changes.

Government-wide

Capital assets reported \$6.554 million as “Other Adjustments” related to various capital asset error corrections in prior periods in the State’s governmental funds. The error corrections were related to adjusting asset values to the appropriate amounts in the new fixed asset system. As a result, nondepreciable capital assets were overstated in the prior year by \$117.56 million, and net depreciable capital assets were understated by \$124.114 million.

Unavailable revenues were overstated in the prior year by \$7.015 million related to various types of governmental fund revenues that were not available to pay for current period expenditures in the prior period. Charges for services were overstated by the same amount in the prior year’s statement of changes.

Long-term liabilities were understated by (\$453) thousand in the prior year. The lease liability was overstated in the prior year by \$26.928 million, mostly related to an overstatement at the Department of Transportation (DOT). Compensated absences were understated by \$8.675 million unrelated to the implementation of GASB Statement No. 101, and the subscription liability was understated in the prior year by \$18.706 million mostly due to an understatement of \$22.777 million at DOT and a \$3.741 million overstatement at the Department of Information Technology (DIT). The beginning net position was overstated by \$453 thousand in the prior year’s statement of changes.

Interest payable was understated in the prior year at the Department of State Treasury (DST) by \$8.67 million, and general government expenses related to bond interest expense were understated by the same amount in the prior year’s statement of changes.

Business-type ActivitiesEPA Revolving Loan Fund

The EPA Revolving Loan Fund (EPA RLF) reported “Other Adjustments” in the amount of \$28.47 million related to understatements at the Department of Environmental Quality (DEQ). Notes receivable were understated by \$26.926 million in the prior year due to accrued loans not being recorded to notes receivable at the close of the prior fiscal year. Expenses made up of nonoperating grants, aid, and subsidies related to loans to local governments were overstated on the statement of changes in the prior year for the same amount. Pooled investments were understated by \$1.529 million in the prior year related to errors in year-end entries. Net capital assets were understated by \$15 thousand in the prior year for machinery and equipment and related accumulated depreciation. Expenses related to depreciation and capital outlay were also overstated on the statement of changes for the same amount.

Other enterprise funds

Other enterprise funds reported “Other Adjustments” in the amount of \$7.591 million, comprised of various restatements in the nonmajor enterprise funds. Net capital assets were understated in the prior year by \$3.041 in the nonmajor enterprise funds, comprised of various types of capital asset restatements in several funds. The most significant portion of the capital asset adjustment was reported in the Departmental Funds for a \$2.281 million adjustment for understated machinery and equipment at the Department of Agriculture and the Department of Commerce in the prior year. Beginning net position was restated in the statement of changes for the understated capital assets. Other enterprise funds also reported several different types of restatements with a consolidated total of \$4.55 million. The most significant adjustment was reported by the Department of Agriculture in their State Fair enterprise fund related to overstated unearned revenue in the amount of \$4.614 million related to several prior periods. The beginning net position in the statements of changes was also restated for the overstated unearned revenue in the prior period. The Department of Insurance (DOI) reported a \$1.004 million restatement related to overstated claims payable in the prior year. DOI uses a third-party administrator’s best estimate for calculating claims payable at fiscal year-end. The adjustment is based on actual claims payable information, which was not available at the time of the published financial statements. Insurance program expenses for claims were overstated in the prior year’s statement of changes for the same amount as the adjustment for claims

NOTES TO THE FINANCIAL STATEMENTS

payable. The USS North Carolina Battleship Commission reported a restatement in the amount of (\$248) thousand related to a cumulative overstatement for deferred outflows for pensions and OPEB related to periods earlier than the prior fiscal year. The beginning net position on the statement of changes for the prior year was overstated by \$248 thousand. The Occupational Licensing Boards (OLB) reported an aggregate adjustment of (\$806) thousand as other adjustments. Included in the OLB adjustment, the North Carolina Board of Physical Therapy Examiners reported a (\$975) thousand restatement, mostly due to a \$2.148 million adjustment for understated cash and a (\$3.373) million adjustment for understated accounts payable. The beginning net position in the prior year's statement of changes was adjusted by (\$975) thousand for the board's aggregate restatement. Other restatements in the occupational licensing boards are insignificant.

Fiduciary Funds

Other Custodial Funds, as described in Note 1, reported an aggregate adjustment of (\$1.323) billion. Departmental custodial funds reported a \$3.406 million adjustment and Insurers in Receivership at the Department of Insurance (DOI) reported a (\$1.327) billion adjustment to remove the prior year's net position with the determination that the receivership funds do not qualify under *GASB Statement No. 84, Fiduciary Activities* as custodial funds for inclusion in the State's ACFR.

During the 2025 fiscal year, the receivership insurance funds were re-evaluated and DOI legal counsel provided supporting legislation and case law, determining the State does not control the funds or have a fiduciary relationship with the beneficiaries of the funds. Receiverships are governed by state insurance laws and court orders. The Commissioner of Insurance is a court-appointed receiver and is a fiduciary on behalf of the court and not a fiduciary in his or her official capacity as the Commissioner of Insurance on behalf of the State. Therefore, the Insurance in Receivership funds have been removed from the State's ACFR as a custodial fund in fiscal year 2025.

The adjustment of \$3.406 million in the departmental fiduciary funds includes a \$1.422 million adjustment at the Department of Public Safety (DPS) and a \$1.984 million adjustment at the Department of Natural and Cultural Resources (DNCR). DPS did not record \$1.422 million in participant deposits in their Community Development Block Grant (CDBG) funds in the prior year, which understated cash and cash equivalents and participant deposits. DNCR understated \$1.984 million in Short-Term Investment Funds related to legislatively directed grants in the prior year, which understated cash and cash equivalents on the statement of net position and understated other contributions by \$2 million, investment earnings by \$13 thousand, and payments in accordance with custodial arrangements by \$29 thousand on the statement of changes.

*Component Units*University of North Carolina System

The University of North Carolina System (UNC System), which includes the various universities and entities identified in Note 1, along with the university foundations, reported an aggregate adjustment of \$78.416 million as "Other Adjustments" related to various error corrections and audit adjustments. The most significant restatement reported in the UNC System related to overstating the compensated absence liabilities at several of the major universities. The vacation leave liability as of July 1, 2024, was restated to remove salary-related payments for the employer share of contributions to the State's Pension and OPEB Defined Benefit Plans. These adjustments to the compensated absence liabilities at the universities are error corrections and do not relate to the implementation of GASB Statement No. 101. The aggregate restatement for the current portion of the compensated absence liability is a (\$5.581) million adjustment to the current portion of the liability and a (\$57.115) million adjustment to the noncurrent portion. In addition to the compensated absence adjustments, the universities also reported a (\$3.084) million adjustment due to overstating their noncurrent bonds and similar debt, a \$1.4 million adjustment due to understating noncurrent notes from direct borrowing, a \$987 thousand adjustment related to understating current and noncurrent lease liabilities, and a \$902 thousand adjustment due to understating current and noncurrent subscription liability. In addition, the universities reported a \$10.105 million reclassification from revenue bonds to direct placements for the beginning debt balance at July 1, 2024. In summary, long-term liabilities due within one year were overstated by \$5.261 million in the prior year, and the noncurrent portion of the long-term liabilities were overstated by \$57.239 million.

Other adjustments in the university statement of net position include, a \$8.538 million increase due to understating nondepreciable capital assets, a \$4.005 million adjustment due to understating depreciable capital assets, net of depreciation, a (\$1.813) million adjustment to overstating other current and noncurrent assets, a \$350 thousand adjustment due to overstating other current and noncurrent liabilities, a \$3.548 million adjustment due to understating deferred outflows, and a \$1.287 adjustment due to overstating deferred inflows.

NOTES TO THE FINANCIAL STATEMENTS

Revenues were understated in the prior year by \$2.234 million, which included understatements for various noncapital gifts, grants and contributions of \$9.057 million, program state aid of \$750 thousand, and contributions to endowments of \$616 thousand. There were also overstated revenues in the prior year for unrestricted investment earnings of \$461 thousand, charges for services of \$1.462 million, and miscellaneous general revenue of \$6.266 million. Expenses were overstated in the prior year by \$9.19 million. The understatement of revenues and the overstatement of expenses in the prior year, resulted in a \$11.424 million increase in the change in net position on the statement of changes. The beginning net position in the prior year was also understated by \$66.992 million.

Community Colleges

Community Colleges, which includes 58 community colleges as described in Note 1, along with the college foundations, reported an aggregate adjustment of (\$1.745) million as "Other Adjustments" related to various corrections and audit adjustments. Community Colleges overstated the following summary captions on the statement of net position in the prior year: other current and noncurrent assets by \$5.303 million; capital assets-depreciable, net of accumulated depreciation, by \$4.266 million; deferred outflows for pension and OPEB by \$803 thousand; long-term liabilities due within one year by \$326 thousand; and long-term liabilities due in more than one year by \$11.067 million. Community Colleges understated the following summary captions on the statement of net position in the prior year: capital assets-nondepreciable by \$2.634 million and other current and noncurrent liabilities by \$5.4 million.

Like the universities, the community colleges also reported significant adjustments to the compensated absence liabilities due to removing salary-related payments for the employer share of contributions to the State's Pension and OPEB Defined Benefit Plans. As a result, the community colleges reported an aggregate adjustment for the compensated absence liability due within one year of \$326 thousand and a \$10.158 million adjustment for the noncurrent portion of the liability.

Included in the \$5.303 million overstatement for other current and noncurrent assets was a \$6.395 million overstatement for investments. Durham Technical Community College Foundation reported a (\$5.604) million adjustment due to overstating investments when they changed investment advisors and some of the investments were duplicated in the prior year.

Revenues were overstated in the prior year by \$4.135 million, which included overstatements of \$3.565 million for noncapital grants and contributions, \$554 thousand for charges for services, and \$583 thousand for miscellaneous general revenues. In addition, the following revenue captions were understated in the prior year including unrestricted investment earnings by \$416 thousand, capital grants and contributions by \$141 thousand, and contributions to endowments by \$10 thousand. The beginning net position on the prior year's statement of changes was also overstated by \$2.51 million.

Other component units

Other component units, which make up other discretely presented component units as described in Note 1, reported an aggregate adjustment of (\$11.882) million as "Other Adjustments" related to various error corrections and audit adjustments. The North Carolina Global TransPark Authority reported a restatement in the amount of (\$16.118) million, mostly related to a \$10 million overstatement for amounts due from components units and a \$6.404 million overstatement for construction in progress. Other capital grants and contributions were overstated by \$10 million, and the beginning net position was overstated by \$6.404 million on the statement of changes in the prior year. The N.C. Partnership for Children, Inc. reported a \$399 thousand adjustment related to understated capital assets, which included a \$397 million understatement for nondepreciable capital assets related to software in development. Expenses were overstated by \$399 related to contracted services on the prior year's statement of changes. The Golden LEAF, Inc., reported an adjustment of \$3.837 million related to understated investments in the prior year related to fair market value adjustments in their investment portfolio following the submission of their financial statements. Unrestricted investment earnings were also understated on the prior year's statement of changes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Equity Deficit**Primary Government**

At June 30, 2025, the following internal service funds reported a net position deficit: Mail Service Center, \$322 thousand; Computing Services, \$95.29 million.

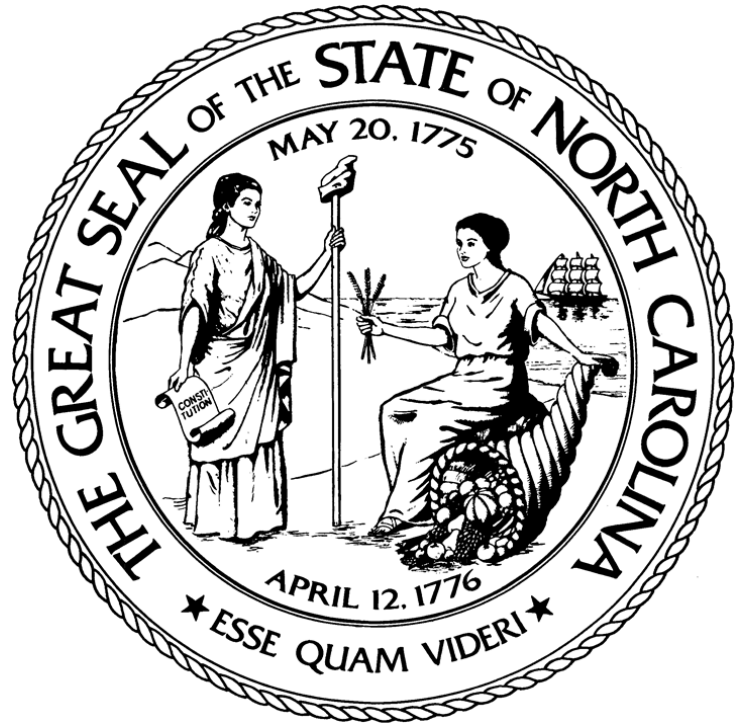
At June 30, 2025, the following nonmajor enterprise fund reported a net position deficit: Utilities Commission, \$11.67 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: SUBSEQUENT EVENTS

Component Unit

On November 12, 2025, Board of Governors of the University of North Carolina on behalf of the University of North Carolina Wilmington issued \$74,550,000.00 in a tax-exempt General Revenue Bond, Series 2025. The bond is dated November 12, 2025, and bears interest from that date. Interest on the bond will be payable semiannually on each April 1 and October 1, commencing April 1, 2026. The bond consists of a serial bond that will mature on October 1, 2040, with an interest rate of 4.05%. The bond was issued to provide funds for construction, equipping, and furnishing of Student Housing Village – Phase III.



REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS

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

The Required Supplementary Information for Pension Plans includes the following schedules:

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

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

Schedule of Employer and Nonemployer Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Schedule of Employer and Nonemployer Contributions: Single-Employer, Defined Benefit Pension Plans

Schedule of Investment Returns: All Defined Benefit Pension Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

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

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Teachers' and State Employees'					
Total pension liability					
Service Cost	\$ 2,122,320	\$ 2,032,765	\$ 1,932,122	\$ 1,918,712	\$ 1,906,954
Interest	6,527,809	6,311,991	6,027,474	5,874,188	5,857,546
Changes of benefit terms	-	-	213,711	205,169	-
Differences between expected and actual experience	1,089,326	643,699	1,812,215	(175,206)	(141,796)
Changes of assumptions	-	-	-	-	2,341,992
Benefit payments, including refunds of member contributions	(5,731,126)	(5,783,536)	(5,636,727)	(5,324,253)	(5,055,075)
Net change in total pension liability	<u>4,008,329</u>	<u>3,204,919</u>	<u>4,348,795</u>	<u>2,498,610</u>	<u>4,909,621</u>
Total pension liability - beginning	<u>101,125,956</u>	<u>97,921,037</u>	<u>93,572,242</u>	<u>91,073,632</u>	<u>86,164,011</u>
Total pension liability - ending (a)	<u>\$ 105,134,285</u>	<u>\$ 101,125,956</u>	<u>\$ 97,921,037</u>	<u>\$ 93,572,242</u>	<u>\$ 91,073,632</u>
Plan fiduciary net position					
Contributions-employer	\$ 3,186,638	\$ 3,212,327	\$ 3,034,897	\$ 2,761,946	\$ 2,373,252
Contributions-member	1,152,855	1,106,850	1,059,460	1,030,635	981,051
Net investment income	8,474,002	6,541,442	4,075,935	(6,118,110)	14,023,684
Benefit payments, including refunds of member contributions	(5,731,126)	(5,783,536)	(5,636,727)	(5,324,253)	(5,055,075)
Administrative expense	(17,156)	(16,461)	(16,093)	(13,945)	(13,870)
Other	1,178	(398)	1,578	2,700	(25)
Net change in plan fiduciary net position	<u>7,066,391</u>	<u>5,060,224</u>	<u>2,519,050</u>	<u>(7,661,027)</u>	<u>12,309,017</u>
Plan fiduciary net position - beginning	<u>86,309,278</u>	<u>81,249,054</u>	<u>78,730,004</u>	<u>86,391,031</u>	<u>74,082,014</u>
Plan fiduciary net position - ending (b)	<u>\$ 93,375,669</u>	<u>\$ 86,309,278</u>	<u>\$ 81,249,054</u>	<u>\$ 78,730,004</u>	<u>\$ 86,391,031</u>
TSERS's net pension liability - ending (a) - (b)	<u>\$ 11,758,616</u>	<u>\$ 14,816,678</u>	<u>\$ 16,671,983</u>	<u>\$ 14,842,238</u>	<u>\$ 4,682,601</u>
Plan fiduciary net position as a percentage of the total pension liability	88.82%	85.35%	82.97%	84.14%	94.86%
Covered payroll	\$ 18,979,381	\$ 18,210,471	\$ 17,462,008	\$ 16,861,697	\$ 16,057,185
Net pension liability as a percentage of covered payroll	61.95%	81.36%	95.48%	88.02%	29.16%
Local Governmental Employees'					
Total pension liability					
Service Cost	\$ 1,099,947	\$ 999,460	\$ 917,160	\$ 904,200	\$ 876,765
Interest	2,630,763	2,462,586	2,312,550	2,225,081	2,139,954
Changes of benefit terms	-	-	-	33,159	-
Differences between expected and actual experience	1,057,806	984,929	885,328	(31,778)	296,054
Changes of assumptions	-	-	-	-	1,125,778
Benefit payments, including refunds of member contributions	(2,008,232)	(1,913,522)	(1,865,415)	(1,732,564)	(1,630,148)
Net change in total pension liability	<u>2,780,284</u>	<u>2,533,453</u>	<u>2,249,623</u>	<u>1,398,098</u>	<u>2,808,403</u>
Total pension liability - beginning	<u>40,361,637</u>	<u>37,828,184</u>	<u>35,578,561</u>	<u>34,180,463</u>	<u>31,372,060</u>
Total pension liability - ending (a)	<u>\$ 43,141,921</u>	<u>\$ 40,361,637</u>	<u>\$ 37,828,184</u>	<u>\$ 35,578,561</u>	<u>\$ 34,180,463</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,409,118	\$ 1,215,459	\$ 1,050,570	\$ 880,449	\$ 745,308
Contributions-member	620,610	574,906	524,830	477,001	453,112
Net investment income	3,325,079	2,542,400	1,561,729	(2,331,589)	5,283,300
Benefit payments, including refunds of member contributions	(2,008,232)	(1,913,522)	(1,865,415)	(1,732,564)	(1,630,148)
Administrative expense	(7,200)	(6,784)	(6,407)	(5,415)	(5,295)
Other	2,935	2,610	2,657	2,384	1,956
Net change in plan fiduciary net position	<u>3,342,310</u>	<u>2,415,069</u>	<u>1,267,964</u>	<u>(2,709,734)</u>	<u>4,848,233</u>
Plan fiduciary net position - beginning	<u>33,620,166</u>	<u>31,205,097</u>	<u>29,937,133</u>	<u>32,646,867</u>	<u>27,798,634</u>
Plan fiduciary net position - ending (b)	<u>\$ 36,962,476</u>	<u>\$ 33,620,166</u>	<u>\$ 31,205,097</u>	<u>\$ 29,937,133</u>	<u>\$ 32,646,867</u>
LGERS's net pension liability - ending (a) - (b)	<u>\$ 6,179,445</u>	<u>\$ 6,741,471</u>	<u>\$ 6,623,087</u>	<u>\$ 5,641,428</u>	<u>\$ 1,533,596</u>
Plan fiduciary net position as a percentage of the total pension liability	85.68%	83.30%	82.49%	84.14%	95.51%
Covered payroll	\$ 10,057,944	\$ 9,236,011	\$ 8,479,177	\$ 7,570,499	\$ 7,166,423
Net pension liability as a percentage of covered payroll	61.44%	72.99%	78.11%	74.52%	21.40%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,851,058	\$ 1,782,475	\$ 1,630,323	\$ 1,469,395	\$ 1,580,544
5,663,045	5,460,427	5,281,004	5,195,104	4,937,464
-	-	44,339	449,563	35,605
258,502	535,860	815,911	229,339	(190,178)
-	-	1,637,700	381,934	1,743,836
(4,934,999)	(4,835,144)	(4,666,391)	(4,545,296)	(4,339,637)
<u>2,837,606</u>	<u>2,943,618</u>	<u>4,742,886</u>	<u>3,180,039</u>	<u>3,767,634</u>
<u>83,326,405</u>	<u>80,382,787</u>	<u>75,639,901</u>	<u>72,459,862</u>	<u>68,692,228</u>
<u>\$ 86,164,011</u>	<u>\$ 83,326,405</u>	<u>\$ 80,382,787</u>	<u>\$ 75,639,901</u>	<u>\$ 72,459,862</u>
\$ 2,055,075	\$ 1,915,146	\$ 1,602,901	\$ 1,441,194	\$ 1,275,003
964,544	951,566	910,797	894,538	864,151
3,050,585	4,514,117	4,885,354	6,656,652	472,174
(4,934,999)	(4,835,144)	(4,666,391)	(4,545,296)	(4,339,637)
(12,910)	(11,815)	(11,604)	(11,265)	(10,217)
271	(1,120)	181	808	325
<u>1,122,566</u>	<u>2,532,750</u>	<u>2,721,238</u>	<u>4,436,631</u>	<u>(1,738,201)</u>
<u>72,959,448</u>	<u>70,426,698</u>	<u>67,705,460</u>	<u>63,268,829</u>	<u>65,007,030</u>
<u>\$ 74,082,014</u>	<u>\$ 72,959,448</u>	<u>\$ 70,426,698</u>	<u>\$ 67,705,460</u>	<u>\$ 63,268,829</u>
<u>\$ 12,081,997</u>	<u>\$ 10,366,957</u>	<u>\$ 9,956,089</u>	<u>\$ 7,934,441</u>	<u>\$ 9,191,033</u>
85.98%	87.56%	87.61%	89.51%	87.32%
\$ 15,844,834	\$ 15,582,963	\$ 14,869,212	\$ 14,440,822	\$ 13,934,459
76.25%	66.53%	66.96%	54.94%	65.96%
\$ 841,148	\$ 798,120	\$ 713,227	\$ 656,231	\$ 684,288
2,037,306	1,934,144	1,838,989	1,803,590	1,707,699
-	-	-	-	12,581
177,954	252,859	378,665	73,083	50,205
-	-	595,781	138,096	183,019
(1,551,217)	(1,472,856)	(1,402,793)	(1,322,277)	(1,251,918)
<u>1,505,191</u>	<u>1,512,267</u>	<u>2,123,869</u>	<u>1,348,723</u>	<u>1,385,874</u>
<u>29,866,869</u>	<u>28,354,602</u>	<u>26,230,733</u>	<u>24,882,010</u>	<u>23,496,136</u>
<u>\$ 31,372,060</u>	<u>\$ 29,866,869</u>	<u>\$ 28,354,602</u>	<u>\$ 26,230,733</u>	<u>\$ 24,882,010</u>
\$ 640,969	\$ 534,107	\$ 492,317	\$ 461,329	\$ 414,168
436,754	420,437	401,632	391,459	375,572
1,139,009	1,675,331	1,789,337	2,413,758	175,189
(1,551,217)	(1,472,856)	(1,402,793)	(1,322,277)	(1,251,918)
(4,889)	(4,634)	(4,324)	(4,264)	(3,926)
2,061	1,302	3,081	3,330	3,248
<u>662,687</u>	<u>1,153,687</u>	<u>1,279,250</u>	<u>1,943,335</u>	<u>(287,667)</u>
<u>27,135,947</u>	<u>25,982,260</u>	<u>24,703,010</u>	<u>22,759,675</u>	<u>23,047,342</u>
<u>\$ 27,798,634</u>	<u>\$ 27,135,947</u>	<u>\$ 25,982,260</u>	<u>\$ 24,703,010</u>	<u>\$ 22,759,675</u>
<u>\$ 3,573,426</u>	<u>\$ 2,730,922</u>	<u>\$ 2,372,342</u>	<u>\$ 1,527,723</u>	<u>\$ 2,122,335</u>
88.61%	90.86%	91.63%	94.18%	91.47%
\$ 6,914,444	\$ 6,665,378	\$ 6,368,275	\$ 6,192,808	\$ 5,860,574
51.68%	40.97%	37.25%	24.67%	36.21%

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

Last Ten Fiscal Years

(Dollars in Thousands)

	2025	2024	2023	2022	2021
Firefighters' and Rescue Squad Workers'					
Total pension liability					
Service Cost	\$ 7,270	\$ 7,230	\$ 7,357	\$ 7,262	\$ 7,675
Interest	32,777	32,342	32,031	32,013	33,116
Changes of benefit terms	16,248	-	-	-	-
Differences between expected and actual experience	(4,383)	(1,153)	(3,381)	(8,484)	(4,881)
Changes of assumptions	-	-	-	-	6,525
Benefit payments, including refunds of member contributions	(32,266)	(31,298)	(30,876)	(30,369)	(30,147)
Net change in total pension liability	<u>19,646</u>	<u>7,121</u>	<u>5,131</u>	<u>422</u>	<u>12,288</u>
Total pension liability - beginning	<u>512,870</u>	<u>505,749</u>	<u>500,618</u>	<u>500,196</u>	<u>487,908</u>
Total pension liability - ending (a)	<u>\$ 532,516</u>	<u>\$ 512,870</u>	<u>\$ 505,749</u>	<u>\$ 500,618</u>	<u>\$ 500,196</u>
Plan fiduciary net position					
Contributions-member	\$ 2,813	\$ 2,571	\$ 2,471	\$ 2,318	\$ 2,569
Contributions-nonemployer	20,402	20,052	19,702	19,352	19,002
Net investment income	51,935	40,231	25,008	(37,515)	85,952
Benefit payments, including refunds of member contributions	(32,266)	(31,298)	(30,876)	(30,369)	(30,147)
Administrative expense	(1,027)	(1,004)	(844)	(975)	(987)
Other	19	18	23	18	15
Net change in plan fiduciary net position	<u>41,876</u>	<u>30,570</u>	<u>15,484</u>	<u>(47,171)</u>	<u>76,404</u>
Plan fiduciary net position - beginning	<u>527,010</u>	<u>496,440</u>	<u>480,956</u>	<u>528,127</u>	<u>451,723</u>
Plan fiduciary net position - ending (b)	<u>\$ 568,886</u>	<u>\$ 527,010</u>	<u>\$ 496,440</u>	<u>\$ 480,956</u>	<u>\$ 528,127</u>
FRSWPF's net pension liability (asset) - ending (a) - (b)	<u>\$ (36,370)</u>	<u>\$ (14,140)</u>	<u>\$ 9,309</u>	<u>\$ 19,662</u>	<u>\$ (27,931)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.83%	102.76%	98.16%	96.07%	105.58%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'					
Total pension liability					
Service Cost	\$ 1,171	\$ 1,198	\$ 1,151	\$ 1,107	\$ 1,120
Interest	1,035	1,016	1,025	1,025	1,134
Differences between expected and actual experience	75	380	(618)	(360)	308
Changes of assumptions	-	-	-	-	2,101
Benefit payments, including refunds of member contributions	(1,962)	(1,932)	(1,850)	(1,844)	(1,802)
Net change in total pension liability	<u>319</u>	<u>662</u>	<u>(292)</u>	<u>(72)</u>	<u>2,861</u>
Total pension liability - beginning	<u>34,288</u>	<u>33,626</u>	<u>33,918</u>	<u>33,990</u>	<u>31,129</u>
Total pension liability - ending (a)	<u>\$ 34,607</u>	<u>\$ 34,288</u>	<u>\$ 33,626</u>	<u>\$ 33,918</u>	<u>\$ 33,990</u>
Plan fiduciary net position					
Contributions-employer	\$ 911	\$ 860	\$ 892	\$ 1,146	\$ 1,200
Net investment income	2,646	1,261	(537)	(5,334)	(228)
Benefit payments, including refunds of member contributions	(1,962)	(1,932)	(1,850)	(1,844)	(1,802)
Administrative expense	(28)	(21)	(20)	(13)	(14)
Net change in plan fiduciary net position	<u>1,567</u>	<u>168</u>	<u>(1,515)</u>	<u>(6,045)</u>	<u>(844)</u>
Plan fiduciary net position - beginning	<u>45,811</u>	<u>45,643</u>	<u>47,158</u>	<u>53,203</u>	<u>54,047</u>
Plan fiduciary net position - ending (b)	<u>\$ 47,378</u>	<u>\$ 45,811</u>	<u>\$ 45,643</u>	<u>\$ 47,158</u>	<u>\$ 53,203</u>
RODSPF's net pension asset - ending (a) - (b)	<u>\$ (12,771)</u>	<u>\$ (11,523)</u>	<u>\$ (12,017)</u>	<u>\$ (13,240)</u>	<u>\$ (19,213)</u>
Plan fiduciary net position as a percentage of the total pension liability	136.90%	133.61%	135.74%	139.04%	156.53%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension asset as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 7,733	\$ 7,640	\$ 7,542	\$ 4,841	\$ 5,610
32,500	32,140	31,686	31,475	30,035
-	-	-	-	118
(1,376)	(4,922)	(121)	2,048	(2,177)
-	-	10,593	2,549	15,577
(29,953)	(29,502)	(31,727)	(29,070)	(27,998)
8,904	5,356	17,973	11,843	21,165
479,004	473,648	455,675	443,832	422,667
<u>\$ 487,908</u>	<u>\$ 479,004</u>	<u>\$ 473,648</u>	<u>\$ 455,675</u>	<u>\$ 443,832</u>
\$ 2,581	\$ 2,770	\$ 2,790	\$ 2,594	\$ 2,778
18,652	18,302	17,952	17,602	13,900
18,593	27,363	29,505	39,928	2,867
(29,953)	(29,502)	(31,727)	(29,070)	(27,998)
(885)	(1,002)	(885)	(919)	(860)
14	(18)	10	15	18
9,002	17,913	17,645	30,150	(9,295)
442,721	424,808	407,163	377,013	386,308
<u>\$ 451,723</u>	<u>\$ 442,721</u>	<u>\$ 424,808</u>	<u>\$ 407,163</u>	<u>\$ 377,013</u>
<u>\$ 36,185</u>	<u>\$ 36,283</u>	<u>\$ 48,840</u>	<u>\$ 48,512</u>	<u>\$ 66,819</u>
92.58%	92.43%	89.69%	89.35%	84.94%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
\$ 1,125	\$ 1,117	\$ 1,086	\$ 860	\$ 579
1,122	1,133	1,157	1,164	1,354
(124)	(770)	(1,125)	440	(45)
-	-	-	-	7,082
(1,788)	(1,754)	(1,793)	(1,793)	(1,718)
335	(274)	(675)	671	7,252
30,794	31,068	31,743	31,072	23,820
<u>\$ 31,129</u>	<u>\$ 30,794</u>	<u>\$ 31,068</u>	<u>\$ 31,743</u>	<u>\$ 31,072</u>
\$ 958	\$ 950	\$ 856	\$ 869	\$ 817
4,353	3,721	(230)	(13)	3,722
(1,788)	(1,754)	(1,793)	(1,793)	(1,718)
(12)	(12)	(14)	(19)	(47)
3,511	2,905	(1,181)	(956)	2,774
50,536	47,631	48,812	49,768	46,994
<u>\$ 54,047</u>	<u>\$ 50,536</u>	<u>\$ 47,631</u>	<u>\$ 48,812</u>	<u>\$ 49,768</u>
<u>\$ (22,918)</u>	<u>\$ (19,742)</u>	<u>\$ (16,563)</u>	<u>\$ (17,069)</u>	<u>\$ (18,696)</u>
173.62%	164.11%	153.31%	153.77%	160.17%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

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

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Consolidated Judicial					
Total pension liability					
Service Cost	\$ 17,513	\$ 16,220	\$ 15,796	\$ 14,320	\$ 19,545
Interest	59,435	56,527	53,741	51,397	49,700
Changes of benefit terms	-	-	2,197	2,127	-
Differences between expected and actual experience	33,226	31,620	29,934	22,417	2,451
Changes of assumptions	-	-	-	-	46,622
Benefit payments, including refunds of member contributions	(60,920)	(60,931)	(57,587)	(53,819)	(50,001)
Net change in total pension liability	<u>49,254</u>	<u>43,436</u>	<u>44,081</u>	<u>36,442</u>	<u>68,317</u>
Total pension liability - beginning	<u>926,852</u>	<u>883,416</u>	<u>839,335</u>	<u>802,893</u>	<u>734,576</u>
Total pension liability - ending (a)	<u>\$ 976,106</u>	<u>\$ 926,852</u>	<u>\$ 883,416</u>	<u>\$ 839,335</u>	<u>\$ 802,893</u>
Plan fiduciary net position					
Contributions-employer	\$ 38,028	\$ 35,574	\$ 34,952	\$ 33,428	\$ 29,259
Contributions-member	7,003	6,715	6,103	5,470	5,585
Net investment income	70,243	54,594	34,201	(51,610)	118,772
Benefit payments, including refunds of member contributions	(60,920)	(60,931)	(57,587)	(53,819)	(50,001)
Administrative expense	(50)	(43)	(71)	(29)	(34)
Other	86	100	-	4	-
Net change in plan fiduciary net position	<u>54,390</u>	<u>36,009</u>	<u>17,598</u>	<u>(66,556)</u>	<u>103,581</u>
Plan fiduciary net position - beginning	<u>718,371</u>	<u>682,362</u>	<u>664,764</u>	<u>731,320</u>	<u>627,739</u>
Plan fiduciary net position - ending (b)	<u>\$ 772,761</u>	<u>\$ 718,371</u>	<u>\$ 682,362</u>	<u>\$ 664,764</u>	<u>\$ 731,320</u>
CJRS's net pension liability - ending (a) - (b)	<u>\$ 203,345</u>	<u>\$ 208,481</u>	<u>\$ 201,054</u>	<u>\$ 174,571</u>	<u>\$ 71,573</u>
Plan fiduciary net position as a percentage of the total pension liability	79.17%	77.51%	77.24%	79.20%	91.09%
Covered payroll	\$ 108,900	\$ 100,833	\$ 87,489	\$ 83,528	\$ 80,294
Net pension liability as a percentage of covered payroll	186.73%	206.76%	229.80%	209.00%	89.14%
Legislative					
Total pension liability					
Service Cost	\$ 780	\$ 798	\$ 797	\$ 796	\$ 1,034
Interest	1,946	1,948	1,933	1,925	2,053
Changes of benefit terms	-	-	94	94	-
Differences between expected and actual experience	(307)	(57)	(92)	(281)	(815)
Changes of assumptions	-	-	-	-	(353)
Benefit payments, including refunds of member contributions	(2,871)	(2,557)	(2,449)	(2,358)	(2,516)
Net change in total pension liability	<u>(452)</u>	<u>132</u>	<u>283</u>	<u>176</u>	<u>(597)</u>
Total pension liability - beginning	<u>30,565</u>	<u>30,433</u>	<u>30,150</u>	<u>29,974</u>	<u>30,571</u>
Total pension liability - ending (a)	<u>\$ 30,113</u>	<u>\$ 30,565</u>	<u>\$ 30,433</u>	<u>\$ 30,150</u>	<u>\$ 29,974</u>
Plan fiduciary net position					
Contributions-employer	\$ 698	\$ 748	\$ 901	\$ 1,029	\$ 987
Contributions-member	253	253	259	253	253
Net investment income	2,792	2,243	1,441	(2,183)	5,162
Benefit payments, including refunds of member contributions	(2,871)	(2,557)	(2,449)	(2,358)	(2,516)
Administrative expense	(25)	(16)	(23)	(15)	(13)
Other	(2)	-	(1)	(1)	-
Net change in plan fiduciary net position	<u>845</u>	<u>671</u>	<u>128</u>	<u>(3,275)</u>	<u>3,873</u>
Plan fiduciary net position - beginning	<u>29,419</u>	<u>28,748</u>	<u>28,620</u>	<u>31,895</u>	<u>28,022</u>
Plan fiduciary net position - ending (b)	<u>\$ 30,264</u>	<u>\$ 29,419</u>	<u>\$ 28,748</u>	<u>\$ 28,620</u>	<u>\$ 31,895</u>
LRS's net pension liability (asset) - ending (a) - (b)	<u>\$ (151)</u>	<u>\$ 1,146</u>	<u>\$ 1,685</u>	<u>\$ 1,530</u>	<u>\$ (1,921)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.50%	96.25%	94.46%	94.93%	106.41%
Covered payroll	\$ 4,195	\$ 3,622	\$ 3,617	\$ 3,619	\$ 3,615
Net pension liability (asset) as a percentage of covered payroll	(3.60%)	31.64%	46.59%	42.28%	(53.14%)

2020	2019	2018	2017	2016
\$ 18,869	\$ 18,710	\$ 17,192	\$ 15,630	\$ 16,904
48,149	46,838	45,397	44,837	42,009
-	-	430	4,349	332
4,583	845	7,660	2,193	(4,295)
-	-	12,836	3,032	26,588
<u>(48,920)</u>	<u>(46,451)</u>	<u>(43,392)</u>	<u>(42,053)</u>	<u>(40,462)</u>
22,681	19,942	40,123	27,988	41,076
711,895	691,953	651,830	623,842	582,766
<u>\$ 734,576</u>	<u>\$ 711,895</u>	<u>\$ 691,953</u>	<u>\$ 651,830</u>	<u>\$ 623,842</u>

\$ 26,637	\$ 25,636	\$ 23,988	\$ 19,592	\$ 18,908
5,224	5,151	5,706	7,399	7,561
25,923	38,211	41,123	55,762	3,972
(48,920)	(46,451)	(43,392)	(42,053)	(40,462)
(27)	(30)	(24)	(37)	(73)
-	(119)	-	-	-
<u>8,837</u>	<u>22,398</u>	<u>27,401</u>	<u>40,663</u>	<u>(10,094)</u>
618,902	596,504	569,103	528,440	538,534
<u>\$ 627,739</u>	<u>\$ 618,902</u>	<u>\$ 596,504</u>	<u>\$ 569,103</u>	<u>\$ 528,440</u>
<u>\$ 106,837</u>	<u>\$ 92,993</u>	<u>\$ 95,449</u>	<u>\$ 82,727</u>	<u>\$ 95,402</u>

85.46%	86.94%	86.21%	87.31%	84.71%
\$ 79,277	\$ 75,712	\$ 77,255	\$ 66,504	\$ 69,489
134.76%	122.82%	123.55%	124.39%	137.29%

\$ 1,058	\$ 1,088	\$ 1,006	\$ 872	\$ 822
2,051	2,052	2,028	2,056	1,708
-	-	24	215	22
(617)	(596)	207	(122)	(520)
-	-	511	121	5,151
<u>(2,388)</u>	<u>(2,732)</u>	<u>(2,531)</u>	<u>(2,437)</u>	<u>(2,430)</u>
104	(188)	1,245	705	4,753
30,467	30,655	29,410	28,705	23,952
<u>\$ 30,571</u>	<u>\$ 30,467</u>	<u>\$ 30,655</u>	<u>\$ 29,410</u>	<u>\$ 28,705</u>

\$ 956	\$ 809	\$ 689	\$ 675	\$ 65
253	257	253	253	253
1,151	1,726	1,975	2,744	181
(2,388)	(2,732)	(2,531)	(2,437)	(2,430)
(13)	(14)	(14)	(18)	(53)
6	(50)	-	-	-
<u>(35)</u>	<u>(4)</u>	<u>372</u>	<u>1,217</u>	<u>(1,984)</u>
28,057	28,061	27,689	26,472	28,456
<u>\$ 28,022</u>	<u>\$ 28,057</u>	<u>\$ 28,061</u>	<u>\$ 27,689</u>	<u>\$ 26,472</u>
<u>\$ 2,549</u>	<u>\$ 2,410</u>	<u>\$ 2,594</u>	<u>\$ 1,721</u>	<u>\$ 2,233</u>

91.66%	92.09%	91.54%	94.15%	92.22%
\$ 3,613	\$ 3,611	\$ 3,618	\$ 3,705	\$ 3,616
70.55%	66.74%	71.70%	46.45%	61.75%

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

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
North Carolina					
National Guard					
Total pension liability					
Service Cost	\$ 219	\$ 229	\$ 230	\$ 196	\$ 276
Interest	9,620	9,059	9,478	11,070	11,097
Differences between expected and actual experience	1,639	8,616	(6,970)	(26,734)	4,599
Changes of assumptions	-	-	-	-	4,601
Benefit payments, including refunds of member contributions	(9,265)	(9,279)	(9,080)	(9,049)	(8,915)
Net change in total pension liability	<u>2,213</u>	<u>8,625</u>	<u>(6,342)</u>	<u>(24,517)</u>	<u>11,658</u>
Total pension liability - beginning	<u>152,337</u>	<u>143,712</u>	<u>150,054</u>	<u>174,571</u>	<u>162,913</u>
Total pension liability - ending (a)	<u>\$ 154,550</u>	<u>\$ 152,337</u>	<u>\$ 143,712</u>	<u>\$ 150,054</u>	<u>\$ 174,571</u>
Plan fiduciary net position					
Contributions-nonemployer	\$ 1,121	\$ -	\$ 11,032	\$ 11,032	\$ 11,032
Net investment income	17,401	13,810	8,539	(12,272)	27,365
Benefit payments, including refunds of member contributions	(9,265)	(9,279)	(9,080)	(9,049)	(8,915)
Administrative expense	(323)	(328)	(144)	(91)	(94)
Other	9	1	(1)	(4)	1
Net change in plan fiduciary net position	<u>8,943</u>	<u>4,204</u>	<u>10,346</u>	<u>(10,384)</u>	<u>29,389</u>
Plan fiduciary net position - beginning	<u>179,931</u>	<u>175,727</u>	<u>165,381</u>	<u>175,765</u>	<u>146,376</u>
Plan fiduciary net position - ending (b)	<u>\$ 188,874</u>	<u>\$ 179,931</u>	<u>\$ 175,727</u>	<u>\$ 165,381</u>	<u>\$ 175,765</u>
NGPF's net pension liability (asset) - ending (a) - (b)	<u>\$ (34,324)</u>	<u>\$ (27,594)</u>	<u>\$ (32,015)</u>	<u>\$ (15,327)</u>	<u>\$ (1,194)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.21%	118.11%	122.28%	110.21%	100.68%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

2020	2019	2018	2017	2016
\$ 315	\$ 327	\$ 304	\$ 305	\$ 593
11,746	12,368	12,288	11,975	10,700
(12,364)	(12,701)	(1,748)	1,204	30
-	-	3,926	955	15,149
(9,018)	(8,736)	(8,766)	(8,677)	(8,512)
(9,321)	(8,742)	6,004	5,762	17,960
172,234	180,976	174,972	169,210	151,250
<u>\$ 162,913</u>	<u>\$ 172,234</u>	<u>\$ 180,976</u>	<u>\$ 174,972</u>	<u>\$ 169,210</u>
\$ 11,032	\$ 9,072	\$ 8,923	\$ 8,517	\$ 7,066
5,871	8,463	8,766	11,626	842
(9,018)	(8,736)	(8,766)	(8,677)	(8,512)
(83)	(13)	(249)	(168)	(97)
1	(16)	2	-	1
7,803	8,770	8,676	11,298	(700)
138,573	129,803	121,127	109,829	110,529
<u>\$ 146,376</u>	<u>\$ 138,573</u>	<u>\$ 129,803</u>	<u>\$ 121,127</u>	<u>\$ 109,829</u>
<u>\$ 16,537</u>	<u>\$ 33,661</u>	<u>\$ 51,173</u>	<u>\$ 53,845</u>	<u>\$ 59,381</u>
89.85%	80.46%	71.72%	69.23%	64.91%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 3,186,638	\$ 3,212,327	\$ 3,034,897	\$ 2,761,946	\$ 2,373,252
Contributions in relation to the actuarially determined contribution (1)	3,186,638	3,212,327	3,034,897	2,761,946	2,373,252
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,979,381	\$ 18,210,471	\$ 17,462,008	\$ 16,861,697	\$ 16,057,185
Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%
Local Governmental Employees'					
Actuarially determined contribution	\$ 1,323,531	\$ 1,002,980	\$ 1,024,690	\$ 886,620	\$ 763,653
Contributions in relation to the actuarially determined contribution (1)	1,409,118	1,215,459	1,050,570	880,449	745,308
Contribution deficiency (excess)	\$ (85,587)	\$ (212,479)	\$ (25,880)	\$ 6,171	\$ 18,345
Covered payroll	\$ 10,057,944	\$ 9,236,011	\$ 8,479,177	\$ 7,570,499	\$ 7,166,423
Contributions as a percentage of covered payroll	14.01%	13.16%	12.39%	11.63%	10.40%
Firefighters' and Rescue Squad Workers' (2)					
Actuarially determined contribution	\$ 2,351	\$ 3,253	\$ 13,087	\$ 15,183	\$ 14,846
Contributions in relation to the actuarially determined contribution (1)	20,402	20,052	19,702	19,352	19,002
Contribution deficiency (excess)	\$ (18,051)	\$ (16,799)	\$ (6,615)	\$ (4,169)	\$ (4,156)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution (1)	911	860	892	1,146	1,200
Contribution excess	\$ (911)	\$ (860)	\$ (892)	\$ (1,146)	\$ (1,200)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

(2) Nonemployer contributing entity

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 2,055,075	\$ 1,915,146	\$ 1,565,728	\$ 1,438,306	\$ 1,210,904
2,055,075	1,915,146	1,602,901	1,441,194	1,275,003
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,173)</u>	<u>\$ (2,888)</u>	<u>\$ (64,099)</u>
\$ 15,844,834	\$ 15,582,963	\$ 14,869,212	\$ 14,440,822	\$ 13,934,459
12.97%	12.29%	10.78%	9.98%	9.15%

\$ 625,511	\$ 512,287	\$ 483,559	\$ 453,193	\$ 393,920
640,969	534,107	492,317	461,329	414,168
<u>\$ (15,458)</u>	<u>\$ (21,820)</u>	<u>\$ (8,758)</u>	<u>\$ (8,136)</u>	<u>\$ (20,248)</u>
\$ 6,914,444	\$ 6,665,378	\$ 6,368,275	\$ 6,192,808	\$ 5,860,574
9.27%	8.01%	7.73%	7.45%	7.07%

\$ 14,324	\$ 14,544	\$ 14,287	\$ 17,705	\$ 13,241
18,652	18,302	17,952	17,602	13,900
<u>\$ (4,328)</u>	<u>\$ (3,758)</u>	<u>\$ (3,665)</u>	<u>\$ 103</u>	<u>\$ (659)</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

\$ -	\$ -	\$ -	\$ -	\$ -
958	950	856	869	817
<u>\$ (958)</u>	<u>\$ (950)</u>	<u>\$ (856)</u>	<u>\$ (869)</u>	<u>\$ (817)</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
SINGLE-EMPLOYER, DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Consolidated Judicial					
Actuarially determined contribution	\$ 38,028	\$ 35,574	\$ 34,689	\$ 33,428	\$ 29,259
Contributions in relation to the actuarially determined contribution	38,028	35,574	34,952	33,428	29,259
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (263)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 108,900	\$ 100,833	\$ 87,489	\$ 83,528	\$ 80,294
Contributions as a percentage of covered payroll	34.92%	35.28%	39.95%	40.02%	36.44%
Legislative					
Actuarially determined contribution	\$ 698	\$ 748	\$ 890	\$ 1,029	\$ 987
Contributions in relation to the actuarially determined contribution	698	748	901	1,029	987
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,195	\$ 3,622	\$ 3,617	\$ 3,619	\$ 3,615
Contributions as a percentage of covered payroll	16.64%	20.65%	24.91%	28.43%	27.30%
North Carolina National Guard *					
Actuarially determined contribution	\$ -	\$ -	\$ 11,032	\$ 11,032	\$ 11,032
Contributions in relation to the actuarially determined contribution	1,121	-	11,032	11,032	11,032
Contribution excess	<u>\$ (1,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

* Nonemployer contributing entity

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

2020	2019	2018	2017	2016
\$ 26,637	\$ 24,947	\$ 23,988	\$ 19,592	\$ 18,324
26,637	25,636	23,988	19,592	18,908
<u>\$ -</u>	<u>\$ (689)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (584)</u>
\$ 79,277	\$ 75,712	\$ 77,255	\$ 66,504	\$ 69,489
33.60%	33.86%	31.05%	29.46%	27.21%

\$ 956	\$ 809	\$ 689	\$ 675	\$ 65
956	809	689	675	65
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,613	\$ 3,611	\$ 3,618	\$ 3,705	\$ 3,616
26.46%	22.40%	19.04%	18.22%	1.80%

\$ 11,032	\$ 9,072	\$ 8,923	\$ 8,517	\$ 7,066
11,032	9,072	8,923	8,517	7,066
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

Annual money-weighted rate of return, net of investment expense	2025	2024	2023	2022	2021
<i>Cost-Sharing, Multiple Employer</i>					
Teachers' and State Employees'	9.96%	8.18%	5.27%	(7.18%)	19.13%
Local Governmental Employees'	9.95%	8.20%	5.27%	(7.20%)	19.10%
Firefighters' and Rescue Squad Workers'	9.94%	8.17%	5.25%	(7.15%)	19.10%
Registers of Deeds'	5.86%	2.79%	(1.16%)	(10.13%)	(0.43%)
<i>Single-Employer</i>					
Consolidated Judicial	9.95%	8.17%	5.25%	(7.17%)	19.13%
Legislative	9.87%	8.07%	5.19%	(7.00%)	18.81%
North Carolina National Guard	9.94%	8.07%	5.12%	(6.90%)	18.40%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
4.35%	6.57%	7.61%	10.75%	0.74%
4.34%	6.58%	7.59%	10.74%	0.77%
4.33%	6.55%	7.59%	10.76%	0.75%
8.72%	7.91%	(0.47%)	(0.03%)	8.04%
4.36%	6.57%	7.60%	10.75%	0.75%
4.30%	6.43%	7.64%	10.72%	0.66%
4.28%	6.52%	7.44%	10.63%	0.77%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2025

Changes of benefit terms.

	<u>Cost of Living Increase</u>									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Cost-Sharing, Multiple-Employer</u>										
Teachers' and State Employees'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A
Local Governmental Employees'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.11%	0.63%
Firefighters' and Rescue Squad Workers'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Registers of Deeds'	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>Single-Employer</u>										
<u>Consolidated</u>										
Judicial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A
Legislative	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A
North Carolina National Guard	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not applicable

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

For the North Carolina National Guard Pension fund, in 2015, the basic benefits were increased from \$95 to \$99 and total potential benefits were increased from \$190 to \$198. In 2016, basic benefits were increased from \$99 to \$105 and total benefits were increased from \$198 to \$210.

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

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

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

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

Methods and assumptions used in calculations of actuarially determined contributions.

An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2025

Changes of assumptions. In January 2021, the actuarial assumptions were updated to more closely reflect actual experience. These assumptions pertain to the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Registers of Deeds' Supplemental Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Consolidated Judicial Retirement System, the Legislative Retirement System and the North Carolina National Guard Pension Fund was lowered from 7.00% to 6.50%, and for the Register of Deeds' Supplemental Pension Fund from 3.75% to 3.00%, effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION PENSIONS — EMPLOYERS (PRIMARY GOVERNMENT AND COMPONENT UNITS)

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

The Required Supplementary Information for Employers includes the following schedules:

- Schedule of the Primary Government's and Component Units' Proportionate Share of the Net Pension Liability
- Schedule of the Primary Government's (Nonemployer) Proportionate Share of the Net Pension Liability (Asset)
- Schedule of the Primary Government's and Component Units' Contributions: Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plans

Note: For information about the net pension liability of Consolidated Judicial and Legislative (single employer plans) and the primary government's contributions to Consolidated Judicial, Legislative, Firefighters' and Rescue Squad Workers', and North Carolina National Guard, refer to the preceding section on required supplementary information for pension plans. Firefighters' and Rescue Squad Workers' and the North Carolina National Guard are special funding situations in which the State is not the employer but is the only contributing entity. The net pension liabilities of pension plans were measured as of June 30, 2025. The net pension liabilities of employers were measured as of June 30, 2024.

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

Last Ten Fiscal Years*

(Dollars in Thousands)

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

Teachers' and State Employees'	2025	2024	2023	2022	2021
Primary Government					
Proportion of the net pension liability	22.29%	21.97%	22.29%	23.50%	22.26%
Proportionate share of the net pension liability	\$ 3,302,838	\$ 3,662,113	\$ 3,308,833	\$ 1,100,342	\$ 2,689,921
Covered payroll	\$ 4,208,849	\$ 3,979,217	\$ 3,936,636	\$ 3,987,199	\$ 3,778,103
Proportionate share of the net pension liability as a percentage of covered payroll	78.47%	92.03%	84.05%	27.60%	71.20%
Component Units					
University of North Carolina System					
Proportion of the net pension liability	15.86%	15.48%	14.91%	15.26%	15.12%
Proportionate share of the net pension liability	\$ 2,350,458	\$ 2,580,319	\$ 2,212,675	\$ 714,488	\$ 1,826,248
Covered payroll	\$ 2,856,967	\$ 2,718,654	\$ 2,506,435	\$ 2,435,636	\$ 2,431,573
Proportionate share of the net pension liability as a percentage of covered payroll	82.27%	94.91%	88.28%	29.33%	75.11%
Community Colleges					
Proportion of the net pension liability	5.62%	5.62%	5.53%	5.58%	5.56%
Proportionate share of the net pension liability	\$ 832,099	\$ 937,035	\$ 820,596	\$ 261,349	\$ 671,817
Covered payroll	\$ 1,066,678	\$ 1,004,223	\$ 963,040	\$ 909,736	\$ 927,386
Proportionate share of the net pension liability as a percentage of covered payroll	78.01%	93.31%	85.21%	28.73%	72.44%
Other Component Units					
Proportion of the net pension liability	0.21%	0.20%	0.19%	0.18%	0.18%
Proportionate share of the net pension liability	\$ 30,791	\$ 32,922	\$ 28,700	\$ 8,524	\$ 21,667
Covered payroll	\$ 39,949	\$ 38,608	\$ 33,736	\$ 31,218	\$ 30,285
Proportionate share of the net pension liability as a percentage of covered payroll	77.08%	85.27%	85.07%	27.30%	71.54%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

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

2020	2019	2018	2017	2016
21.83%	21.75%	21.74%	21.93%	22.47%
\$ 2,263,139	\$ 2,165,010	\$ 1,725,012	\$ 2,015,413	\$ 828,018
\$ 3,542,384	\$ 3,499,295	\$ 3,264,890	\$ 3,311,814	\$ 3,498,284
63.89%	61.87%	52.84%	60.86%	23.67%
15.05%	14.90%	14.72%	14.43%	14.45%
\$ 1,559,975	\$ 1,482,962	\$ 1,167,833	\$ 1,325,896	\$ 532,624
\$ 2,374,044	\$ 2,280,501	\$ 2,202,204	\$ 2,117,672	\$ 2,053,148
65.71%	65.03%	53.03%	62.61%	25.94%
5.68%	5.80%	5.96%	5.92%	5.89%
\$ 588,482	\$ 577,687	\$ 472,532	\$ 543,846	\$ 216,890
\$ 873,702	\$ 876,939	\$ 895,962	\$ 871,399	\$ 861,639
67.36%	65.88%	52.74%	62.41%	25.17%
0.17%	0.17%	0.16%	0.16%	0.17%
\$ 18,087	\$ 16,760	\$ 12,763	\$ 14,653	\$ 6,224
\$ 28,153	\$ 27,263	\$ 27,154	\$ 25,454	\$ 25,574
64.25%	61.48%	47.00%	57.57%	24.34%
87.56%	87.61%	89.51%	87.32%	94.64%

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

Last Ten Fiscal Years*

(Dollars in Thousands)

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

Firefighters' and Rescue Squad Workers'	2025	2024	2023	2022	2021
Primary Government					
Proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	\$ (14,140)	\$ 9,309	\$ 19,662	\$ (27,931)	\$ 36,185
Plan fiduciary net position as a percentage of the total pension liability	102.76%	98.16%	96.07%	105.58%	92.58%

Single-Employer, Defined Benefit Pension Plans

North Carolina National Guard

Primary Government

Proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%
Proportionate share of the net pension liability (asset)	\$ (27,594)	\$ (32,015)	\$ (15,327)	\$ (1,194)	\$ 16,537
Plan fiduciary net position as a percentage of the total pension liability	118.11%	122.28%	110.21%	100.68%	89.85%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
100.00%	100.00%	100.00%	100.00%	100.00%
\$ 36,283	\$ 48,840	\$ 48,512	\$ 66,819	\$ 36,359
92.43%	89.69%	89.35%	84.94%	91.40%

100.00%	100.00%	100.00%	100.00%	100.00%
\$ 33,661	\$ 51,173	\$ 53,845	\$ 59,381	\$ 40,721
80.46%	71.72%	69.23%	64.91%	73.08%

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

Last Ten Fiscal Years

(Dollars in Thousands)

Teachers' and State Employees'	2025	2024	2023	2022	2021
Primary Government					
Contractually required contribution	\$ 761,887	\$ 742,441	\$ 691,588	\$ 644,821	\$ 589,308
Contributions in relation to the contractually required contribution	761,887	742,441	691,588	644,821	589,308
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,537,743	\$ 4,208,849	\$ 3,979,217	\$ 3,936,636	\$ 3,987,199
Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 518,685	\$ 503,969	\$ 472,508	\$ 410,554	\$ 359,987
Contributions in relation to the contractually required contribution	518,685	503,969	472,508	410,554	359,987
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,089,250	\$ 2,856,967	\$ 2,718,654	\$ 2,506,435	\$ 2,435,636
Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%
Community Colleges					
Contractually required contribution	\$ 189,585	\$ 188,162	\$ 174,534	\$ 157,746	\$ 134,459
Contributions in relation to the contractually required contribution	189,585	188,162	174,534	157,746	134,459
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,129,154	\$ 1,066,678	\$ 1,004,223	\$ 963,040	\$ 909,736
Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%
Other Component Units					
Contractually required contribution	\$ 7,108	\$ 7,047	\$ 6,710	\$ 5,526	\$ 4,614
Contributions in relation to the contractually required contribution	7,108	7,047	6,710	5,526	4,614
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 42,335	\$ 39,949	\$ 38,608	\$ 33,736	\$ 31,218
Contributions as a percentage of covered payroll	16.79%	17.64%	17.38%	16.38%	14.78%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 490,020	\$ 435,359	\$ 377,224	\$ 325,836	\$ 303,031
490,020	435,359	377,224	325,836	303,031
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,778,103	\$ 3,542,384	\$ 3,499,295	\$ 3,264,890	\$ 3,311,814
12.97%	12.29%	10.78%	9.98%	9.15%
\$ 315,375	\$ 291,770	\$ 245,838	\$ 219,780	\$ 193,767
315,375	291,770	245,838	219,780	193,767
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,431,573	\$ 2,374,044	\$ 2,280,501	\$ 2,202,204	\$ 2,117,672
12.97%	12.29%	10.78%	9.98%	9.15%
\$ 120,282	\$ 107,378	\$ 94,534	\$ 89,417	\$ 79,733
120,282	107,378	94,534	89,417	79,733
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 927,386	\$ 873,702	\$ 876,939	\$ 895,962	\$ 871,399
12.97%	12.29%	10.78%	9.98%	9.15%
\$ 3,928	\$ 3,460	\$ 2,939	\$ 2,710	\$ 2,329
3,928	3,460	2,939	2,710	2,329
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 30,285	\$ 28,153	\$ 27,263	\$ 27,154	\$ 25,454
12.97%	12.29%	10.78%	9.98%	9.15%

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REQUIRED SUPPLEMENTARY INFORMATION

PENSIONS — GASB STATEMENT 73

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

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

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

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

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

Last Nine Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Special Separation Allowance					
Total pension liability					
Service Cost	\$ 12,406	\$ 12,157	\$ 14,136	\$ 11,074	\$ 9,303
Interest	11,834	10,571	6,924	5,764	6,217
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	11,608	29,688	9,854	14,160	29,972
Changes of assumptions	(6,721)	(2,597)	(31,526)	47,935	10,736
Benefit payments, including refunds of member contributions	(25,295)	(23,139)	(19,608)	(18,662)	(17,820)
Net change in total pension liability	<u>3,832</u>	<u>26,680</u>	<u>(20,220)</u>	<u>60,271</u>	<u>38,408</u>
Total pension liability - beginning	<u>336,876</u>	<u>310,196</u>	<u>330,416</u>	<u>270,145</u>	<u>231,737</u>
Total pension liability - ending	<u>\$ 340,708</u>	<u>\$ 336,876</u>	<u>\$ 310,196</u>	<u>\$ 330,416</u>	<u>\$ 270,145</u>
Covered-employee payroll	\$ 339,319	\$ 326,494	\$ 294,886	\$ 305,971	\$ 286,465
Total pension liability as a percentage of covered-employee payroll	100.41%	103.18%	105.19%	107.99%	94.30%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 7,842	\$ 7,090	\$ 5,779	\$ 6,112
6,519	6,721	5,328	7,314
-	-	18,621	-
11,825	894	8,582	3,927
3,091	5,051	(5,675)	(1,216)
(16,922)	(16,031)	(15,631)	(14,895)
<u>12,355</u>	<u>3,725</u>	<u>17,004</u>	<u>1,242</u>
<u>219,382</u>	<u>215,657</u>	<u>198,653</u>	<u>197,411</u>
<u>\$ 231,737</u>	<u>\$ 219,382</u>	<u>\$ 215,657</u>	<u>\$ 198,653</u>
\$ 265,387	\$ 258,472	\$ 243,663	\$ 161,416
87.32%	84.88%	88.51%	123.07%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY

For the Fiscal Year Ended June 30, 2025

The Special Separation Allowance (SSA) is a single-employer, defined benefit pension plan in which there are no accumulated assets in a trust fund to pay the benefits to the retired law enforcement officers (LEOs). These benefits are funded on a pay-as-you-go basis from budget appropriated annually of each affected state agency.

Changes in assumptions since the prior measurement date. The discount rate increased from 3.65% at June 30, 2024 to 3.93% at June 30, 2025 due to a change in the Municipal Bond Index Rate.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS

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

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

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

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

Schedule of Investment Returns: All Defined Benefit OPEB Plans

Notes to Required Supplementary Information: Schedule of Employer Contributions

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

Last Nine Fiscal Years

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Retiree Health Benefit					
Total OPEB liability					
Service Cost	\$ 1,430,998	\$ 1,318,987	\$ 1,279,519	\$ 2,131,391	\$ 1,974,212
Interest	1,513,033	1,115,558	965,755	758,427	690,162
Changes of benefit terms	(861,372)	(1,370,032)	-	(96,837)	-
Differences between expected and actual experience	(28,149)	91,403	152,230	106,923	194,899
Changes of assumptions	(12,281,219)	7,919,368	2,016,085	(8,798,881)	1,939,421
Benefit payments, including refunds of member contributions	(1,280,654)	(1,222,657)	(1,120,623)	(1,044,121)	(1,100,633)
Net change in total OPEB liability	<u>(11,507,363)</u>	<u>7,852,627</u>	<u>3,292,966</u>	<u>(6,943,098)</u>	<u>3,698,061</u>
Total OPEB liability - beginning	37,702,714	29,850,087	26,557,121	33,500,219	29,802,158
Total OPEB liability - ending (a)	<u>\$ 26,195,351</u>	<u>\$ 37,702,714</u>	<u>\$ 29,850,087</u>	<u>\$ 26,557,121</u>	<u>\$ 33,500,219</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,524,319	\$ 1,483,995	\$ 1,366,928	\$ 1,197,278	\$ 1,214,750
Contributions-other	294	10,348	35,006	180,506	187,000
Net investment income	308,345	215,939	111,228	(107,846)	222,377
Benefit payments, including refunds of member contributions	(1,280,654)	(1,222,657)	(1,120,623)	(1,044,121)	(1,100,633)
Administrative expense	(169)	(161)	(147)	(174)	(175)
Net change in plan fiduciary net position	<u>552,135</u>	<u>487,464</u>	<u>392,392</u>	<u>225,643</u>	<u>523,319</u>
Plan fiduciary net position - beginning	3,690,125	3,202,661	2,810,269	2,584,626	2,061,307
Plan fiduciary net position - ending (b)	<u>\$ 4,242,260</u>	<u>\$ 3,690,125</u>	<u>\$ 3,202,661</u>	<u>\$ 2,810,269</u>	<u>\$ 2,584,626</u>
RHBF net OPEB liability - ending (a) - (b)	<u>\$ 21,953,091</u>	<u>\$ 34,012,589</u>	<u>\$ 26,647,426</u>	<u>\$ 23,746,852</u>	<u>\$ 30,915,593</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.19%	9.79%	10.73%	10.58%	7.72%
Covered payroll	\$ 21,807,134	\$ 20,784,240	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883
Net OPEB liability as a percentage of covered payroll	100.67%	163.65%	134.32%	124.76%	170.01%
Disability Income					
Total OPEB liability					
Service Cost	\$ 22,880	\$ 23,066	\$ 23,657	\$ 22,246	\$ 23,010
Interest	6,901	8,713	9,641	9,528	10,969
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(21,825)	(45,761)	(22,097)	1,735	15,758
Changes of assumptions	-	(17,657)	1,473	(552)	(2,935)
Benefit payments, including refunds of member contributions	(25,273)	(31,846)	(37,470)	(40,381)	(47,453)
Net change in total OPEB liability	<u>(17,317)</u>	<u>(63,485)</u>	<u>(24,796)</u>	<u>(7,424)</u>	<u>(651)</u>
Total OPEB liability - beginning	219,683	283,168	307,964	315,388	316,039
Total OPEB liability - ending (a)	<u>\$ 202,366</u>	<u>\$ 219,683</u>	<u>\$ 283,168</u>	<u>\$ 307,964</u>	<u>\$ 315,388</u>
Plan fiduciary net position					
Contributions-employer	\$ 28,066	\$ 22,659	\$ 19,677	\$ 17,019	\$ 16,226
Net investment income	13,553	6,387	(2,853)	(29,145)	(1,292)
Benefit payments, including refunds of member contributions	(25,273)	(31,846)	(37,470)	(40,381)	(47,453)
Administrative expense	(1,241)	(1,110)	(968)	(999)	(879)
Other	-	(53)	(30)	-	(113)
Net change in plan fiduciary net position	<u>15,105</u>	<u>(3,963)</u>	<u>(21,644)</u>	<u>(53,506)</u>	<u>(33,511)</u>
Plan fiduciary net position - beginning	252,609	256,572	278,216	331,722	365,233
Plan fiduciary net position - ending (b)	<u>\$ 267,714</u>	<u>\$ 252,609</u>	<u>\$ 256,572</u>	<u>\$ 278,216</u>	<u>\$ 331,722</u>
DIPNC net OPEB liability (asset) - ending (a) - (b)	<u>\$ (65,348)</u>	<u>\$ (32,926)</u>	<u>\$ 26,596</u>	<u>\$ 29,748</u>	<u>\$ (16,334)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	132.29%	114.99%	90.61%	90.34%	105.18%
Covered payroll	\$ 21,588,867	\$ 20,598,877	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883
Net OPEB liability (asset) as a percentage of covered payroll	(0.30%)	(0.16%)	0.14%	0.16%	(0.09%)

2020	2019	2018	2017
\$ 1,824,174	\$ 1,539,092	\$ 1,753,384	\$ 2,650,984
1,203,196	1,192,810	1,261,878	1,332,874
224,085	(72,358)	-	-
30,157	(156,655)	(80,951)	(2,821,033)
(5,489,969)	1,824,892	(6,141,972)	(10,835,144)
(1,084,668)	(1,030,956)	(977,176)	(922,021)
(3,293,025)	3,296,825	(4,184,837)	(10,594,340)
33,095,183	29,798,358	33,983,195	44,577,535
<u>\$ 29,802,158</u>	<u>\$ 33,095,183</u>	<u>\$ 29,798,358</u>	<u>\$ 33,983,195</u>
\$ 1,162,967	\$ 1,104,902	\$ 1,018,693	\$ 950,813
475,200	-	-	-
52,286	71,780	72,384	94,132
(1,084,668)	(1,030,956)	(977,176)	(922,021)
(162)	(215)	(298)	(490)
605,623	145,511	113,603	122,434
1,455,684	1,310,173	1,196,570	1,074,136
<u>\$ 2,061,307</u>	<u>\$ 1,455,684</u>	<u>\$ 1,310,173</u>	<u>\$ 1,196,570</u>
<u>\$ 27,740,851</u>	<u>\$ 31,639,499</u>	<u>\$ 28,488,185</u>	<u>\$ 32,786,625</u>
6.92%	4.40%	4.40%	3.52%
\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112
154.33%	179.55%	169.19%	200.34%
\$ 22,708	\$ 22,567	\$ 25,919	\$ 25,441
11,424	13,800	14,654	14,111
-	-	(44,158)	(403)
5,137	4,106	48,787	22,345
2	(4,980)	6,692	-
(55,210)	(61,946)	(69,949)	(71,728)
(15,939)	(26,453)	(18,055)	(10,234)
331,978	358,431	376,486	386,720
<u>\$ 316,039</u>	<u>\$ 331,978</u>	<u>\$ 358,431</u>	<u>\$ 376,486</u>
\$ 17,848	\$ 24,468	\$ 23,385	\$ 61,654
28,322	24,725	(1,481)	(122)
(55,210)	(61,946)	(69,949)	(71,728)
(835)	(926)	(777)	(1,050)
(20)	-	23	32
(9,895)	(13,679)	(48,799)	(11,214)
375,128	388,807	437,606	448,820
<u>\$ 365,233</u>	<u>\$ 375,128</u>	<u>\$ 388,807</u>	<u>\$ 437,606</u>
<u>\$ (49,194)</u>	<u>\$ (43,150)</u>	<u>\$ (30,376)</u>	<u>\$ (61,120)</u>
115.57%	113.00%	108.47%	116.23%
\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737
(0.28%)	(0.25%)	(0.18%)	(0.38%)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last Ten Fiscal Years

(Dollars in Thousands)

Retiree Health Benefit	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 1,726,096	\$ 2,652,649	\$ 2,240,057	\$ 2,084,130	\$ 3,049,625
Contributions in relation to the actuarially determined contribution (1)	1,524,319	1,483,995	1,366,928	1,197,278	1,214,750
Contribution deficiency	<u>\$ 201,777</u>	<u>\$ 1,168,654</u>	<u>\$ 873,129</u>	<u>\$ 886,852</u>	<u>\$ 1,834,875</u>
Covered payroll	\$ 21,807,134	\$ 20,784,240	\$ 19,839,303	\$ 19,034,634	\$ 18,184,883
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
Disability Income					
Actuarially determined contribution	\$ 23,748	\$ 22,659	\$ 19,677	\$ 17,019	\$ 16,226
Contributions in relation to the actuarially determined contribution (1)	28,066	22,659	19,677	17,019	16,226
Contribution excess	<u>\$ (4,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 21,588,867	\$ 20,598,877	\$ 19,677,265	\$ 18,909,461	\$ 18,028,883
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

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

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 2,823,873	\$ 2,971,069	\$ 2,613,258	\$ 2,728,064	\$ 2,516,706
1,162,967	1,104,902	1,018,693	950,813	880,847
<u>\$ 1,660,906</u>	<u>\$ 1,866,167</u>	<u>\$ 1,594,565</u>	<u>\$ 1,777,251</u>	<u>\$ 1,635,859</u>
\$ 17,974,758	\$ 17,622,035	\$ 16,837,901	\$ 16,365,112	\$ 15,729,411
6.47%	6.27%	6.05%	5.81%	5.60%

\$ 17,848	\$ 22,720	\$ 23,385	\$ 24,337	\$ 63,963
17,848	24,468	23,385	61,654	63,963
<u>\$ -</u>	<u>\$ (1,748)</u>	<u>\$ -</u>	<u>\$ (37,317)</u>	<u>\$ -</u>
\$ 17,848,000	\$ 17,477,148	\$ 16,703,858	\$ 16,224,737	\$ 15,600,732
0.10%	0.14%	0.14%	0.38%	0.41%

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

Annual money-weighted rate of return, net of investment expense	2025	2024	2023	2022	2021
Retiree Health Benefit	8.27%	6.74%	3.89%	(4.13)%	10.96%
Disability Income	5.85%	2.76%	(1.21)%	(9.99)%	(0.41)%

2020	2019	2018	2017
3.80%	5.73%	6.58%	9.31%
8.68%	7.74%	(0.42)%	(0.06)%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

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

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

Effective January 1, 2026, the out-of-pocket maximum for the Medicare Advantage plans will be increased. In addition, the benefit terms related to copays, out-of-pocket maximums and deductibles will be increased for the 70/30 PPO and 80/20 PPO options of the RHBF.

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

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

Changes of assumptions. Consistent with prior years, for the actuarial valuation measured as of June 30, 2025 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 5.20%, from 3.93% as of June 30, 2024. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2025 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2024.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Fiscal Year Ended June 30, 2025

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFIT PLANS – EMPLOYERS (PRIMARY GOVERNMENT AND COMPONENT UNITS)

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

The Required Supplementary Information for Employers includes the following schedules:

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

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

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

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

Last Eight Fiscal Years*

(Dollars in Thousands)

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

Retiree Health Benefit	2025	2024	2023	2022	2021
Primary Government					
Proportion of the net OPEB liability	20.15%	19.89%	19.96%	20.69%	19.57%
Proportionate share of the net OPEB liability	\$ 6,852,659	\$ 5,300,543	\$ 4,740,298	\$ 6,397,613	\$ 5,429,964
Covered payroll	\$ 5,675,546	\$ 4,069,376	\$ 4,022,687	\$ 4,069,356	\$ 3,858,114
Proportionate share of the net OPEB liability as a percentage of covered payroll	120.74%	130.25%	117.84%	157.21%	140.74%
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability	25.39%	25.36%	25.31%	25.57%	25.33%
Proportionate share of the net OPEB liability	\$ 8,636,191	\$ 6,757,009	\$ 6,010,509	\$ 7,905,263	\$ 7,025,953
Covered payroll	\$ 5,481,543	\$ 5,049,507	\$ 4,687,949	\$ 4,531,662	\$ 4,477,867
Proportionate share of the net OPEB liability as a percentage of covered payroll	157.55%	133.82%	128.21%	174.45%	156.90%
Community Colleges					
Proportion of the net OPEB liability	4.87%	4.86%	4.76%	4.77%	4.70%
Proportionate share of the net OPEB liability	\$ 1,657,879	\$ 1,295,344	\$ 1,130,722	\$ 1,475,791	\$ 1,304,098
Covered payroll	\$ 1,056,569	\$ 994,543	\$ 942,719	\$ 910,883	\$ 918,872
Proportionate share of the net OPEB liability as a percentage of covered payroll	156.91%	130.25%	119.94%	162.02%	141.92%
Other Component Units					
Proportion of the net OPEB liability	0.17%	0.17%	0.17%	0.16%	0.16%
Proportionate share of the net OPEB liability	\$ 58,618	\$ 44,999	\$ 40,107	\$ 49,541	\$ 43,564
Covered payroll	\$ 41,359	\$ 38,911	\$ 34,436	\$ 32,275	\$ 31,376
Proportionate share of the net OPEB liability as a percentage of covered payroll	141.73%	115.65%	116.47%	153.50%	138.84%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>
19.38%	19.06%	19.24%
\$ 6,130,058	\$ 5,428,301	\$ 6,308,532
\$ 3,624,657	\$ 3,575,074	\$ 3,272,409
169.12%	151.84%	192.78%
25.12%	24.31%	23.06%
\$ 7,946,586	\$ 6,924,221	\$ 7,560,701
\$ 4,401,308	\$ 4,068,314	\$ 4,632,586
180.55%	170.20%	163.21%
4.86%	5.02%	4.93%
\$ 1,536,342	\$ 1,429,417	\$ 1,617,372
\$ 980,064	\$ 889,736	\$ 853,363
156.76%	160.66%	189.53%
0.15%	0.14%	0.14%
\$ 46,204	\$ 40,997	\$ 44,486
\$ 29,330	\$ 28,298	\$ 26,235
157.53%	144.88%	169.57%
4.40%	4.40%	3.52%

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

Last Eight Fiscal Years*

(Dollars in Thousands)

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

Disability Income	2025	2024	2023	2022	2021
Primary Government					
Proportion of the net OPEB liability (asset)	19.34%	19.12%	19.45%	20.54%	19.23%
Proportionate share of the net OPEB liability (asset)	\$ (6,366)	\$ 5,085	\$ 5,785	\$ (3,354)	\$ (9,458)
Covered payroll	\$ 4,200,909	\$ 3,979,000	\$ 3,937,778	\$ 3,986,667	\$ 3,779,000
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	(0.15%)	0.13%	0.15%	(0.08%)	(0.25%)
Component Units					
University of North Carolina System					
Proportion of the net OPEB liability (asset)	26.90%	26.25%	25.52%	25.30%	25.85%
Proportionate share of the net OPEB liability (asset)	\$ (8,814)	\$ 6,981	\$ 7,592	\$ (4,133)	\$ (12,715)
Covered payroll	\$ 5,414,545	\$ 5,049,000	\$ 4,678,889	\$ 4,532,222	\$ 7,853,000
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	(0.16%)	0.14%	0.16%	(0.09%)	(0.16%)
Community Colleges					
Proportion of the net OPEB liability (asset)	4.84%	4.86%	4.79%	4.88%	4.79%
Proportionate share of the net OPEB liability (asset)	\$ (1,631)	\$ 1,292	\$ 1,426	\$ (797)	\$ (2,356)
Covered payroll	\$ 1,071,818	\$ 1,010,000	\$ 933,333	\$ 941,111	\$ 1,560,000
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	(0.15%)	0.13%	0.15%	(0.08%)	(0.15%)
Other Component Units					
Proportion of the net OPEB liability (asset)	0.17%	0.17%	0.17%	0.16%	0.16%
Proportionate share of the net OPEB liability (asset)	\$ (56)	\$ 46	\$ 50	\$ (26)	\$ (80)
Covered payroll	\$ 40,909	\$ 39,000	\$ 34,444	\$ 32,222	\$ 32,000
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	(0.14%)	0.12%	0.15%	(0.08%)	(0.25%)
Plan fiduciary net position as a percentage of the total OPEB liability	114.99%	90.61%	90.34%	105.18%	115.57%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>
18.85%	18.78%	19.02%
\$ (8,135)	\$ (5,707)	\$ (11,624)
\$ 3,547,857	\$ 3,498,571	\$ 3,272,409
(0.23%)	(0.16%)	(0.36%)
<hr/>		
25.35%	25.03%	24.73%
\$ (10,937)	\$ (7,603)	\$ (15,118)
\$ 4,402,143	\$ 4,107,143	\$ 4,632,586
(0.25%)	(0.19%)	(0.33%)
<hr/>		
4.92%	5.04%	5.20%
\$ (2,124)	\$ (1,520)	\$ (3,177)
\$ 981,429	\$ 890,000	\$ 853,848
(0.22%)	(0.17%)	(0.37%)
<hr/>		
0.15%	0.14%	0.14%
\$ (65)	\$ (43)	\$ (83)
\$ 27,143	\$ 27,857	\$ 26,235
(0.24%)	(0.15%)	(0.32%)
<hr/>		
113.00%	108.47%	116.23%

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

Last Eight Fiscal Years

(Dollars in Thousands)

Retiree Health	2025	2024	2023	2022	2021
Primary Government					
Contractually required contribution	\$ 395,443	\$ 405,234	\$ 280,380	\$ 253,027	\$ 271,833
Contributions in relation to the contractually required contribution	395,443	405,234	280,380	253,027	271,833
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,657,267	\$ 5,675,546	\$ 4,069,376	\$ 4,022,687	\$ 4,069,356
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 385,534	\$ 386,884	\$ 347,911	\$ 294,872	\$ 302,715
Contributions in relation to the contractually required contribution	385,534	386,884	347,911	294,872	302,715
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,515,508	\$ 5,481,543	\$ 5,049,507	\$ 4,687,949	\$ 4,531,662
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
Community Colleges					
Contractually required contribution	\$ 74,770	\$ 75,439	\$ 68,524	\$ 59,297	\$ 60,847
Contributions in relation to the contractually required contribution	74,770	75,439	68,524	59,297	60,847
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,069,670	\$ 1,056,569	\$ 994,543	\$ 942,719	\$ 910,883
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%
Other Component Units					
Contractually required contribution	\$ 3,033	\$ 2,953	\$ 2,681	\$ 2,166	\$ 2,156
Contributions in relation to the contractually required contribution	3,033	2,953	2,681	2,166	2,156
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 43,391	\$ 41,359	\$ 38,911	\$ 34,436	\$ 32,275
Contributions as a percentage of covered payroll	6.99%	7.14%	6.89%	6.29%	6.68%

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 249,620	\$ 227,266	\$ 216,292
249,620	227,266	216,292
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,858,114	\$ 3,624,657	\$ 3,575,074
6.47%	6.27%	6.05%
<hr/>		
\$ 289,718	\$ 275,962	\$ 246,133
289,718	275,962	246,133
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,477,867	\$ 4,401,308	\$ 4,068,314
6.47%	6.27%	6.05%
<hr/>		
\$ 59,451	\$ 61,450	\$ 53,829
59,451	61,450	53,829
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 918,872	\$ 980,064	\$ 889,736
6.47%	6.27%	6.05%
<hr/>		
\$ 2,030	\$ 1,839	\$ 1,712
2,030	1,839	1,712
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 31,376	\$ 29,330	\$ 28,298
6.47%	6.27%	6.05%

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

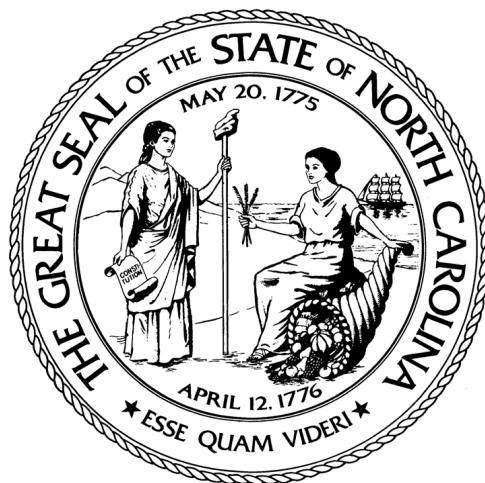
Last Eight Fiscal Years

(Dollars in Thousands)

Disability Income	2025	2024	2023	2022	2021
Primary Government					
Contractually required contribution	\$ 5,900	\$ 4,621	\$ 3,979	\$ 3,544	\$ 3,588
Contributions in relation to the contractually required contribution	5,900	4,621	3,979	3,544	3,588
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,538,462	\$ 4,200,909	\$ 3,979,000	\$ 3,937,778	\$ 3,986,667
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%
Component Units					
University of North Carolina System					
Contractually required contribution	\$ 7,157	\$ 5,956	\$ 5,049	\$ 4,211	\$ 4,079
Contributions in relation to the contractually required contribution	7,157	5,956	5,049	4,211	4,079
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,505,385	\$ 5,414,545	\$ 5,049,000	\$ 4,678,889	\$ 4,532,222
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%
Community Colleges					
Contractually required contribution	\$ 1,387	\$ 1,179	\$ 1,010	\$ 840	\$ 847
Contributions in relation to the contractually required contribution	1,387	1,179	1,010	840	847
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,066,923	\$ 1,071,818	\$ 1,010,000	\$ 933,333	\$ 941,111
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%
Other Component Units					
Contractually required contribution	\$ 56	\$ 45	\$ 39	\$ 31	\$ 29
Contributions in relation to the contractually required contribution	56	45	39	31	29
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 43,077	\$ 40,909	\$ 39,000	\$ 34,444	\$ 32,222
Contributions as a percentage of covered payroll	0.13%	0.11%	0.10%	0.09%	0.09%

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 3,779	\$ 4,967	\$ 4,898
3,779	4,967	4,898
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,779,000	\$ 3,547,857	\$ 3,498,571
0.10%	0.14%	0.14%
<hr/>		
\$ 7,853	\$ 6,163	\$ 5,750
7,853	6,163	5,750
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,853,000	\$ 4,402,143	\$ 4,107,143
0.10%	0.14%	0.14%
<hr/>		
\$ 1,560	\$ 1,374	\$ 1,246
1,560	1,374	1,246
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,560,000	\$ 981,429	\$ 890,000
0.10%	0.14%	0.14%
<hr/>		
\$ 32	\$ 38	\$ 39
32	38	39
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,000	\$ 27,143	\$ 27,857
0.10%	0.14%	0.14%

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REQUIRED SUPPLEMENTARY INFORMATION BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosures for budgetary reporting.

The following schedules are included in the Required Supplementary Information for Budget:

Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual (Budgetary Basis—Non-GAAP):
General Fund

Notes to Required Supplementary Information: Budgetary Reporting

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL FUND

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Individual income	\$ 16,280,800	\$ 16,280,800	\$ 17,070,811	\$ 790,011
Corporate income	1,636,900	1,636,900	1,571,616	(65,284)
Sales and use	10,776,300	10,776,300	11,863,527	1,087,227
Franchise	744,300	744,300	777,125	32,825
Insurance	1,394,970	1,394,970	1,465,072	70,102
Beverage	583,200	583,200	589,348	6,148
Tobacco products	278,200	278,200	248,812	(29,388)
Other	190,000	190,000	328,540	138,540
Non-Tax:				
Fees, licenses and fines	218,000	218,000	226,844	8,844
Investment income	657,800	657,800	850,618	192,818
Disproportionate share receipts	88,400	88,400	169,805	81,405
Other	388,576	388,576	383,465	(5,111)
Tobacco settlement	128,100	128,100	132,506	4,406
Departmental:				
Federal funds	27,680,290	33,840,531	31,253,242	(2,587,289)
Federal COVID-19 funds	-	881,838	1,085,427	203,589
Local funds	903,188	1,168,981	1,148,040	(20,941)
Inter-agency grants and allocations	287,098	432,048	486,255	54,207
Intra-governmental transactions	15,156,578	21,800,884	20,428,625	(1,372,259)
Sales and services	248,224	275,375	164,594	(110,781)
Rental and lease of property	21,482	40,908	41,991	1,083
Fees, licenses and fines	1,641,991	1,767,866	1,674,067	(93,799)
Contributions, gifts and grants	2,578,147	2,631,998	2,678,119	46,121
Miscellaneous	221,609	346,796	612,009	265,213
Total Revenues	<u>82,104,153</u>	<u>96,552,771</u>	<u>95,250,458</u>	<u>(1,302,313)</u>
Expenditures				
Current:				
General government	4,849,740	19,272,362	13,396,276	5,876,086
Primary and secondary education	14,435,924	16,845,803	16,238,886	606,917
Higher education	7,634,200	8,528,671	8,046,642	482,029
Health and human services	42,006,870	48,999,636	47,777,733	1,221,903
Environment and natural resources	3,360,863	3,786,139	2,148,183	1,637,956
Economic development	1,375,552	1,999,261	1,573,574	425,687
Public safety, corrections, and regulation	5,676,067	8,862,779	7,067,802	1,794,977
Agriculture	727,815	804,055	410,423	393,632
Debt Service	653,702	652,060	475,260	176,800
Total Expenditures	<u>80,720,733</u>	<u>109,750,766</u>	<u>97,134,779</u>	<u>12,615,987</u>
Excess (deficiency) of revenues over expenditures	1,383,420	(13,197,995)	(1,884,321)	11,313,674
Total Fund Balance at July 1, as previously reported	27,576,037	27,576,037	27,576,037	-
Total Fund Balance at June 30	<u>\$ 28,959,457</u>	<u>\$ 14,378,042</u>	<u>\$ 25,691,716</u>	<u>\$ 11,313,674</u>
Fund balance reserved:				
Statutory			\$ 7,818,323	
Non-reverting purposes			16,982,409	
Fund balance unreserved			890,984	
Total Fund Balance at June 30			<u>\$ 25,691,716</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

A. General Fund Budgetary Process

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

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

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

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

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

A detailed listing of appropriation and departmental budget information is available for public inspection in the separately published "Budgetary Compliance Report" prepared by the Office of the State Controller, 3514 Bush Street, Raleigh, NC 27609 and through the Office of State Budget and Management, 116 W. Jones Street, Raleigh, NC 27603 or can be accessed at <https://www.ncosc.gov/public-information/2025-annual-comprehensive-financial-report>.

B. Special Fund Budgetary Process

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

C. Reconciliation of Budget/GAAP Reporting Differences

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

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

Timing differences. A significant variance between budgetary practices and GAAP is any time-restricted appropriations. Section 11.26 of Session Law 2014-100 restricts the use of funds appropriated to the UNC-Need Based Financial Aid Forward Funding Reserve in the

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

current fiscal year to the subsequent fiscal year. Section 11A.3.(f) of Session Law 2016-94 restricts the use of funds appropriated to the Opportunity Scholarship Grant Fund Reserve in the current fiscal year to the subsequent fiscal year. This time-restriction prevented the revenue/expense from being recognized on GAAP basis, which resulted in the recognition of a deferred inflow of resources (deferred state aid) by the recipient and a deferred outflow of resources (forward funded state aid) by the provider. So while the cash is paid to the recipient in the current fiscal year, it will not be recognized as an expense (by the provider) or revenue (by the recipient) until the subsequent fiscal year.

The following table presents a reconciliation of resulting basis and timing differences in the fund balances (budgetary basis) as of June 30, 2025 to the fund balances on a modified accrual basis (GAAP). Amounts are expressed in thousands.

	<i>General Fund</i>
Fund balance (budgetary basis)	
June 30, 2025.....	\$ 25,691,716
<u>Reconciling Adjustments</u>	
Basis Differences	
Accrued revenues	
Taxes receivable.....	3,160,680
Less tax refunds payable.....	(1,657,450)
Accounts receivable and other receivables.....	(3,036,540)
Federal funds, net.....	4,292,236
Unearned revenue.....	(2,124,006)
Total accrued revenues.....	<u>634,920</u>
Accrued expenditures	
Medical claims payable.....	(4,162,338)
Accounts payable, accrued liabilities, and other payables.....	(1,630,566)
Total accrued expenditures.....	<u>(5,792,904)</u>
Other Adjustments	
Notes receivable.....	17,524
Inventories.....	106,346
Advances to outside entities.....	3,290
Lease receivable.....	7,174
Timing Differences	
Unavailable revenue.....	(274,825)
Forward funded state aid.....	<u>725,586</u>
Fund balance (GAAP basis)	
June 30, 2025.....	<u>\$ 21,118,827</u>

D. Budgetary Reserves

The North Carolina General Assembly has established several accounts in the General Fund as reserved fund balances for budgetary purposes. Funds that are transferred to these accounts from the unreserved credit balance of the General Fund can be used only for their intended purposes and on a budgetary basis are not available for appropriation.

Savings Reserve (General Statute 143C-4-2). The Savings Reserve is established as a reserve in the General Fund and is a component of the unappropriated General Fund balance. In accordance with Session Law 2017-5, in each fiscal year, funds reserved to the Savings Reserve shall be available for expenditure in an aggregate amount that does not exceed seven and one-half percent (7.5%) of the prior fiscal year's General Fund operating budget appropriations. Funds reserved to the Savings Reserve shall be available for expenditure only upon an act of appropriation by the General Assembly. Each Current Operations Appropriations Act enacted by the General Assembly shall include a transfer to the Savings Reserve of fifteen percent (15%) of each fiscal year's estimated growth in State tax revenues that are deposited in the General Fund. The Office of State Budget and Management and the Fiscal Research Division of the General Assembly shall jointly develop and annually produce an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure, which shall take into consideration relevant statistical and economic literature. After completing the evaluation,

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

these entities may revise the methodology as needed to estimate the target for the Savings Reserve balance, which shall be calculated so as to be sufficient to cover two years of need for nine out of 10 scenarios involving a decline in General Fund revenue from one fiscal year to the next fiscal year. The recommended balance shall be expressed as a percentage of the prior year General Fund operating budget appropriations, excluding departmental receipts. At the beginning of fiscal year 2024-25, the balance of the Savings Reserve was \$4.75 billion. Session Law 2024-55 authorized the transfer of \$125 million from the Unreserved Fund Balance to the Savings Reserve. In accordance with Session Law 2025-2, \$77 thousand was transferred from the Office of State Budget Management during the fiscal year related to the reversion of unused funds for the North Carolina Office of Recovery and Resiliency (NCORR). Additionally, \$12.566 million was transferred from the Office of the State Controller Hurricane Florence Disaster Relief Reserve to the Savings Reserve also in accordance with Session Law 2025-2. The Office of the State Controller transferred \$1.104 billion to the Hurricane Helene Disaster Recovery Fund in accordance with Session Laws 2024-51, 2024-53 and 2024-57. The Office of the State Controller transferred \$161 million to the OSBM Disaster Relief Reserve in accordance with Session Laws 2024-53 and 2025-2. At the end of fiscal year 2024-25, the balance of this reserve was \$3.623 billion.

Disaster Relief Reserve (Session Law 2005-1). During fiscal year 2004-05, \$248.17 million was transferred to the Disaster Relief Reserve. This \$248.17 million was funded from required agency, university, and community college transfers, a Savings Reserve Account transfer, and transfers of funds from the unreserved credit balance. At the beginning of fiscal year 2024-25, the balance was \$720.874 million. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$75 million from the Unreserved Fund Balance to the Disaster Relief Reserve for the fiscal year. During the fiscal year, \$581.951 million was transferred out of the reserve. At the end of the fiscal year 2024-25, the balance of this reserve was \$213.923 million.

Medicaid Contingency Reserve (Session Law 2014-100). The Medicaid Contingency Reserve was established in accordance with Session Law 2014-100, Section 12H.38.(a) as a reserve in the General Fund. The Medicaid Contingency Reserve shall be used only for budget shortfalls in the Medicaid Program. At the beginning of fiscal year 2024-25, the balance was \$726.513 million. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$250 million from the Unreserved Fund Balance to the Medicaid Contingency Reserve. At the end of fiscal year 2024-25, the balance of this reserve was \$976.513 million.

Medicaid Transformation Reserve Fund (Session Law 2015-241). The Medicaid Transformation Reserve Fund was established in the Office of State Budget and Management as a non-reverting reserve in the General Fund. It was established in accordance with Session Law 2015-241, Section 12H.29. The purpose of the Medicaid Transformation Fund is to provide funds for converting from a fee-for-services payment system to a capitated payment system. At the beginning of fiscal year 2024-25, the balance was \$60.642 million. Session Law 2023-134, Section 2.2(q) authorized the transfer of \$60.642 million from the reserve to the Department of Health and Human Services during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Carryforward Reserve (Session Law 2014-100). In accordance with Session Law 2014-100, Section 6.7, the General Assembly required the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, to review current budgeting practices in the General Fund. After review, the Office of State Budget and Management and the Office of the State Controller, in consultation with the Fiscal Research Division, established stronger internal controls over the carryforward process. In fiscal year 2024-25 this process included all State agencies with the exception of higher education. Carryforward funds were transferred from the agencies' General Fund appropriations and placed in the Carryforward Reserve. At the end of fiscal year 2024-25, the balance of this reserve was \$471.249 million.

Unfunded Liability Solvency Reserve (Session Law 2018-30). The Unfunded Liability Solvency Reserve was established in accordance with Session Law 2018-30 as a reserve in the General Fund. The funds in the Reserve shall be used only for transfers to the Health Benefit Fund or the Retirement System for the purpose of reducing the unfunded liabilities of those two funds. At the beginning of fiscal year 2024-25, the balance was zero. In accordance with General Statute 143C-4-10(c)(3)c, funds in the amount of \$294 thousand were transferred to the reserve from the Department of State Treasurer. Funds in the amount of \$294 thousand were transferred out of the reserve to the Health Benefit Fund and Retirement System during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Hurricane Florence Disaster Recovery Reserve (Session Law 2018-136). The Hurricane Florence Disaster Recovery Reserve was established in accordance with Session Law 2018-136 as a reserve in the General Fund. The purpose is to maintain funds reserved for disaster recovery in relation to Hurricane Florence. At the beginning of fiscal year 2024-25, the balance was \$27.681 million. Funds in the amount of one thousand dollars were transferred to the reserve from the Department of Public Safety for unused funding. Funds in the amount of \$15.115 million were transferred out of the reserve to the Department of Public Safety during the fiscal year. In accordance with Session Law 2025-2, \$12.566 million was transferred to the Office of the State Controller Savings Reserve. At the end of fiscal year 2024-25, the balance of this reserve was zero.

State Fiscal Recovery Reserve (Session Law 2021-25). The State Fiscal Recovery Reserve or American Recovery Plan Act Reserve was established in accordance with Session Law 2021-25 as a reserve in the General Fund. The purpose is to maintain federal funds received from the American Rescue Plan Act of 2021, P.L. 117-2, which provides additional relief to address the continued impact of COVID-19. At the beginning of fiscal year 2024-25, the balance was \$38.861 million. Interest earned in the amount of \$116.828 million was received

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

during the fiscal year. Funds in the amount of \$90.037 million were transferred out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was \$65.652 million.

Information Technology Reserve (Session Law 2021-180). The Information Technology Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for information technology project expenditures. At the beginning of fiscal year 2024-25, the balance was \$410.308 million. In accordance with Session Law 2024-57, Section 2D.2.(a), funds in the amount of \$2.5 million were reverted to the reserve from the Administrative Office of the Courts. Funds in the amount of \$69.015 million were transferred out of the reserve during the fiscal year to various agencies per Session Law 2023-134. At the end of fiscal year 2024-25, the balance of this reserve was \$343.793 million.

State Capital and Infrastructure Fund (SCIF) Reserve (General Statute 143C-4-3.1). The State Capital and Infrastructure Fund (SCIF) Reserve was established in accordance with General Statute 143C-4-3.1 as a reserve in the General Fund. The purpose is to reserve an unappropriated balance to transfer funds to the State Capital and Infrastructure Fund upon appropriation by the General Assembly. The Fund was established to address the ongoing capital and infrastructure needs of the State. At the beginning of fiscal year 2024-25, the balance of the SCIF Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$2.161 billion from the Unreserved Fund Balance to the SCIF Reserve for the fiscal year. Funds in the amount of \$2.161 billion were transferred out of the reserve to the Office of State Budget and Management State Capital and Infrastructure Fund during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Wilmington Harbor Enhancements Reserve (Session Law 2021-180). The Wilmington Harbor Enhancements Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with the Wilmington Harbor Enhancement project. At the beginning of fiscal year 2024-25, the balance of the Wilmington Harbor Enhancements Reserve was \$283.8 million. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was \$283.8 million.

Economic Development Project Reserve (Session Law 2021-180). The Economic Development Project Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to make funds available for expenditures associated with economic development projects meeting or exceeding high-yield project metrics. At the beginning of fiscal year 2024-25, the balance of the Economic Development Project Reserve was \$735.832 million. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$250 million from the Unreserved Fund Balance to the Economic Development Project Reserve for the fiscal year. Funds in the amount of \$133.943 million were transferred out of the reserve to the Department of Commerce during the fiscal year. Funds in the amount of \$150.45 million were transferred out of the reserve to the Department of Transportation. At the end of fiscal year 2024-25, the balance of this reserve was \$701.439 million.

Opioid Abatement Reserve (Session Law 2021-180). The Opioid Abatement Reserve was established in accordance with Session Law 2021-180 as a reserve in the General Fund. The purpose is to maintain funds received by the State as a beneficiary of the final consent judgment resolving the case, *State of North Carolina, ex. Rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc.*, and any other funds received by the State as a result of the settlement. At the beginning of fiscal year 2024-25, the balance of the Opioid Abatement Reserve was \$35.03 million. In accordance with Session Law 2022-74, funds in the amount of \$18.733 million were transferred to or deposited into the reserve as a result of the settlement during the fiscal year. Funds in the amount of \$4.479 million were transferred out of the reserve to the Opioid Abatement Fund at the Department of Health and Human Services during the fiscal year. Funds in the amount of \$5.5 million were transferred out of the reserve to the Opioid Abatement Fund at the University of North Carolina at Chapel Hill during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was \$43.784 million.

Public School Contingency Reserve (Session Law 2022-74). The Public School Contingency Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Public Instruction to provide sufficient State net General Fund appropriations and necessary budget authority. At the beginning of fiscal year 2024-25, the balance of the Public School Contingency Reserve was zero. No funds were transferred in or out of the reserve to the during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

World University Games Reserve (Session Law 2022-74). The World University Games Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to support the State of North Carolina as a host of the 2027 World University Games. At the beginning of fiscal year 2024-25, the balance of the World University Games Reserve was zero. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Housing Reserve (Session Law 2022-74). The Housing Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available upon appropriation for the Workforce Housing Loan Program and the Dare County Affordable Housing Project. At the beginning of fiscal year 2024-25, the balance of the Housing Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$45 million from the Unreserved Fund

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Balance to the Housing Reserve for the fiscal year. Funds in the amount of \$45 million were transferred out of the reserve to the North Carolina Housing Finance Agency during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Local Project Reserve (Session Law 2022-74). The Local Project Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available for local project expenditures. At the beginning of fiscal year 2024-25, the balance of the Local Project Reserve was zero. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Federal Infrastructure Match Reserve (Session Law 2022-74). The Federal Infrastructure Match Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available State agencies and departments to use for State match requirements when procuring federal aid made available under the federal Infrastructure Investment and Jobs Act. At the beginning of fiscal year 2024-25, the balance of the Federal Infrastructure Match Reserve was \$121.759 million. Funds in the amount of \$25.833 million were transferred out of the reserve to the Department of Environmental Quality during the fiscal year. Funds in the amount of \$250 thousand were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was \$95.676 million.

Retiree Supplement Reserve (Session Law 2022-74). The Retiree Supplement Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to provide a one percent (1%) retiree supplement. At the beginning of fiscal year 2024-25, the balance of the Retiree Supplement reserve was zero. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Public School Needs-Based Capital Reserve (Session Law 2022-74). The Public School Needs-Based Capital Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Public Instruction. At the beginning of fiscal year 2024-25, the balance of the Public School Needs-Based Capital Reserve was zero. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Clean Water and Drinking Water Reserve (Session Law 2022-74). The Clean Water and Drinking Water Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Department of Environmental Quality to use for clean water and drinking water projects. At the beginning of fiscal year 2024-25, the balance of the Clean Water and Drinking Water Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer one billion from the Unreserved Fund Balance to the Clean Water Drinking Water Reserve for the fiscal year. Funds in the amount of one billion dollars were transferred out of the reserve to the Department of Environmental Quality during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Stabilization and Inflation Reserve (Session Law 2022-74). The Stabilization and Inflation Reserve was established in accordance with Session Law 2022-74 as a reserve in the General Fund. The purpose of the reserve is to make, only upon an act of appropriation by the General Assembly, funds available to be used for costs associated with inflation and other measures necessary to stabilize the State economy. At the beginning of fiscal year 2024-25, the balance of the Stabilization and Inflation Reserve was one billion dollars. No funds were transferred in or out of the reserve during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was one billion dollars.

Regional Economic Development Reserve (Session Law 2023-134). The Regional Economic Development Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to State agencies and departments for economic development initiatives. At the beginning of fiscal year 2024-25, the balance of the Regional Economic Development Reserve was \$4.65 million. Funds in the amount of \$4.65 million were transferred out of the reserve to OSBM during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

Transportation Reserve (Session Law 2023-134). The Transportation Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to Department of Transportation. At the beginning of fiscal year 2024-25, the balance of the Transportation Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$100 million from the Unreserved Fund Balance to the Transportation Reserve for the fiscal year. Funds in the amount of \$100 million were transferred out of the reserve to the Department of Transportation during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

NCInnovation Reserve (Session Law 2023-134). The NCInnovation Reserve was established in accordance with Session Law 2023-134 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the NCInnovation Incorporated nonprofit organization through the Department of Commerce. At the beginning of fiscal year 2024-25, the balance of the NCInnovation Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$250 million from the Unreserved Fund Balance to the NCInnovation Reserve for the fiscal year. Funds in the amount of \$250 million were transferred out of the reserve to the Department of Commerce during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Education Reserve (Session Law 2024-55). The Education Reserve was established in accordance with Session Law 2024-55 as a reserve in the General Fund. The purpose of the reserve is to make funds available to the Board of Governors of the University of North Carolina for educational programs. At the beginning of fiscal year 2024-25, the balance of the Education Reserve was zero. In accordance with Session Law 2024-55, the Office of State Controller was authorized to transfer \$248 million from the Unreserved Fund Balance to the Education Reserve for the fiscal year. Funds in the amount of \$248 million were transferred out of the reserve to the University of North Carolina System Office during the fiscal year. At the end of fiscal year 2024-25, the balance of this reserve was zero.

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*COMBINING FUND
STATEMENTS
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*NONMAJOR
GOVERNMENTAL FUNDS*

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2025

Exhibit C-1

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,446,710	\$ -	\$ 80	\$ 2,446,790
Investments	383,674	-	-	383,674
Securities lending collateral	47,132	41,512	1,571	90,215
Receivables, net:				
Taxes receivable	7,873	-	-	7,873
Accounts receivable	28,272	96	306	28,674
Intergovernmental receivable	505	650	-	1,155
Interest receivable	5,978	531	5	6,514
Due from other funds	24,584	-	-	24,584
Due from component units	3,022	-	-	3,022
Inventories	33,132	-	-	33,132
Notes receivable, net	82	16,008	-	16,090
Lease receivable	208	-	-	208
Securities held in trust	64,067	-	-	64,067
Restricted/designated cash and cash equivalents	-	2,779,738	62,779	2,842,517
Restricted investments	-	167,418	189,893	357,311
Total Assets	<u>3,045,239</u>	<u>3,005,953</u>	<u>254,634</u>	<u>6,305,826</u>
Deferred Outflows of Resources				
Forward funded state aid	63,697	-	-	63,697
Total Assets and Deferred Outflows	<u>\$ 3,108,936</u>	<u>\$ 3,005,953</u>	<u>\$ 254,634</u>	<u>\$ 6,369,523</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 32,821	\$ 56,386	\$ -	\$ 89,207
Accrued payroll	129	-	-	129
Intergovernmental payable	7,034	546	-	7,580
Claims payable	110,000	-	-	110,000
Obligations under securities lending	47,132	41,512	1,571	90,215
Due to other funds	4,824	16,957	-	21,781
Due to component units	-	2,886	-	2,886
Unearned revenue	510	-	-	510
Due to fiduciary funds	554	-	-	554
Funds held for others	64,194	-	-	64,194
Total Liabilities	<u>267,198</u>	<u>118,287</u>	<u>1,571</u>	<u>387,056</u>
Deferred Inflows of Resources				
Unavailable revenue	12,044	-	-	12,044
Deferred inflows for lease agreements	88	-	-	88
Total Deferred Inflows of Resources	<u>12,132</u>	<u>-</u>	<u>-</u>	<u>12,132</u>
Fund Balances				
Nonspendable	33,132	-	147,390	180,522
Restricted	1,732,260	222,309	100,881	2,055,450
Committed	976,659	2,667,755	4,792	3,649,206
Assigned	87,555	-	-	87,555
Unassigned	-	(2,398)	-	(2,398)
Total Fund Balances	<u>2,829,606</u>	<u>2,887,666</u>	<u>253,063</u>	<u>5,970,335</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,108,936</u>	<u>\$ 3,005,953</u>	<u>\$ 254,634</u>	<u>\$ 6,369,523</u>

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

For the Fiscal Year Ended June 30, 2025

Exhibit C-2

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Sales and use tax	\$ 10,040	\$ -	\$ -	\$ 10,040
Motor fuels tax	28,064	-	-	28,064
Other taxes	128,295	-	-	128,295
Federal funds	130,859	28,508	-	159,367
Local funds	13,103	-	-	13,103
Investment earnings	105,255	76,782	29,547	211,584
Interest earnings on loans	-	1,435	-	1,435
Sales and services	170,839	1,122	-	171,961
Rental and lease of property	2,230	39	-	2,269
Fees, licenses, and fines	169,258	747	10,739	180,744
Contributions, gifts, and grants	34,553	51,737	150	86,440
Funds escheated	277,010	-	-	277,010
Federal COVID-19 funds	33,824	-	-	33,824
Miscellaneous	16,819	42	-	16,861
Total revenues	<u>1,120,149</u>	<u>160,412</u>	<u>40,436</u>	<u>1,320,997</u>
Expenditures				
Current:				
General government	81,430	3,799	-	85,229
Higher education	98,572	51,552	-	150,124
Health and human services	100,565	-	1	100,566
Economic development	1,278	-	-	1,278
Environment and natural resources	238,435	96,727	195	335,357
Public safety, corrections, and regulation	331,693	21,750	-	353,443
Agriculture	30,664	-	-	30,664
Capital Outlay	-	512,676	-	512,676
Debt service:				
Principal retirement	4,341	515	-	4,856
Interest and fees	673	352	-	1,025
Total expenditures	<u>887,651</u>	<u>687,371</u>	<u>196</u>	<u>1,575,218</u>
Excess revenues over (under) expenditures	<u>232,498</u>	<u>(526,959)</u>	<u>40,240</u>	<u>(254,221)</u>
Other Financing Sources (Uses)				
Sale of capital assets	614	4,651	-	5,265
Insurance recoveries	1	1,023	-	1,024
Transfers in	142,148	1,555,293	-	1,697,441
Transfers out	(69,584)	(133,770)	(6,179)	(209,533)
Total other financing sources (uses)	<u>73,179</u>	<u>1,427,197</u>	<u>(6,179)</u>	<u>1,494,197</u>
Net change in fund balances	305,677	900,238	34,061	1,239,976
Fund balances — July 1, as previously reported	2,523,929	1,986,318	219,002	4,729,249
Adjustments to July 1 balances	-	1,110	-	1,110
Fund balances — July 1, as restated	<u>2,523,929</u>	<u>1,987,428</u>	<u>219,002</u>	<u>4,730,359</u>
Fund balances — June 30	<u>\$ 2,829,606</u>	<u>\$ 2,887,666</u>	<u>\$ 253,063</u>	<u>\$ 5,970,335</u>

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NONMAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

The following are included in the nonmajor special revenue funds:

- Escheat Fund
- Correction Enterprises Fund
- Leaking Petroleum Underground Storage Tank Cleanup Fund
- 911 Fund
- Environment Management Protection Funds
- Departmental Funds

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2025

(Dollars in Thousands)

	Escheat Fund	Correction Enterprises Fund	Leaking Petroleum Underground Storage Tank Cleanup Fund	911 Fund
Assets				
Cash and cash equivalents	\$ 1,375,132	\$ 16,859	\$ 115,470	\$ 206,353
Investments	364,643	-	-	-
Securities lending collateral	34,588	-	-	5,168
Receivables, net:				
Taxes receivable	-	-	2,113	-
Accounts receivable	-	3,756	779	6,684
Intergovernmental receivable	-	288	-	-
Interest receivable	5,072	-	-	754
Due from other funds	-	18,068	-	1,012
Due from component units	-	-	-	-
Inventories	-	26,116	-	-
Notes receivable, net	-	-	-	-
Lease receivable	-	190	-	-
Securities held in trust	-	-	-	-
Total Assets	<u>1,779,435</u>	<u>65,277</u>	<u>118,362</u>	<u>219,971</u>
Deferred Outflows of Resources				
Forward funded state aid	63,697	-	-	-
Total Assets and Deferred Outflows	<u>\$ 1,843,132</u>	<u>\$ 65,277</u>	<u>\$ 118,362</u>	<u>\$ 219,971</u>
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ 185	\$ 2,874	\$ 2,109	\$ 6,658
Accrued payroll	-	3	-	-
Intergovernmental payable	-	125	-	5,039
Claims payable	110,000	-	-	-
Obligations under securities lending	34,588	-	-	5,168
Due to other funds	-	-	-	21
Due to fiduciary funds	-	437	-	-
Unearned revenue	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	<u>144,773</u>	<u>3,439</u>	<u>2,109</u>	<u>16,886</u>
Deferred Inflows of Resources				
Unavailable revenue	-	4,497	-	-
Deferred inflows for lease agreements	-	67	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>4,564</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	26,116	-	-
Restricted	1,698,359	-	-	-
Committed	-	31,158	116,253	203,085
Assigned	-	-	-	-
Total Fund Balances	<u>1,698,359</u>	<u>57,274</u>	<u>116,253</u>	<u>203,085</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,843,132</u>	<u>\$ 65,277</u>	<u>\$ 118,362</u>	<u>\$ 219,971</u>

Exhibit C-3

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 411,858	\$ 321,038	\$ 2,446,710
18,551	480	383,674
5,136	2,240	47,132
704	5,056	7,873
10,836	6,217	28,272
-	217	505
-	152	5,978
5,502	2	24,584
-	3,022	3,022
-	7,016	33,132
-	82	82
-	18	208
64,067	-	64,067
<u>516,654</u>	<u>345,540</u>	<u>3,045,239</u>
-	-	63,697
<u>\$ 516,654</u>	<u>\$ 345,540</u>	<u>\$ 3,108,936</u>
\$ 8,140	\$ 12,855	\$ 32,821
-	126	129
165	1,705	7,034
-	-	110,000
5,136	2,240	47,132
4,332	471	4,824
-	117	554
-	510	510
64,067	127	64,194
<u>81,840</u>	<u>18,151</u>	<u>267,198</u>
2,467	5,080	12,044
-	21	88
<u>2,467</u>	<u>5,101</u>	<u>12,132</u>
-	7,016	33,132
11,231	22,670	1,732,260
335,604	290,559	976,659
85,512	2,043	87,555
<u>432,347</u>	<u>322,288</u>	<u>2,829,606</u>
<u>\$ 516,654</u>	<u>\$ 345,540</u>	<u>\$ 3,108,936</u>

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

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	<u>Escheat Fund</u>	<u>Correction Enterprises Fund</u>	<u>Leaking Petroleum Underground Storage Tank Cleanup Fund</u>	<u>911 Fund</u>
Revenues				
Taxes:				
Sales and use tax	\$ -	\$ -	\$ -	\$ -
Motor fuels tax	-	-	19,393	-
Other taxes	-	-	-	88,102
Federal funds	-	-	-	-
Local funds	-	-	-	-
Investment earnings	77,955	-	-	9,478
Sales and services	-	110,749	-	2,912
Rental and lease of property	-	102	-	-
Fees, licenses, and fines	-	-	9,437	-
Contributions, gifts, and grants	-	-	-	-
Funds escheated	277,010	-	-	-
Federal COVID-19 funds	-	-	-	-
Miscellaneous	-	17	-	-
Total revenues	<u>354,965</u>	<u>110,868</u>	<u>28,830</u>	<u>100,492</u>
Expenditures				
Current:				
General government	-	-	-	-
Higher education	87,113	-	-	-
Health and human services	-	-	-	-
Economic development	-	-	-	-
Environment and natural resources	-	-	25,717	-
Public safety, corrections, and regulation	-	122,469	-	79,665
Agriculture	-	-	-	-
Debt service:				
Principal retirement	277	151	-	-
Interest and fees	98	61	-	-
Total expenditures	<u>87,488</u>	<u>122,681</u>	<u>25,717</u>	<u>79,665</u>
Excess revenues over (under) expenditures	<u>267,477</u>	<u>(11,813)</u>	<u>3,113</u>	<u>20,827</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	463	-	-
Insurance recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(550)	(3,006)	-	(296)
Total other financing sources (uses)	<u>(550)</u>	<u>(2,543)</u>	<u>-</u>	<u>(296)</u>
Net change in fund balances	266,927	(14,356)	3,113	20,531
Fund balances — July 1, as previously reported	1,431,432	71,630	113,140	182,554
Fund balances — June 30	<u>\$ 1,698,359</u>	<u>\$ 57,274</u>	<u>\$ 116,253</u>	<u>\$ 203,085</u>

Exhibit C-4

Environment Management Protection Funds	Departmental Funds	Total Nonmajor Special Revenue Funds
\$ 10,040	\$ -	\$ 10,040
8,671	-	28,064
12,757	27,436	128,295
21,728	109,131	130,859
-	13,103	13,103
12,612	5,210	105,255
20	57,158	170,839
110	2,018	2,230
115,114	44,707	169,258
15,784	18,769	34,553
-	-	277,010
-	33,824	33,824
1,756	15,046	16,819
<u>198,592</u>	<u>326,402</u>	<u>1,120,149</u>
-	81,430	81,430
-	11,459	98,572
-	100,565	100,565
-	1,278	1,278
209,309	3,409	238,435
-	129,559	331,693
-	30,664	30,664
-	3,913	4,341
-	514	673
<u>209,309</u>	<u>362,791</u>	<u>887,651</u>
<u>(10,717)</u>	<u>(36,389)</u>	<u>232,498</u>
13	138	614
-	1	1
57,546	84,602	142,148
<u>(6,762)</u>	<u>(58,970)</u>	<u>(69,584)</u>
<u>50,797</u>	<u>25,771</u>	<u>73,179</u>
40,080	(10,618)	305,677
<u>392,267</u>	<u>332,906</u>	<u>2,523,929</u>
<u>\$ 432,347</u>	<u>\$ 322,288</u>	<u>\$ 2,829,606</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
NONMAJOR SPECIAL REVENUE FUNDS**

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Escheat Fund			Correction Enterprises Fund			Leaking Petroleum Underground Storage Tank Cleanup Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues									
Departmental:									
Federal funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal COVID-19 funds	-	-	-	-	-	-	-	-	-
Local funds	-	-	-	-	-	-	-	-	-
Inter-agency grants and allocations	-	-	-	-	-	-	-	-	-
Intra-governmental transactions	-	-	-	202	-	(202)	19,866	18,982	(884)
Sales and services	-	-	-	88,990	102,348	13,358	-	-	-
Sale, rental, and lease of property	-	-	-	269	542	273	-	-	-
Fees, licenses, and fines	-	-	-	-	-	-	9,801	9,306	(495)
Contributions, gifts, and grants	-	-	-	-	-	-	-	-	-
Miscellaneous	239,296	417,959	178,663	118	12	(106)	-	-	-
Total revenues	<u>239,296</u>	<u>417,959</u>	<u>178,663</u>	<u>89,579</u>	<u>102,902</u>	<u>13,323</u>	<u>29,667</u>	<u>28,288</u>	<u>(1,379)</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Higher education	95,981	95,557	424	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Environment and natural resources	-	-	-	-	-	-	30,752	24,953	5,799
Public safety, corrections, and regulation	-	-	-	130,255	130,183	72	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-
Total expenditures	<u>95,981</u>	<u>95,557</u>	<u>424</u>	<u>130,255</u>	<u>130,183</u>	<u>72</u>	<u>30,752</u>	<u>24,953</u>	<u>5,799</u>
Excess revenues over (under) expenditures	<u>\$ 143,315</u>	<u>322,402</u>	<u>\$ 179,087</u>	<u>\$ (40,676)</u>	<u>(27,281)</u>	<u>\$ 13,395</u>	<u>\$ (1,085)</u>	<u>3,335</u>	<u>\$ 4,420</u>
Fund balances (budgetary basis) at July 1 (as previously reported)		1,934,210			49,608			112,135	
Adjustments to July 1 balances*		-			364			-	
Fund balances (budgetary basis) at July 1 (as restated)		<u>1,934,210</u>			<u>49,972</u>			<u>112,135</u>	
Fund balances (budgetary basis) at June 30		<u>\$ 2,256,612</u>			<u>\$ 22,691</u>			<u>\$ 115,470</u>	

* Adjustments to July 1 balances represent corrections of prior year inclusions to the accrual ledger instead of the cash ledger.

Exhibit C-5

911 Fund			Environment Management Protection Funds			Departmental Funds			Total Nonmajor Special Revenue Funds		
Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ 535,391	\$ 24,528	\$ (510,863)	\$ 151,363	\$ 110,574	\$ (40,789)	\$ 686,754	\$ 135,102	\$ (551,652)
-	-	-	-	-	-	33,824	33,824	-	33,824	33,824	-
-	-	-	2,003	-	(2,003)	16,384	13,103	(3,281)	18,387	13,103	(5,284)
-	-	-	33,677	15,744	(17,933)	12,804	8,214	(4,590)	46,481	23,958	(22,523)
-	17,327	17,327	98,625	100,412	1,787	111,898	129,003	17,105	230,591	265,724	35,133
3,133	2,848	(285)	(70)	50	120	64,990	57,969	(7,021)	157,043	163,215	6,172
-	-	-	32	124	92	2,378	2,163	(215)	2,679	2,829	150
91,114	89,537	(1,577)	122,798	106,573	(16,225)	50,262	44,126	(6,136)	273,975	249,542	(24,433)
-	-	-	45	40	(5)	8,534	7,825	(709)	8,579	7,865	(714)
6,901	8,883	1,982	48,372	10,716	(37,656)	28,840	42,457	13,617	323,527	480,027	156,500
101,148	118,595	17,447	840,873	258,187	(582,686)	481,277	449,258	(32,019)	1,781,840	1,375,189	(406,651)
-	-	-	-	-	-	145,194	115,908	29,286	145,194	115,908	29,286
-	-	-	-	-	-	2,404	2,079	325	98,385	97,636	749
-	-	-	-	-	-	186,862	132,125	54,737	186,862	132,125	54,737
-	-	-	-	-	-	4,346	2,328	2,018	4,346	2,328	2,018
-	-	-	845,671	231,434	614,237	5,847	3,919	1,928	882,270	260,306	621,964
185,070	91,742	93,328	-	-	-	188,311	165,366	22,945	503,636	387,291	116,345
-	-	-	-	-	-	41,240	31,746	9,494	41,240	31,746	9,494
185,070	91,742	93,328	845,671	231,434	614,237	574,204	453,471	120,733	1,861,933	1,027,340	834,593
<u>\$ (83,922)</u>	<u>26,853</u>	<u>\$ 110,775</u>	<u>\$ (4,798)</u>	<u>26,753</u>	<u>\$ 31,551</u>	<u>\$ (92,927)</u>	<u>(4,213)</u>	<u>\$ 88,714</u>	<u>\$ (80,093)</u>	<u>347,849</u>	<u>\$ 427,942</u>
-	170,700	-	-	404,922	-	-	315,764	-	-	2,987,339	-
-	-	-	-	-	-	-	-	-	-	364	-
-	170,700	-	-	404,922	-	-	315,764	-	-	2,987,703	-
-	<u>\$ 197,553</u>	-	-	<u>\$ 431,675</u>	-	-	<u>\$ 311,551</u>	-	-	<u>\$ 3,335,552</u>	-

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NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets, as well as capital grants to component units and other governmental entities. They are financed principally by debt proceeds and transfers from the General Fund.

The following activities are included in the nonmajor capital projects funds:

Non-Debt Supported Fund
Debt Supported Fund

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

June 30, 2025

Exhibit C-6

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Assets			
Securities lending collateral	\$ 41,512	\$ -	\$ 41,512
Receivables, net:			
Accounts receivable	96	-	96
Intergovernmental receivable	650	-	650
Interest receivable	3	528	531
Notes receivable, net	5,725	10,283	16,008
Restricted/designated cash and cash equivalents	2,779,620	118	2,779,738
Restricted investments	10,613	156,805	167,418
Total Assets	<u>\$ 2,838,219</u>	<u>\$ 167,734</u>	<u>\$ 3,005,953</u>
Liabilities			
Accounts payable and accrued liabilities:			
Accounts payable	\$ 55,807	\$ 579	\$ 56,386
Intergovernmental payable	546	-	546
Obligations under securities lending	41,512	-	41,512
Due to other funds	16,957	-	16,957
Due to component units	2,886	-	2,886
Total Liabilities	<u>\$ 117,708</u>	<u>\$ 579</u>	<u>\$ 118,287</u>
Fund Balances			
Restricted	55,154	167,155	222,309
Committed	2,667,755	-	2,667,755
Unassigned	(2,398)	-	(2,398)
Total Fund Balances	<u>2,720,511</u>	<u>167,155</u>	<u>2,887,666</u>
Total Liabilities and Fund Balances	<u>\$ 2,838,219</u>	<u>\$ 167,734</u>	<u>\$ 3,005,953</u>

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

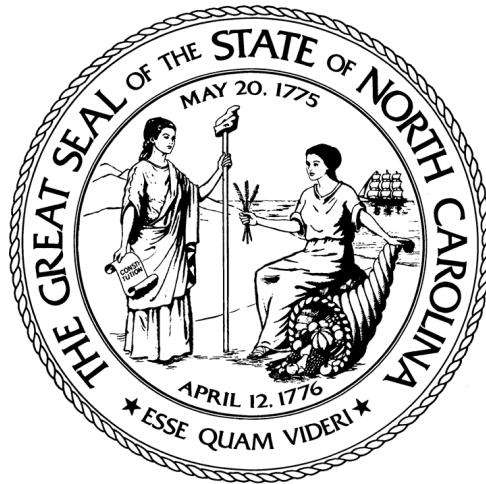
For the Fiscal Year Ended June 30, 2025

Exhibit C-7

(Dollars in Thousands)

	Non-Debt Supported Fund	Debt Supported Fund	Total Nonmajor Capital Projects Funds
Revenues			
Federal funds	\$ 28,508	\$ -	\$ 28,508
Investment earnings	69,064	7,718	76,782
Interest earnings on loans	1,435	-	1,435
Sales and services	1,122	-	1,122
Rental and lease of property	39	-	39
Fees, licenses, and fines	747	-	747
Contributions, gifts, and grants	51,737	-	51,737
Miscellaneous	42	-	42
Total revenues	<u>152,694</u>	<u>7,718</u>	<u>160,412</u>
Expenditures			
Current:			
General government	-	3,799	3,799
Higher education	50,899	653	51,552
Environment and natural resources	96,727	-	96,727
Public safety, corrections, and regulation	21,750	-	21,750
Capital outlay	508,689	3,987	512,676
Debt service:			
Interest and fees	332	20	352
Principal retirement	515	-	515
Total expenditures	<u>678,912</u>	<u>8,459</u>	<u>687,371</u>
Excess revenues over (under) expenditures	<u>(526,218)</u>	<u>(741)</u>	<u>(526,959)</u>
Other Financing Sources (Uses)			
Sale of capital assets	4,651	-	4,651
Insurance recoveries	1,023	-	1,023
Transfers in	1,555,293	-	1,555,293
Transfers out	(123,770)	(10,000)	(133,770)
Total other financing sources (uses)	<u>1,437,197</u>	<u>(10,000)</u>	<u>1,427,197</u>
Net change in fund balances	910,979	(10,741)	900,238
Fund balances — July 1, as previously reported	1,808,422	177,896	1,986,318
Adjustments to July 1 balances	1,110	-	1,110
Fund balances — July 1, as restated	<u>1,809,532</u>	<u>177,896</u>	<u>1,987,428</u>
Fund balances — June 30	<u>\$ 2,720,511</u>	<u>\$ 167,155</u>	<u>\$ 2,887,666</u>

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NONMAJOR PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

The following are included in nonmajor permanent funds:

Wildlife Endowment Fund
Departmental Funds

**COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS**

June 30, 2025

Exhibit C-8

(Dollars In Thousands)

	<u>Wildlife Endowment Fund</u>	<u>Departmental Fund</u>	<u>Total Nonmajor Permanent Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ 80	\$ 80
Securities lending collateral	836	735	1,571
Receivables, net:			
Accounts receivable	-	306	306
Interest receivable	5	-	5
Restricted/designated cash and cash equivalents	33,394	29,385	62,779
Restricted investments	189,893	-	189,893
Total Assets	<u>\$ 224,128</u>	<u>\$ 30,506</u>	<u>\$ 254,634</u>
Liabilities			
Obligations under securities lending	<u>\$ 836</u>	<u>\$ 735</u>	<u>\$ 1,571</u>
Fund Balances			
Nonspendable	122,491	24,899	147,390
Restricted	100,801	80	100,881
Committed	-	4,792	4,792
Total Fund Balances	<u>223,292</u>	<u>29,771</u>	<u>253,063</u>
Total Liabilities and Fund Balances	<u>\$ 224,128</u>	<u>\$ 30,506</u>	<u>\$ 254,634</u>

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

For the Fiscal Year Ended June 30, 2025

Exhibit C-9

(Dollars in Thousands)

	Wildlife Endowment Fund	Departmental Funds	Total Nonmajor Permanent Funds
Revenues			
Investment earnings	\$ 28,197	\$ 1,350	\$ 29,547
Fees, licenses, and fines	8,430	2,309	10,739
Contributions, gifts, and grants	150	-	150
Total revenues	<u>36,777</u>	<u>3,659</u>	<u>40,436</u>
Expenditures			
Current:			
Environment and natural resources	78	117	195
Health and human services	-	1	1
Total expenditures	<u>78</u>	<u>118</u>	<u>196</u>
Excess revenues over expenditures	<u>36,699</u>	<u>3,541</u>	<u>40,240</u>
Other Financing Sources (Uses)			
Transfers out	(6,179)	-	(6,179)
Net change in fund balances	<u>30,520</u>	<u>3,541</u>	<u>34,061</u>
Fund balances — July 1, as previously reported	<u>192,772</u>	<u>26,230</u>	<u>219,002</u>
Fund balances — June 30	<u>\$ 223,292</u>	<u>\$ 29,771</u>	<u>\$ 253,063</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
NONMAJOR PERMANENT FUNDS**

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Wildlife Endowment Fund			Departmental Fund		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
Revenues						
Departmental:						
Fees, licenses, and fines	\$ 5,131	\$ 8,430	\$ 3,299	\$ 1,184	\$ 2,125	\$ 941
Contributions, gifts, and grants	125	150	25	-	-	-
Miscellaneous	1,392	1,399	7	319	1,279	960
Total revenues	<u>6,648</u>	<u>9,979</u>	<u>3,331</u>	<u>1,503</u>	<u>3,404</u>	<u>1,901</u>
Expenditures						
Current:						
Environment and natural resources	6,648	6,179	469	1,503	48	1,455
Total expenditures	<u>6,648</u>	<u>6,179</u>	<u>469</u>	<u>1,503</u>	<u>48</u>	<u>1,455</u>
Excess revenues over (under) expenditures	<u>\$ -</u>	<u>3,800</u>	<u>\$ 3,800</u>	<u>\$ -</u>	<u>3,356</u>	<u>\$ 3,356</u>
Fund balances (budgetary basis) at July 1, as previously reported		152,413			26,108	
Fund balances (budgetary basis) at June 30		<u>\$ 156,213</u>			<u>\$ 29,464</u>	

Total Nonmajor Permanent Funds		
Final Budget	Actual	Variance with Final Budget
\$ 6,315	\$ 10,555	\$ 4,240
125	150	25
1,711	2,678	967
<u>8,151</u>	<u>13,383</u>	<u>5,232</u>
8,151	6,227	1,924
8,151	6,227	1,924
<u>\$ -</u>	<u>7,156</u>	<u>\$ 7,156</u>
	178,521	
	<u>\$ 185,677</u>	

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PROPRIETARY FUNDS

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for and report activities for which a fee is charged to external users for goods or services.

The following activities are included in the nonmajor enterprise funds:

- Public Education Property Insurance
- North Carolina State Fair
- USS North Carolina Battleship Commission
- Agricultural Farmers Market
- Workers' Compensation
- Utilities Commission
- State Banking Commission
- ABC Commission
- Occupational Licensing Boards
- Departmental Funds

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

June 30, 2025

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Assets				
Current Assets				
Cash and cash equivalents	\$ 33,389	\$ 24,362	\$ 6,245	\$ 4,938
Investments	2,217	-	-	-
Securities lending collateral	838	-	66	-
Receivables:				
Accounts receivable, net	-	124	492	101
Intergovernmental receivable	-	-	-	-
Interest receivable	-	-	-	-
Premiums receivable	714	-	-	-
Lease receivable	-	38	-	1,309
Inventories	-	29	292	8
Prepaid items	23,205	5	189	-
Restricted cash and cash equivalents	-	-	1,382	-
Total current assets	<u>60,363</u>	<u>24,558</u>	<u>8,666</u>	<u>6,356</u>
Noncurrent Assets				
Investments	-	-	-	-
Notes receivable	-	-	-	-
Lease receivable	-	45	-	3,237
Prepaid items	-	-	-	-
Restricted/designated cash and cash equivalents	-	-	-	-
Net OPEB asset	-	4	-	2
Capital assets-nondepreciable	-	1,345	2,637	3,740
Capital assets-depreciable, net	-	6,427	5,189	4,987
Total noncurrent assets	<u>-</u>	<u>7,821</u>	<u>7,826</u>	<u>11,966</u>
Total Assets	<u>60,363</u>	<u>32,379</u>	<u>16,492</u>	<u>18,322</u>
Deferred Outflows of Resources				
Deferred outflows for pensions	178	1,097	749	427
Deferred outflows for OPEB	223	1,810	450	652
Total Deferred Outflows of Resources	<u>401</u>	<u>2,907</u>	<u>1,199</u>	<u>1,079</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	2,361	203	237	77
Accrued payroll	-	20	27	3
Claims payable	2,591	-	-	-
Obligations under securities lending	838	-	66	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	31,260	779	62	-
Deposits payable	-	7,079	3	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Subscription liability	-	-	-	-
Compensated absences	8	63	29	28
Workers' compensation	-	1	-	3
Total current liabilities	<u>37,058</u>	<u>8,145</u>	<u>424</u>	<u>111</u>

Exhibit D-1

<u>Workers' Compensation</u>	<u>Utilities Commission</u>	<u>State Banking Commission</u>	<u>ABC Commission</u>	<u>Occupational Licensing Boards</u>	<u>Departmental Funds</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ 38,118	\$ 9,230	\$ 21,109	\$ 27,389	\$ 101,281	\$ 9,681	\$ 275,742
14,370	1	-	-	63,668	-	80,256
962	228	-	-	963	148	3,205
30	41	1	373	365	220	1,747
-	-	-	3,819	-	-	3,819
-	-	-	-	1,664	21	1,685
-	-	-	-	-	-	714
-	-	-	-	50	473	1,870
-	2	-	3	97	248	679
-	-	-	-	1,671	-	25,070
-	-	-	-	495	-	1,877
<u>53,480</u>	<u>9,502</u>	<u>21,110</u>	<u>31,584</u>	<u>170,254</u>	<u>10,791</u>	<u>396,664</u>
-	-	-	-	33,403	-	33,403
-	-	-	-	248	-	248
-	-	-	-	4	3,148	6,434
-	-	-	-	351	-	351
-	-	-	-	71	-	71
-	17	12	8	2	4	49
-	-	-	550	7,371	1,867	17,510
-	-	4,098	1,366	45,647	7,524	75,238
-	17	4,110	1,924	87,097	12,543	133,304
<u>53,480</u>	<u>9,519</u>	<u>25,220</u>	<u>33,508</u>	<u>257,351</u>	<u>23,334</u>	<u>529,968</u>
-	5,134	3,842	5,309	1,462	1,112	19,310
-	9,312	6,825	16,365	3,843	1,817	41,297
-	14,446	10,667	21,674	5,305	2,929	60,607
-	173	273	1,972	18,518	151	23,965
-	-	-	-	122	25	197
21,626	-	-	-	-	-	24,217
962	228	-	-	963	148	3,205
-	-	-	-	1	-	1
-	-	-	15	44	-	59
-	2	-	-	35,543	563	68,209
-	-	-	-	-	60	7,142
-	-	-	-	1,273	-	1,273
-	-	84	-	1,149	91	1,324
-	-	-	-	181	-	181
1	216	194	80	1,239	52	1,910
-	-	-	-	-	2	6
<u>22,589</u>	<u>619</u>	<u>551</u>	<u>2,067</u>	<u>59,033</u>	<u>1,092</u>	<u>131,689</u>

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2025

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Noncurrent Liabilities				
Accounts payable	-	-	-	-
Notes from direct borrowings	-	-	-	-
Lease liability	-	-	-	-
Subscription liability	-	-	-	-
Compensated absences	64	465	420	210
Workers' compensation	-	19	-	8
Net pension liability	218	2,061	1,391	845
Net OPEB liability	417	4,233	1,747	1,735
Total noncurrent liabilities	<u>699</u>	<u>6,778</u>	<u>3,558</u>	<u>2,798</u>
Total Liabilities	<u>37,757</u>	<u>14,923</u>	<u>3,982</u>	<u>2,909</u>
Deferred Inflows of Resources				
Deferred inflows for lease agreements	-	101	-	4,478
Deferred inflows for pensions	8	8	278	29
Deferred inflows for OPEB	93	1,664	799	355
Total Deferred Inflows of Resources	<u>101</u>	<u>1,773</u>	<u>1,077</u>	<u>4,862</u>
Net Position				
Net investment in capital assets	-	7,772	7,730	8,727
Restricted for:				
Expendable:				
Economic development	-	-	1,382	-
Other purposes	-	-	-	-
Unrestricted	22,906	10,818	3,520	2,903
Total Net Position	<u>\$ 22,906</u>	<u>\$ 18,590</u>	<u>\$ 12,632</u>	<u>\$ 11,630</u>

Exhibit D-1

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
-	-	-	-	2,692	-	2,692
-	-	-	-	14,874	-	14,874
-	-	4,210	-	4,965	128	9,303
-	-	-	-	319	-	319
7	1,930	1,667	769	2,919	435	8,886
-	-	-	-	-	2	29
-	8,995	6,615	3,983	1,291	1,980	27,379
-	18,532	13,628	8,084	2,208	4,026	54,610
<u>7</u>	<u>29,457</u>	<u>26,120</u>	<u>12,836</u>	<u>29,268</u>	<u>6,571</u>	<u>118,092</u>
<u>22,596</u>	<u>30,076</u>	<u>26,671</u>	<u>14,903</u>	<u>88,301</u>	<u>7,663</u>	<u>249,781</u>
-	-	-	-	55	3,145	7,779
-	362	266	2,953	733	145	4,782
-	5,200	3,663	13,359	3,610	1,460	30,203
-	5,562	3,929	16,312	4,398	4,750	42,764
-	-	(196)	1,916	30,257	9,172	65,378
-	-	-	-	-	-	1,382
-	-	-	-	3,094	-	3,094
30,884	(11,673)	5,483	22,051	136,606	4,678	228,176
<u>\$ 30,884</u>	<u>\$ (11,673)</u>	<u>\$ 5,287</u>	<u>\$ 23,967</u>	<u>\$ 169,957</u>	<u>\$ 13,850</u>	<u>\$ 298,030</u>

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

For Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agricultural Farmers Market
Operating Revenues				
Federal grants	\$ -	\$ -	\$ -	\$ -
Sales and services	-	688	1,153	18
Student tuition and fees, net	-	-	-	-
Rental and lease earnings	-	5,772	95	1,201
Fees, licenses, and fines	-	10,767	2,539	2,850
Insurance premiums	15,376	-	-	-
Miscellaneous	-	3	205	1
Total operating revenues	<u>15,376</u>	<u>17,230</u>	<u>3,992</u>	<u>4,070</u>
Operating Expenses				
Personal services	442	5,966	2,200	1,895
Supplies and materials	13	1,014	102	57
Services	30	8,489	1,083	1,250
Cost of goods sold	-	-	406	-
Depreciation	-	821	173	181
Claims	7,587	-	-	-
Insurance and bonding	35,449	258	39	143
Other	19	769	353	23
Total operating expenses	<u>43,540</u>	<u>17,317</u>	<u>4,356</u>	<u>3,549</u>
Operating income (loss)	<u>(28,164)</u>	<u>(87)</u>	<u>(364)</u>	<u>521</u>
Nonoperating Revenues (Expenses)				
Noncapital grants	12	-	-	-
Noncapital gifts, net	-	1,495	-	-
Noncapital contributions	-	1	194	1
Lease revenue	-	1	-	132
Investment earnings	1,911	-	119	-
Interest and fees	-	-	-	-
Insurance recoveries	1	152	-	-
Gain (loss) on sale of equipment	-	-	-	-
Miscellaneous	(31)	197	(7)	1
Total nonoperating revenues (expenses)	<u>1,893</u>	<u>1,846</u>	<u>306</u>	<u>134</u>
Income (loss) before contributions and transfers	(26,271)	1,759	(58)	655
Capital contributions	-	-	1,747	-
Transfers in proprietary	-	-	-	-
Transfers out proprietary	-	(531)	-	(3)
Change in net position	<u>(26,271)</u>	<u>1,228</u>	<u>1,689</u>	<u>652</u>
Net position — July 1, as previously reported	49,179	12,719	11,191	10,992
Adjustments to July 1 balances	<u>(2)</u>	<u>4,643</u>	<u>(248)</u>	<u>(14)</u>
Net position — July 1, as restated	49,177	17,362	10,943	10,978
Net position — June 30	<u>\$ 22,906</u>	<u>\$ 18,590</u>	<u>\$ 12,632</u>	<u>\$ 11,630</u>

Exhibit D-2

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ -	\$ -	\$ -	\$ -	\$ 47	\$ -	\$ 47
-	52	-	-	58	353	2,322
-	-	-	-	29	-	29
-	-	-	-	-	1,861	8,929
-	24,925	18,127	34,163	113,319	5,037	211,727
-	-	-	-	-	-	15,376
-	522	54	9	1,300	95	2,189
-	25,499	18,181	34,172	114,753	7,346	240,619
25	19,431	14,718	8,774	64,548	4,536	122,535
-	180	243	520	822	420	3,371
1,631	1,251	1,368	25,822	35,191	2,734	78,849
-	-	-	-	-	36	442
-	2	456	158	4,179	720	6,690
9,984	-	-	42	892	-	18,505
-	4	2	124	710	333	37,062
-	791	146	3,970	5,165	446	11,682
11,640	21,659	16,933	39,410	111,507	9,225	279,136
(11,640)	3,840	1,248	(5,238)	3,246	(1,879)	(38,517)
-	-	-	-	-	-	12
-	-	-	-	-	1,274	2,769
-	6	4	2	1	1	210
-	-	-	-	47	695	875
2,680	17	-	-	11,324	269	16,320
-	-	-	-	(836)	(3)	(839)
-	-	-	-	-	-	153
-	(29)	(825)	(8)	11	(18)	(869)
(106)	(16)	-	(12)	(120)	12	(82)
2,574	(22)	(821)	(18)	10,427	2,230	18,549
(9,066)	3,818	427	(5,256)	13,673	351	(19,968)
-	-	-	-	-	-	1,747
-	531	-	-	-	187	718
-	(266)	(154)	(313)	-	(73)	(1,340)
(9,066)	4,083	273	(5,569)	13,673	465	(18,843)
38,946	(15,645)	4,576	29,409	157,409	11,130	309,906
1,004	(111)	438	127	(1,125)	2,255	6,967
39,950	(15,756)	5,014	29,536	156,284	13,385	316,873
\$ 30,884	\$ (11,673)	\$ 5,287	\$ 23,967	\$ 169,957	\$ 13,850	\$ 298,030

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agriculture Farmers Market
Cash Flows From Operating Activities				
Receipts from customers	\$ 39,998	\$ 17,963	\$ 3,969	\$ 3,968
Receipts from federal agencies	-	-	-	-
Payments to suppliers	(26,783)	(10,412)	(1,760)	(1,486)
Payments to employees	(458)	(4,847)	(2,299)	(1,869)
Payments for prizes, benefits, and claims	(8,959)	-	-	-
Other receipts	1	350	-	1
Other payments	-	-	-	-
Net cash provided by (used for) operating activities	<u>3,799</u>	<u>3,054</u>	<u>(90)</u>	<u>614</u>
Cash Flows From Noncapital Financing Activities				
Grant receipts	12	-	-	-
Noncapital contributions	-	-	192	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(531)	-	(3)
Gifts	-	1,495	-	-
Net cash provided by (used for) noncapital financing activities	<u>12</u>	<u>964</u>	<u>192</u>	<u>(3)</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(241)	(1,888)	(8)
Proceeds from the sale of capital assets	-	159	-	-
Capital contributions	-	-	1,410	-
Capital gifts	-	-	-	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Proceeds from lease arrangements	-	34	-	56
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(48)</u>	<u>(478)</u>	<u>48</u>
Cash Flows From Investing Activities				
Proceeds from the sales/maturities of non-State Treasurer investments	-	-	-	-
Purchase of non-State Treasurer investments	-	-	-	-
Purchase into State Treasurer investment pool	-	-	-	-
Redemptions from State Treasurer investment pool	25,000	-	-	-
Investment earnings	738	-	112	-
Net cash provided by (used for) investment activities	<u>25,738</u>	<u>-</u>	<u>112</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	29,549	3,970	(264)	659
Cash and cash equivalents at July 1, as previously reported	3,840	20,392	7,891	4,279
Adjustments to July 1 cash and cash equivalents	-	-	-	-
Cash and cash equivalents at July 1, as restated	<u>3,840</u>	<u>20,392</u>	<u>7,891</u>	<u>4,279</u>
Cash and cash equivalents at June 30	<u>\$ 33,389</u>	<u>\$ 24,362</u>	<u>\$ 7,627</u>	<u>\$ 4,938</u>

Exhibit D-3

Workers' Compensation	Utilities Commission	State Banking Commission	ABC Commission	Occupational Licensing Boards	Departmental Funds	Total Nonmajor Enterprise Funds
\$ -	\$ 24,963	\$ 18,140	\$ 34,167	\$ 112,424	\$ 7,280	\$ 262,872
-	-	-	1,046	-	-	1,046
(1,729)	(2,201)	(1,544)	(28,658)	(20,912)	(4,121)	(99,606)
(17)	(18,499)	(14,133)	(7,381)	(60,810)	(4,867)	(115,180)
(7,629)	-	-	(42)	-	-	(16,630)
-	466	12	15	1,676	100	2,621
(10)	-	-	(13)	(23,513)	-	(23,536)
(9,385)	4,729	2,475	(866)	8,865	(1,608)	11,587
-	-	-	-	-	124	136
-	-	-	-	-	-	192
-	531	-	-	-	187	718
-	(266)	(154)	(313)	-	(73)	(1,340)
-	-	-	-	-	1,151	2,646
-	265	(154)	(313)	-	1,389	2,352
-	-	-	(265)	(1,297)	(136)	(3,835)
-	(2)	-	1	18	1	177
-	-	-	-	-	-	1,410
-	2	-	22	-	-	24
-	-	(713)	-	(2,623)	(18)	(3,354)
-	-	-	-	(836)	(3)	(839)
-	-	-	-	33	604	727
-	-	(713)	(242)	(4,705)	448	(5,690)
-	-	-	-	34,292	-	34,292
-	-	-	-	(37,522)	-	(37,522)
-	(1)	-	-	-	-	(1)
-	-	-	-	-	-	25,000
2,463	-	-	-	5,378	253	8,944
2,463	(1)	-	-	2,148	253	30,713
(6,922)	4,993	1,608	(1,421)	6,308	482	38,962
45,040	4,237	19,501	28,810	93,391	9,199	236,580
-	-	-	-	2,148	-	2,148
45,040	4,237	19,501	28,810	95,539	9,199	238,728
\$ 38,118	\$ 9,230	\$ 21,109	\$ 27,389	\$ 101,847	\$ 9,681	\$ 277,690

Continued

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)**

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

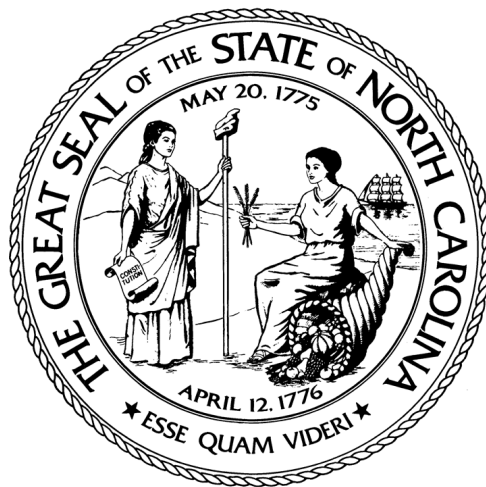
	Public Education Property Insurance	North Carolina State Fair	USS North Carolina Battleship Commission	Agriculture Farmers Market
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income (loss)	\$ (28,164)	\$ (87)	\$ (364)	\$ 521
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	821	173	181
Nonoperating miscellaneous and other income (expense)	1	348	-	1
Change in assets and deferred outflows:				
Receivables	(240)	(123)	(22)	(101)
Inventories	-	41	(57)	3
Prepaid items	6,444	-	130	-
Net OPEB asset	-	(4)	-	(2)
Deferred outflows for pensions	(9)	519	(24)	190
Deferred outflows for OPEB	(49)	(445)	16	(202)
Change in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	913	74	33	(22)
Due to other funds	-	-	-	-
Compensated absences	16	33	78	29
Workers' compensation	-	-	-	(1)
Unearned revenue	24,863	859	(1)	-
Net pension liability	(19)	(274)	77	(116)
Net OPEB liability	93	910	77	368
Deferred inflows for pensions	(5)	(226)	53	(18)
Deferred inflows for OPEB	(45)	(993)	(259)	(217)
Deposits payable	-	1,601	-	-
Net cash provided by (used for) operations	<u>\$ 3,799</u>	<u>\$ 3,054</u>	<u>\$ (90)</u>	<u>\$ 614</u>
Noncash Investing, Capital, and Financing Activities				
Noncash distributions from the State Treasurer Bond Index External Investment Pool and/or other agents	\$ 653	\$ -	\$ -	\$ -
Donated or transferred assets	-	-	-	-
Capital asset writeoff	-	-	-	-
Assets acquired through the assumption of a liability	-	-	96	-
Change in fair value of investments	659	-	-	-
Increase in receivables related to nonoperating income	-	68	337	1,141
Change in securities lending collateral	476	-	(167)	-
Decrease in net OPEB liability related to noncapital contributions	-	(1)	(2)	(1)

Exhibit D-3

<u>Workers' Compensation</u>	<u>Utilities Commission</u>	<u>State Banking Commission</u>	<u>ABC Commission</u>	<u>Occupational Licensing Boards</u>	<u>Departmental Funds</u>	<u>Total Nonmajor Enterprise Funds</u>
\$ (11,640)	\$ 3,840	\$ 1,248	\$ (5,238)	\$ 3,246	\$ (1,879)	\$ (38,517)
-	2	456	158	4,179	720	6,690
-	1	-	(13)	-	25	363
(11)	(15)	12	1,050	329	(55)	824
-	-	-	(3)	27	(91)	(80)
-	-	-	-	(352)	-	6,222
-	(17)	(12)	(8)	(2)	(4)	(49)
-	2,467	1,773	2,538	602	468	8,524
-	(778)	(788)	3,816	859	(355)	2,074
2,258	25	215	1,781	2,509	(64)	7,722
-	-	-	15	44	-	59
8	45	78	93	347	(32)	695
-	-	-	-	-	(14)	(15)
-	-	-	-	(1,529)	71	24,263
-	(1,494)	(1,099)	(331)	(111)	(284)	(3,651)
-	3,547	2,608	1,624	330	818	10,375
-	(474)	(317)	(1,574)	(387)	(159)	(3,107)
-	(2,420)	(1,699)	(4,774)	(1,226)	(796)	(12,429)
-	-	-	-	-	23	1,624
<u>\$ (9,385)</u>	<u>\$ 4,729</u>	<u>\$ 2,475</u>	<u>\$ (866)</u>	<u>\$ 8,865</u>	<u>\$ (1,608)</u>	<u>\$ 11,587</u>

\$ 445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,098
-	(2)	-	(23)	-	-	(25)
-	27	(416)	8	-	20	(361)
-	-	4,327	-	-	238	4,661
182	-	-	-	61	-	902
-	-	-	-	-	(580)	966
(3,290)	(294)	-	-	(2,745)	(384)	(6,404)
-	(6)	(4)	(2)	(1)	(1)	(18)

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INTERNAL SERVICE FUNDS

The internal service funds are used to account for and report the operations of state agencies that provide services to other state agencies, component units, or other governments on a cost reimbursement basis.

The following activities are included in the internal service funds:

Department of Administration:

Motor Fleet Management
Mail Service Center
Temporary Solutions
Surplus Property

Department of Information Technology:

Computing Services
State Telecommunications Services

Department of Insurance:

State Property Fire Insurance

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Assets					
Current Assets					
Cash and cash equivalents	\$ 64,593	\$ 7,168	\$ 1,057	\$ 24,108	\$ 22,838
Investments	3,177	-	-	-	-
Securities lending collateral	1,281	-	-	-	-
Receivables:					
Accounts receivable, net	-	2,353	930	5,616	7,214
Premiums receivable	19	-	-	-	-
Due from other funds	-	4,398	-	7,395	17,061
Inventories	-	92	109	-	-
Prepaid items	23,204	-	-	-	-
Total current assets	<u>92,274</u>	<u>14,011</u>	<u>2,096</u>	<u>37,119</u>	<u>47,113</u>
Noncurrent Assets					
Net OPEB asset	2	2	2	3	139
Capital assets-nondepreciable	-	-	-	-	3,089
Capital assets-depreciable, net	-	135,013	336	695	61,002
Total noncurrent assets	<u>2</u>	<u>135,015</u>	<u>338</u>	<u>698</u>	<u>64,230</u>
Total Assets	<u>92,276</u>	<u>149,026</u>	<u>2,434</u>	<u>37,817</u>	<u>111,343</u>
Deferred Outflows of Resources:					
Deferred outflows for pensions	935	752	743	1,324	43,073
Deferred outflows for OPEB	920	1,207	1,159	2,270	70,393
Total Deferred Outflows of Resources	<u>1,855</u>	<u>1,959</u>	<u>1,902</u>	<u>3,594</u>	<u>113,466</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities:					
Accounts payable	7,965	1,688	77	100	3,835
Accrued payroll	-	-	-	9,305	76
Claims payable	1,154	-	-	-	-
Intergovernmental payable	-	12	23	-	2
Obligations under securities lending	1,281	-	-	-	-
Due to other funds	2,815	-	83	-	-
Due to component units	4,933	-	-	-	-
Unearned revenue	19,005	-	-	-	-
Lease liability	-	-	-	179	-
Subscription Liability	-	-	-	38	8,566
Compensated absences	41	34	40	51	2,414
Workers' compensation	102	16	-	-	170
Total current liabilities	<u>37,296</u>	<u>1,750</u>	<u>223</u>	<u>9,673</u>	<u>15,063</u>
Noncurrent Liabilities					
Compensated absences	316	203	204	469	19,415
Lease liability	-	-	-	574	-
Subscription Liability	-	-	-	-	25,360
Workers' compensation	11	-	-	-	1,003
Net pension liability	1,180	1,238	1,280	1,830	74,151
Net OPEB liability	2,255	2,484	2,568	3,672	157,613
Total noncurrent liabilities	<u>3,762</u>	<u>3,925</u>	<u>4,052</u>	<u>6,545</u>	<u>277,542</u>
Total Liabilities	<u>41,058</u>	<u>5,675</u>	<u>4,275</u>	<u>16,218</u>	<u>292,605</u>
Deferred Inflows of Resources:					
Deferred inflows for pensions	20	4	4	5	1,525
Deferred inflows for OPEB	416	354	379	510	25,973
Total Deferred Inflows of Resources	<u>436</u>	<u>358</u>	<u>383</u>	<u>515</u>	<u>27,498</u>
Net Position					
Net investment in capital assets	-	135,013	336	(96)	30,165
Unrestricted	52,637	9,939	(658)	24,774	(125,459)
Total Net Position	<u>\$ 52,637</u>	<u>\$ 144,952</u>	<u>\$ (322)</u>	<u>\$ 24,678</u>	<u>\$ (95,294)</u>

Exhibit E-1

State Telecommunications Services	Surplus Property	Total
\$ 38,612	\$ 3,182	\$ 161,558
-	-	3,177
-	-	1,281
8,199	35	24,347
-	-	19
11,322	-	40,176
-	-	201
-	-	23,204
<u>58,133</u>	<u>3,217</u>	<u>253,963</u>
-	2	150
-	-	3,089
<u>3,289</u>	<u>112</u>	<u>200,447</u>
<u>3,289</u>	<u>114</u>	<u>203,686</u>
<u>61,422</u>	<u>3,331</u>	<u>457,649</u>
-	561	47,388
-	875	76,824
-	<u>1,436</u>	<u>124,212</u>
1,440	1,157	16,262
-	-	9,381
-	-	1,154
-	-	37
-	-	1,281
-	1	2,899
-	-	4,933
-	-	19,005
-	-	179
-	-	8,604
-	23	2,603
-	-	288
<u>1,440</u>	<u>1,181</u>	<u>66,626</u>
-	149	20,756
-	-	574
-	-	25,360
-	-	1,014
-	954	80,633
-	<u>1,915</u>	<u>170,507</u>
-	<u>3,018</u>	<u>298,844</u>
<u>1,440</u>	<u>4,199</u>	<u>365,470</u>
-	6	1,564
-	376	28,008
-	<u>382</u>	<u>29,572</u>
3,289	112	168,819
56,693	74	18,000
<u>\$ 59,982</u>	<u>\$ 186</u>	<u>\$ 186,819</u>

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

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Operating Revenues					
Sales and services	\$ -	\$ 41,543	\$ 10,117	\$ 151,387	\$ 273,230
Fees, licenses, and fines	-	-	-	-	7,032
Insurance premiums	64,314	-	-	-	-
Miscellaneous	-	247	216	-	13
Total operating revenues	<u>64,314</u>	<u>41,790</u>	<u>10,333</u>	<u>151,387</u>	<u>280,275</u>
Operating Expenses					
Personal services	1,925	3,583	3,047	155,461	178,006
Supplies and materials	50	9,834	41	34	9,672
Services	130	11,350	897	2,812	60,435
Cost of goods sold	-	301	4,356	-	-
Depreciation	-	23,311	54	214	18,088
Claims	8,281	-	-	-	-
Insurance and bonding	45,405	1,681	1	-	241
Other	76	31	893	11	34,486
Total operating expenses	<u>55,867</u>	<u>50,091</u>	<u>9,289</u>	<u>158,532</u>	<u>300,928</u>
Operating income (loss)	<u>8,447</u>	<u>(8,301)</u>	<u>1,044</u>	<u>(7,145)</u>	<u>(20,653)</u>
Nonoperating Revenues (Expenses)					
Noncapital contributions	1	1	1	1	47
Investment earnings	3,526	-	-	-	-
Noncapital grants	32	-	-	-	-
Insurance recoveries	-	19	-	-	-
Gain (loss) on sale of equipment	-	2,205	(16)	-	(894)
Interest and fees	-	-	-	(28)	(1,960)
Miscellaneous	(128)	64	7	-	-
Total nonoperating revenues (expenses)	<u>3,431</u>	<u>2,289</u>	<u>(8)</u>	<u>(27)</u>	<u>(2,807)</u>
Income (loss) before contributions and transfers	11,878	(6,012)	1,036	(7,172)	(23,460)
Transfers in	-	-	-	-	109
Transfers out	-	-	-	-	(9,842)
Change in net position	<u>11,878</u>	<u>(6,012)</u>	<u>1,036</u>	<u>(7,172)</u>	<u>(33,193)</u>
Net position — July 1, as previously reported	40,776	151,042	(1,501)	31,862	(41,197)
Adjustments to July 1 balances	(17)	(78)	143	(12)	(20,904)
Net position — July 1, as restated	<u>40,759</u>	<u>150,964</u>	<u>(1,358)</u>	<u>31,850</u>	<u>(62,101)</u>
Net position — June 30	<u>\$ 52,637</u>	<u>\$ 144,952</u>	<u>\$ (322)</u>	<u>\$ 24,678</u>	<u>\$ (95,294)</u>

Exhibit E-2

State Telecommunications Services	Surplus Property	Total
\$ 98,768	\$ 2,546	\$ 577,591
-	-	7,032
-	-	64,314
-	109	585
<u>98,768</u>	<u>2,655</u>	<u>649,522</u>
-	2,490	344,512
5,482	49	25,162
76,124	474	152,222
-	-	4,657
992	37	42,696
-	-	8,281
68	14	47,410
9,260	15	44,772
<u>91,926</u>	<u>3,079</u>	<u>669,712</u>
<u>6,842</u>	<u>(424)</u>	<u>(20,190)</u>
-	-	51
-	-	3,526
-	-	32
-	-	19
(2)	-	1,293
-	(1)	(1,989)
-	-	(57)
<u>(2)</u>	<u>(1)</u>	<u>2,875</u>
6,840	(425)	(17,315)
9,720	-	9,829
-	-	(9,842)
<u>16,560</u>	<u>(425)</u>	<u>(17,328)</u>
50,511	630	232,123
<u>(7,089)</u>	<u>(19)</u>	<u>(27,976)</u>
<u>43,422</u>	<u>611</u>	<u>204,147</u>
<u>\$ 59,982</u>	<u>\$ 186</u>	<u>\$ 186,819</u>

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	State Property Fire Insurance	Motor Fleet Management	Mail Service Center	Temporary Solutions	Computing Services
Cash Flows From Operating Activities					
Receipts from customers	\$ -	\$ -	\$ 1,482	\$ 1,511	\$ 2,788
Receipts from other funds	75,084	42,932	8,400	147,068	274,046
Payments to suppliers	(39,729)	(24,073)	(4,387)	(2,903)	(101,730)
Payments to employees	(2,453)	(3,336)	(3,107)	(153,851)	(154,601)
Payments to other funds	(20,036)	(2,385)	(1,770)	-	(3,146)
Other receipts	11,656	330	223	-	(92)
Net cash provided by (used for) operating activities	24,522	13,468	841	(8,175)	17,265
Cash Flows From Noncapital Financing Activities					
Grant receipts	32	-	-	-	-
Transfers from other funds	-	-	-	668	109
Transfers to other funds	-	-	-	(668)	(9,842)
Net cash provided by (used for) noncapital financing activities	32	-	-	-	(9,733)
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	(20,614)	-	-	(2,144)
Proceeds from the sale of capital assets	-	6,385	-	-	(657)
Capital gifts	-	(63)	(6)	-	-
Principal paid on capital debt	-	-	-	(223)	(13,877)
Interest paid on capital debt	-	-	-	(28)	(1,960)
Net cash used for capital and related financing activities	-	(14,292)	(6)	(251)	(18,638)
Cash Flows From Investing Activities					
Redemptions from State Treasurer investment pool	24,381	-	-	-	-
Investment earnings	2,541	-	-	-	-
Net cash provided by investment activities	26,922	-	-	-	-
Net increase (decrease) in cash and cash equivalents	51,476	(824)	835	(8,426)	(11,106)
Cash and cash equivalents at July 1	13,117	7,992	222	32,534	33,944
Cash and cash equivalents at June 30	\$ 64,593	\$ 7,168	\$ 1,057	\$ 24,108	\$ 22,838
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income (loss)	\$ 8,447	\$ (8,301)	\$ 1,044	\$ (7,145)	\$ (20,653)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	23,311	54	214	18,088
Nonoperating miscellaneous and other income (expense)	-	83	7	-	-
Change in assets and deferred outflows:					
Receivables	892	2,752	(235)	(241)	(1,434)
Due from other funds	-	(1,363)	-	(2,567)	(1,995)
Inventories	-	(16)	32	-	-
Prepaid items	6,443	-	-	-	-
Net OPEB asset	(2)	(2)	(2)	(3)	(139)
Deferred outflows for pensions	(78)	196	213	224	13,334
Deferred outflows for OPEB	(446)	(362)	(406)	(378)	(9,125)
Change in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	2,725	(3,244)	59	1,025	(22)
Due to other funds	(195)	(4)	(64)	-	-
Due to component units	(3,142)	-	-	-	-
Compensated absences	27	8	(16)	95	2,003
Workers' compensation	(194)	16	(229)	-	(142)
Unearned revenue	9,878	-	-	-	-
Net pension liability	(101)	(60)	(62)	(89)	(6,923)
Net OPEB liability	505	653	676	966	39,729
Deferred inflows for pensions	(14)	(10)	(10)	(9)	(1,336)
Deferred inflows for OPEB	(223)	(189)	(220)	(267)	(14,120)
Net cash provided by (used for) operations	\$ 24,522	\$ 13,468	\$ 841	\$ (8,175)	\$ 17,265

Exhibit E-3

State Telecommunications Services	Surplus Property	Total
\$ 15,382	\$ 1,022	\$ 22,185
82,553	1,550	631,633
(92,198)	(353)	(265,373)
-	(2,371)	(319,719)
(931)	(619)	(28,887)
-	109	12,226
<u>4,806</u>	<u>(662)</u>	<u>52,065</u>
-	-	32
9,720	-	10,497
-	-	(10,510)
<u>9,720</u>	<u>-</u>	<u>19</u>
(813)	-	(23,571)
325	-	6,053
-	-	(69)
-	(23)	(14,123)
-	(1)	(1,989)
<u>(488)</u>	<u>(24)</u>	<u>(33,699)</u>
-	-	24,381
-	-	2,541
-	-	26,922
14,038	(686)	45,307
24,574	3,868	116,251
<u>\$ 38,612</u>	<u>\$ 3,182</u>	<u>\$ 161,558</u>
\$ 6,842	\$ (424)	\$ (20,190)
992	37	42,696
-	-	90
3,781	27	5,542
(4,613)	-	(10,538)
-	-	16
-	-	6,443
-	(2)	(150)
-	154	14,043
-	(230)	(10,947)
(2,196)	(425)	(2,078)
-	-	(263)
-	-	(3,142)
-	10	2,127
-	(31)	(580)
-	-	9,878
-	(46)	(7,281)
-	504	43,033
-	(13)	(1,392)
-	(223)	(15,242)
<u>\$ 4,806</u>	<u>\$ (662)</u>	<u>\$ 52,065</u>

Continued

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	<u>State Property Fire Insurance</u>	<u>Motor Fleet Management</u>	<u>Mail Service Center</u>	<u>Temporary Solutions</u>	<u>Computing Services</u>
Noncash Investing, Capital, and Financing Activities					
Noncash distributions from the State Treasurer					
Bond Index External Investment Pool and/or other agents	\$ 416	\$ -	\$ -	\$ -	\$ -
Donated or transferred assets	-	63	6	-	-
Capital asset writeoff	-	-	16	-	237
Assets acquired through the assumption of a liability	-	-	-	88	13,721
Change in fair value of investments	642	-	-	-	-
Change in securities lending collateral	157	-	-	-	-
Decrease in net OPEB liability related to noncapital contributions	(1)	(1)	(1)	(1)	(48)

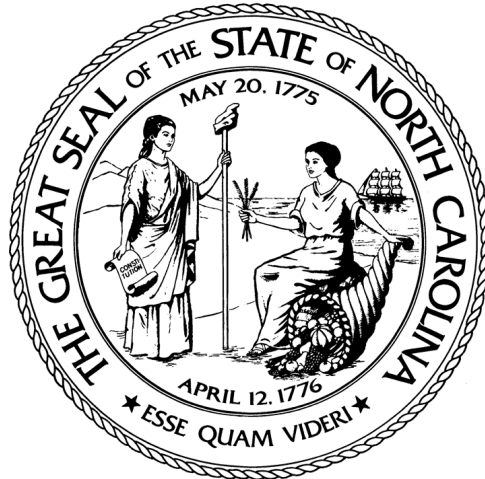
<u>State Telecommunications Services</u>	<u>Surplus Property</u>	<u>Total</u>
\$ -	\$ -	\$ 416
-	-	69
327	-	580
-	-	13,809
-	-	642
-	-	157
-	(1)	(53)

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FIDUCIARY FUNDS

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PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds account for and report resources held in trust in which the principal and income benefit individuals, private organizations, or other governments.

The following activities are included in the private purpose trust funds:

Deposits of Insurance Carriers Fund
Administrative Office of the Courts Trust Fund

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS**

June 30, 2025

*Exhibit F-1**(Dollars In Thousands)*

	<u>Deposits of Insurance Carriers Fund</u>	<u>Administrative Office of the Courts Trust Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 115	\$ 181,652	\$ 181,767
Investments:			
Certificates of deposit	-	37,882	37,882
Securities lending collateral	3	-	3
Sureties	1,033,752	-	1,033,752
Total Assets	<u>1,033,870</u>	<u>219,534</u>	<u>1,253,404</u>
Liabilities			
Obligations under securities lending	<u>3</u>	<u>-</u>	<u>3</u>
Net Position			
Restricted for:			
Individuals, organizations, and other governments	1,033,867	219,534	1,253,401
Total Net Position	<u>\$ 1,033,867</u>	<u>\$ 219,534</u>	<u>\$ 1,253,401</u>

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

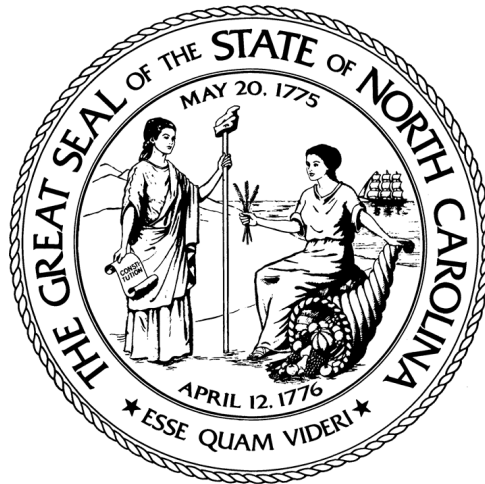
For the Fiscal Year Ended June 30, 2025

Exhibit F-2

(Dollars In Thousands)

	<u>Deposits of Insurance Carriers Fund</u>	<u>Administrative Office of the Courts Trust Fund</u>	<u>Total</u>
Additions			
Contributions:			
Trustee deposits	\$ 75,378	\$ 234,115	\$ 309,493
Investment Income:			
Investment earnings	5	234	239
Net investment income	5	234	239
Total Additions	<u>75,383</u>	<u>234,349</u>	<u>309,732</u>
Deductions			
Payments in accordance with trust arrangements	8,290	242,930	251,220
Change in net position	67,093	(8,581)	58,512
Net position — July 1, as previously reported	966,774	228,115	1,194,889
Net position — June 30	<u>\$ 1,033,867</u>	<u>\$ 219,534</u>	<u>\$ 1,253,401</u>

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CUSTODIAL FUNDS

Custodial funds account for and report resources held by the State in a purely custodial capacity for individuals, private organizations, or other governments.

The following activities are included in the custodial funds:

- External Equity Index Investment Account
- External Investment Pool
- External Bond Index Investment Pool
- Local Sales Tax Collections
- Clerks of Court
- Insurers in Receivership
- Vehicle Property Tax Collections
- Swain County Settlement
- Local Fiscal Recovery
- Departmental Funds

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS**

June 30, 2025

(Dollars In Thousands)

	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Assets				
Cash and cash equivalents	\$ -	\$ 15,364	\$ -	\$ 15,364
Investments:				
Certificates of deposit	-	-	-	-
State Treasurer investment pool	860,607	1,023,039	543,401	2,427,047
Securities lending collateral	826	20,426	-	21,252
Receivables:				
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	10,407	-	10,407
Due from fiduciary funds	-	-	-	-
Due from other funds	-	-	-	-
Sureties	-	-	-	-
Total Assets	\$ 861,433	\$ 1,069,236	\$ 543,401	\$ 2,474,070
Liabilities				
Accounts payable and accrued liabilities:				
Accounts payable	\$ -	\$ 978	\$ -	\$ 978
Intergovernmental payable	-	-	-	-
Obligations under securities lending	826	20,426	-	21,252
Due to fiduciary funds	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Total Liabilities	\$ 826	\$ 21,404	\$ -	\$ 22,230
Net Position				
Restricted for:				
Pool participants	-	1,047,832	543,401	1,591,233
Individuals, organizations, and other governments	860,607	-	-	860,607
Total Net Position	\$ 860,607	\$ 1,047,832	\$ 543,401	\$ 2,451,840

Other Custodial Funds

Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ 989,338	\$ 178,780	\$ -	\$ 125,884	\$ 57,924	\$ 482	\$ 62,012	\$ 1,414,420	\$ 1,429,784
-	-	-	-	-	-	400	400	400
-	-	-	-	-	-	-	-	2,427,047
-	-	-	2,891	-	12	719	3,622	24,874
292,600	-	-	-	-	-	-	292,600	292,600
-	232	-	-	-	-	466	698	698
-	-	-	-	203	2	40	245	10,652
-	-	-	-	-	-	284	284	284
34,405	-	-	-	-	-	570	34,975	34,975
-	11,667	-	-	-	-	-	11,667	11,667
<u>\$ 1,316,343</u>	<u>\$ 190,679</u>	<u>\$ -</u>	<u>\$ 128,775</u>	<u>\$ 58,127</u>	<u>\$ 496</u>	<u>\$ 64,491</u>	<u>\$ 1,758,911</u>	<u>\$ 4,232,981</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 30	\$ 1,008
1,316,343	4,044	-	125,559	-	-	320	1,446,266	1,446,266
-	-	-	2,891	-	12	719	3,622	24,874
-	-	-	-	-	-	284	284	284
-	-	-	-	-	-	371	371	371
-	-	-	-	-	-	251	251	251
-	92,132	-	-	-	-	382	92,514	92,514
<u>\$ 1,316,343</u>	<u>\$ 96,176</u>	<u>\$ -</u>	<u>\$ 128,450</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 2,357</u>	<u>\$ 1,543,338</u>	<u>\$ 1,565,568</u>
-	-	-	-	-	-	-	-	1,591,233
-	94,503	-	325	58,127	484	62,134	215,573	1,076,180
<u>\$ -</u>	<u>\$ 94,503</u>	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ 58,127</u>	<u>\$ 484</u>	<u>\$ 62,134</u>	<u>\$ 215,573</u>	<u>\$ 2,667,413</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

For the Fiscal Year Ended June 30, 2025

(Dollars In Thousands)

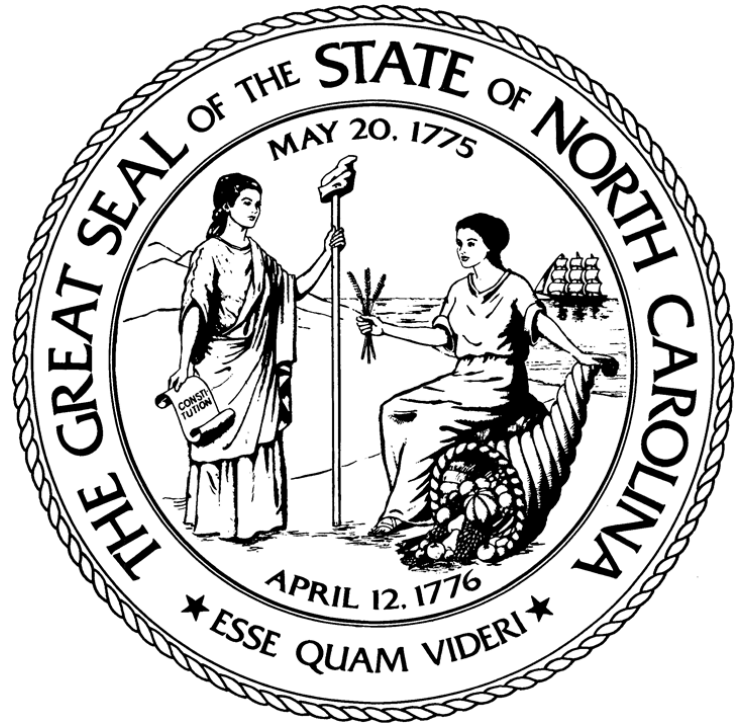
	External Investment Pools and Investment Account			
	External Equity Index Investment Account	External Investment Pool	External Bond Index Investment Pool	Total External Investment Pools and Investment Account
Additions				
Investment Income:				
Investment earnings (loss)	\$ 120,606	\$ 35,326	\$ 28,894	\$ 184,826
Less investment expenses	(196)	(1,775)	(117)	(2,088)
Net investment income (loss)	<u>120,410</u>	<u>33,551</u>	<u>28,777</u>	<u>182,738</u>
Pool share transactions:				
Reinvestment of distributions	120,410	33,551	28,777	182,738
Net share purchases/(redemptions)	<u>16,992</u>	<u>278,459</u>	<u>53,792</u>	<u>349,243</u>
Net pool share transactions	<u>137,402</u>	<u>312,010</u>	<u>82,569</u>	<u>531,981</u>
Property tax collections for local governments	-	-	-	-
Sales and use tax collections for local governments	-	-	-	-
Participant deposits	-	-	-	-
Child support deposits	-	-	-	-
Other additions:				
Sales and services	-	-	-	-
Total Additions	<u>257,812</u>	<u>345,561</u>	<u>111,346</u>	<u>714,719</u>
Deductions				
Distributions paid and payable	120,410	33,551	28,777	182,738
Payments of property tax to local governments	-	-	-	-
Payments of sales and use tax to local governments	-	-	-	-
Payments in accordance with custodial arrangements	-	-	-	-
Payments in accordance with child support agreements	-	-	-	-
Administrative expenses	-	-	-	-
Total deductions	<u>120,410</u>	<u>33,551</u>	<u>28,777</u>	<u>182,738</u>
Change in net position	137,402	312,010	82,569	531,981
Net position — July 1, as previously reported	723,205	735,822	460,832	1,919,859
Adjustments to July 1 balances	-	-	-	-
Net position — July 1, as restated (Note 23)	<u>723,205</u>	<u>735,822</u>	<u>460,832</u>	<u>1,919,859</u>
Net position — June 30	<u>\$ 860,607</u>	<u>\$ 1,047,832</u>	<u>\$ 543,401</u>	<u>\$ 2,451,840</u>

Exhibit F-4

Other Custodial Funds

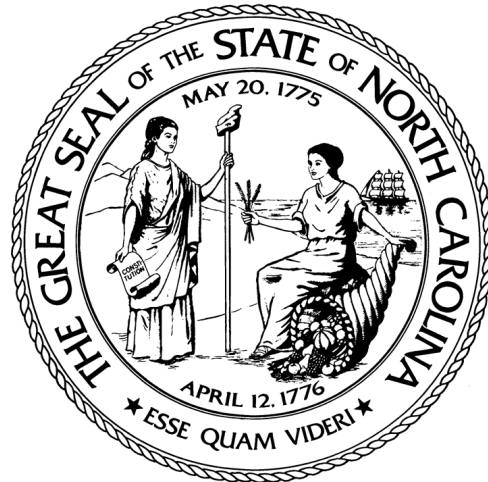
Local Sales Tax Collections	Clerks of Court	Insurers in Receivership	Vehicle Property Tax Collections	Swain County Settlement	Local Fiscal Recovery	Departmental Funds	Total Other Custodial Funds	Total Custodial Funds
\$ -	\$ -	\$ -	\$ 237	\$ 2,584	23	\$ 741	\$ 3,585	\$ 188,411
-	-	-	(237)	-	(1)	(53)	(291)	(2,379)
-	-	-	-	2,584	22	688	3,294	186,032
-	-	-	-	-	-	-	-	182,738
-	-	-	-	-	-	-	-	349,243
-	-	-	-	-	-	-	-	531,981
-	-	-	1,386,022	-	-	-	1,386,022	1,386,022
5,164,570	-	-	-	-	-	-	5,164,570	5,164,570
-	620,734	-	-	-	-	183,221	803,955	803,955
-	-	-	-	-	-	688,769	688,769	688,769
-	-	-	-	-	-	70	70	70
5,164,570	620,734	-	1,386,022	2,584	22	872,748	8,046,680	8,761,399
-	-	-	-	-	-	-	-	182,738
-	-	-	1,385,989	-	-	-	1,385,989	1,385,989
5,164,570	-	-	-	-	-	-	5,164,570	5,164,570
-	688,904	-	-	-	-	181,395	870,299	870,299
-	-	-	-	-	-	677,929	677,929	677,929
-	-	-	-	-	-	667	667	667
5,164,570	688,904	-	1,385,989	-	-	859,991	8,099,454	8,282,192
-	(68,170)	-	33	2,584	22	12,757	(52,774)	479,207
-	162,673	1,326,576	292	55,543	462	45,971	1,591,517	3,511,376
-	-	(1,326,576)	-	-	-	3,406	(1,323,170)	(1,323,170)
-	162,673	-	292	55,543	462	49,377	268,347	2,188,206
\$ -	\$ 94,503	\$ -	\$ 325	\$ 58,127	\$ 484	\$ 62,134	\$ 215,573	\$ 2,667,413

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COMPONENT UNITS

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COMPONENT UNITS – DISCRETELY PRESENTED

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

Nonmajor component units are comprised of the following entities:

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

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

COMBINING STATEMENT OF NET POSITION NONMAJOR COMPONENT UNITS

June 30, 2025

(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Assets					
Cash and cash equivalents	\$ -	\$ 193,024	\$ 869	\$ 3,721	\$ 121,404
Investments	-	-	1,518,659	66,810	6,788
Securities lending collateral	-	-	-	2	26
Receivables, net	45,327	22,385	519	12,594	2,236
Due from component units	3,893	-	412	-	10,000
Inventories	-	-	-	992	-
Prepaid items	1,500	-	162	3,491	-
Hedging derivatives asset	-	3,362	-	-	-
Notes receivable, net	204,640	272,027	26	-	738
Lease receivable	-	-	-	25,807	6,273
PPP receivable	-	-	-	-	-
Restricted/designated cash and cash equivalents	978,874	1,137,701	-	25	-
Restricted investments	5,291,373	3,185,956	6	43,901	-
Restricted due from component units	-	-	1,649	-	-
Net OPEB asset	2	17	-	31	1
Capital assets-nondepreciable	-	-	904	110,343	159,639
Capital assets-depreciable, net	10,560	1,478	1,964	519,062	109,654
Total Assets	6,536,169	4,815,950	1,525,170	786,779	416,759
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	-	547	-	-	-
Deferred outflows for pensions	1,921	4,716	-	8,334	648
Deferred outflows for OPEB	3,416	6,220	-	10,363	1,149
Total Deferred Outflows of Resources	5,337	11,483	-	18,697	1,797
Liabilities					
Accounts payable and accrued liabilities	210,782	3,286	162,152	9,174	30,239
Obligations under securities lending	-	-	-	2	26
Interest payable	507	67,890	-	691	6
Due to component units	-	-	34,633	-	2,062
Due to primary government	-	1,905	3,022	-	-
Unearned revenue	-	29,565	-	401	77
Advance from primary government	-	-	-	-	1,191
Deposits payable	-	2,193	-	-	-
Funds held for others	5,277,481	-	-	-	-
Hedging derivatives liability	-	547	-	117	-
Long-term liabilities:					
Due within one year	14,366	64,818	52	7,518	3,035
Due in more than one year	144,175	3,671,531	-	118,981	4,833
Total Liabilities	5,647,311	3,841,735	199,859	136,884	41,469
Deferred Inflows of Resources					
Deferred state aid	219,283	-	-	-	-
Deferred inflows for lease agreements	-	-	-	25,807	6,272
Accumulated increase in fair value of hedging derivatives	-	3,362	-	-	-
Deferred inflows for pensions	8	26	-	47	2
Deferred inflows for OPEB	934	2,517	-	3,593	358
Other deferred inflows	-	-	-	-	-
Total Deferred Inflows of Resources	220,225	5,905	-	29,447	6,632

Exhibit G-1

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	NCInnovation	Total
\$ 35,454	\$ 9,021	\$ 6,331	\$ 5,870	\$ 11,753	\$ 2,750	\$ 390,197
-	13,740	-	-	-	-	1,605,997
-	-	-	1,082	-	-	1,110
5,786	424	3,332	3,360	465	10,031	106,459
-	-	-	-	-	-	14,305
-	-	-	-	-	-	992
830	251	164	-	616	91	7,105
-	-	-	-	-	-	3,362
-	11,867	-	-	-	-	489,298
-	-	-	44,547	-	-	76,627
-	-	-	40,974	-	-	40,974
6	-	24	38,088	117,048	15	2,271,781
148,894	-	-	-	-	521,783	9,191,913
-	-	-	-	-	-	1,649
-	-	-	-	-	-	51
25,921	-	158	33,139	-	-	330,104
114,198	6,937	1,655	79,955	792	77	846,332
331,089	42,240	11,664	247,015	130,674	534,747	15,378,256
-	-	-	-	-	-	547
-	-	-	198	-	-	15,817
-	-	-	-	-	-	21,148
-	-	-	198	-	-	37,512
4,641	492	3,829	4,212	562	11,035	440,404
-	-	-	1,082	-	-	1,110
-	-	-	-	-	-	69,094
-	-	-	-	-	-	36,695
-	-	-	-	-	-	4,927
9,584	-	3,376	138	119,931	-	163,072
-	-	-	-	-	-	1,191
146	-	-	-	-	-	2,339
-	-	19	-	-	-	5,277,500
-	-	-	-	-	-	664
-	-	867	1	946	-	91,603
-	-	170	21,373	-	-	3,961,063
14,371	492	8,261	26,806	121,439	11,035	10,049,662
-	-	-	-	-	-	219,283
-	-	-	41,104	-	-	73,183
-	-	-	-	-	-	3,362
-	-	-	7	-	-	90
-	-	-	-	-	-	7,402
-	-	-	36,990	-	-	36,990
-	-	-	78,101	-	-	340,310

Continued

COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS (Continued)

June 30, 2025

(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Net Position					
Net investment in capital assets	10,222	1,478	2,868	554,808	244,214
Restricted for:					
Expendable:					
Higher education	73,818	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	795,098	14,853	44,024	116,742
Unrestricted	589,930	183,217	1,307,590	40,313	9,499
Total Net Position	<u>\$ 673,970</u>	<u>\$ 979,793</u>	<u>\$ 1,325,311</u>	<u>\$ 639,145</u>	<u>\$ 370,455</u>

Exhibit G-1

<u>North Carolina Railroad Company</u>	<u>North Carolina Biotechnology Center</u>	<u>N.C. Partnership for Children, Inc.</u>	<u>Centennial Authority</u>	<u>Economic Development Partnership of N.C.</u>	<u>NCInnovation</u>	<u>Total</u>
140,119	6,937	979	91,976	103	77	1,053,781
-	-	-	-	-	-	73,818
-	-	19	-	-	-	19
148,894	270	-	34,090	-	522,219	1,676,190
27,705	34,541	2,405	16,240	9,132	1,416	2,221,988
<u>\$ 316,718</u>	<u>\$ 41,748</u>	<u>\$ 3,403</u>	<u>\$ 142,306</u>	<u>\$ 9,235</u>	<u>\$ 523,712</u>	<u>\$ 5,025,796</u>

COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	State Education Assistance Authority	N.C. Housing Finance Agency	The Golden LEAF, Inc.	N.C. State Ports Authority	N.C. Global TransPark Authority
Total expenses	\$ 904,314	\$ 611,016	\$ 90,720	\$ 80,583	\$ 19,234
Program revenues:					
Charges for services	28,035	372,500	-	72,039	4,055
Operating grants and contributions:					
State aid - program	128,338	55,999	56,819	-	-
Other operating grants and contributions	748,477	249,651	-	5,180	10,381
Capital grants and contributions:					
Other capital grants and contributions	-	-	-	8,699	8,842
Net program (expense) revenue	536	67,134	(33,901)	5,335	4,044
Non-tax general revenues:					
Unrestricted investment earnings	52,031	-	172,911	-	434
State aid - general	-	55,660	25,000	45,000	133,748
Noncapital contributions	2	6	-	8	1
Miscellaneous	-	-	-	827	23
Total non-tax general revenues	52,033	55,666	197,911	45,835	134,206
Change in net position	52,569	122,800	164,010	51,170	138,250
Net position — July 1, as previously reported	621,401	856,993	1,157,464	593,769	248,550
Adjustments to July 1 balances	-	-	3,837	(5,794)	(16,345)
Net position — July 1, as restated	621,401	856,993	1,161,301	587,975	232,205
Net position — June 30	<u>\$ 673,970</u>	<u>\$ 979,793</u>	<u>\$ 1,325,311</u>	<u>\$ 639,145</u>	<u>\$ 370,455</u>

Exhibit G-2

North Carolina Railroad Company	North Carolina Biotechnology Center	N.C. Partnership for Children, Inc.	Centennial Authority	Economic Development Partnership of N.C.	NCInnovation	Total
\$ 45,750	\$ 22,423	\$ 133,593	\$ 16,344	\$ 51,610	\$ 18,807	\$ 1,994,394
30,378	806	-	4,471	2,109	-	514,393
-	-	125,004	-	-	250,000	616,160
-	1,027	1,748	15,281	2,775	21,981	1,056,501
-	-	-	611	-	-	18,152
(15,372)	(20,590)	(6,841)	4,019	(46,726)	253,174	210,812
15,849	1,686	28	1,948	1,444	138	246,469
-	16,100	7,045	-	46,140	-	328,693
-	-	-	-	-	-	17
1,779	1,830	186	3,184	-	671	8,500
17,628	19,616	7,259	5,132	47,584	809	583,679
2,256	(974)	418	9,151	858	253,983	794,491
314,462	42,722	2,586	133,155	8,377	269,729	4,249,208
-	-	399	-	-	-	(17,903)
314,462	42,722	2,985	133,155	8,377	269,729	4,231,305
<u>\$ 316,718</u>	<u>\$ 41,748</u>	<u>\$ 3,403</u>	<u>\$ 142,306</u>	<u>\$ 9,235</u>	<u>\$ 523,712</u>	<u>\$ 5,025,796</u>

STATEMENT OF CASH FLOWS
MAJOR COMPONENT UNIT

June 30, 2025

Exhibit G-3

(Dollars in Thousands)

	<u>State Health Plan</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 4,396,366
Payments to suppliers	(224,591)
Payments to employees	(5,674)
Payments for claims	(4,264,217)
Net cash provided by (used for) operating activities	<u>(98,116)</u>
Cash Flows From Noncapital Financing Activities	
Grant receipts	11,447
Net cash provided by (used for) noncapital financing activities	<u>11,447</u>
Cash Flows From Investing Activities	
Investment earnings	36,278
Net increase (decrease) in cash and cash equivalents	(50,391)
Cash and cash equivalents at July 1	636,061
Cash and cash equivalents at June 30	<u>\$ 585,670</u>
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities	
Operating income (loss)	\$ (32,488)
Change in assets and deferred outflows:	
Receivables	(16,800)
Net OPEB asset	(5)
Deferred outflows for pensions	705
Deferred outflows for OPEB	(352)
Change in liabilities and deferred inflows:	
Accounts payable and accrued liabilities	4,863
Compensated absences	73
Unearned revenue	(63,599)
Medical claims payable	9,913
Net pension liability	(833)
Net OPEB liability	623
Deferred inflows for pensions	50
Deferred inflows for OPEB	(266)
Net cash provided by (used for) operations	<u>\$ (98,116)</u>
Noncash Investing, Capital, and Financing Activities	
Changes in securities lending collateral	(43,738)
Decrease in net OPEB liability related to noncapital contributions	(2)



STATISTICAL SECTION

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Index to Statistical Section

This part of the State of North Carolina's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report for the relevant year.

NET POSITION BY COMPONENT

For the Fiscal Years 2016 - 2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Governmental Activities					
Net investment in capital assets	\$ 69,715,710	\$ 66,312,244	\$ 62,491,254	\$ 59,317,526	\$ 56,843,205
Restricted	2,493,708	2,043,502	1,788,260	2,017,711	1,868,783
Unrestricted	16,460,135	15,299,782	15,508,158	9,690,546	2,007,594
Total Governmental Activities Net Position	<u>\$ 88,669,553</u>	<u>\$ 83,655,528</u>	<u>\$ 79,787,672</u>	<u>\$ 71,025,783</u>	<u>\$ 60,719,582</u>
Business-type Activities					
Net investment in capital assets	\$ 978,785	\$ 813,984	\$ 598,198	\$ 493,076	\$ 515,390
Restricted	285,968	181,140	166,230	204,494	255,800
Unrestricted	8,213,106	7,478,607	6,597,149	5,672,033	4,948,349
Total Business-type Activities Net Position	<u>\$ 9,477,859</u>	<u>\$ 8,473,731</u>	<u>\$ 7,361,577</u>	<u>\$ 6,369,603</u>	<u>\$ 5,719,539</u>
Primary Government					
Net investment in capital assets	\$ 70,694,495	\$ 67,126,228	\$ 63,089,452	\$ 59,810,602	\$ 57,358,595
Restricted	2,779,676	2,224,642	1,954,490	2,222,205	2,124,583
Unrestricted	24,673,241	22,778,389	22,105,307	15,362,579	6,955,943
Total Primary Government Net Position	<u>\$ 98,147,412</u>	<u>\$ 92,129,259</u>	<u>\$ 87,149,249</u>	<u>\$ 77,395,386</u>	<u>\$ 66,439,121</u>

Table 1

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 55,581,833	\$ 52,846,067	\$ 49,966,225	\$ 47,274,373	\$ 45,313,618
1,458,418	1,248,281	1,187,465	1,122,895	1,039,216
(5,356,649)	(5,899,285)	(5,831,775)	(6,518,107)	376,874
<u>\$ 51,683,602</u>	<u>\$ 48,195,063</u>	<u>\$ 45,321,915</u>	<u>\$ 41,879,161</u>	<u>\$ 46,729,708</u>
\$ 513,378	\$ 562,921	\$ 606,649	\$ 532,834	\$ 653,235
178,212	114,803	16,963	15,785	7,043
4,863,901	5,640,685	5,096,931	4,592,444	3,831,415
<u>\$ 5,555,491</u>	<u>\$ 6,318,409</u>	<u>\$ 5,720,543</u>	<u>\$ 5,141,063</u>	<u>\$ 4,491,693</u>
\$ 56,095,211	\$ 53,408,988	\$ 50,572,874	\$ 47,807,207	\$ 45,966,853
1,636,630	1,363,084	1,204,428	1,138,680	1,046,259
(492,748)	(258,600)	(734,844)	(1,925,663)	4,208,289
<u>\$ 57,239,093</u>	<u>\$ 54,513,472</u>	<u>\$ 51,042,458</u>	<u>\$ 47,020,224</u>	<u>\$ 51,221,401</u>

CHANGES IN NET POSITION

For the Fiscal Years 2016 - 2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Expenses					
Governmental Activities					
General government	\$ 2,299,617	\$ 3,100,634	\$ 2,751,093	\$ 3,032,569	\$ 2,500,096
Primary and secondary education	15,772,911	16,203,270	15,512,806	15,442,974	12,936,328
Higher education	7,431,222	6,546,740	5,665,180	5,473,516	5,142,660
Health and human services	40,290,630	34,623,699	32,313,673	30,645,511	25,629,768
Economic development	1,065,093	1,366,638	756,992	435,295	664,528
Environment and natural resources	1,547,719	1,187,582	865,794	816,601	821,398
Public safety, corrections, and regulation	6,710,657	4,775,262	4,269,861	4,777,868	4,536,568
Transportation	5,119,753	4,404,717	3,825,507	3,079,409	2,793,445
Agriculture	322,029	302,166	396,929	249,195	286,217
Interest on long-term debt	154,284	149,195	172,351	173,241	170,435
Total Governmental Activities Expenses	<u>80,713,915</u>	<u>72,659,903</u>	<u>66,530,186</u>	<u>64,126,179</u>	<u>55,481,443</u>
Business-type Activities					
Unemployment Compensation	425,186	232,396	276,982	672,550	7,317,289
N.C. State Lottery	5,522,617	4,291,544	3,332,492	2,960,246	2,875,899
EPA Revolving Loan	45,022	55,403	21,005	17,314	17,458
N.C. Turnpike Authority	207,607	187,270	224,730	235,152	193,813
Regulatory programs	191,344	168,506	152,144	138,494	130,118
Insurance programs	55,317	33,921	37,217	34,638	35,153
North Carolina State Fair	17,317	14,757	16,728	12,657	7,086
Other business-type activities	17,172	16,613	15,852	14,696	12,780
Total Business-type Activities Expenses	<u>6,481,582</u>	<u>5,000,410</u>	<u>4,077,150</u>	<u>4,085,747</u>	<u>10,589,596</u>
Total Primary Government Expenses	<u>\$ 87,195,497</u>	<u>\$ 77,660,313</u>	<u>\$ 70,607,336</u>	<u>\$ 68,211,926</u>	<u>\$ 66,071,039</u>
Program Revenues					
Governmental Activities					
Charges for Services:					
Transportation	\$ 1,391,001	\$ 1,146,090	\$ 1,121,438	\$ 1,089,208	\$ 1,102,786
Public safety, corrections, and regulation	624,276	638,339	690,106	640,364	565,774
General government	396,108	359,223	365,393	358,361	335,269
Health and human services	1,044,774	798,513	416,474	351,072	338,172
Other activities	795,275	719,213	682,174	669,000	607,223
Operating grants and contributions	37,905,874	31,868,809	31,073,628	30,859,243	23,540,962
Capital grants and contributions	1,505,645	1,264,471	1,266,732	1,149,590	1,281,167
Total Governmental Activities Program Revenues	<u>43,662,953</u>	<u>36,794,658</u>	<u>35,615,945</u>	<u>35,116,838</u>	<u>27,771,353</u>
Business-type Activities					
Charges for services:					
Unemployment Compensation	911,872	809,182	742,462	663,385	599,309
N.C. State Lottery	6,591,773	5,380,177	4,348,140	3,892,769	3,810,995
EPA Revolving Loan	22,830	15,199	16,173	19,419	15,956
N.C. Turnpike Authority	178,033	129,165	111,772	107,271	57,186
Regulatory programs	192,640	185,636	173,047	157,746	144,511
Insurance programs	15,376	13,719	14,095	22,806	17,951
North Carolina State Fair	17,231	15,520	16,508	15,160	3,212
Other business-type activities	16,235	16,675	14,019	11,103	9,145
Operating grants and contributions	397,814	335,070	320,229	695,299	6,907,326
Capital grants and contributions	85,252	172,643	75,564	248	21,393
Total Business-type Activities Program Revenues	<u>8,429,056</u>	<u>7,072,986</u>	<u>5,832,009</u>	<u>5,585,206</u>	<u>11,586,984</u>
Total Primary Government Program Revenues	<u>\$ 52,092,009</u>	<u>\$ 43,867,644</u>	<u>\$ 41,447,954</u>	<u>\$ 40,702,044</u>	<u>\$ 39,358,337</u>
Net (Expense) Revenue					
Governmental Activities	\$ (37,050,962)	\$ (35,865,245)	\$ (30,914,241)	\$ (29,009,341)	\$ (27,710,090)
Business-type Activities	1,947,474	2,072,576	1,754,859	1,499,459	997,388
Total Primary Government Net Expense	<u>\$ (35,103,488)</u>	<u>\$ (33,792,669)</u>	<u>\$ (29,159,382)</u>	<u>\$ (27,509,882)</u>	<u>\$ (26,712,702)</u>

Table 2

2020	2019	2018	2017	2016
\$ 1,441,776	\$ 1,392,293	\$ 1,284,612	\$ 1,220,572	\$ 1,064,299
11,971,116	11,697,451	11,026,473	10,721,373	10,372,787
4,815,552	4,788,720	4,390,938	4,137,922	4,003,154
21,594,958	19,567,645	19,076,459	18,871,497	18,422,804
525,242	505,806	518,717	475,172	402,773
708,815	666,594	603,594	549,838	547,540
4,228,118	3,792,606	3,564,262	3,355,432	2,960,451
2,979,441	3,907,427	3,154,210	2,953,576	2,767,006
313,068	392,214	204,253	196,538	179,152
171,372	163,799	138,513	194,559	199,516
<u>48,749,458</u>	<u>46,874,555</u>	<u>43,962,031</u>	<u>42,676,479</u>	<u>40,919,482</u>
5,707,104	169,967	196,572	238,193	255,851
2,290,926	2,154,116	1,938,395	1,808,537	1,752,837
13,785	23,657	13,974	14,648	19,047
186,369	132,456	88,703	108,845	87,467
131,503	121,652	118,917	113,780	94,857
51,815	22,362	14,646	23,828	12,502
15,981	18,197	19,006	17,459	16,183
15,421	17,015	16,065	23,293	20,903
<u>8,412,904</u>	<u>2,659,422</u>	<u>2,406,278</u>	<u>2,348,583</u>	<u>2,259,647</u>
<u>\$ 57,162,362</u>	<u>\$ 49,533,977</u>	<u>\$ 46,368,309</u>	<u>\$ 45,025,062</u>	<u>\$ 43,179,129</u>
\$ 967,438	\$ 992,925	\$ 978,504	\$ 973,237	\$ 875,603
577,517	633,050	652,818	614,165	622,044
297,451	293,563	264,692	275,983	264,708
352,364	355,483	343,247	374,624	357,597
530,640	356,404	328,341	333,437	299,269
19,246,548	16,980,579	16,324,807	16,197,394	15,924,934
1,328,260	1,317,197	994,934	1,064,722	940,448
<u>23,300,218</u>	<u>20,929,201</u>	<u>19,887,343</u>	<u>19,833,562</u>	<u>19,284,603</u>
246,021	505,379	585,552	933,147	1,309,907
3,021,992	2,864,962	2,610,475	2,433,036	2,388,977
19,487	20,888	21,918	19,217	21,908
82,613	65,155	49,647	45,520	39,147
139,927	132,263	130,375	135,783	112,525
18,999	9,142	19,455	18,425	18,628
16,504	15,694	16,416	16,102	15,539
12,022	12,394	12,987	12,658	12,042
4,737,551	203,779	142,370	136,200	156,515
3,681	27,578	5,249	10,317	14,932
<u>8,298,797</u>	<u>3,857,234</u>	<u>3,594,444</u>	<u>3,760,405</u>	<u>4,090,120</u>
<u>\$ 31,599,015</u>	<u>\$ 24,786,435</u>	<u>\$ 23,481,787</u>	<u>\$ 23,593,967</u>	<u>\$ 23,374,723</u>
\$ (25,449,240)	\$ (25,945,354)	\$ (24,074,688)	\$ (22,842,917)	\$ (21,634,879)
(114,107)	1,197,812	1,188,166	1,411,822	1,830,473
<u>\$ (25,563,347)</u>	<u>\$ (24,747,542)</u>	<u>\$ (22,886,522)</u>	<u>\$ (21,431,095)</u>	<u>\$ (19,804,406)</u>

Continued

CHANGES IN NET POSITION (Continued)

For the Fiscal Years 2016 - 2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes:					
Individual income tax	\$ 17,101,833	\$ 16,464,017	\$ 16,799,392	\$ 17,845,868	\$ 15,368,872
Corporate income tax	1,540,009	1,501,535	1,728,595	1,624,384	1,327,813
Sales and use tax	12,496,972	12,099,961	11,657,850	11,029,810	9,826,411
Motor fuels tax	2,541,788	2,499,716	2,619,790	2,227,883	2,067,262
Franchise tax	698,017	738,220	857,100	879,789	882,332
Highway use tax	1,251,028	1,195,898	1,186,526	1,137,060	1,003,310
Insurance tax	1,471,355	1,238,193	1,165,117	1,000,680	722,958
Beverage tax	588,633	591,463	592,168	559,195	533,088
Sports Wagering Tax	128,366	—	—	—	—
Tobacco products tax	249,018	257,414	283,849	296,416	303,060
Other taxes	324,893	386,888	339,835	372,624	334,913
Tobacco settlement	129,069	119,212	156,549	171,849	167,417
Federal COVID-19	1,546,320	470,171	673,203	1,525,132	3,117,857
Unrestricted investment earnings (loss)	967,460	988,438	553,841	60,506	15,662
Noncapital Contributions	2,049	6,843	35,475	38,147	91,696
Miscellaneous	94,224	75,960	79,241	67,754	102,661
Contributions to permanent funds	10,309	11,048	9,925	9,605	7,472
Transfers	971,339	968,096	888,056	853,042	833,513
Total Governmental Activities	<u>42,112,682</u>	<u>39,613,073</u>	<u>39,626,512</u>	<u>39,699,744</u>	<u>36,706,297</u>
Business-type Activities					
Noncapital Contributions	227	325	747	517	1,309
Miscellaneous	11	748	—	1,318	—
Transfers	(971,339)	(968,096)	(888,056)	(853,042)	(833,513)
Total Business-type Activities	<u>(971,101)</u>	<u>(967,023)</u>	<u>(887,309)</u>	<u>(851,207)</u>	<u>(832,204)</u>
Total Primary Government	<u>\$ 41,141,581</u>	<u>\$ 38,646,050</u>	<u>\$ 38,739,203</u>	<u>\$ 38,848,537</u>	<u>\$ 35,874,093</u>
Change in Net Position					
Governmental Activities	\$ 5,061,720	\$ 3,747,828	\$ 8,712,271	\$ 10,690,403	\$ 8,996,207
Business-type Activities	976,373	1,105,553	867,550	648,252	165,184
Total Primary Government	<u>\$ 6,038,093</u>	<u>\$ 4,853,381</u>	<u>\$ 9,579,821</u>	<u>\$ 11,338,655</u>	<u>\$ 9,161,391</u>

Table 2

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 13,121,892	\$ 13,242,924	\$ 12,607,563	\$ 11,950,085	\$ 11,980,791
726,186	779,886	750,381	805,062	1,120,553
8,556,460	8,436,190	7,951,984	7,646,658	7,184,788
2,054,235	2,118,180	2,013,961	1,945,769	1,938,849
640,865	754,936	676,309	749,408	521,628
847,919	838,571	798,314	784,549	728,580
661,881	577,430	588,042	517,781	503,621
462,401	435,471	411,071	394,883	380,065
—	—	—	—	—
288,933	294,030	296,064	284,531	291,841
290,178	276,828	315,429	298,367	296,595
148,929	155,818	162,108	140,569	136,561
173,448	—	—	—	—
133,251	153,490	97,346	62,683	43,551
—	—	—	—	—
76,395	84,549	60,840	50,650	35,246
5,919	4,916	4,845	4,561	4,718
652,776	613,895	607,892	665,199	518,461
<u>28,841,668</u>	<u>28,767,114</u>	<u>27,342,149</u>	<u>26,300,755</u>	<u>25,685,848</u>
—	—	—	—	—
—	2,879	—	535	42
<u>(652,776)</u>	<u>(613,895)</u>	<u>(607,892)</u>	<u>(665,199)</u>	<u>(518,461)</u>
<u>(652,776)</u>	<u>(611,016)</u>	<u>(607,892)</u>	<u>(664,664)</u>	<u>(518,419)</u>
<u>\$ 28,188,892</u>	<u>\$ 28,156,098</u>	<u>\$ 26,734,257</u>	<u>\$ 25,636,091</u>	<u>\$ 25,167,429</u>
\$ 3,392,428	\$ 2,821,760	\$ 3,267,461	\$ 3,457,838	\$ 4,050,969
(766,883)	586,796	580,274	747,158	1,312,054
<u>\$ 2,625,545</u>	<u>\$ 3,408,556</u>	<u>\$ 3,847,735</u>	<u>\$ 4,204,996</u>	<u>\$ 5,363,023</u>

FUND BALANCES OF GOVERNMENTAL FUNDS ⁽¹⁾

For the Fiscal Years 2016-2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
General Fund					
Nonspendable	\$ 106,443	\$ 100,658	\$ 101,336	\$ 107,026	\$ 118,773
Restricted	344,448	256,370	197,257	248,343	231,967
Committed	14,957,903	12,625,096	10,539,838	6,531,827	2,666,145
Assigned	2,451,712	2,552,777	3,856,183	4,299,053	531,349
Unassigned	3,258,321	5,360,939	7,705,127	7,270,258	8,413,157
Total General Fund	<u>\$ 21,118,827</u>	<u>\$ 20,895,840</u>	<u>\$ 22,399,741</u>	<u>\$ 18,456,507</u>	<u>\$ 11,961,391</u>
All Other Governmental Funds					
Nonspendable	297,954	285,544	264,891	251,369	256,019
Restricted	2,742,956	1,913,847	1,819,629	2,272,459	2,347,662
Committed	5,373,202	4,449,320	3,692,491	3,183,834	2,903,301
Assigned	87,555	95,372	4,321	3,926	3,562
Unassigned	(2,398)	-	-	(8)	—
Total All Other Governmental Funds	<u>\$ 8,499,269</u>	<u>\$ 6,744,083</u>	<u>\$ 5,781,332</u>	<u>\$ 5,711,580</u>	<u>\$ 5,510,544</u>

Table 3

2020	2019	2018	2017	2016
\$ 83,763	\$ 160,906	\$ 70,193	\$ 72,345	\$ 84,122
226,008	162,836	137,695	112,346	162,568
2,855,654	2,683,751	2,329,651	2,021,250	1,518,439
1,725,771	554,243	517,815	217,747	376,677
1,694,412	2,396,667	2,335,267	1,977,982	1,619,055
<u>\$ 6,585,608</u>	<u>\$ 5,958,403</u>	<u>\$ 5,390,621</u>	<u>\$ 4,401,670</u>	<u>\$ 3,760,861</u>
228,646	231,482	224,714	215,690	218,575
2,199,737	2,225,062	1,012,887	1,176,441	1,067,534
2,110,466	2,505,415	2,622,022	2,754,107	2,308,077
3,763	3,027	3,449	929	1,166
(892,965)	(1,345,891)	(495,336)	—	—
<u>\$ 3,649,647</u>	<u>\$ 3,619,095</u>	<u>\$ 3,367,736</u>	<u>\$ 4,147,167</u>	<u>\$ 3,595,352</u>

(1) All governmental fund types consist of the General Fund, special revenue funds, capital projects funds, and permanent funds.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS⁽¹⁾

For the Fiscal Years 2016-2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues				
Taxes	\$ 38,379,423	\$ 37,002,703	\$ 37,217,868	\$ 36,984,274
Federal funds	36,985,111	29,221,108	26,943,023	25,240,803
Local funds	190,389	234,493	155,097	165,241
Investment earnings	1,696,555	1,552,097	851,867	49,246
Interest earnings on loans	2,799	2,634	1,767	1,284
Sales and services	350,867	356,611	355,604	340,766
Rental and lease of property	21,378	22,537	22,621	22,560
Fees, licenses, and fines	3,388,329	2,921,874	2,490,165	2,418,513
Tobacco settlement	132,506	139,683	156,628	171,585
Contributions, gifts, and grants	270,213	215,032	180,205	192,093
Funds escheated	277,010	221,196	197,347	137,760
Federal recovery funds	2,773,007	3,359,408	5,474,964	7,903,387
Miscellaneous	193,917	200,652	232,038	250,149
Total revenues	<u>84,661,504</u>	<u>75,450,028</u>	<u>74,279,194</u>	<u>73,877,661</u>
Expenditures				
Current:				
General government	2,303,850	3,155,501	2,830,881	3,098,821
Primary and secondary education	15,866,572	16,172,663	15,523,249	15,474,905
Higher education	7,430,710	6,551,783	5,665,519	5,476,903
Health and human services	40,094,168	34,395,310	32,458,798	30,839,275
Economic development	1,058,010	1,389,768	764,223	443,260
Environment and natural resources	1,524,865	1,172,217	851,110	806,434
Public safety, corrections, and regulation	6,445,116	5,173,315	4,553,527	4,991,888
Transportation	8,122,398	7,383,788	6,980,842	6,188,970
Agriculture	330,942	323,053	424,773	284,491
Capital outlay	512,676	449,992	243,248	151,327
Debt service:				
Principal retirement (2)	831,974	751,140	790,026	852,868
Interest and fees (2)	227,159	248,617	271,155	281,419
Debt issuance costs	541	69	415	905
Total expenditures	<u>84,748,981</u>	<u>77,167,216</u>	<u>71,357,766</u>	<u>68,891,466</u>
Excess revenues over (under) expenditures	<u>(87,477)</u>	<u>(1,717,188)</u>	<u>2,921,428</u>	<u>4,986,195</u>
Other Financing Sources (Uses)				
Bonds issued	—	—	—	—
Special Indebtedness issued	300,000	—	—	300,000
GARVEE bonds issued	275,750	—	—	252,595
Refunding bonds issued	165,765	—	—	132,025
Other debt issued	237,504	192,420	148,991	34,412
Premium on debt issued	51,074	—	—	113,792
Payments to refunded bond escrow agent	—	—	—	—
Sale of capital assets	42,017	15,003	19,626	54,957
Insurance recoveries	22,188	17,611	26,306	26,980
Transfers in	3,493,829	3,636,728	2,405,460	1,829,416
Transfers out	<u>(2,522,477)</u>	<u>(2,688,656)</u>	<u>(1,519,390)</u>	<u>(975,932)</u>
Total other financing sources (uses)	<u>2,065,650</u>	<u>1,173,106</u>	<u>1,080,993</u>	<u>1,768,245</u>
Net change in fund balances	<u>\$ 1,978,173</u>	<u>\$ (544,082)</u>	<u>\$ 4,002,421</u>	<u>\$ 6,754,440</u>
Debt service as a percentage of noncapital expenditures	1.33%	1.39%	1.59%	1.76%

Table 4

2021	2020	2019	2018	2017	2016
\$ 32,335,305	\$ 27,654,005	\$ 27,743,450	\$ 26,401,176	\$ 25,376,794	\$ 24,942,287
21,856,916	19,218,083	17,878,544	16,987,521	16,896,580	16,325,844
153,530	170,937	171,986	172,815	180,725	189,786
87,980	216,341	241,587	148,974	116,006	88,114
1,128	933	994	975	900	1,094
327,404	308,687	326,316	336,952	323,677	325,883
20,801	23,413	40,218	21,921	25,682	20,906
2,281,719	2,050,179	1,969,177	1,947,486	1,894,212	1,813,402
167,234	149,194	155,926	160,653	141,054	137,230
231,085	115,001	151,950	110,742	104,856	102,217
151,474	168,851	129,913	105,127	126,701	75,105
5,602,489	1,156,776	—	—	—	196,752
219,670	167,997	167,298	157,480	195,388	176,847
<u>63,436,735</u>	<u>51,400,397</u>	<u>48,977,359</u>	<u>46,551,822</u>	<u>45,382,575</u>	<u>44,395,467</u>
2,484,419	1,343,940	1,247,648	1,195,086	1,169,676	1,136,781
12,947,489	11,978,624	11,696,298	11,022,159	10,699,781	10,381,474
5,144,492	4,816,610	4,790,041	4,390,338	4,136,832	4,002,167
25,705,449	21,612,473	19,674,618	19,121,283	18,930,282	18,501,376
674,841	529,115	509,626	505,695	472,037	407,575
779,112	692,030	639,449	568,828	518,631	527,448
4,504,476	4,097,966	3,785,440	3,382,199	3,288,609	3,029,405
4,780,981	5,637,600	6,534,522	5,669,605	4,839,716	4,313,225
286,038	295,349	400,471	202,592	195,562	183,389
177,741	205,341	152,880	129,798	158,793	144,674
646,004	684,065	633,309	966,248	595,300	587,628
272,026	262,181	240,896	240,013	279,631	293,503
1,591	2,582	1,653	1,986	1,009	1,398
<u>58,404,659</u>	<u>52,157,876</u>	<u>50,306,851</u>	<u>47,395,830</u>	<u>45,285,859</u>	<u>43,510,043</u>
<u>5,032,076</u>	<u>(757,479)</u>	<u>(1,329,492)</u>	<u>(844,008)</u>	<u>96,716</u>	<u>885,424</u>
400,000	600,000	400,000	—	200,000	—
700,000	—	300,000	—	—	—
—	—	600,000	—	—	—
—	—	—	949,200	—	329,360
—	—	2,765	32,945	630	1,875
199,037	82,392	215,733	180,865	30,018	88,066
—	—	—	(774,195)	—	(416,509)
15,721	12,887	18,501	21,867	33,289	70,263
56,313	29,082	19,308	34,842	12,125	8,881
1,429,460	1,403,813	1,397,089	1,047,384	1,253,047	1,036,161
(595,927)	(752,027)	(784,123)	(439,966)	(441,561)	(515,965)
<u>2,204,604</u>	<u>1,376,147</u>	<u>2,169,273</u>	<u>1,052,942</u>	<u>1,087,548</u>	<u>602,132</u>
<u>\$ 7,236,680</u>	<u>\$ 618,668</u>	<u>\$ 839,781</u>	<u>\$ 208,934</u>	<u>\$ 1,184,264</u>	<u>\$ 1,487,556</u>
1.66%	1.96%	1.88%	2.74%	2.06%	2.15%

(1) All governmental fund types consist of the General Fund, special revenue funds, capital projects funds, and permanent funds.

(2) For the fiscal year ended June 30, 2018, principal retirement expenditures include payments for a current refunding of \$353.2 million. If these amounts were excluded, debt service as a percentage of noncapital expenditures would be 1.95%.

SCHEDULE OF REVENUES BY SOURCE — GENERAL FUND

For the Fiscal Years 2016-2025

(Dollars in Thousands)

	2025	2024	2023	2022	2021
Tax Revenues					
Individual income tax	17,101,833	16,464,017	16,799,392	17,845,868	15,368,872
Corporate income tax	1,536,667	1,509,639	1,725,854	1,630,010	1,304,274
Sales and use tax	11,815,150	11,683,726	11,650,933	11,012,646	9,811,208
Franchise tax	696,690	743,281	849,080	890,406	870,914
Insurance tax	1,471,660	1,238,560	1,164,185	1,001,625	722,936
Beverage tax	588,583	591,309	592,187	559,192	533,261
Sports wagering tax (7)	128,366	45,560	—	—	—
Tobacco products tax	248,670	257,240	283,827	296,701	307,333
License tax	27,162	48,652	39,541	37,052	43,458
Real estate conveyance tax	118,762	104,141	114,752	154,741	118,861
Other taxes (1), (3)	53,772	54,807	53,404	50,121	46,500
Total tax revenues	33,787,315	32,740,932	33,273,155	33,478,362	29,127,617
Non-tax Revenues					
Federal Funds:					
Departmental revenues	35,020,046	27,669,311	25,450,990	23,855,788	20,363,937
Federal COVID-19 funds (4)	2,725,994	3,235,863	5,291,454	7,793,424	5,410,439
Federal recovery funds (2)	—	—	—	—	—
	37,746,040	30,905,174	30,742,444	31,649,212	25,774,376
Local Funds:					
Departmental revenues	144,712	135,625	117,400	118,239	108,692
Investment Earnings:					
Income from General Fund investments	967,446	988,437	552,775	59,932	14,821
Income from securities lending	69,319	57,008	33,180	1,416	52
Departmental revenues	315,417	253,828	127,902	5,185	19,481
	1,352,182	1,299,273	713,857	66,533	34,354
Interest Earnings on Loans:					
Departmental revenues	30	30	30	68	143
Sales and Services:					
Departmental revenues	167,877	164,798	178,258	176,750	181,018
Other non-tax revenues	85	91	99	111	113
	167,962	164,889	178,357	176,861	181,131
Rental and Lease of Property:					
Proceeds from rental and lease of property	56	176	1,157	1,565	584
Departmental revenues	14,641	14,570	14,982	15,130	13,849
	14,697	14,746	16,139	16,695	14,433
Fees, Licenses and Fines:					
Court fines and fees	208,089	213,172	214,487	207,596	178,537
Secretary of State service fees	219,112	187,580	190,360	166,769	158,970
Banking and investment fees	-	-	5,309	3,823	3,909
Permits (ABC Commission)	30,167	30,470	27,451	30,647	4,531
Probation supervision fees	7,560	7,797	8,212	8,638	9,926
Department of Insurance fees	68,279	66,257	67,306	67,987	58,873
DWI service and restoration fees	2,725	2,835	3,080	3,287	3,316
Civil penalties, fines, and forfeitures (5)	208,598	255,784	235,035	226,338	221,391
Opioid abatement judgment (6)	18,733	43,457	11,180	4,366	—
Departmental revenues	1,073,932	829,134	447,340	398,234	296,528
Other non-tax revenues	11,196	9,218	11,375	12,338	12,538
	1,848,391	1,645,704	1,221,135	1,130,023	948,519
Tobacco Settlement:					
Tobacco settlement	132,506	139,683	156,628	171,585	167,234
Contributions, Gifts and Grants:					
Departmental revenues	78,826	83,032	51,352	49,901	62,609
Miscellaneous:					
Local sales and use tax administration	15,084	15,071	15,199	16,897	16,676
Sales tax refunds	2,700	1,971	1,567	1,226	2,201
Departmental revenues	124,016	152,017	159,923	159,958	155,466
Other non-tax revenue	1,621	7,911	8,539	11,666	625
	143,421	176,970	185,228	189,747	174,968
Total non-tax revenues	41,628,767	34,565,126	33,382,570	33,568,864	27,466,459
Total Revenues	\$ 75,416,082	\$ 67,306,058	\$ 66,655,725	\$ 67,047,226	\$ 56,594,076

Table 5

2020	2019	2018	2017	2016
13,121,892	\$ 13,242,924	\$ 12,607,563	\$ 11,950,085	\$ 11,980,791
728,989	774,121	749,488	807,208	1,117,999
8,546,796	8,428,539	7,940,757	7,634,608	7,177,819
646,414	750,674	669,598	748,018	524,967
660,905	577,506	588,907	516,970	503,413
462,403	435,328	411,161	394,995	379,986
—	—	—	—	—
289,317	292,614	292,284	291,671	286,968
35,033	35,128	33,869	30,470	30,785
87,542	80,103	72,933	68,793	62,250
44,532	42,880	99,796	86,110	88,958
<u>24,623,823</u>	<u>24,659,817</u>	<u>23,466,356</u>	<u>22,528,928</u>	<u>22,153,936</u>
17,584,656	16,260,190	15,626,073	15,497,006	15,138,975
1,156,776	—	—	—	—
—	—	—	—	45,220
<u>18,741,432</u>	<u>16,260,190</u>	<u>15,626,073</u>	<u>15,497,006</u>	<u>15,184,195</u>
128,634	138,775	139,422	143,580	155,486
130,042	150,073	96,968	62,315	40,795
5,130	5,765	297	925	1,354
16,935	13,651	10,052	6,010	3,684
152,107	169,489	107,317	69,250	45,833
94	287	332	259	442
161,579	169,206	179,553	171,534	171,318
118	83	88	105	109
<u>161,697</u>	<u>169,289</u>	<u>179,641</u>	<u>171,639</u>	<u>171,427</u>
5,002	21,031	943	5,718	51
11,140	12,013	12,914	10,711	11,161
16,142	33,044	13,857	16,429	11,212
203,244	231,286	239,613	242,013	244,724
141,261	125,521	123,891	112,479	108,208
3,938	3,771	3,911	4,101	4,595
23,157	26,524	25,829	24,682	24,025
10,753	12,001	12,082	12,669	13,626
51,182	48,094	48,209	45,897	44,461
3,744	4,782	5,104	5,672	6,490
114,645	—	—	—	—
—	—	—	—	—
314,553	328,980	334,539	302,396	307,282
10,161	9,619	8,824	9,417	8,667
<u>876,638</u>	<u>790,578</u>	<u>802,002</u>	<u>759,326</u>	<u>762,078</u>
149,194	155,926	160,653	141,054	137,230
49,517	45,582	44,088	43,996	39,755
14,677	14,421	13,711	13,038	11,374
1,929	2,545	1,734	1,876	2,189
128,938	139,229	127,723	165,645	143,840
252	277	342	237	236
145,796	156,472	143,510	180,796	157,639
<u>20,421,251</u>	<u>17,919,632</u>	<u>17,216,895</u>	<u>17,023,335</u>	<u>16,665,297</u>
<u>\$ 45,045,074</u>	<u>\$ 42,579,449</u>	<u>\$ 40,683,251</u>	<u>\$ 39,552,263</u>	<u>\$ 38,819,233</u>

(1) SL2013-316 repealed piped natural gas and estate (reported as inheritance) taxes. The collections for these tax types will continue to decline until zero. Beginning fiscal year ending June 30, 2019, gift taxes were combined with other taxes due to continued decline in revenue stream. All years have been adjusted to include piped natural gas tax, inheritance tax, and gift tax balances with other taxes.

(2) Beginning fiscal year ending June 30, 2017, Federal recovery funds were combined with Federal Funds: Departmental revenues, due to continued decline in revenue stream.

(3) SL2017-57 repealed manufacturing tax. The collections for this tax will continue to decline until zero. Beginning fiscal year ending June 30, 2025, all years have been adjusted to include this tax with other taxes.

(4) Beginning fiscal year ending June 30, 2020, Federal COVID-19 funds were reported as a result of funds received directly from federal agencies under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) of 2021.

(5) Beginning fiscal year ending June 30, 2021, amounts accumulated in the Civil Penalty and Forfeiture Fund pursuant to Article IX, Section 7(b) of the Constitution are recorded in the General Fund. These amounts were previously recorded in an Agency Fund. The 2020 amount is restated.

(6) Beginning fiscal year ending June 30, 2022, settlement funds are being awarded in accordance with *State of North Carolina, ex. rel. Joshua H. Stein, Plaintiff v. McKinsey and Company, Inc.* These funds are reported separately starting in fiscal year ending June 30, 2023, and the 2022 amount is restated.

(7) Beginning fiscal year ending June 30, 2024, the state began collecting Sports Wagering Tax pursuant to GS Chapter 18C, Article 9.

PERSONAL INCOME BY INDUSTRY

For the Fiscal Years 2014-2023

(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Manufacturing	\$ 43,384,330	\$ 41,570,670	\$ 39,804,592	\$ 37,329,523	\$ 37,557,057
Retail trade	27,326,571	25,886,378	25,212,409	22,394,020	20,870,534
Services	176,885,572	164,478,519	149,342,584	134,313,644	132,062,469
Agricultural, forestry, fishing, etc.	894,727	812,488	829,363	852,972	786,669
Government	73,063,598	70,542,220	66,741,725	65,222,186	63,406,824
Construction	30,731,121	28,018,447	25,192,607	23,506,680	22,938,252
Wholesale trade	25,110,384	23,188,083	20,717,183	19,142,838	18,142,673
Transportation and warehousing	15,483,590	14,715,550	13,199,621	11,410,696	10,853,976
Finance and insurance	35,192,252	33,142,822	30,930,493	27,408,276	24,406,193
Mining	411,584	415,853	260,804	347,470	230,357
Utilities	4,430,496	4,437,064	4,537,925	4,018,845	3,059,327
Information	11,816,841	11,025,190	10,671,428	8,932,470	8,481,718
Real estate and rental and leasing	15,234,614	14,754,309	10,619,767	9,634,684	8,234,888
Other	210,085,393	197,571,240	204,349,626	176,553,219	150,587,189
Total	<u>\$ 670,051,073</u>	<u>\$ 630,558,833</u>	<u>\$ 602,410,127</u>	<u>\$ 541,067,523</u>	<u>\$ 501,618,126</u>
Average Effective Rate (1):					
Individual Income Tax	2.5%	2.8%	2.6%	2.4%	2.6%

Source: United States Department of Commerce - Bureau of Economic Analysis (Data for 2024 & 2025 is not available)

Table 6

2018	2017	2016	2015	2014
\$ 36,524,398	\$ 35,514,754	\$ 34,451,575	\$ 33,872,442	\$ 32,622,388
19,647,379	18,772,532	18,376,661	17,726,015	17,114,287
123,817,021	116,386,505	110,910,891	106,113,132	100,831,075
741,922	756,575	797,386	814,817	781,092
61,513,589	58,738,252	56,906,532	55,983,073	53,828,285
20,740,122	19,306,596	17,972,374	16,760,323	15,458,823
17,103,374	16,926,268	15,967,837	15,599,149	14,940,716
10,218,858	9,463,824	8,847,849	8,639,904	7,976,321
22,475,916	21,151,843	19,457,680	17,858,860	17,530,363
245,773	294,336	190,125	170,161	166,575
2,766,019	2,371,754	2,093,802	2,067,624	1,820,843
8,683,724	8,162,763	8,023,951	7,805,424	7,313,308
7,041,309	6,321,396	6,411,698	5,666,782	4,961,435
<u>141,573,862</u>	<u>135,650,273</u>	<u>128,646,568</u>	<u>125,682,699</u>	<u>118,540,540</u>
<u>\$ 473,093,266</u>	<u>\$ 449,817,671</u>	<u>\$ 429,054,929</u>	<u>\$ 414,760,405</u>	<u>\$ 393,886,051</u>
2.7%	2.7%	2.8%	2.7%	2.7%

(1) Average effective tax rate equals individual income tax revenues divided by personal income.

INDIVIDUAL INCOME TAX FILERS AND LIABILITY - TAX YEARS 2014 AND 2023
INDIVIDUAL INCOME TAX RATES - TAX YEARS 2015-2024

North Carolina Taxable Income	Individual Income Tax Filers and Liability by Income Level							
	Tax Year 2023				Tax Year 2014			
	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
0 to \$15,000	2,167,125	42.1%	\$ 321,259,302	2.5%	2,090,572	46.9%	\$ 419,387,922	4.1%
\$15,001 to \$25,000	522,761	10.2%	487,385,193	3.7%	549,876	12.4%	591,394,984	5.7%
\$25,001 to \$50,000	905,650	17.6%	1,536,618,622	11.7%	792,671	17.8%	1,589,774,831	15.5%
\$50,001 to \$75,000	501,838	9.8%	1,432,761,086	10.9%	398,408	8.9%	1,368,749,607	13.3%
\$75,001 to \$100,000	306,128	5.9%	1,230,055,346	9.4%	226,544	5.1%	1,103,914,737	10.7%
\$100,001 to \$200,000	488,457	9.5%	3,117,135,135	23.8%	279,910	6.3%	2,134,506,360	20.8%
\$200,001 and up	253,179	4.9%	4,971,090,482	38.0%	116,173	2.6%	3,072,818,040	29.9%
	<u>5,145,138</u>	<u>100.0%</u>	<u>\$ 13,096,305,166</u>	<u>100.0%</u>	<u>4,454,154</u>	<u>100.0%</u>	<u>\$ 10,280,546,481</u>	<u>100.0%</u>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Calendar year 2023 is the most recent year for which data is available.

Federal Adjusted Gross Income	Individual Income Tax Filers and Liability by Income Level							
	Tax Year 2023				Tax Year 2014			
	Number of Returns	% of Total	Tax Liability	% of Total	Number of Returns	% of Total	Tax Liability	% of Total
Non-positive FAGI	119,478	2.3%	\$ 6,715,157	0.1%	74,095	1.7%	\$ 1,709,285	0.0%
\$1 to \$9,999	420,430	8.2%	\$ 1,650,036	0.0%	635,058	14.3%	\$ 9,388,342	0.1%
\$10,000 to \$24,999	805,782	15.7%	\$ 102,211,467	0.8%	1,039,472	23.3%	\$ 341,475,597	3.3%
\$25,000 to \$49,999	1,198,097	23.3%	\$ 952,351,144	7.3%	1,071,042	24.0%	\$ 1,278,517,699	12.4%
\$50,000 to \$59,999	351,524	6.8%	\$ 511,573,500	3.9%	262,201	5.9%	\$ 518,414,093	5.0%
\$60,000 to \$69,999	287,559	5.5%	\$ 509,274,813	3.9%	214,175	4.8%	\$ 508,054,074	4.9%
\$70,000 to \$79,999	238,595	4.6%	\$ 496,995,684	3.8%	180,323	4.1%	\$ 501,738,678	4.9%
\$80,000 to \$89,999	201,008	3.9%	\$ 483,449,271	3.7%	152,960	3.4%	\$ 491,883,347	4.8%
\$90,000 to \$99,999	172,606	3.4%	\$ 468,856,170	3.5%	128,394	2.9%	\$ 468,388,445	4.6%
\$100,000 to \$199,999	863,527	16.8%	\$ 3,695,050,118	28.2%	489,522	11.0%	\$ 2,691,673,336	26.2%
\$200,000 to \$499,999	365,011	7.1%	\$ 3,363,838,263	25.7%	151,966	3.4%	\$ 1,744,602,596	17.0%
\$500,000 to \$999,999	70,461	1.4%	\$ 1,114,261,896	8.5%	30,485	0.7%	\$ 653,146,976	6.4%
\$1,000,000 or more	51,060	1.0%	\$ 1,390,077,647	10.6%	24,461	0.5%	\$ 1,071,554,013	10.4%
	<u>5,145,138</u>	<u>100.0%</u>	<u>\$ 13,096,305,166</u>	<u>100.0%</u>	<u>4,454,154</u>	<u>100.0%</u>	<u>\$ 10,280,546,481</u>	<u>100.0%</u>

Note: FAGI level display is an informative indicator of revenue capacity. Effective with tax year 2012, the Federal adjusted gross income value (as defined by the IRC for 1040 purposes) was adopted as the starting point for calculating NC taxable income.

Source: North Carolina Department of Revenue

Individual Income Tax Rates - Last 10 Years

Tax Years 2015-2016	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	5.75%
Tax Years 2017-2018	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	5.499%
Tax Years 2019-2021	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	5.25%
Tax Year 2022	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	4.99%
Tax Year 2023	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	4.75%
Tax Year 2024	
Married - Joint, Married - Separate, Head of Household, and Single:	
Taxable income	>\$0
Tax rate	4.50%

Income Tax Rate and Base Structure Changes - The 2015 Appropriations Act reduces the personal income tax rate to 5.499% effective with taxable year 2017 and increases the withholding tax rate on or after January 1, 2016 to equal the statutory personal income tax rate plus 0.1% to reduce the incidence of deficient withholding.

Income Tax Rate and Base Structure Changes - The 2017 Appropriations Act reduces the personal income tax rate to 5.25% effective for taxable years beginning on or after January 1, 2019.

Income Tax Rate Restrictions - On or after January 1, 2019, The State Constitution (Article V, section 2(6)) places the following limitation on the income tax: "The rate of tax on incomes shall not in any case exceed seven percent, and there shall be allowed personal exemptions and deductions so that only net incomes are taxed."

Income Tax Rate and Base Structure Changes - The 2021 Appropriations Act reduces the personal income tax rate to 4.99% effective for taxable years beginning in 2022

Income Tax Rate and Base Structure Changes - The 2021 Appropriations Act reduces the personal income tax rate to 4.75% effective for taxable years beginning in 2023

Income Tax Rate and Base Structure Changes - The 2023 Appropriations Act reduces the personal income tax rate to 4.50% effective for taxable years beginning in 2024

TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2016-2025

(Dollars in Thousands)

	2025	2024	2023	2022	2021
General merchandise	\$ 71,467,777	\$ 68,776,131	\$ 66,291,925	\$ 62,226,026	\$ 56,410,899
Food	41,266,446	40,402,946	38,416,024	35,303,794	30,564,158
Lumber & building material	27,594,530	28,525,081	28,736,679	26,325,703	22,441,929
Automotive	14,225,662	13,947,249	13,536,016	12,090,992	11,018,415
3% and 4.75% tax group (1)	882,732	930,364	972,905	910,727	839,260
Furniture	6,005,075	6,172,865	6,441,201	6,201,915	5,757,054
Apparel	8,563,608	8,409,690	8,448,251	8,216,790	7,025,959
Unclassified	72,166,388	69,070,692	65,990,901	59,892,202	50,815,780
Total	\$ 242,172,218	\$ 236,235,018	\$ 228,833,902	\$ 211,168,149	\$ 184,873,454
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

Source: North Carolina Department of Revenue

Table 8

2020	2019	2018	2017	2016
\$ 45,601,205	\$ 41,960,513	\$ 38,965,273	\$ 38,193,321	\$ 35,258,344
29,256,742	29,981,154	28,318,061	27,164,722	26,204,343
19,048,555	18,383,205	16,500,032	15,426,794	13,635,227
9,837,130	9,691,420	9,098,884	9,058,317	7,667,914
705,394	647,756	588,128	541,143	479,938
5,050,850	5,182,589	4,914,916	4,778,592	4,372,666
5,620,937	6,018,989	5,700,497	5,648,766	5,414,102
44,629,147	44,693,250	41,113,549	38,358,149	35,124,312
<u>\$ 159,749,960</u>	<u>\$ 156,558,876</u>	<u>\$ 145,199,340</u>	<u>\$ 139,169,804</u>	<u>\$ 128,156,846</u>
4.75%	4.75%	4.75%	4.75%	4.75%

(1) 3% and 4.75% tax group includes manufactured homes, airplanes, boats, and modular homes. In fiscal year 2016, airplanes sold or purchased at retail for use was subject to a 3% tax rate from July 1, 2015 to September 30, 2015 and a 4.75% tax rate beginning October 1, 2015. In the fiscal years prior to 2015, some manufactured homes were included in the 2% tax group and some modular homes were included in the 2.5% tax group.

SALES TAX REVENUE PAYERS BY BUSINESS GROUP

For the Fiscal Years 2016 & 2025

(Dollars in Thousands)

	2025		2016	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
General merchandise	\$ 3,401,723	26.10%	\$ 1,678,832	22.42%
Food	1,969,827	15.11%	1,252,561	16.73%
Combined general rate-7%	1,499,813	11.51%	1,381,869	18.45%
Lumber & building material	1,312,856	10.07%	648,854	8.66%
Automotive	679,724	5.22%	366,793	4.90%
3% and 4.75% tax group	34,670	0.27%	17,799	0.24%
Furniture	286,560	2.20%	208,798	2.79%
Apparel	407,770	3.13%	257,974	3.44%
Unclassified	3,439,688	26.39%	1,675,179	22.37%
Total	<u>\$ 13,032,631</u>	<u>100.00%</u>	<u>\$ 7,488,659</u>	<u>100.00%</u>
General State Sales Tax Rate	4.75%		4.75%	

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16</p>	<p>Effective July 1, 2015, gross receipts derived from sales of piped natural gas by gas cities (Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, Rocky Mount, Shelby and Wilson) and gross receipts derived from sales of electricity by Cape Hatteras Electric Membership Corporation (CHEMC) billed on or after July 1, 2015, are subject to the 7% combined general rate of sales and use tax (local governments to share proceeds). The 7% combined general rate of sales and use tax generally applied to gross receipts of piped natural gas and electricity sold at retail in the State and billed on or after July 1, 2014 except that gross receipts of gas cities and CHEMC were subject to a reduced 3.5% rate applicable for the July 1, 2014 through June 30, 2015 billing period prior to being subject to the 7% rate effective for billing periods on or after July 1, 2015.</p> <p>Refunds authorized for certain governmental entities: A joint agency created by interlocal agreement pursuant to General Statute 160A-462 to provide fire protection, emergency services, or police protection is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015.</p> <p>A soil and water conservation district organized under Chapter 139 of the General Statutes is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015. A district confinement facility created pursuant to General Statute 153A-219 is allowed an annual refund of certain sales and use taxes paid on purchases of tangible personal property or certain services made on or after July 1, 2015.</p> <p>Purchases or sales of datacenter machinery and equipment by or to an owner of a datacenter, or a contractor or subcontractor of an owner of a datacenter, are subject to the general 4.75% State and applicable local and transit rates of sales and use tax (the privilege tax imposed on machinery and equipment transactions purchased by a qualifying datacenter pursuant to General Statute 105 Article 5F expires for sales made on or after July 1, 2015).</p> <p>Effective September 24, 2015, the sales price of spirituous liquor sold at retail by a distillery permit holder and sales of antique spirituous liquor are subject to the 7% combined general rate of sales and use tax. A distillery, as authorized by legislation enacted during the 2015 General Assembly session is permitted to sell spirituous liquor distilled on the premises to visitors of the distillery with certain restrictions for consumption off the premises.</p> <p>Effective September 30, 2015, the sale, lease, or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax; an engine or a part to rebuild an engine for the purpose of providing an engine under an agreement to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series is exempt from sales and use tax (exemptions expire for transactions made on or after January 1, 2020).</p>
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Source: North Carolina Department of Revenue

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16 continued</p>	<p>Refund provisions for economic incentive funds: The refund provision for interstate passenger air carriers was modified to allow a refund of the sales and use taxes paid on fuel in excess of \$1.25 million for the six-month period July 1, 2015 through December 31, 2015. The sunset for repeal of the refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016). The sunset for repeal of the refund provision for professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle is extended for purchases made on or after January 1, 2020 (previously scheduled to sunset for purchases made on or after January 1, 2016).</p> <p>Effective October 1, 2015, the sales price of an aircraft sold at retail is subject to the 4.75% general State rate of tax (previously 3% State rate) with a maximum tax per article of \$2,500 (previously \$1,500); the sales price of an aircraft includes all accessories attached to the aircraft when it is delivered to the purchaser. The sale of an aircraft is not subject to the local and transit rates of sales and use tax. Each qualified jet engine sold at retail or purchased for storage, use, or consumption in this State is subject to the 4.75% general State rate of sales or use tax. The maximum use tax on a qualified jet engine purchased under a direct pay permit is \$2,500; otherwise, no maximum tax applies. The sale of a qualified jet engine is not subject to the local and transit rates of sales and use tax. Parts and accessories for use in the repair or maintenance of a qualified aircraft (or a qualified jet engine) are specifically exempt from the tax imposed on the sale at retail and the use, storage, or consumption in this State. A qualified aircraft is aircraft with a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds. The sales price of (or the gross receipts) derived from a service contract applicable to a qualified aircraft (or a qualified jet engine) is exempt from taxation.</p> <p>Effective January 1, 2016, the gross receipts derived from the retail sale of aviation gasoline and jet fuel are subject to the 7% combined general rate of sales and use tax (previously 4.75% general State and local and transit rates applied) except that sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation are exempt (exemption expires January 1, 2020). [The net proceeds of the tax collected on aviation gasoline and jet fuel are transferred within 75 days after the end of each fiscal year to the Highway Fund; this amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive aviation capital improvement projects for economic development purposes (initial transfer in September 2016 for sales and use taxes collected during FY15-16).]</p> <p>The sale at retail or the storage, use, or consumption in this State of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter are exempt from sales and use tax. In this application, datacenter support equipment is property that is capitalized for tax purposes under the Code and is used within the provision of a service or function included in the business of an owner, user, or tenant of the datacenter.</p> <p>Effective March 1, 2016, the 4.75% general State and applicable local and transit rates of sales and use tax apply to the sales price of (or the gross receipts derived from) certain repair, maintenance, and installation services transacted by a retailer and sourced to the State effective for sales occurring on or after March 1, 2016.</p> <p>Effective for transactions on or after March 1, 2016, the sales and use tax base is extended to include installation charges, repair, maintenance, and installation services for taxable tangible property; the 4.75% general State and local and transit rates of sales and use tax are imposed provided the transaction is made by a person engaged in retail trade.</p> <p>Motor vehicle repair, maintenance, and installation services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax except for services (includes replacement items and repair parts) covered under a manufacturer's warranty or dealer's warranty; the sales price of (or the gross receipts derived from) a service contract sold at retail that covers the entire motor vehicle is exempt from tax.</p>
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SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2015-16 continued</p>	<p>Shoe repair services, watch, clock, and jewelry repair services, and tire recapping or retreading sales and services transacted by a retailer are subject to the 4.75% general State and applicable local and transit rates of sales and use tax (sales or receipts prior to March 1, 2016 by administrative rule were permitted to be taxed at certain percentages where charges for labor and materials were not separately stated). The definition of service contract is amended to include a contract to maintain or repair tangible personal property regardless of whether the property becomes a part of or is applied to real property; additionally, a renewal of a service contract for tangible personal property where the tangible personal property becomes a part of or applied to real property to the effective date of the renewal is subject to sales and use tax. Installation charges made by a retailer as part of the retail sale of tangible personal property, certain digital property, and taxable services, sold at retail, are subject to the applicable rate of tax for the product, irrespective that installation charges may be separately stated by the retailer. Installation charges that are part of the gross receipts from the lease or rental of tangible personal property are subject to the applicable rate of sales and use tax, and maximum tax if applicable.</p>
<p>Fiscal Year 2016-17</p>	<p>Effective July 1, 2016, a use tax exemption is granted to a direct pay permit holder for certain boat, aircraft, and qualified jet engine charges and services; the allowable amount of use tax exemption is the amount of the separately stated installation charges that are part of the sales price of the tangible personal property or digital property that exceed \$25,000 and the sales price of or gross receipts derived from the repair, maintenance, and installation services that exceed \$25,000.</p> <p>Effective January 1, 2017 (for transactions occurring on or after such date)</p> <p>The General Assembly repealed an exemption for sales of items by a nonprofit civic, charitable, educational, scientific, or literary organization when the net proceeds of the sales will be given, contributed, or ultimately flow to the State of North Carolina or to one or more of its agencies or instrumentalities.</p> <p>The General Assembly enacted an exemption for sales of food, prepared food, soft drinks, candy, and other items of tangible personal property sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given, contributed, or ultimately flow to the school.</p> <p>The 2016 General Assembly enacted various provisions affecting the sales and use tax base expansion items related to repair, maintenance, and installation (RMI) services, and service contracts: the newly enacted provisions repeal provisions for retail trade; expand the application of sales and use tax to RMI services of certain transactions for real property and certain digital property; identify specific RMI-related exemptions; clarify the application of sales and use tax to real property contracts with respect to capital improvements; grant an exemption for installation labor related to real property contracts; and expand the exemption applicable to motor vehicle service contracts.</p> <p>The definition of retail trade is repealed; the definition of retailer is amended to provide that the term does not include a real property contractor, but does include a person whose <i>only</i> business activity is providing RMI services. (The 2015 legislated provisions applied sales and use tax to RMI services for transactions made by a person engaged in retail trade as statutorily defined).</p> <p>The definition of RMI services is expanded to include such services rendered with respect to digital property and real property, except for tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract. RMI-related services transactions performed pursuant to a real property contract that constitute construction, reconstruction, or remodeling with respect to a capital improvement to real property are not subject to the sales and use tax. RMI-related services transactions performed on real property that do not meet the statutory definition of capital improvement such as the replacement or repair of a fixture in or on a building or structure, or a single repair, maintenance, or installation service may be subject to the sales and use tax. The definition of RMI services, as amended, clarifies that such service include cleaning, refinishing, inspection, and monitoring services for property or a motor vehicle (excludes security or similar monitoring services for real property).</p>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2017-18</p>	<p><i>Effective July 1, 2017 (for transactions occurring on or after such date)</i> An exemption from sales and use tax is allowed for sales of investment coins, investment metal bullion, and non-coin currency. An exemption from sales and use tax is allowed for sales of wastewater dispersal products that have been approved by the Department of Health and Human Services for dispersing wastewater effluent within the subsurface dispersal field in a ground absorption system. An exemption from sales and use tax is allowed for sales of equipment, or an accessory, an attachment, or a repair part for equipment that is sold to a large fulfillment facility and is used at the facility in the distribution process (excludes electricity). To qualify for the exemption, a large fulfillment facility must achieve required investment and employment levels within five years and maintain the minimum level of employment throughout its operation. If the level of investment or employment is not timely made, achieved, or maintained, the exemption is forfeited. A sales and use tax refund is provided for a transformative project for sales and use tax paid on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility. A qualifying transformative project must be approved for a grant under the Job Development Investment Grant (JDIG) Program by the North Carolina Department of Commerce on or before June 30, 2019 and achieve legislated investment and employment levels. <i>Special Provisions (Effective August 11, 2017)</i> Sales Tax Base Expansion Protection Act - The 2017 General Assembly provides the Department of Revenue shall take no action to assess any tax due for a filing period beginning on or after March 1, 2016 and ending before January 1, 2018 if certain conditions set forth in the statute apply and the retailer did not receive specific written advice from the Secretary of Revenue for the transactions at issue for the laws in effect for the applicable periods. The 2017 General Assembly enacted provisions relative to the determination of taxability of a mixed transaction contract (a contract that includes both a real property contract for a capital improvement and a repair, maintenance, and installation (RMI) service that is not related to the capital improvement). If the allocated sales price of the taxable RMI services included in the mixed transaction contract is greater than 25% of the contract price, then the 4.75% general State sales and use tax rate applies to the sales price of or the gross receipts derived from the taxable RMI service portion of the contract. If the allocated sales price of the taxable RMI services included in the contract is less than or equal to 25% of the contract price, then the RMI service portion of the contract and the taxable personal property, digital property, or service used to perform those services are taxable as real property contract and not subject to the 4.75% general State sales and use tax rate. The 2017 legislation increased the percentage for determining taxability of a mixed transaction contract from 10% to 25%. (Effective retroactively for sales and purchases made on or after January 1, 2017)</p>
<p>Fiscal Year 2018-19</p>	<p><i>Special Provision (Effective June 12, 2018)</i> Sales Tax Base Expansion Protection Act - The 2018 General Assembly amended the Act to provide certain additional and extended relief from sales and use taxes due to the expansion of the sales tax base: the grace period is extended to January 1, 2019 (previously January 1, 2018). Effective <u>November 1, 2018</u>, as a result of the US Supreme Court decision rendered on June 21, 2018 in <i>South Dakota v. Wayfair, Inc.</i>, the NC Department of Revenue requires certain remote sellers that do not have a physical presence in the State and are not registered to collect and remit NC sales and use taxes to register, collect, and remit sales and use taxes to this State effective November 1, 2018, or 60 days after a remote seller meets the threshold, whichever is later. The threshold applies for remote sellers having gross sales in excess of \$100,000 sourced to the State or 200 or more separate transactions sourced to the State in the previous or current calendar year</p>

Continued

SALES TAX REVENUE PAYERS BY BUSINESS GROUP (continued)

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2019-20</p>	<p><i>Effective July 26, 2019</i> An exemption from sales and use tax is allowed for certain RMI services provided by a real property management contract.</p> <p><i>Effective October 1, 2019 Exemptions from sales and use tax:</i> -sales of equipment, attachments, and repair parts of equipment used in cutting, shaping, polishing, and finishing granite, marble, and engineered stone, and for similar stone-like products sold to a company primarily engaged in the business of providing made-to-order countertops, walls, and tubs. -sales of self-service car washes or vacuums and limited-service vehicle washes. -certain prescription sales of diapers and incontinence underpads purchased by an enrolled State Medicaid/Health Choice provided for use by beneficiaries of the State Medicaid program.</p> <p><i>Effective November 1, 2019</i> <i>The sunset of the following provisions was extended to January 1, 2024 (from January 1, 2020)</i> -exemption for sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft to include aviation gasoline and jet fuel purchased for use in a commercial aircraft in foreign commerce by a person whose primary business is scheduled passenger air transportation. -exemptions for engine-related transactions to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series. -refund provision for aviation fuel for a professional motorsports racing team, sanctioning body, or a related member of such a team or body. -refund provision for a professional motorsports racing teams or related member of a team of 50% of tax on property that comprises any part of a professional motor racing vehicle.</p> <p><i>Effective February 1, 2020</i> A marketplace facilitator is required to collect sales taxes from its remote sales (including all marketplace-facilitated sales for all marketplace sellers) sourced to this State if the facilitator meets either of the following conditions for sales sourced to this State in the previous or current calendar year: (1) gross sales in excess of \$100,000, or (2) 200 or more separate transactions</p>
<p>Fiscal Year 2020-21</p>	<p>The 2020 General Assembly enacted the following provisions: <i>Retroactively effective October 1, 2019</i> -exemption for sales of a digital audio work or a digital audiovisual work that is a qualifying education expense under G.S. 115C-595(a)(3) to the operator of a home school as defined in G.S. 115C-563 -exemption for sales of a digital audio work or a digital audiovisual work that consists of nontaxable service content when the electronic transfer of the digital audio work or digital audiovisual work occurs contemporaneously with the provision of the nontaxable service in real time -exclusion from taxation for an educational service as certain digital property</p> <p><i>Effective July 1, 2020</i> -exemption for sales of livestock to qualifying or conditional farmers</p>
<p>Fiscal Year 2021-22</p>	<p>The 2021 General Assembly enacted the following provisions: <i>Retroactively effective July 1, 2020</i> -exemption for sales of fowl to qualifying or conditional farmers</p> <p><i>Effective October 1, 2021</i> -exemption for sales of machinery, equipment, parts, and accessories to alcoholic beverage permit holders for use in the manufacture of unfortified wine, fortified wine, malt beverages, and spirituous liquor (exemption applies for sales of supplies and ingredients used or consumed by the permittee in the manufacturing process)</p>

Table 9

Recent Significant Sales Tax Rate and Base Changes

<p>Fiscal Year 2022-23</p>	<p>.The 2022 General Assembly enacted the following provisions: <i>Effective July 1, 2022</i></p> <ul style="list-style-type: none"> -exemption for sales of qualifying items to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility (minimum investment and employment thresholds must be met to be eligible for and to maintain the exemption) <i>Effective October 1, 2022</i> -exemption for certain sales to a wildlife manager for items used for wildlife management activities. <i>Effective January 1, 2023</i> •exemption for certain sales to a qualifying or conditional farmer who operates a zoo in addition to the farmer's farming operations (the exemption applies to items purchased and used by the farmer primarily in zoo operations for the housing, raising, or feeding of animals for public display).
<p>Fiscal Year 2023-24</p>	<p>.The 2023 General Assembly enacted the following provisions: <i>Effective October 1, 2023</i></p> <ul style="list-style-type: none"> •exemption for the purchase of compost by a qualified farmer or conditional farmer if used primarily in farming operations <i>Effective October 3, 2023</i> <i>The expiration date for the following provisions was extended to January 1, 2028 (from January 1, 2024)</i> •exemption for qualifying sales to a professional motorsports racing team or a related member of a team for use in competition is a sanctioned race series •exemption for engine-related transactions to a professional motorsports racing team or a related member of a team for use in competition is a sanctioned race series •refund for professional motorsports racing team or a related member of a team for 50% of the sales and use tax paid by it on qualifying purchases <i>The expiration date for the following provisions was extended to January 1, 2029 (from January 1, 2024)</i> •exemption for qualifying sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft in interstate or foreign commerce by a person whose primary business is scheduled passenger air transportation •refund for qualifying purchases of aviation gasoline and jet fuel by a motorsport racing team, a motorsport sanctioning body, or related member of such a team or body <i>Effective November 1, 2023</i> •exemption for sales of items (other than sales of alcoholic beverages) by a provider of continuing care to its residents (the provider must pay use tax on the items sold as if it is the user of the items) •exemption for sales of breast pumps, including repair and replacement parts, breast pump kits, and breast pump collection and storage supplies •expanded the exemption for certain items sold to boats transporting freight in interstate commerce on the high seas, to include boats transporting freight in interstate commerce in the intercoastal waterways, sounds, or rivers
<p>Fiscal Year 2024-25</p>	<p>.The 2024 General Assembly enacted the following provisions: <i>Effective July 1, 2024</i></p> <ul style="list-style-type: none"> •repealed the 200 or more separate transactions threshold for remote sellers: following repeal, the seller thresholds only include sales thresholds. <i>Effective January 1, 2025</i> •established a maximum tax of \$1,000 on certain purchases of qualifying spirituous liquor

RATIOS OF OUTSTANDING DEBT BY TYPE

For the Fiscal Years 2016-2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Governmental Activities					
General obligation bonds	\$ 1,412,640	\$ 1,645,060	\$ 1,975,940	\$ 2,309,790	\$ 2,648,385
Certificates of participation	—	—	—	—	—
Limited obligation bonds	1,978,945	1,887,790	2,121,490	2,348,890	2,275,750
GARVEE bonds	1,044,580	845,715	918,940	1,023,210	875,865
Issuance premium	395,669	427,772	521,621	628,794	638,351
Notes payable	—	—	—	—	—
Notes from direct borrowings (3)	62,424	70,263	37,651	43,945	40,185
Lease liability (4)	385,240	367,900	378,780	403,868	8,254
Subscription liability (5)	264,819	189,469	180,581	187,821	—
Total Governmental Activities	<u>5,544,317</u>	<u>5,433,969</u>	<u>6,135,003</u>	<u>6,946,318</u>	<u>6,486,790</u>
Business-type Activities					
Revenue bonds	\$ 2,018,664	\$ 2,060,470	\$ 1,787,362	\$ 2,323,816	\$ 2,365,938
GARVEE bonds	—	—	—	—	—
Issuance discount	—	—	—	—	—
Issuance premium	138,874	149,045	130,177	155,435	179,289
Notes payable	—	—	—	—	—
Notes from direct borrowings (3)	681,181	683,118	684,525	186,127	185,991
Leases liability (4)	10,627	6,694	6,718	8,228	66
Subscription liability (5)	11,269	2,176	2,802	—	—
Total Business-type Activities	<u>2,860,615</u>	<u>2,901,503</u>	<u>2,611,584</u>	<u>2,673,606</u>	<u>2,731,284</u>
Total Primary Government	<u>\$ 8,404,932</u>	<u>\$ 8,335,472</u>	<u>\$ 8,746,587</u>	<u>\$ 9,619,924</u>	<u>\$ 9,218,074</u>
Debt as a Percentage of Personal Income (1)	1.09%	1.15%	1.29%	1.52%	1.52%
Amount of Debt Per Capita (1), (2)	\$ 750	\$ 755	\$ 804	\$ 898	\$ 873

Table 10

2020	2019	2018	2017	2016
\$ 2,605,380	\$ 2,424,075	\$ 2,441,685	\$ 2,851,695	\$ 3,038,665
—	—	—	102,405	124,820
1,774,945	1,946,915	1,783,975	1,888,370	1,997,070
959,525	1,046,580	516,820	607,685	529,755
553,093	581,316	468,508	434,721	505,737
—	—	50,623	22,089	27,196
43,937	47,676	—	—	—
10,656	13,347	16,080	20,118	24,037
—	—	—	—	—
<u>5,947,536</u>	<u>6,059,909</u>	<u>5,277,691</u>	<u>5,927,083</u>	<u>6,247,280</u>
\$ 1,917,358	\$ 1,456,614	\$ 1,077,275	\$ 1,096,395	\$ 1,011,388
—	—	—	—	145,535
—	—	(410)	(498)	(1,548)
122,565	72,420	48,620	45,254	20,753
—	—	385,960	387,146	388,827
177,925	132,087	—	—	—
94	106	38	—	—
—	—	—	—	—
<u>2,217,942</u>	<u>1,661,227</u>	<u>1,511,483</u>	<u>1,528,297</u>	<u>1,564,955</u>
<u>\$ 8,165,478</u>	<u>\$ 7,721,136</u>	<u>\$ 6,789,174</u>	<u>\$ 7,455,380</u>	<u>\$ 7,812,235</u>
1.51%	1.54%	1.44%	1.66%	1.82%
\$ 781	\$ 736	\$ 654	\$ 726	\$ 769

(1) North Carolina personal income and population obtained from Table 15 for current year calculations.

(2) Figures for amount of debt per capita are presented in whole dollars.

(3) For fiscal year ended June 30, 2019, GASB Statement 88, Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements were implemented. This statement requires additional information be disclosed for direct borrowings and direct placements separately from other debt.

(4) For fiscal year ended June 30, 2022, GASB Statement 87, Leases, was implemented and generated an increase in Leases payable. This was due to the additional lease related liabilities reported for each effected entity.

(5) For fiscal year ended June 30, 2023, GASB Statement 96, Subscription based IT arrangements was implemented and a subscription liability reported for each affected entity.

RATIOS OF BONDS, SIMILAR DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES:

For the Fiscal Years 2016-2025

(Dollars in Thousands)

Fiscal Year Ended June 30	General Obligation Bonds	Certificates of Participation	Limited Obligation Bonds	GARVEE Bonds	Issuance Premium
2025	\$ 1,412,640	\$ —	\$ 1,978,945	\$ 1,044,580	\$ 395,669
2024	1,645,060	—	1,887,790	845,715	427,772
2023	1,975,940	—	2,121,490	918,940	521,621
2022	2,309,790	—	2,348,890	1,023,210	628,794
2021	2,648,385	—	2,275,750	875,865	638,351
2020	2,605,380	—	1,774,945	959,525	553,093
2019	2,424,075	—	1,946,915	1,046,580	581,316
2018	2,441,685	—	1,783,975	516,820	468,508
2017	2,851,695	102,405	1,888,370	607,685	434,721
2016	3,038,665	124,820	1,997,070	529,755	505,737

Table 11

<u>Lease Liability</u> (3)	<u>Subscription Liability</u> (4)	<u>Total</u>	<u>Per Capita</u> (1), (2)
\$ 385,240	\$ 264,819	\$ 5,481,893	\$ 489
367,900	189,469	5,363,706	486
378,780	180,581	6,097,352	560
403,868	187,821	6,902,373	644
—	—	6,438,351	610
—	—	5,892,943	564
—	—	5,998,886	572
—	—	5,210,988	502
—	—	5,884,876	573
—	—	6,196,047	610

(1) North Carolina population obtained from Table 15 for calculations.

(2) Figures for amount of debt per capita are presented in whole dollars.

(3) For fiscal year ended June 30, 2022, GASB Statement 87, Leases, was implemented and generated an increase in Leases liability. This was due to the additional lease related liabilities reported for each effected entity.

(4) For fiscal year ended June 30, 2023, GASB Statement 96, Subscription based information technology arrangements was implemented and a subscription liability reported for each affected entity.

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 2025

(Dollars in Thousands)

Payable from General Fund Revenues

	Total General Obligation Bonds	<i>Total General Fund</i>	Refunding Series 2013B 2-20-13 5%	Refunding Series 2013C 2-28-13 3.5%-5%	Refunding Series 2014A 4-30-14 5%	General Obligation Series 2015A 4-22-15 3%-5%
Bonds Authorized and Issued:						
2004 session law	\$ 1,471,158	\$ 1,471,158	\$ 271,373	\$ 351,970	\$ 287,095	\$ 231,360
2015 session law	1,600,000	1,600,000	—	—	—	—
Total bonds authorized and issued	3,071,158	3,071,158	271,373	351,970	287,095	231,360
Bonds retired	1,658,518	1,658,518	271,373	335,605	287,095	115,700
Bonds outstanding— June 30, 2025	<u>\$ 1,412,640</u>	<u>\$ 1,412,640</u>	<u>\$ —</u>	<u>\$ 16,365</u>	<u>\$ —</u>	<u>\$ 115,660</u>
Bond Maturity as Follows:						
2025-26	\$ 173,320	\$ 173,320	\$ —	\$ 16,365	\$ —	\$ 11,570
2026-27	156,620	156,620	—	—	—	11,570
2027-28	129,230	129,230	—	—	—	11,565
2028-29	112,900	112,900	—	—	—	11,565
2029-30	112,745	112,745	—	—	—	11,565
2030-31	91,565	91,565	—	—	—	11,565
2031-32	91,565	91,565	—	—	—	11,565
2032-33	91,565	91,565	—	—	—	11,565
2033-34	91,565	91,565	—	—	—	11,565
2034-35	91,565	91,565	—	—	—	11,565
2035-36	80,000	80,000	—	—	—	—
2036-37	70,000	70,000	—	—	—	—
2037-38	70,000	70,000	—	—	—	—
2038-39	50,000	50,000	—	—	—	—
2039-40	—	—	—	—	—	—
Total Bonds Outstanding	<u>\$ 1,412,640</u>	<u>\$ 1,412,640</u>	<u>\$ —</u>	<u>\$ 16,365</u>	<u>\$ —</u>	<u>\$ 115,660</u>

Source: Compiled by North Carolina Department of State Treasurer

Table 12

Payable from General Fund Revenues

Refunding Series 2016A 3-9-16 3%-5%	General Obligation Series 2016B 8-10-16 2%-5%	General Obligation Series 2018A 8-1-18 3%-5%	General Obligation Series 2019B 9-19-19 3%-5%	General Obligation Series 2020A 10-22-20 1.5%-5%
\$ 329,360	\$ —	\$ —	\$ —	\$ —
—	200,000	400,000	600,000	400,000
329,360	200,000	400,000	600,000	400,000
118,745	90,000	140,000	180,000	120,000
<u>\$ 210,615</u>	<u>\$ 110,000</u>	<u>\$ 260,000</u>	<u>\$ 420,000</u>	<u>\$ 280,000</u>
65,385	\$ 10,000	\$ 20,000	\$ 30,000	\$ 20,000
65,050	10,000	20,000	30,000	20,000
37,665	10,000	20,000	30,000	20,000
21,335	10,000	20,000	30,000	20,000
21,180	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	10,000	20,000	30,000	20,000
—	—	20,000	30,000	20,000
—	—	20,000	30,000	20,000
—	—	—	30,000	20,000
—	—	—	—	—
<u>\$ 210,615</u>	<u>\$ 110,000</u>	<u>\$ 260,000</u>	<u>\$ 420,000</u>	<u>\$ 280,000</u>

SCHEDULE OF SPECIAL INDEBTEDNESS DEBT

June 30, 2025

(Dollars in Thousands)

	<i>Limited Obligation Bonds</i>				
	Total Special Indebtedness Debt	<i>Total Limited Obligation Bonds</i>	Capital Improvements Series 2013A 1-30-13 2.25%-5%	Capital Improvements Refunding Series 2014B 5-21-14 5%	Limited Obligation Refunding Series 2014C 11-19-14 3%-5%
Bonds Authorized and Issued:					
Ch. 284, 2003 session law	\$ 1,367,005	\$ 1,367,005	\$ 250,000	\$ 199,570	\$ 299,020
Ch. 142, 2018 session law	1,732,025	1,732,025	—	—	—
Total bonds authorized and issued	3,099,030	3,099,030	250,000	199,570	299,020
Bonds retired	1,105,850	1,105,850	125,175	172,070	212,225
Partial defeasances	14,235	14,235	14,235	—	—
Bonds outstanding— June 30, 2025	<u>\$ 1,978,945</u>	<u>\$ 1,978,945</u>	<u>\$ 110,590</u>	<u>\$ 27,500</u>	<u>\$ 86,795</u>
Bond Maturity as Follows:					
2025-26	\$ 219,235	\$ 219,235	\$ 13,920	\$ 27,500	\$ 27,230
2026-27	220,300	\$ 220,300	—	—	30,165
2027-28	223,780	\$ 223,780	14,945	—	29,400
2028-29	217,355	\$ 217,355	15,395	—	—
2029-30	183,895	\$ 183,895	15,855	—	—
2030-31	188,820	\$ 188,820	16,330	—	—
2031-32	161,195	\$ 161,195	16,820	—	—
2032-33	144,130	\$ 144,130	17,325	—	—
2033-34	132,210	\$ 132,210	—	—	—
2034-35	109,655	\$ 109,655	—	—	—
2035-36	48,640	\$ 48,640	—	—	—
2036-37	51,070	\$ 51,070	—	—	—
2037-38	24,950	\$ 24,950	—	—	—
2038-39	26,200	\$ 26,200	—	—	—
2039-40	27,510	\$ 27,510	—	—	—
Total Bonds Outstanding	<u>\$ 1,978,945</u>	<u>\$ 1,978,945</u>	<u>\$ 110,590</u>	<u>\$ 27,500</u>	<u>\$ 86,795</u>

Source: Compiled by the North Carolina Department of State Treasurer and the North Carolina Department of Transportation

Table 13

Limited Obligation Bonds

Limited Obligation Refunding Series 2017B 8-3-17 3%-5%	Limited Obligation Series 2019A 6-27-19 4%-5%	Limited Obligation Series 2020A 10-29-20 2%-5%	Limited Obligation Refunding Series 2021A 8-5-21 5%	Limited Obligation Series 2022A 5-19-22 4%-5%	Limited Obligation Series 2025A 5-6-25 4%-5%
\$ 618,415	\$ —	\$ —	\$ —	\$ —	\$ —
—	300,000	700,000	132,025	300,000	300,000
618,415	300,000	700,000	132,025	300,000	300,000
193,375	96,115	175,225	86,865	44,800	—
—	—	—	—	—	—
<u>\$ 425,040</u>	<u>\$ 203,885</u>	<u>\$ 524,775</u>	<u>\$ 45,160</u>	<u>\$ 255,200</u>	<u>\$ 300,000</u>
59,915	18,515	42,015	\$ —	16,050	14,090
95,140	19,440	44,115	—	16,850	14,590
79,690	20,410	46,320	—	17,695	15,320
97,230	21,430	48,635	—	18,580	16,085
58,070	22,505	51,070	—	19,510	16,885
34,995	23,630	53,620	22,030	20,485	17,730
—	24,810	56,305	23,130	21,510	18,620
—	26,050	58,620	—	22,585	19,550
—	27,095	60,875	—	23,715	20,525
—	—	63,200	—	24,900	21,555
—	—	—	—	26,010	22,630
—	—	—	—	27,310	23,760
—	—	—	—	—	24,950
—	—	—	—	—	26,200
—	—	—	—	—	27,510
<u>\$ 425,040</u>	<u>\$ 203,885</u>	<u>\$ 524,775</u>	<u>\$ 45,160</u>	<u>\$ 255,200</u>	<u>\$ 300,000</u>

PLEDGED REVENUE COVERAGE

For the Fiscal Years 2016-2025
(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Department of Transportation					
Grant Anticipation Revenue Vehicle Bonds (GARVEE)					
Pledged revenue:					
Federal transportation revenues	\$ 1,721,773	\$ 1,374,711	\$ 1,387,064	\$ 1,233,197	\$ 1,255,035
Net available revenue	<u>\$ 1,721,773</u>	<u>\$ 1,374,711</u>	<u>\$ 1,387,064</u>	<u>\$ 1,233,197</u>	<u>\$ 1,255,035</u>
Debt service:					
Principal	\$ 76,885	\$ 73,225	\$ 104,270	\$ 105,250	\$ 83,660
Interest	43,109	44,860	50,073	49,083	47,976
Coverage ratio	14.35	11.64	8.99	7.99	9.53
North Carolina Turnpike Authority					
Revenue Bonds					
Pledged revenue:					
Toll revenues (1)	\$ 93,604	\$ 89,504	\$ 89,655	\$ 75,625	\$ 42,423
Fees, licenses and fines (2)	19,753	20,021	16,620	12,736	7,363
Federal transportation revenues	—	—	—	—	—
Federal interest subsidy on debt	1,051	2,976	3,878	6,045	4,147
Interest on investments	24,178	13,623	7,541	26,378	3,302
Less: Operating expenses	—	—	—	(1,227)	—
Net available revenue	<u>\$ 138,586</u>	<u>\$ 126,124</u>	<u>\$ 117,694</u>	<u>\$ 119,557</u>	<u>\$ 57,235</u>
Debt service:					
Principal	\$ 41,806	\$ 42,002	\$ 36,994	\$ 42,122	\$ 29,860
Interest	81,985	90,420	109,873	101,329	85,957
Coverage ratio (3)	1.12	0.95	0.80	0.83	0.49

Table 14

2020	2019	2018	2017	2016
\$ 1,459,841	\$ 1,456,615	\$ 1,147,920	\$ 1,142,699	\$ 1,031,454
<u>\$ 1,459,841</u>	<u>\$ 1,456,615</u>	<u>\$ 1,147,920</u>	<u>\$ 1,142,699</u>	<u>\$ 1,031,454</u>
\$ 87,055	\$ 70,240	\$ 71,940	\$ 67,605	\$ 68,410
44,579	25,697	23,996	31,783	25,816
11.09	15.18	11.97	11.50	10.95
\$ 66,576	\$ 57,937	\$ 43,940	\$ 39,199	\$ 33,999
10,615	6,038	5,055	5,505	4,460
—	—	—	—	14,807
4,324	6,177	10,834	11,348	11,387
9,053	4,084	2,654	2,735	2,143
—	—	—	—	—
<u>\$ 90,568</u>	<u>\$ 74,236</u>	<u>\$ 62,483</u>	<u>\$ 58,787</u>	<u>\$ 66,796</u>
\$ 26,210	\$ 22,060	\$ 18,395	\$ 11,960	\$ 8,200
65,048	50,150	54,400	55,178	61,328
0.99	1.03	0.86	0.88	0.96

(1) Starting fiscal year 2012, the N.C. Turnpike Authority began collecting tolls.

(2) Starting fiscal year 2012, the N.C. Turnpike Authority began charging fees in connection with the tolls.

(3) For fiscal years 2011 through 2013, the N.C. Turnpike Authority reported state appropriations as a pledged revenue. Starting with 2014, the state appropriations are no longer included as a pledged revenue and the coverage ratios are recalculated.

Continued

PLEGGED REVENUE COVERAGE (Continued)

For the Fiscal Years 2016-2025

(Dollars in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
University of North Carolina System					
Revenue Bonds					
Pledged revenue:					
Sales and services	\$ 77,815	\$ 71,910	\$ 67,865	\$ 66,542	\$ 65,922
Student tuition and fees	—	—	—	—	—
Patient services	1,783,029	1,582,158	1,455,193	1,320,020	1,208,853
Rental lease earnings	273	285	244	138	13
Investment income	24	28	—	—	—
Federal interest subsidy on debt	—	—	—	—	—
Other operating revenues	—	—	—	—	2
Non-operating revenues	—	9,419	(2,174)	32,910	128,006
Less: Operating expenses	<u>(1,650,889)</u>	<u>(1,552,573)</u>	<u>(1,453,249)</u>	<u>(1,316,815)</u>	<u>(1,045,883)</u>
Net available revenue	<u>\$ 210,252</u>	<u>\$ 111,227</u>	<u>\$ 67,879</u>	<u>\$ 102,795</u>	<u>\$ 356,913</u>
Debt service:					
Principal	\$ 9,880	\$ 9,575	\$ 9,305	\$ 8,980	\$ 9,560
Interest	17,199	17,127	17,236	13,994	13,789
Coverage ratio	7.76	4.17	2.56	4.47	15.29
Direct Placements (1)					
Pledged revenue:					
Sales and services	\$ 27,837	\$ 18,344	\$ 17,675	\$ 23,145	\$ 22,376
Rental lease earnings	569	581	609	28	27
Investment income	370	215	136	89	1,492
Non-operating revenues	—	37	11	16	16
Less: Operating expenses	<u>(25,250)</u>	<u>(13,615)</u>	<u>(16,557)</u>	<u>(22,006)</u>	<u>(15,910)</u>
Net available revenue	<u>\$ 3,526</u>	<u>\$ 5,562</u>	<u>\$ 1,874</u>	<u>\$ 1,272</u>	<u>\$ 8,001</u>
Debt service:					
Principal	\$ 1,894	\$ 1,562	\$ 1,487	\$ 1,375	\$ 1,324
Interest	676	697	739	772	744
Coverage ratio	1.37	2.46	0.84	0.59	3.87
Special Indebtedness					
Pledged revenue:					
Sales and services	\$ 10,917	\$ 11,319	\$ 10,888	\$ 10,006	\$ 8,580
Rental lease earnings	2	6	—	—	—
Investment income (loss)	403	343	111	7	21
Other operating revenues	536	547	369	341	307
Less: Operating expenses	<u>(3,925)</u>	<u>(3,059)</u>	<u>(2,830)</u>	<u>(2,815)</u>	<u>(1,850)</u>
Net available revenue	<u>\$ 7,933</u>	<u>\$ 9,156</u>	<u>\$ 8,538</u>	<u>\$ 7,539</u>	<u>\$ 7,058</u>
Debt service:					
Principal	\$ 3,903	\$ 3,743	\$ 3,932	\$ 3,766	\$ 3,631
Interest	2,318	2,490	2,779	2,931	3,091
Coverage ratio	1.28	1.47	1.27	1.13	1.05
Notes from Direct Borrowings					
Pledged revenue:					
Sales and services	\$ 2,611	\$ 17,968	\$ 16,115	\$ 7,873	\$ 4,598
Rental lease earnings	—	12	10	—	—
Investment income (loss)	—	143	75	—	—
Non-operating revenues	—	25	6	—	—
Less: Operating expenses	<u>(2,144)</u>	<u>(10,046)</u>	<u>(9,420)</u>	<u>(986)</u>	<u>(2,319)</u>
Net available revenue	<u>\$ 467</u>	<u>\$ 8,102</u>	<u>\$ 6,786</u>	<u>\$ 6,887</u>	<u>\$ 2,279</u>
Debt service:					
Principal	\$ 199	\$ 2,893	\$ 386	\$ 377	\$ —
Interest	207	560	559	444	215
Coverage ratio	1.15	2.35	7.18	8.39	10.60

Table 14

2020	2019	2018	2017	2016
\$ 189,752	\$ 193,640	\$ 207,349	\$ 193,570	\$ 199,685
4,579	3,468	4,014	4,344	4,552
1,116,673	1,105,697	1,060,817	1,017,713	934,687
—	123	2,002	1,815	3,098
566	1,013	1,194	1,018	326
—	—	—	—	371
33,941	185,703	2,403	2,548	32,859
—	—	42	1	—
(1,228,550)	(1,233,620)	(1,177,224)	(1,110,601)	(1,038,199)
<u>\$ 116,961</u>	<u>\$ 256,024</u>	<u>\$ 100,597</u>	<u>\$ 110,408</u>	<u>\$ 137,379</u>
\$ 14,695	\$ 15,675	\$ 16,415	\$ 16,915	\$ 17,025
14,125	10,456	9,779	10,700	12,084
4.06	9.80	3.84	4.00	4.72
\$ 20,319	\$ 19,481	\$ —	\$ —	\$ —
25	23	—	—	—
105	348	—	—	—
18	3	—	—	—
(17,971)	(18,669)	—	—	—
<u>\$ 2,496</u>	<u>\$ 1,186</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 1,183	\$ 635	\$ —	\$ —	\$ —
735	93	—	—	—
1.30	1.60	—	—	—
\$ 9,369	\$ 11,217	\$ 8,859	\$ 8,914	\$ 8,144
—	—	1,986	2,206	849
74	64	37	23	16
29	45	48	53	240
(2,229)	(2,336)	(2,389)	(2,410)	(2,375)
<u>\$ 7,243</u>	<u>\$ 8,990</u>	<u>\$ 8,541</u>	<u>\$ 8,786</u>	<u>\$ 6,874</u>
\$ 3,082	\$ 3,447	\$ 3,268	\$ 3,099	\$ 2,535
3,784	3,838	3,956	4,304	3,591
1.05	1.23	1.18	1.19	1.12
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—
—	—	—	—	—

(1) For fiscal year ended June 30, 2019, GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, was implemented. Direct Placements for years prior to 2019 are included in Revenue Bonds.

SCHEDULE OF DEMOGRAPHIC DATA

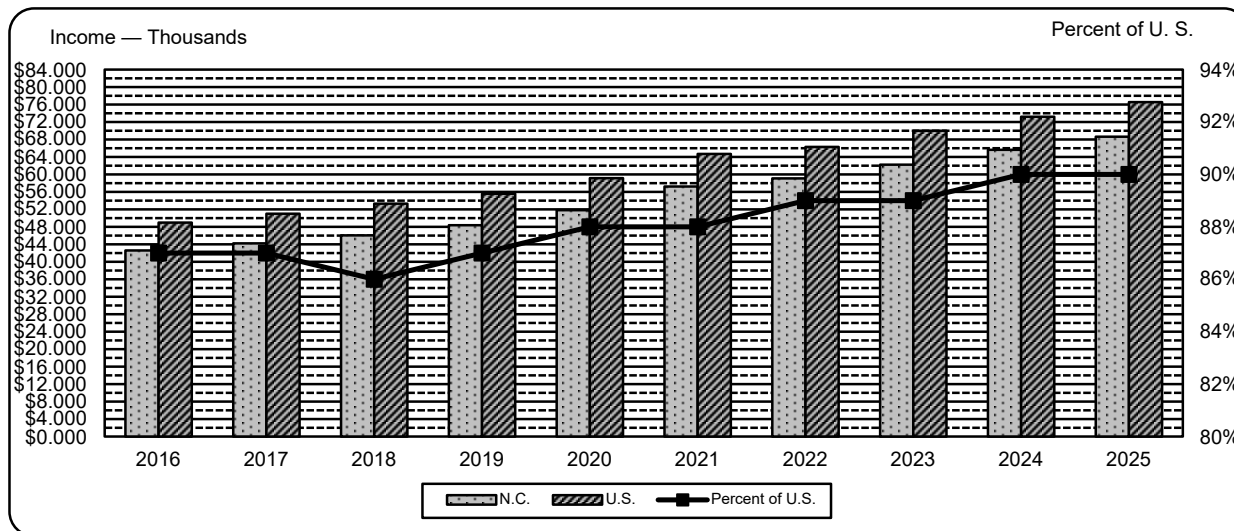
For the Fiscal Years 2016-2025

Year	Population				Per Capita Income			Personal Income (millions)	
	(1)	(1)	(1)	(3)	(2)	(2)	(4)	(2)	(2)
	United States Population	U.S. Increase from Prior Period	North Carolina Population	N.C. Incr/Decr from Prior Period	United States	North Carolina	N.C. as a Percentage of U.S.	United States	North Carolina
2025	343,448,171	0.98%	11,213,356	1.51%	\$ 76,552	68,636	89.66%	\$ 26,291,644	\$ 769,640
2024	340,110,988	0.98%	11,046,024	1.51%	73,204	65,634	89.66%	24,897,613	724,995
2023	336,806,231	0.83%	10,881,189	1.59%	70,002	62,233	88.90%	23,577,208	677,170
2022	334,017,321	0.58%	10,710,793	1.39%	66,298	59,092	89.13%	22,144,814	632,927
2021	332,099,760	0.16%	10,564,320	1.10%	64,692	57,233	88.47%	21,484,168	604,631
2020	331,577,720	1.02%	10,449,652	(0.37%)	59,151	51,816	87.60%	19,613,059	541,463
2019	328,239,523	0.48%	10,488,084	1.03%	55,567	48,374	87.06%	18,349,584	501,618
2018	326,687,501	0.52%	10,381,615	1.10%	53,311	46,048	86.38%	17,514,402	473,093
2017	324,985,539	0.63%	10,268,233	1.12%	51,006	44,219	86.69%	16,658,962	449,818
2016	322,941,311	0.73%	10,154,788	0.99%	48,974	42,596	86.98%	15,884,741	429,055

Sources:

- (1) Census estimates based on 2010 census (July 1) for years 2016 - 2019. Census estimates based on 2020 (April 1) census for years 2020-2024. 2025 is an Office of the State Controller estimate based on 2023 and 2024.
- (2) U.S. Department of Commerce Bureau of Economic Analysis used for years 2016 - 2024. Since the 2025 per capita income estimate was not available, the Office of State Controller used the U.S. Per Capita Income growth rate of the previous year to project the 2025 U.S. Per Capita Income, and the previous year N.C. as a Percentage of U.S. was used to project the 2025 Per Capita Income for North Carolina. U.S. and N.C. Personal Income was not available, so year 2025 is calculated from sources 3 and 4.

**Per Capita Income
North Carolina Compared to United States
2016 to 2025**



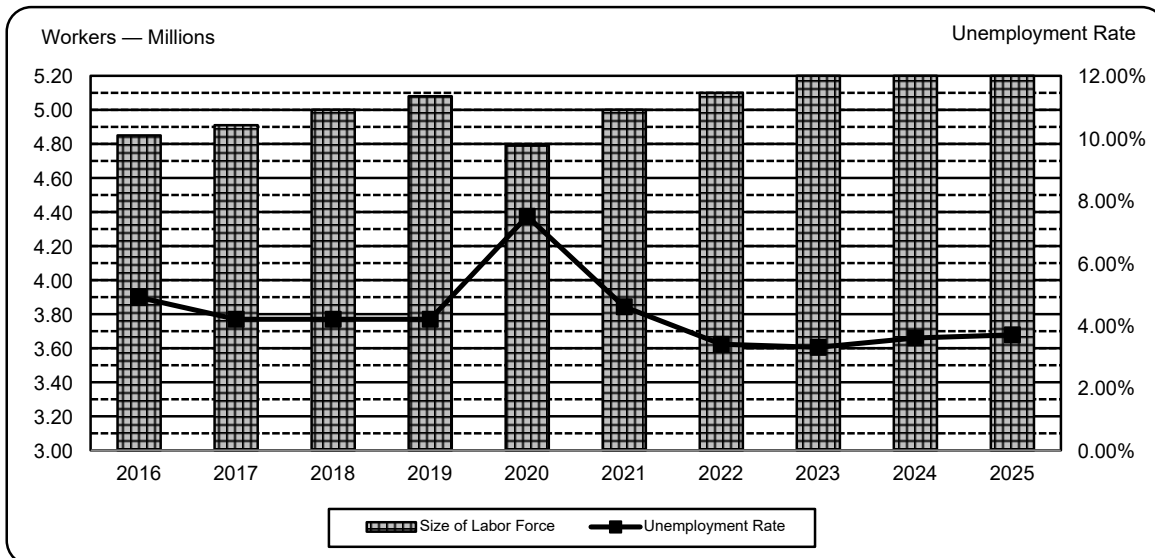
- (3) Population
- (4) Per Capita Income

U.S. Department of Commerce, Bureau of the Census
U.S. Department of Commerce, Bureau of Economic Analysis

Table 15

Year	North Carolina Civilian Labor Force Data ⁽⁵⁾			North Carolina - Other Data		
	Total	Employed	Unemployed	Unemployed Percentage Rate	Motor Vehicles Registered ⁽⁶⁾	Residential Construction Authorized ⁽⁷⁾
2025	5,286,784	5,089,872	196,912	3.70%	10,801,777	47,483
2024	5,269,449	5,079,071	190,378	3.60%	10,329,557	49,721
2023	5,220,556	5,047,952	172,604	3.30%	10,493,355	49,507
2022	5,101,330	4,929,061	172,269	3.40%	10,344,024	50,527
2021	5,000,933	4,769,039	231,894	4.60%	10,245,443	45,417
2020	4,787,234	4,430,134	357,100	7.50%	9,876,946	36,244
2019	5,078,853	4,868,076	210,777	4.20%	9,548,341	34,313
2018	4,997,161	4,787,584	209,577	4.20%	9,403,076	36,166
2017	4,908,517	4,700,760	207,757	4.20%	9,513,210	30,055
2016	4,853,581	4,614,694	238,887	4.90%	9,328,899	27,230

**Civilian Labor Force Trends
With Unemployment Percentages
2016 to 2025**



Sources: (5) Seasonally Adjusted Labor Force Data - As of June 30

N.C. Division of Employment Security

(6) Motor Vehicle Registrations - For the Fiscal Year Ended June 30

N.C. Division of Motor Vehicles

(7) Residential Housing Permits

U.S. Department of Commerce, Bureau of the Census

PRINCIPAL EMPLOYERS

For the Fiscal Years 2016 & 2025

Table 16

	2025			2016		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	180,000-184,999	1	3.59%	185,000-189,999	1	4.06%
Federal Government	80,000-84,999	2	1.62%	70,000-74,999	2	1.57%
Wal-Mart Associates, Inc	60,000-64,999	3	1.23%	45,000-59,999	3	1.14%
Duke University	45,000-49,999	4	0.93%	30,000-34,999	5	0.70%
Atrium Health	40,000-44,999	5	0.83%	-	-	-
Food Lion LLC	35,000-39,999	6	0.74%	30,000-34,999	4	0.70%
Wells Fargo Bank NA	30,000-34,999	7	0.64%	25,000-29,999	6	0.60%
Amazon Fulfillment services Inc	25,000-29,999	8	0.54%	-	-	-
Wake County Public Schools	20,000-24,999	9	0.44%	-	-	-
Bank of America NA	20,000-24,999	10	0.44%	15,000-19,999	8	0.38%
Lowes Home Centers, Inc	-	-	-	20,000-24,999	7	0.49%
Harris Teeter LLC	-	-	-	15,000-19,999	9	0.38%
Branch Banking & Trust Company	-	-	-	10,000-14,999	10	0.27%
Total	535,000-584,990		11.00%	445,000-504,990		10.29%

Notes: All figures are based on 1st quarter average. Percentage of total state employment is based on the average of the ranges given.

Source: North Carolina Department of Commerce – Labor and Economic Analysis Division

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TEACHERS AND STATE EMPLOYEES BY FUNCTION

For the Fiscal Years 2016-2025

	2025	2024	2023	2022	2021
	(1)	(1)	(1)	(1)	(1)
General government	5,893	5,798	5,859	5,811	5,769
Primary and secondary education	162,706	157,860	153,595	156,512	156,712
Higher education:					
Universities	75,063	72,476	68,209	67,987	65,824
Community colleges	18,070	16,882	17,002	17,025	17,122
Health and human services	18,045	18,423	18,432	18,286	18,270
Economic development	1,922	1,944	2,083	2,280	2,236
Environment and natural resources	5,022	4,999	4,869	4,295	4,222
Public safety, corrections and regulation	34,481	35,157	35,267	35,232	34,205
Transportation	11,461	11,439	11,421	11,423	11,624
Agriculture	2,120	2,119	2,128	2,127	2,136
Total	334,783	327,097	318,865	320,978	318,120

Source: North Carolina Office of State Budget and Management

Table 17

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
(1)	(1)	(1)		
5,631	5,501	4,983	5,160	4,857
156,693	155,755	151,263	153,236	154,079
67,166	65,697	64,028	63,345	62,194
17,761	18,095	18,028	18,021	18,129
18,270	18,098	18,038	17,970	17,552
2,554	2,141	2,136	2,340	3,365
4,157	4,140	4,128	4,112	4,148
34,963	34,034	34,089	34,009	33,966
11,669	11,666	12,141	12,578	12,591
2,159	2,088	2,082	2,077	2,066
<u>321,023</u>	<u>317,215</u>	<u>310,916</u>	<u>312,848</u>	<u>312,947</u>

(1) Counts for fiscal year end 2018, 2019, 2020, 2021, 2022, 2023, 2024, and 2025 are projected from prior year data.

OPERATING INDICATORS BY FUNCTION

For the Fiscal Years 2016-2025

	2025	2024	2023	2022	2021
General Government					
Department of Revenue					
Number of tax returns filed electronically	11,657,661	11,522,993	11,099,109	10,661,970	10,849,874
Number of tax returns processed	12,696,930	12,830,456	12,525,216	12,229,201	12,772,595
Number of individual refunds direct deposited	2,443,405	2,224,464	2,313,252	2,013,686	2,223,632
Number of individual refunds processed	3,075,140	3,114,662	3,010,256	2,664,561	2,963,570
Number of pieces of incoming mail	2,094,788	2,786,742	2,789,629	3,201,916	3,759,578
Number of pieces of outgoing mail	4,850,924	7,179,042	4,752,256	5,245,111	7,453,330
Department of Administration					
Construction projects administered	3	3	1	5	4
Construction value excluding design fee (thousands)	\$ 231,957	\$ 161,916	\$ 43,623	\$ 16,715	\$ 8,845
USS North Carolina Battleship Commission					
Visitation to USS North Carolina Battleship	237,885	232,033	187,771	209,530	126,225
Primary and Secondary Education					
Public School (K-12)					
Public school enrollment	1,575,297	1,578,765	1,573,840	1,563,458	1,558,633
Total high school graduates	115,145	109,797	107,531	101,244	107,375
Graduate intention to pursue further education	75.2%	75.8%	76.2%	75.6%	75.4%
Higher Education					
Community Colleges					
Number of students (annualized FTE)	255,509	241,304	227,974	219,655	214,608
Number of certificates and degrees awarded	60,609	61,836	56,163	63,831	61,690
Universities					
Number of regular term students (FTE)	225,112	221,637	217,906	221,485	220,391
Number of certificates and degrees awarded	63,946	64,049	62,649	62,930	60,692
Health and Human Services (4)					
Department of Health and Human Services					
Medicaid recipients	3,050,959	2,906,417	2,861,926	2,618,162	2,423,504
Food stamp recipients	1,856,360	2,014,547	1,974,325	2,002,376	1,809,263
Clients served by mental health facilities	1,240	1,367	1,075	1,386	1,826
Clients served by developmental disabilities facilities	680	712	751	805	895
Clients served by substance abuse facilities	1,938	2,963	1,974	2,572	3,564
Clients served by neuro-meds facilities	282	302	333	379	436
Children served through subsidized child care	57,327	65,259	92,846	85,825	85,273
Participation in Special Supplemental Nutrition Program	255,953	235,902	265,272	253,547	252,719
Clients served through Work First	20,872	23,973	31,594	29,631	30,276
NC Health Choice annual enrollment	-	-	-	78,021	101,032

Source: Financial reporting entities listed in the table.

Table 18

2020	2019	2018	2017	2016
9,292,526	9,163,552	8,837,553	8,418,279	7,941,295
11,102,781	11,323,904	11,217,334	11,150,416	10,946,995
1,850,823	1,875,194	1,806,510	1,825,815	1,453,984
2,539,044	2,717,162	2,683,039	2,753,655	2,308,133
3,608,395	4,186,563	4,160,827	4,580,005	5,219,418
6,355,203	8,814,460	8,934,110	9,050,706	9,083,964
3	3	1	2	8
\$ 4,935	\$ 139	\$ -	\$ 33,309	\$ 72,824
173,919	187,570	211,596	218,479	212,369
1,580,754	1,579,332	1,582,118	1,545,614	1,538,310
109,518	107,095	103,261	101,991	99,183
78.8%	81%	82%	85.9%	83.8%
239,554	230,140	219,176	222,461	220,312
63,438	65,305	63,226	62,131	58,960
219,021	216,959	213,218	209,401	205,119
57,939	55,874	54,838	53,236	51,799
2,097,451	2,073,052	2,247,663	2,200,011	2,198,496
1,739,775	1,797,272	1,345,157	1,436,586	1,609,669
2,167	3,017	3,062	3,110	3,146
954	985	1,136	1,156	1,161
3,883	3,374	3,466	3,496	3,512
502	515	612	644	683
119,550	120,017	122,924	105,755	112,545
220,455	221,206	230,071	240,691	244,652
34,022	38,576	27,436	26,415	31,015
120,729	109,644	94,698	90,589	81,897

Continued

OPERATING INDICATORS BY FUNCTION (Continued)

For the Fiscal Years 2016-2025

	2025	2024	2023	2022	2021
<u>Economic Development</u>					
Economic Development Partnership of North Carolina					
Jobs generated company recruitment/expansion	29,983	13,888	13,887	30,546	25,796
Capital investment (thousands)	\$ 25,300,000	\$ 10,500,000	\$ 9,670,000	\$ 13,250,000	\$ 9,275,000
Department of Commerce					
Total employed	5,089,872	5,079,071	5,047,952	4,929,061	4,769,039
Percentage of unemployment	3.7%	3.6%	3.3%	3.4%	4.6%
<u>Environment and Natural Resources</u>					
Department of Environmental Quality					
Public drinking water systems in compliance	99%	99%	99%	99%	99%
Department of Natural and Cultural Resources					
Visitation to state parks	16,983,380	20,261,169	19,540,013	20,924,142	23,459,561
Visitation to historical sites and museums	4,752,659	4,550,811	4,404,132	4,019,105	2,950,439
Visitation to state aquariums	1,339,675	1,363,494	1,409,637	1,309,703	862,418
Visitation to N.C. Zoo	1,048,815	1,060,354	966,263	1,008,296	636,448
Wildlife Resources Commission					
Hunting licenses sold	188,220	195,182	196,974	201,869	200,969
Fishing licenses sold (inland and coastal)	794,444	707,193	725,590	771,624	920,244
Combination hunting/fishing licenses sold	113,000	126,470	151,818	168,079	167,682
Vessels registered	172,507	171,483	170,078	182,146	188,883
<u>Public Safety, Corrections and Regulation (3)</u>					
Department of Public Safety & Department of Adult Corrections					
Incarcerated adult offenders	31,781	31,943	30,815	29,977	29,113
Supervised adult offenders	75,013	71,486	77,654	76,292	77,463
Juvenile offenders	4,840	5,262	5,270	5,361	4,299
Administrative Office of the Courts					
Cases disposed as a % of cases filed-Superior Court	100%	100%	100%	100%	100%
Cases disposed as a % of cases filed-District Court	100%	100%	100%	100%	100%
<u>Agriculture</u>					
Department of Agriculture and Consumer Services					
Motor fuel dispensers tested (1)	76,875	80,504	101,898	100,061	5,061
Rejection rate	5.0%	3.9%	8.2%	6.92%	12.6%
Retail scales tested (2)	32,748	30,447	27,919	38,484	1,479
Rejection rate	2.8%	2.8%	5.5%	5.16%	12.9%

Table 18

2020	2019	2018	2017	2016
18,304	22,061	20,794	15,748	14,806
\$ 5,630,000	\$ 3,325,257	\$ 3,580,000	\$ 3,831,981	\$ 4,245,981
4,430,134	4,868,076	4,787,584	4,700,760	4,614,694
7.5%	4.2%	4.2%	4.2%	4.9%
98%	98%	98%	99%	97%
17,391,643	17,866,517	19,153,780	19,038,513	18,053,654
2,451,425	4,506,115	4,014,046	5,488,204	5,480,871
801,738	690,809	1,376,820	1,347,641	1,233,070
490,829	864,138	839,963	870,882	755,567
186,284	176,847	144,380	141,448	145,029
790,572	742,253	743,316	779,184	789,049
162,681	139,878	146,772	152,801	161,847
186,594	173,732	173,740	176,585	179,485
31,506	36,053	37,104	37,487	37,440
94,937	100,348	97,798	99,313	100,881
4,632	5,349	6,075	6,613	7,170
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
81,907	117,459	116,709	106,614	91,525
6.1%	33.06%	27.7%	11.49%	13%
23,028	27,110	33,630	31,994	33,270
8.3%	7.6%	7.7%	8.7%	9.4%

(1) Governed by Gasoline and Oil Inspection Law (General Statute 119)

(2) Governed by North Carolina Weights and Measures Act (General Statute 81A)

(3) Beginning in fiscal year 2023, The Department of Adult Corrections is displayed in the title as it was created as a separate agency in fiscal year 2023.

(4) The NC Health choice program no longer exists and shows a 100% decrease in fiscal year 2023 compared to fiscal year 2022, due to a legislative change resulting in an increase in enrollment for Medicaid.

CAPITAL ASSET STATISTICS BY FUNCTION

For the Fiscal Years 2016-2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Primary Government					
General Government					
Department of Administration					
Buildings	61	63	65	64	65
Parking lots	24	24	24	24	24
Parking spaces	8,128	8,165	8,369	8,433	8,433
Motor Fleet vehicles	8,236	8,529	8,138	7,894	7,957
Health and Human Services					
Mental Health Institutions	12	12	13	13	13
Number of certified beds	3,561	3,622	3,979	4,029	3,986
Environment and Natural Resources					
Department of Natural and Cultural Resources					
Number of state park lands	35	35	35	35	35
Acres of state park lands	176,630	175,331	174,848	171,546	172,759
Number of state recreation areas	4	4	4	4	4
Acres of state recreation areas (7)	12,460	12,400	13,256	13,256	13,256
Number of state natural areas	25	25	25	25	24
Acres of state natural areas (8)	42,396	42,054	35,646	35,509	33,259
Number of state lakes	7	7	7	7	7
Acres of state lakes	29,113	29,113	29,135	29,135	29,135
Zoo animals	1,320	1,391	1,236	1,247	1,270
Vehicles	1,133	1,078	932	945	856
Boats/trailers	323	382	300	351	333
Scientific equipment	132	419	323	348	342
Department of Environmental Quality					
Vehicles (4)	140	144	141	143	157
Boats/trailers (4)	485	460	423	457	430
Aircraft	2	2	2	2	2
Scientific equipment (4)	828	613	641	534	1,298
Wildlife Resources Commission					
Number of game lands	72	72	72	94	72
Acres of game lands	542,000	542,000	540,076	544,481	533,595
Vehicles	494	546	551	534	543
Boats/trailers	957	954	983	605	969
Aircraft	2	2	2	2	2
Public Safety, Corrections and Regulation					
Department of Adult Corrections (6)					
Close security prisons	14	14	13	14	13
Medium security prisons	19	19	20	19	19
Minimum security prisons	24	22	23	20	23
Adult Correction Vehicles:					
Passenger/cargo vehicles	207	223	217	206	177
Offender transfer vans/buses	527	483	460	453	595
Offender work crew vans/buses (5)	—	—	—	—	—
Pickup trucks	512	340	282	280	143
Roving patrol pickups	101	103	99	106	111
One ton maintenance trucks	91	83	85	92	341
Specialty/other trucks (1)	94	89	81	77	346

Source: Financial reporting entities listed in the table.

Table 19

2020	2019	2018	2017	2016
67	71	74	82	87
24	24	24	24	25
8,425	8,391	8,434	8,434	8,423
7,806	7,538	7,657	7,591	7,465
13	13	13	12	13
3,964	4,008	3,916	4,041	4,087
34	34	34	35	35
165,168	165,168	163,159	162,294	160,891
4	4	4	4	4
13,256	13,256	13,256	13,256	13,256
24	24	28	24	24
29,830	28,328	28,024	26,114	26,000
7	7	7	7	7
29,135	29,135	29,135	29,135	29,135
1,326	1,672	1,393	1,533	1,341
880	868	853	850	863
336	351	352	341	316
391	165	50	53	49
158	173	179	181	178
433	434	416	430	443
2	2	4	2	3
1,233	1,049	734	716	743
71	70	70	69	66
532,733	509,600	501,617	492,950	488,589
568	575	571	570	563
1,033	913	898	906	870
2	2	3	3	3
19	15	14	14	15
17	19	19	18	17
25	21	22	23	26
183	239	180	183	129
555	616	347	536	497
—	—	148	191	208
124	348	425	450	361
105	109	106	123	100
334	104	184	190	104
358	71	152	160	114

Continued

CAPITAL ASSET STATISTICS BY FUNCTION (Continued)

For the Fiscal Years 2016-2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Department of Adult Corrections (6)					
Enterprise Vehicles:					
Passenger/cargo vehicles	25	26	26	20	18
Offender workcrew buses	17	14	14	19	16
Pickup trucks	65	53	53	47	42
One ton maintenance trucks	13	34	34	64	64
Specialty/other trucks	93	91	91	95	95
Department of Public Safety					
Youth facilities	14	14	10	10	11
Number of vehicles:					
Alcohol Law Enforcement Cars/SUV's	193	181	163	166	167
State Highway Patrol Vehicles					
Cars/SUV's (9)	1,494	1,922	1,753	1,819	1,766
Trucks/vans (9)	989	546	537	416	383
Motorcycles	41	38	37	42	36
State Highway Patrol Aircraft Helicopters	5	5	3	2	4
State Bureau of Investigation					
Cars/SUV's	194	215	239	238	271
Trucks/vans	157	167	182	159	145
Transportation					
Department of Transportation					
Pavement in lane-miles:					
Primary subsystem (2)	—	15,219	15,212	15,187	15,205
Secondary subsystem (2)	—	65,374	65,268	65,197	65,113
Bridges:					
Number of bridges (2)	—	13,824	13,749	13,689	13,570
Number of culverts (2)	—	4,924	4,894	4,860	4,807
Vehicles	10,005	7,846	8,013	7,932	7,846
Heavy equipment	15,117	16,552	16,448	15,948	15,877
Component Units					
Higher Education					
Community Colleges					
Buildings	1,372	1,382	1,360	1,337	1,313
Universities					
Academic/administrative buildings	1,072	1,066	1,071	1,071	1,057
Dormitories/auxiliary buildings	816	811	815	810	800
Medical (3)	24	26	24	24	24
University System Hospitals					
Administration	13	13	13	17	17
Clinical	34	35	35	30	30
Facility services	10	9	9	9	9
Hospital	15	14	14	14	11

Table 19

2020	2019	2018	2017	2016
18	16	16	17	16
16	18	18	18	19
42	56	55	52	53
64	20	20	20	19
95	112	116	113	114
11	10	10	10	10
171	175	156	175	178
1,693	1,699	1,649	1,672	1,738
403	362	372	407	418
35	38	37	38	41
2	4	6	6	6
266	292	275	284	257
141	115	90	93	74
15,176	15,164	15,142	15,125	15,125
65,066	64,995	64,901	64,830	64,544
13,587	13,476	13,413	13,522	13,494
4,756	4,739	4,653	4,654	4,592
7,763	8,007	8,779	8,276	872
15,287	15,636	15,948	14,840	14,799
1,277	1,275	1,271	1,238	1,234
1,050	1,045	1,053	1,052	1,044
792	790	789	786	744
25	25	35	35	36
16	12	16	16	16
30	32	47	61	52
9	9	10	10	10
10	9	9	9	9

(1) Includes boom trucks, cranes, flat beds, rollbacks, yard trucks, dump trucks, semi-trucks, etc.

(2) Recent data from the source was not available, as of the date of publication.

(3) East Carolina Teaching Hospital

(4) Starting in fiscal year 2016, vehicles, boats/trailers, and scientific equipment decreased because five divisions are now included in the Department of Natural and Cultural Resources; whereas in prior years the divisions were included with the Department of Environmental Quality, formerly Department of Environment and Natural Resources.

(5) In fiscal year 2019, vehicle statistics were changed by vehicle type as vehicles were repurposed.

(6) Effective January 1, 2023, the Division of Adult Corrections of the Department of Public Safety became the Department of Adult Corrections and is shown separately in FY2023

(7) In fiscal year 2024, acreages were recalculated based on survey and/or GIS (Geographical Information System) determination which are more accurate.

(8) In FY2024, there was a recalculation of Bald Head Island, additional 1,149 acres acquired for Bakers Lake, Lower Haw River State Natural Area added another 332 acres, and Mount Jefferson State Park added 45 acres.

(9) In FY2024, NCDPS purchased additional vehicles. In FY2025, some were reclassified.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND
For the Fiscal Years 2016-2025

The following table illustrates how earned revenues (net of reinsurance) and investment income of the State Public Education Property Insurance Fund (the Fund) compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund for the last ten fiscal years ended June 30. The rows of the table are defined as follows:

- (1) Total of each fiscal year's earned contribution revenues, investment revenues, contribution revenues ceded to excess insurers or reinsurers, and amount of reported revenues net of excess insurance or reinsurance.
- (2) Each fiscal year's other operating costs of the Fund, including overhead and claims expense not allocable to individual claims.
- (3) The Fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (before the effect of loss assumed by excess insurers or reinsurers), the loss assumed by excess insurers or reinsurers, and total net amount of incurred claims and allocated claim adjustment expenses.
- (4) Cumulative amounts paid as of the end of successive years for each policy year.
- (5) The most current reestimated amount of losses assumed by reinsurers for each accident year. The amount can and will be changed as claims and expenses are reevaluated.
- (6) The reestimated net incurred claims and expenses based on the information available as of the end of the year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) Comparison of the latest reestimated net incurred claims amount to the amount originally established (line 3) and indication of whether this latest estimate of claims cost is greater or less than originally thought.

REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
STATE PUBLIC EDUCATION PROPERTY INSURANCE FUND
For the Fiscal Years 2016-2025

Table 20

As data for individual policy years mature, the correlation between original estimated and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns in the table present data for successive policy years. Amounts are expressed in thousands.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1) Required contribution and investment revenue:										
Earned	\$ 19,099	\$ 12,518	\$12,585	\$19,931	\$ 20,473	\$10,521	\$ 6,974	\$13,682	\$ 14,766	\$17,255
Ceded	3,665	3,386	3,298	3,952	6,396	18,750	22,266	26,901	24,115	35,449
Net earned	15,434	9,132	9,287	15,979	14,077	(8,229)	(15,292)	(13,219)	(9,349)	(18,194)
2) Unallocated expenses	600	659	583	564	619	446	434	509	556	502
3) Estimated claims and expenses, end of policy year:										
Incurred	943	16,149	1,271	62,387	7,357	4,976	7,280	2,156	917	12,295
Ceded	—	—	—	(45,500)	—	—	—	—	—	—
Net incurred	943	16,149	1,271	16,887	7,357	4,976	7,280	2,156	917	12,295
4) Paid (cumulative) as of:										
End of policy year	872	4,188	1,015	10,969	2,861	2,914	1,956	904	998	10,158
One year later	1,078	10,189	1,735	40,580	8,461	5,950	4,460	904	2,921	
Two years later	1,078	12,381	1,735	45,887	9,106	6,046	4,460	1,471		
Three years later	1,078	12,381	1,735	45,887	9,106	6,046	5,110			
Four years later	1,078	12,381	1,735	45,887	9,106	6,046				
Five years later	1,078	12,381	1,735	45,887	9,106					
Six years later	1,078	12,381	1,735	45,887						
Seven years later	1,078	12,381	1,735							
Eight years later	1,078	12,381								
Nine years later	1,078									
5) Reestimated ceded claims and expenses	—	2,834	—	—	—	—	—	—	—	—
6) Reestimated net incurred claims and expenses:										
End of policy year	943	16,149	1,271	16,887	2,867	6,853	3,945	1,252	(81)	2,137
One year later	917	18,622	1,800	55,177	8,467	9,648	7,749	1,252	(81)	
Two years later	917	12,547	1,800	60,484	8,467	9,648	7,749	1,252		
Three years later	917	12,547	1,800	60,484	8,467	9,648	7,749			
Four years later	917	12,547	1,800	60,484	8,467	9,648				
Five years later	917	12,547	1,800	60,484	8,467					
Six years later	917	12,547	1,800	60,484						
Seven years later	917	12,547	1,800							
Eight years later	917	12,547								
Nine years later	917									
7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(26)	(3,602)	529	43,597	1,110	4,672	469	(904)	(998)	(10,158)

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