



State of North Carolina  
Office of the State Controller

# STATE OF NORTH CAROLINA FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDING JUNE 30, 2020

On the cover is the famous Currituck Beach Lighthouse, first lit in 1875 and located in Corolla, NC. This lighthouse is one of North Carolina's seven active lighthouses that serve mariners to this day. The oldest is Bald Head Island, first lit in 1794 (rebuilt in 1817), and the newest is the Oak Island Lighthouse which was completed in 1959. Each active lighthouse is highlighted in this report.<sup>1</sup> To find out more, go to <http://osc.nc.gov/lighthouse2020>.

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<sup>1</sup> Images used under licensure from Shutterstock.com.

# Financial Highlights

Dear Fellow North Carolinian,

I am pleased to present **North Carolina's Financial Highlights** for the fiscal year ended June 30, 2020. The State's fiscal year starts July 1 and ends the following June 30. Accurate financial reporting is a hallmark of our Great State. This report reflects my commitment to you, the citizens of North Carolina, to provide financial reporting in conformance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB). It also represents our continuing commitment to you to provide transparency to our citizens through clear reporting, financial management, and fiscal accountability for the resources of the State of North Carolina.



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

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

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

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

Sincerely,

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

Dr. Linda Combs  
State Controller  
December 4, 2020

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

# Financial Highlights

## State Reporting Entity and Services

The State of North Carolina entity as reported in the CAFR includes all fund types of the departments, agencies, boards, commissions, and authorities governed and legally controlled by the State's executive, legislative, and judicial branches. In addition, the reporting entity includes legally separate component units for which the State is financially accountable. The component units are discretely presented in the government-wide financial statements. The State's discretely presented major component units are the University of North Carolina System, the State's community colleges, and the State Health Plan.

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

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



## The Economy

For most of fiscal year 2019-20, the national economy grew steadily. In March, the economy nosedived with the outbreak of COVID-19 in the U.S. and the implementation of containment measures. After peaking in February, U.S. economic activity fell an estimated 9% during the second quarter of 2020, ending the expansion that began in June 2009. The economy rebounded in May and June but was still operating well below where it had been in February. The State economy followed a similar progression, with public health measures undertaken in response to COVID-19 significantly impacting economic activity and employment beginning in March. Industry employment in North Carolina was on pace to add over 80,000 jobs for the fiscal year but ended fiscal year 2019-20 with 348,100 fewer jobs. Job losses for the fiscal year represented a 7.6% decline. A few key industries were hurt the most by the health and economic crises: Leisure & Hospitality Services had the largest job decrease at 136,200 jobs lost (-26.5%), followed by Education & Health Services down 39,800 (-6.3%), and Manufacturing down 38,100 jobs (-8.0%). The only industry sector that lost no jobs during the fiscal year was the Financial Activities sector, which was up only 300 jobs (0.1%).

# Financial Highlights

## North Carolina Economic Indicators

	FY 2018-19 Actual	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected
<b>State Gross Product Growth*</b>	2.4%	-0.9%	-1.2%	4.9%
<b>Personal Income Growth</b>	5.3%	6.9%	-1.2%	0.3%
<b>Wages &amp; Salaries Growth</b>	5.6%	2.1%	-2.9%	3.5%
<b>Retail Sales Growth</b>	3.9%	2.3%	1.2%	4.8%
<b>Unemployment Rate</b>	3.8%	7.6%	8.5%	8.3%
<b>Nonfarm Employment Growth</b>	2.0%	-10.4%	6.0%	3.1%
<b>Population Growth</b>	1.0%	1.0%	0.8%	0.9%

\*Adjusted for Inflation

For North Carolina, as with the nation, the economy had grown steadily, and the pace of growth was tracking closely with economic expectations at the start of the fiscal year. The onset of the pandemic took the same toll on the State as it did nationally. In late March and April, North Carolina experienced a significant decline in economic activity. The economy rebounded from the initial response to the virus in May and June, but the economy was operating well below where it had been in February.

North Carolina had moved into a stronger expansionary phase by 2018, and the State was expected to continue solid progress in employment growth. The unemployment rate was 4.0% at the start of the fiscal year but rose to 7.6% at the end. The State's unemployment rate peaked in April at 12.9% from the initial shutdown of the economy. For fiscal year 2019-20, total personal income rose by 6.9%. Some of this income growth reflects the strength of the economy during the first half of the fiscal year, but the growth also reflects how federal relief to families and businesses helped support incomes during the onset of the pandemic.

Retail sales slowed somewhat in the last quarter of the fiscal year but overall grew by 2.3% over the prior fiscal year. Retail sales remained positive due primarily to the federal relief programs, which bolstered income and sales through July.

Projections of the State's key economic indicators reflect how the economy is expected to unfold during the next two fiscal years. Gross State Product, a broad measure of the State's economic activity, is expected to decline further next fiscal year followed by a modest rebound in fiscal year 2021-22. Likewise, total personal income is expected to decline by 1.2% next fiscal year with only 0.3% growth expected the following fiscal year. Retail sales are expected to weaken to 1.2% growth next fiscal year. An improving economy in 2021 is expected to support an increase in household consumption similar to pre-pandemic levels.

The State is estimated to have added 122,400 people to its population during the fiscal year and by July 2022, the State's population is projected to grow to almost 10.9 million, an increase of nearly 366,000 people since July 2019. Continued population growth will assist with economic growth by adding demand for housing, durable and non-durable goods, and services. In turn, growth in personal income and retail sales will help improve the economy.

To summarize, the State's economy experienced improvement during the first part of the fiscal year. During the last quarter of the fiscal year, the pandemic caused economic activity to plummet. Economic conditions in the State are projected to slowly improve as the impact of the virus lessens. The State should expect growth to be below the national average throughout the next fiscal year. It is unlikely that the State's economy will return to pre-pandemic levels until 2022.

— Economic analysis prepared by Barry Boardman, Ph.D., Chief Economist  
& Emma Turner, Economist  
Fiscal Research Division, North Carolina General Assembly  
October 13, 2020

## Financial Highlights

### Government-wide Financials

- ◆ The State's total net position increased by \$2.47 billion or 4.53% as a result of this year's operations. Net position of governmental activities increased by \$3.24 billion (or 6.72%) while net position of business type-activities decreased by \$767.06 million (or 12.14%). At year-end, net position of governmental activities and business-type activities totaled \$51.43 billion and \$5.55 billion, respectively.
- ◆ Component units reported net position of \$16.21 billion, an increase of \$818.09 billion or 5.31% from the previous year. The majority of the net position is attributable to the University of North Carolina System, a major component unit.

### Fund Financials

- ◆ The fund balance of the General Fund increased from \$5.96 billion at June 30, 2019 (as restated) to \$6.43 billion at June 30, 2020, an increase of 7.95%.
- ◆ The fund balance of the Highway Fund increased from negative \$595.63 million at June 30, 2019 to a negative \$330.19 million at June 30, 2020, an increase of 44.57% from the previous year. This increase was mainly due to a decrease in liabilities. Construction and maintenance expenditures and supplies and material expenditures decreased due to the cash shortage, resulting in an overall decrease in accounts payable.
- ◆ The Highway Trust Fund reported a fund balance of \$1.22 billion, a decrease of 29.42% from the previous year. The fund balance decrease was mainly due to a decrease in assets resulting from the use of proceeds from the Build NC Bonds for transportation projects.
- ◆ The Unemployment Compensation Fund reported net position of \$3.02 billion at June 30, 2020 compared to \$3.88 billion at June 30, 2019, a decrease of \$859.72 million or 22.14%. The decrease in net position is due almost entirely to the Coronavirus pandemic and significant increase in the unemployment rate and unemployment benefits paid for the last quarter of the 2019-20 fiscal year.
- ◆ The N.C. State Lottery Fund reported net ticket sales of \$3.02 billion, an increase of 5.48% from the previous year. As required by law, the Lottery transferred \$729.4 million to the General Fund to support educational programs.
- ◆ The N.C. Turnpike Authority (NCTA) reported net position of \$352.4 million, a decrease of 12.08% from the previous year. While toll revenues increased \$8.6 million or 14.91%, the NCTA had an operating loss of \$18.67 million. The NCTA also had a \$20.03 million increase in nonoperating expenses due to interest expense increases related to debt issued during the fiscal year.
- ◆ The EPA Revolving Loan Fund reported net position of \$1.94 billion, an increase of 6.28% from the previous year. Operating income was \$10.53 million, and net nonoperating revenues of \$74.19 million consisted primarily of federal capitalization grants and investment earnings.



Old Baldy Lighthouse

# Financial Highlights

## Government-wide Financials

The Statement of Net Position and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better off or worse off as a result of this year's activities?

- ◆ Governmental activities cover most of the State's basic services such as health and human services, transportation, and education. Taxes and intergovernmental revenues generally fund these services.
- ◆ Business-type activities are services provided to the State or outside customers that are similar in function to private businesses and are primarily financed by fees charged to the customers. These fees cover all or most of the cost of the services being provided. The State's Unemployment Compensation Fund, the EPA Revolving Loan Fund, the N.C. State Lottery Fund, and the N.C. Turnpike Authority are the predominant business-type activities of the State.

### Statement of Net Position

The Statement of Net Position presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the sum of these components reported as "net position." The State of North Carolina's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56.98 billion at the close of the most recent fiscal year (see total primary government column). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating. The State's overall net position increased \$2.47 billion or 4.53% (total primary government) from the prior fiscal year. The following table was derived from the government-wide Statement of Net Position:

**Net Position as of June 30, 2020 and 2019**  
(dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2019-20
	2020	2019 (as restated)	2020	2019 (as restated)	2020	2019 (as restated)	
	Current and other non-current assets.....	\$ 19,522,925	\$ 15,565,889	\$ 6,686,115	\$ 6,536,920	\$ 26,209,040	
Capital assets, net.....	57,504,322	54,696,395	2,244,625	1,940,446	59,748,947	56,636,841	5.49%
Total assets.....	77,027,247	70,262,284	8,930,740	8,477,366	85,957,987	78,739,650	9.17%
Total deferred outflows of resources.....	2,361,920	2,269,300	63,347	63,418	2,425,267	2,332,718	3.97%
Long-term liabilities.....	16,679,814	15,974,879	2,433,214	1,860,948	19,113,028	17,835,827	7.16%
Other liabilities.....	8,961,689	5,465,019	965,840	309,302	9,927,529	5,774,321	71.93%
Total liabilities.....	25,641,503	21,439,898	3,399,054	2,170,250	29,040,557	23,610,148	23.00%
Total deferred inflows of resources.....	2,314,243	2,896,623	43,682	52,125	2,357,925	2,948,748	(20.04%)
Net position:							
Net investment in capital assets.....	55,526,354	52,846,067	513,378	562,921	56,039,732	53,408,988	4.93%
Restricted.....	1,458,418	1,248,281	178,212	114,803	1,636,630	1,363,084	20.07%
Unrestricted.....	(5,551,351)	(5,899,285)	4,859,761	5,640,685	(691,590)	(258,600)	(167.44%)
Total net position.....	\$ 51,433,421	\$ 48,195,063	\$ 5,551,351	\$ 6,318,409	\$ 56,984,772	\$ 54,513,472	4.53%

The largest component of the State's net position (98.34% for fiscal year 2020) reflects its investment in capital assets (land, buildings, machinery and equipment, state highway system, toll road system, and other capital assets), less related debt still outstanding that was used to acquire or construct those assets. Restricted net position is the next largest component (\$1.64 billion). These resources are subject to constraints that are externally imposed (e.g., by creditors or grantors) or are imposed by law through constitutional provisions. The remaining portion, unrestricted net position, consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

# Financial Highlights

## Statement of Activities

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

### Condensed Statement of Activities - Primary Government For the Fiscal Year Ended June 30, 2020 (dollars in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in Net Position</b>			
Net (expense) revenue.....	\$ (25,603,310)	\$ (114,282)	\$ (25,717,592)
General Revenues:			
Taxes:			
Individual income tax.....	13,121,892	—	13,121,892
Corporate income tax.....	726,186	—	726,186
Sales and use tax.....	8,556,460	—	8,556,460
Gasoline tax.....	2,054,235	—	2,054,235
Franchise tax.....	640,865	—	640,865
Highway use tax.....	847,919	—	847,919
Insurance tax.....	661,881	—	661,881
Beverage tax.....	462,401	—	462,401
Tobacco products tax.....	288,933	—	288,933
Other taxes.....	290,178	—	290,178
Tobacco settlement.....	148,929	—	148,929
Federal COVID-19.....	173,448	—	173,448
Unrestricted investment earnings.....	133,251	—	133,251
Miscellaneous.....	76,395	—	76,395
Contributions to permanent funds.....	5,919	—	5,919
Transfers.....	652,776	(652,776)	—
Total general revenues, contributions, and transfers.....	28,841,668	(652,776)	28,188,892
Change in net position.....	3,238,358	(767,058)	2,471,300
Net position — July 1, as restated (Note 23).....	48,195,063	6,318,409	54,513,472
Net position — June 30.....	\$ 51,433,421	\$ 5,551,351	\$ 56,984,772

#### Governmental Activities

- ◆ For fiscal year 2020, 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 \$3.24 billion (or 6.72%) resulted for governmental activities.
- ◆ Total revenues increased by \$2.26 billion (or 4.6%).
- ◆ Total expenses increased by \$1.88 billion (or 4.01%).

#### Business-type Activities

- ◆ Business-type activities reflect an overall decrease in net position of \$767.06 million or 12.14%, primarily due to the decrease in net position in the Unemployment Compensation Fund.
- ◆ The decrease in net position of \$859.72 million or 22.14% in the Unemployment Compensation Fund is due almost entirely to the impacts of the Coronavirus pandemic, with increased unemployment during the fourth quarter of the fiscal year and increased unemployment benefit claims paid.
- ◆ The net position decrease of \$48.4 million or 12.08% for the N.C. Turnpike Authority is due to the NCTA incurring an operating loss of \$18.67 million and having a \$20.23 million increase in interest expense as a result of issuing new debt during the fiscal year.
- ◆ The net position increase of \$114.81 million or 6.28% in the EPA Revolving Loan Fund is due to the Loan Fund continuing to focus on streamlining its processes resulting in more infrastructure projects completed during the year, using a cash flow model to better predict fund disbursements and revenue, and prioritizing the spending of funds from the U.S. EPA (federal) capitalization grant for these projects.
- ◆ The N.C. State Lottery Fund's net position did not change and will continue to remain constant as a result of legislative changes in the methodology used to calculate net revenues to be distributed to the State's governmental activities, as required by statute.

# Financial Highlights

## Statement of Activities (cont'd)

The following activities were the primary drivers of the fiscal year 2020 financial results:

- ◆ Total revenues increased by \$2.26 billion (or 4.6%) while total expenses increased by \$1.88 billion (or 4.01%).
- ◆ Operating grants and contributions increased by \$2.23 billion (or 13.14%) due to higher spending in federally supported programs, such as Medicaid and disaster relief for Hurricane Florence as well as increases in federal COVID-19 funds.
- ◆ Other revenues increased by 35.08% mainly due to recognition of \$173.45 million in federal COVID-19 funds.
- ◆ COVID-19 related aid programs including the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES) provided additional funding in the forms of increased federal matching percentages for Medicaid, as well as significant funding to support various State operational functions.
- ◆ Health and human services spending increased by \$2.03 billion (or 10.36%) primarily due to increased spending for Medicaid in response to the COVID-19 public health emergency.
- ◆ Total transportation spending decreased by \$927.99 million (or 23.75%) primarily due to the reduction of construction and maintenance activities as a result of the cash shortage and revenue decreases in gasoline tax due to the COVID-19 pandemic.
- ◆ Public safety, corrections and regulation spending increased by \$438.05 million (or 11.55%) primarily due to costs related to COVID-19 testing supplies. This increase was also due to disaster relief for public and individual assistance programs, contracted personal services and grant aid.
- ◆ Expenses for primary and secondary education increased by \$277.25 million (or 2.37%) due to increased state aid provided to local education agencies for increased spending related to COVID-19.

### Condensed Schedule of Expenses & Program Revenue Primary Government For the Fiscal Year Ended June 30, 2020 (dollars in thousands)

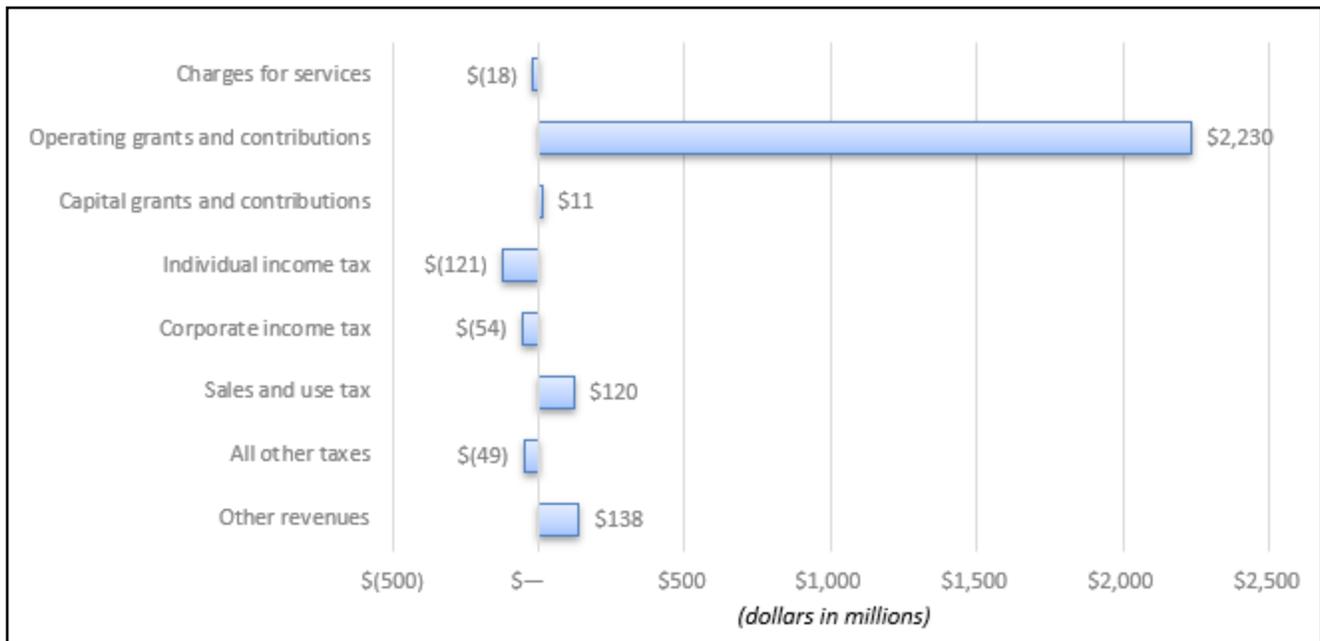
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government.....	\$ 1,441,776	\$ 362,886	\$ (1,078,890)
Primary and secondary education.....	11,974,701	1,554,662	(10,420,039)
Higher education.....	4,815,552	216,874	(4,598,678)
Health and human services.....	21,594,958	16,514,671	(5,080,287)
Economic development.....	525,242	288,521	(236,721)
Environment and natural resources.....	708,815	350,077	(358,738)
Public safety, corrections, and regulation.....	4,230,658	1,225,411	(3,005,247)
Transportation.....	2,979,441	2,557,748	(421,693)
Agriculture.....	313,068	81,423	(231,645)
Interest on long-term debt.....	171,372	—	(171,372)
Total Governmental Activities.....	48,755,583	23,152,273	(25,603,310)
<b>Business-type Activities</b>			
Unemployment Compensation.....	5,707,104	4,845,815	(861,289)
N.C. State Lottery.....	2,290,926	3,023,426	732,500
EPA Revolving Loan.....	13,785	98,504	84,719
N.C. Turnpike Authority.....	186,369	98,831	(87,538)
Regulatory programs.....	131,503	143,335	11,832
Insurance programs.....	51,423	57,342	5,919
North Carolina State Fair.....	15,981	17,195	1,214
Other business-type activities.....	15,421	13,782	(1,639)
Total Business-type Activities.....	8,412,512	8,298,230	(114,282)
Total Primary Government.....	\$ 57,168,095	\$ 31,450,503	\$ (25,717,592)

# Financial Highlights

## Statement of Activities (cont'd)

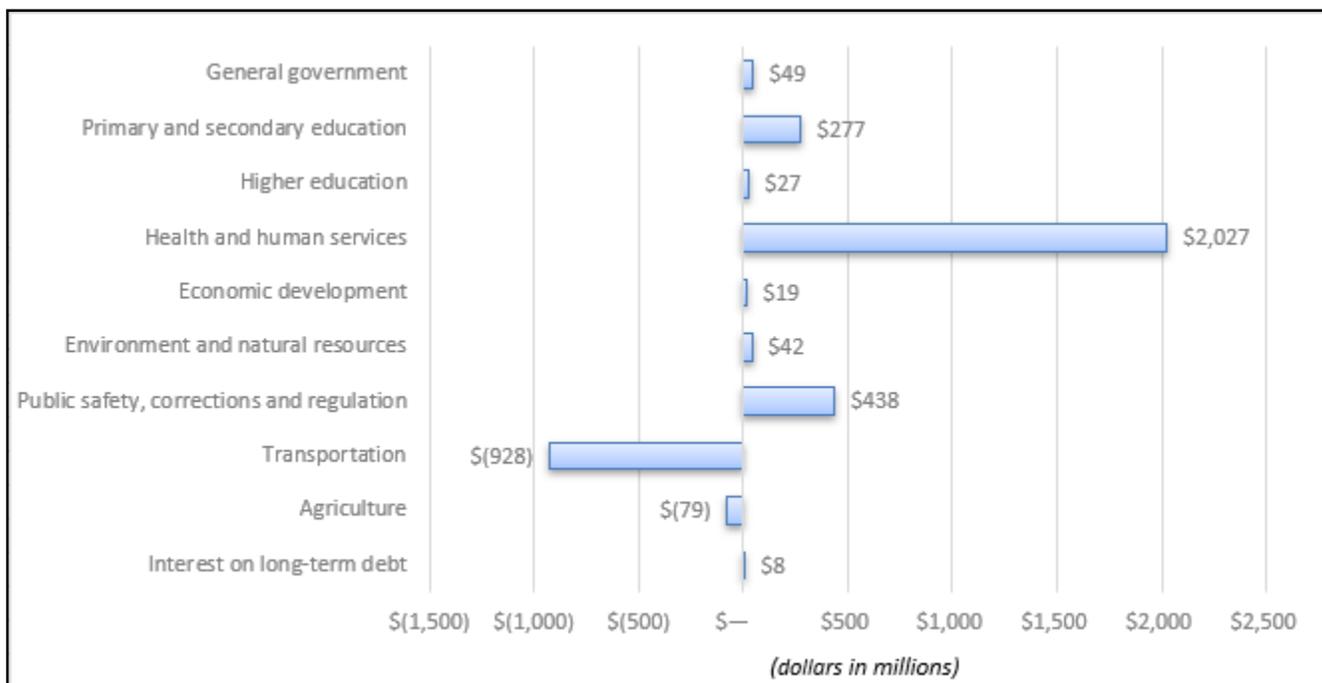
The following chart reflects the dollar change in the revenues by source of governmental activities between fiscal years 2019 and 2020:

**Dollar Change in Governmental Activities Revenues by Source  
Between Fiscal Years 2019 and 2020**



The following chart reflects the dollar change in the functional expenses of governmental activities between fiscal years 2019 and 2020:

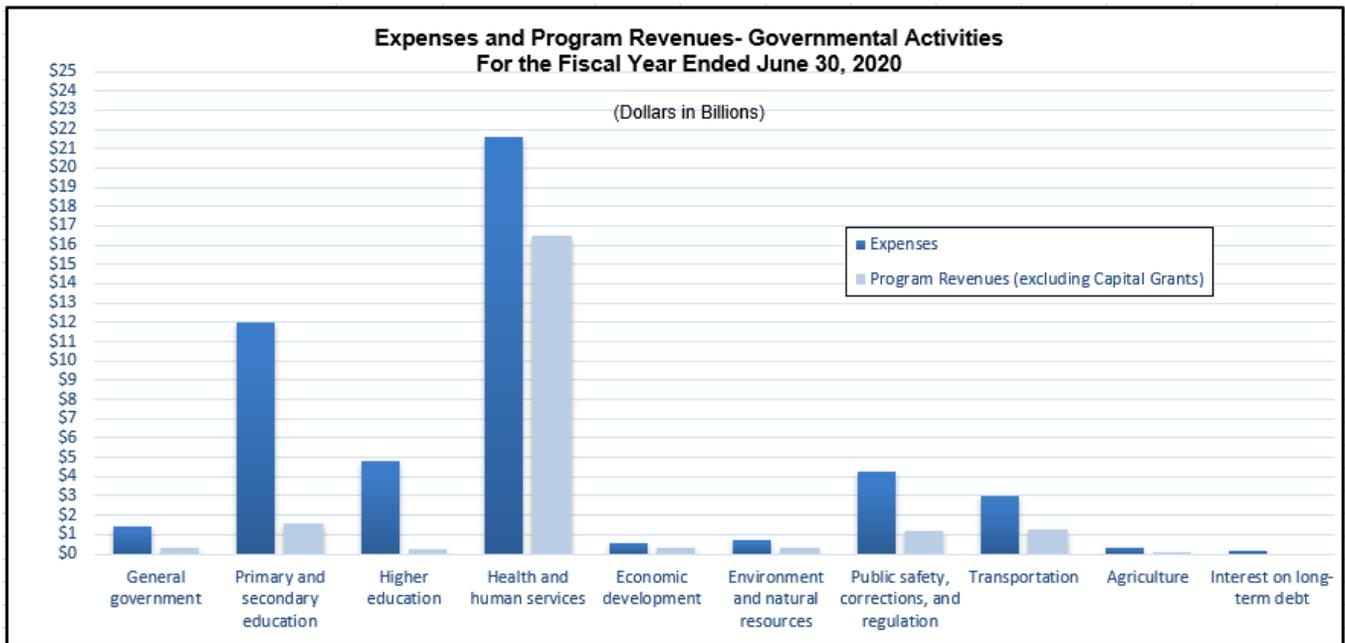
**Dollar Change in Governmental Activities Functional Expenses  
Between Fiscal Years 2019 and 2020**



# Financial Highlights

## Statement of Activities (cont'd)

The following chart depicts the total expenses and total program revenues of the State's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State.



Cape Lookout Lighthouse

# Financial Highlights

## Statement of Activities (cont'd)

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

### CHANGES IN NET POSITION

For the Fiscal Years 2016-2020

(dollars in millions)

	2020	2019	2018	2017	2016
<b>Governmental Activities</b>					
Total Expenses.....	\$ (48,756)	\$ (46,875)	\$ (43,962)	\$ (42,676)	\$ (40,919)
Total Tax Revenues.....	27,651	27,754	26,409	25,377	24,947
Total Other Revenues and Contributions.....	23,690	21,328	20,212	20,092	19,505
Total Transfers.....	653	614	608	665	518
Change in Net Position.....	<u>3,238</u>	<u>2,821</u>	<u>3,267</u>	<u>3,458</u>	<u>4,051</u>
Net Position - June 30.....	\$51,434	\$48,195	\$45,322	\$41,879	\$46,730
<b>Business-type Activities</b>					
Total Expenses.....	(8,413)	(2,659)	(2,406)	(2,349)	(2,260)
Total Revenues.....	8,298	3,860	3,594	3,760	4,090
Total Transfers.....	(653)	(614)	(608)	(665)	(518)
Change in Net Position.....	<u>(768)</u>	<u>587</u>	<u>580</u>	<u>746</u>	<u>1,312</u>
Net Position - June 30.....	\$5,551	\$6,318	\$5,721	\$5,141	\$4,491
<b>Total Primary Government</b>					
Total Expenses.....	(57,169)	(49,534)	(46,368)	(45,025)	(43,179)
Total Revenues and Contributions.....	59,639	52,942	50,215	49,229	48,542
Change in Net Position.....	<u>2,470</u>	<u>3,408</u>	<u>3,847</u>	<u>4,204</u>	<u>5,363</u>
Net Position - June 30.....	\$56,985	\$54,513	\$51,043	\$47,020	\$51,221



Cape Hatteras Lighthouse

# Financial Highlights

## Capital Assets

As of June 30, 2020, the State's investment in capital assets was \$59.75 billion, an increase of 5.49% 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	
	2020	2019 (as restated)	2020	2019 (as restated)	2020	2019 (as restated)
Land and permanent easements.....	\$20,051,608	\$19,287,419	\$ 474,653	\$ 306,888	\$20,526,261	\$19,594,307
Buildings.....	2,859,190	2,729,390	56,441	59,024	2,915,631	2,788,414
Machinery and equipment.....	825,715	813,870	8,938	9,326	834,653	823,196
Infrastructure:						
State highway system.....	29,266,797	27,479,968	—	—	29,266,797	27,479,968
NC toll road system.....	—	—	1,388,319	1,418,003	1,388,319	1,418,003
General infrastructure.....	231,343	229,302	6,596	6,933	237,939	236,235
Computer software.....	274,513	289,609	831	955	275,344	290,564
Art, literature, and other artifacts.....	144,501	140,595	1,286	1,277	145,787	141,872
Construction in progress.....	3,138,055	3,093,913	307,561	138,040	3,445,616	3,231,953
Computer software in development.....	712,600	632,329	—	—	712,600	632,329
<b>Total.....</b>	<b>\$57,504,322</b>	<b>\$54,696,395</b>	<b>\$2,244,625</b>	<b>\$ 1,940,446</b>	<b>\$59,748,947</b>	<b>\$56,636,841</b>

Total percent change between  
fiscal years 2019 and 2020

5.13 %

15.68 %

5.49 %

The largest component of capital assets is the state highway system. North Carolina has an 80,159 mile highway system, making it the second largest state-maintained highway system in the nation. The major capital asset activity during the current fiscal year included the following:

- ◆ The N.C. Department of Transportation reported year-end construction in progress of \$2.74 billion for state highway projects. Additionally, the N.C. Turnpike Authority (business-type activity) reported year-end construction in progress of \$225.75 million for the Complete 540 project. This project involves completing the 540 loop around the greater Raleigh area by extending the Triangle Expressway 28 miles. The NCTA also has \$35.6 million construction in progress for the Mid-Currituck Bridge project. This project is a seven-mile roadway toll project, which includes a two-lane bridge that spans the Currituck Sound and connects the Currituck county mainland to the Outer Banks. It also includes a second two-lane bridge that spans Maple Swamp on the Currituck county mainland.
- ◆ The Department of Agriculture and Consumer Services is constructing a new state-of-the-art laboratory complex to replace four labs whose average age is more than 40 years. The Agricultural Sciences Center will contain offices and labs that perform tests for the following divisions in the department: Food and Drug Protection, Stands, Structural Pest Control and Pesticides, and Veterinary. The new laboratory complex is financed from the Connect NC bonds approved by voters in March 2016. At year-end, construction in progress for the Agricultural Sciences Center totaled \$66.6 million.
- ◆ The Department of Health and Human Services (DHHS) is replacing major legacy IT systems. NC FAST, the new system for managing and administering social services benefits, will improve the way DHHS and the 100 county departments of social services conduct business. At year-end, computer software in development for NC FAST totaled \$679.38 million.
- ◆ The State has commitments of \$5.755 billion for the construction of highway infrastructure (\$5.302 billion for governmental activities and \$453 million for business-type activities), which are expected to be financed by gasoline tax collections, motor vehicles fees, toll collections, federal funds, and debt proceeds. Other commitments of \$157.24 million for the construction and improvement of state government facilities are expected to be financed primarily by debt proceeds, state appropriations, and federal funds.

# Financial Highlights

## Debt Administration

At year-end, the State had total long-term debt outstanding (bonds, special indebtedness, and notes from direct borrowings) of \$7.48 billion, an increase of 6.03% 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	
	2020	2019	2020	2019	2019	2019
General obligation bonds.....	\$ 2,605,380	\$ 2,424,075	\$ —	\$ —	\$ 2,605,380	\$ 2,424,075
Special Indebtedness:						
Limited obligation bonds.....	1,774,945	1,946,915	—	—	1,774,945	1,946,915
GARVEE bonds.....	959,525	1,046,580	—	—	959,525	1,046,580
Revenue bonds.....	—	—	1,917,358	1,456,614	1,917,358	1,456,614
Notes from direct borrowings.....	43,937	47,676	177,925	132,087	221,862	179,763
Total .....	\$ 5,383,787	\$ 5,465,246	\$ 2,095,283	\$ 1,588,701	\$ 7,479,070	\$ 7,053,947

Total percent change between  
fiscal years 2019 and 2020

(1.49) %

31.89 %

6.03 %

During the 2020 fiscal year, the State issued \$600 million in general obligation bonds for its governmental activities. The general obligation bonds were issued pursuant to the Connect NC Bond Act of 2015 and will provide financing for various capital improvements throughout the State as authorized in the Act. Also, the N.C. Turnpike Authority (NCTA), a business-type activity, issued \$486.95 million in revenue bonds. The revenue bond proceeds will be used to finance the construction of the Triangle Expressway.

In connection with these bond issues, 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 credit rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices. The rating agencies recognized the State's historically conservative budgeting, financial management, and debt issuance practices. North Carolina remains one of only 13 states with a triple-A rating from all three rating agencies.

The State's total long-term debt (bonds, special indebtedness, and notes from direct borrowings) reported in governmental activities has increased from \$3.48 billion in 2002 to \$5.38 billion in 2020, in part due to large issuances of non-general obligation debt (special indebtedness) for higher education capital projects. Prior to 2003, the State only issued general obligation debt. The NCTA, a business-type activity, had its first debt issuance in 2010. The NCTA's long-term debt has increased from \$691.56 million in 2010 to \$2.1 billion in 2020.



Oak Island Lighthouse

# Financial Highlights

## Demographic and Economic Indicators

The following tables illustrate comparative information for the State:

### SCHEDULE OF DEMOGRAPHIC DATA

For the Years 2016-20

Year	Population		Per Capita Income (whole dollars)		North Carolina Civilian Labor Force Data		North Carolina-Other Data (units)	
	North Carolina Population	N.C. Increase from Prior Period	North Carolina	N.C. as a Percentage of U.S.	Employed	Unemployed Percentage Rate	Motor Vehicles Registered	Residential Construction Authorized
2020	10,595,645 est.	1.03%	\$ 47,767 est.	84.56%	4,430,134	7.50%	9,876,946	36,244
2019	10,488,084	1.03%	\$ 47,766	84.56%	4,868,076	4.20%	9,548,341	34,313
2018	10,381,615	1.10%	46,216	84.64%	4,787,584	4.20%	9,403,076	36,166
2017	10,268,233	1.12%	44,409	85.21%	4,700,760	4.20%	9,513,210	30,055
2016	10,154,788	1.23%	42,816	85.61%	4,614,694	4.90%	9,328,899	27,230

### TAXABLE SALES BY BUSINESS GROUP

For the Fiscal Years 2016-2020

(Dollars in Thousands)

	2020	2019	2018	2017	2016
<b>General merchandise</b> (includes discount and department stores, industrial supply dealers).....	\$ 45,601,205	\$ 41,960,513	\$ 38,965,273	\$ 38,193,321	\$ 35,258,344
<b>Food</b> (includes restaurants, taverns, grocery,	29,256,742	29,981,154	28,318,061	27,164,722	26,204,343
<b>Lumber &amp; building material</b> (includes material, electrical, plumbing supply, sheet metal fabrication) .....	19,048,555	18,383,205	16,500,032	15,426,794	13,635,227
<b>Automotive</b> (includes dealers, garages, automotive	9,837,130	9,691,420	9,098,884	9,058,317	7,667,914
<b>3% and 4.75% tax group</b> (includes manufactured	705,394	647,756	588,128	541,143	479,938
<b>Furniture</b> (includes stores, appliance dealers,	5,050,850	5,182,589	4,914,916	4,778,592	4,372,666
<b>Apparel</b> (includes clothing, boot, and shoe stores,	5,620,937	6,018,989	5,700,497	5,648,766	5,414,102
<b>Unclassified</b> (includes lodging, medical supply, office	44,629,147	44,693,250	41,113,549	38,358,149	35,124,312
Total.....	<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>
General State Sales Tax Rate	4.75%	4.75%	4.75%	4.75%	4.75%

# Financial Highlights



## Demographic and Economic Indicators (cont'd)

### PRINCIPAL EMPLOYERS

For the Fiscal Years 2011 & 2020

	2020			2011		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina.....	180,000-184,999	1	4.12%	180,000-184,999	1	4.50%
Federal Government.....	75,000-79,999	2	1.75%	65,000-69,999	2	1.66%
Wal-Mart Associates, Inc.....	45,000-59,999	3	1.19%	50,000-54,999	3	1.29%
Duke University.....	40,000-44,999	4	0.96%	25,000-29,999	4	0.68%
Food Lion.....	35,000-39,999	5	0.85%	20,000-24,999	6	0.55%
Charlotte-Mecklenburg Hospital Auth.....	35,000-39,999	6	0.85%	25,000-29,999	5	0.68%
Wells Fargo Bank NA.....	30,000-34,999	7	0.73%	20,000-24,999	7	0.55%
Lowes Home Centers, Inc.....	20,000-24,999	8	0.51%	15,000-19,999	10	0.43%
Wake County Public Schools.....	20,000-24,999	9	0.51%	15,000-19,999	9	0.43%
Bank of America NA.....	20,000-24,999	10	0.51%	-	-	-
Charlotte-Mecklenburg Bd Education.....	-	-	-	15,000-19,999	8	.43%
<b>Total.....</b>	<b>500,000-559,990</b>		<b>11.98%</b>	<b>430,000-479,990</b>		<b>11.20%</b>

### TEACHERS AND STATE EMPLOYEES BY FUNCTION

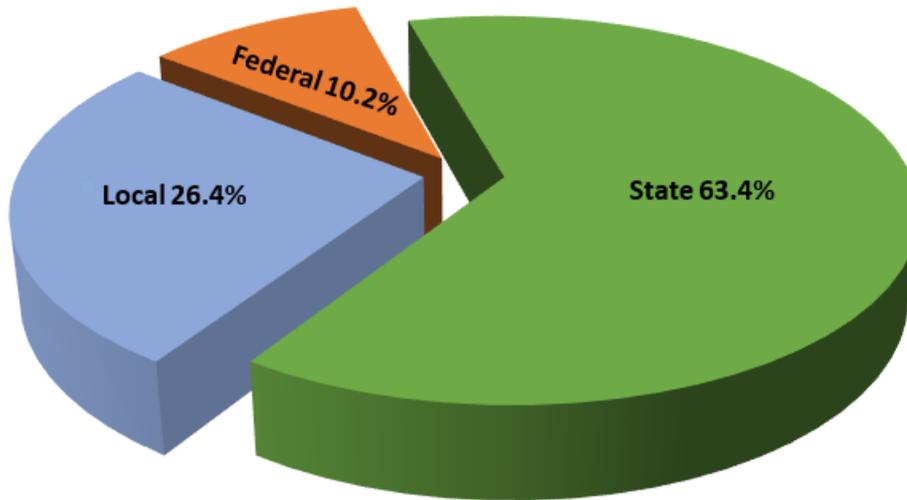
For the Fiscal Years 2016-2020

	2020	2019	2018	2017	2016
General government.....	5,631	5,501	4,983	5,160	4,857
Primary and secondary education.....	156,693	155,755	151,263	153,236	154,079
Higher education:					
Universities.....	67,166	65,697	64,028	63,345	62,194
Community colleges.....	17,761	18,095	18,028	18,021	18,129
Health and human services.....	18,270	18,098	18,038	17,970	17,552
Economic development.....	2,554	2,141	2,136	2,340	3,365
Environment and natural resources.....	4,157	4,140	4,128	4,112	4,148
Public safety, corrections and regulation.....	34,963	34,034	34,089	34,009	33,966
Transportation.....	11,669	11,666	12,141	12,578	12,591
Agriculture.....	2,159	2,088	2,082	2,077	2,066
<b>Total.....</b>	<b>321,023</b>	<b>317,215</b>	<b>310,916</b>	<b>312,848</b>	<b>312,947</b>

## Education Highlights (Primary and Secondary)

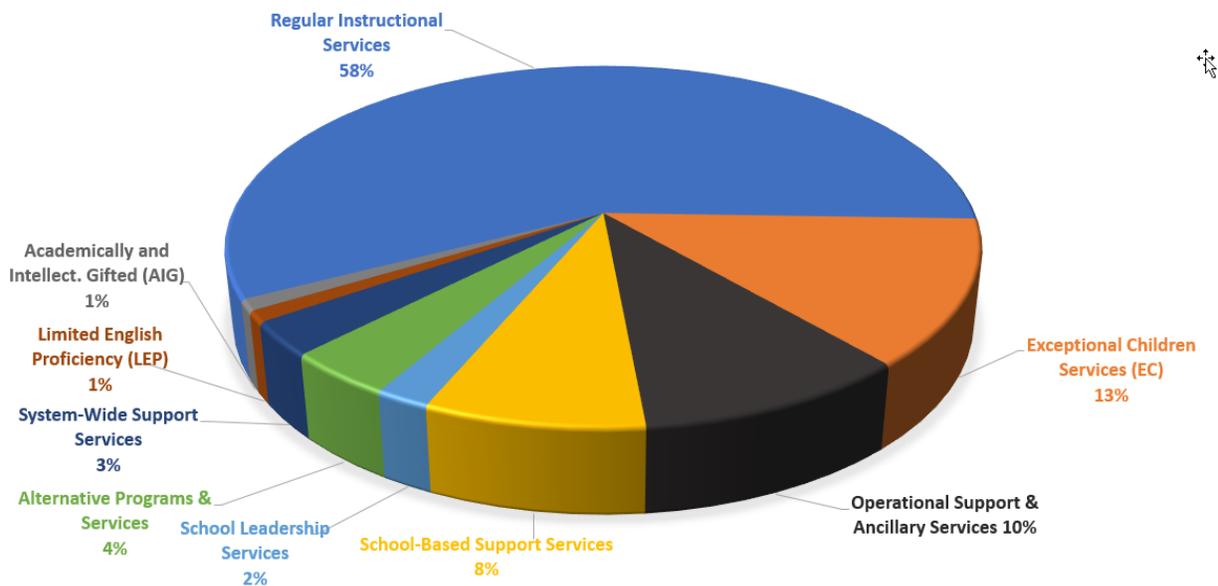
North Carolina public schools are funded through a combination of state funds allotted from the State's General Fund, federal, and local funds. The chart below shows expenditures by funding source:

**SOURCE OF EXPENDITURES FY 2018 - 19**



Of the \$9.13 billion State Public School Fund for fiscal year 2018-2019, all but 6% was used for salaries and benefits.

**HOW STATE FUNDS WERE EXPENDED FY 2018 - 19**



# Financial Highlights

## North Carolina Education Lottery

For the 14th year in a row, the N.C. Education Lottery set a new record for lottery ticket sales in fiscal year 2019-2020 and set a new record for money raised for education programs in North Carolina. Ticket sales exceeded \$3 billion for the first time ever, climbing to \$3.02 billion. Sales increased 5.5%, up from \$2.86 billion last year. The Lottery continued its record of increasing sales every year of its operations. From these sales, the Lottery also set a new record for the amount of money raised for the State, raising \$729 million, up 3%, or an additional \$20.2 million.

Scratch-off tickets continued to be the Lottery's most popular product, generating \$2.09 billion in sales, or 69% of revenue. Scratch-off sales also set a record, exceeding \$2 billion for the first time ever. The Lottery launched 54 new scratch-off games during the year.

During the year, Lottery players received \$1.95 billion in prize money including 61 prizes of \$1 million or more. The biggest prizes won were two \$10 million prizes—the largest scratch-off prizes offered in the state—in the \$300,000,000 Supreme Riches game. Last year, the Lottery averaged \$8.2 million a day in ticket sales, \$5.3 million in prizes, and \$2 million a day raised for education. The Lottery ended the fiscal year with 7,015 retail locations across the State. Those retailers earned \$210.4 million in sales commissions and incentives.

The Lottery again received an “unmodified opinion” from independent auditors in its most recent, and all prior financial audits. The Lottery currently holds the highest level of responsible gaming certification recognized internationally. The Level 4 accreditation, awarded by the World Lottery Association, attests that the Lottery has implemented responsible gaming practices into its day-to-day operations and is committed to continuous improvement of them. The principles govern the protection of lottery players, cooperation with stakeholders, advertising practices, and the monitoring of game activities.

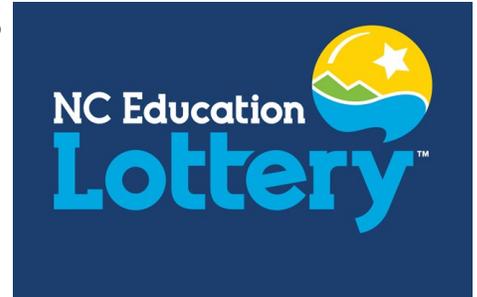
As part of a commitment to continuous improvement, the Education Lottery began a new program in January 2020 called Play Smart designed to give those who choose to buy lottery tickets the resources and tools they need to make smart decisions before they play. With Play Smart, the Education Lottery became the first U.S. lottery to start an original player-focused responsible gaming and prevention program centered on the education, encouragement, and empowerment of lottery players.

The State Lottery Act directs the Lottery to increase and maximize the available revenues for education purposes. In the 2019-2020 fiscal year, a breakdown of revenues showed 64.7% went to prizes, 24.1% for education programs, 7% in retailer commissions, and the remaining 4.2% to administrative expenses.

The Lottery transferred its net profits monthly to the Office of State Budget and Management and into the North Carolina State Lottery Fund. Funds were then distributed as outlined in the state budget. The General Assembly reports the following allocation of money raised by the Lottery in fiscal year 2019-2020:

- \$385.9 million to non-instructional support personnel;
- \$100 million for the Public School Building Capital Fund, which provides monies to North Carolina counties to build and repair schools;
- \$73.2 million to the Needs-Based Public School Capital Fund, which provides financial assistance to low-wealth counties to build new schools;
- \$78.2 million to the N.C. Pre-K program to fund seats in the prekindergarten program for at-risk four-year-olds;
- \$23.3 million for N.C. Education Lottery Scholarships, which are awarded based on financial need to students attending a state university or community college;
- \$10.7 million to the UNC Need-Based Grant program, which provides financial aid based on need to students attending one of the 16 UNC system institutions and;
- \$21.4 million to support school transportation for each of the State's school systems.

The N.C. General Assembly allocates lottery revenues that exceed projections to the Needs-Based Public School Capital Fund. With that decision, \$27.6 million in additional monies raised in fiscal year 2019-2020 will go to the Fund. The General Assembly also directed transfers of \$2.1 million in profits to the N.C. Alcohol Law Enforcement and \$1 million to the N.C. Problem Gambling Program.

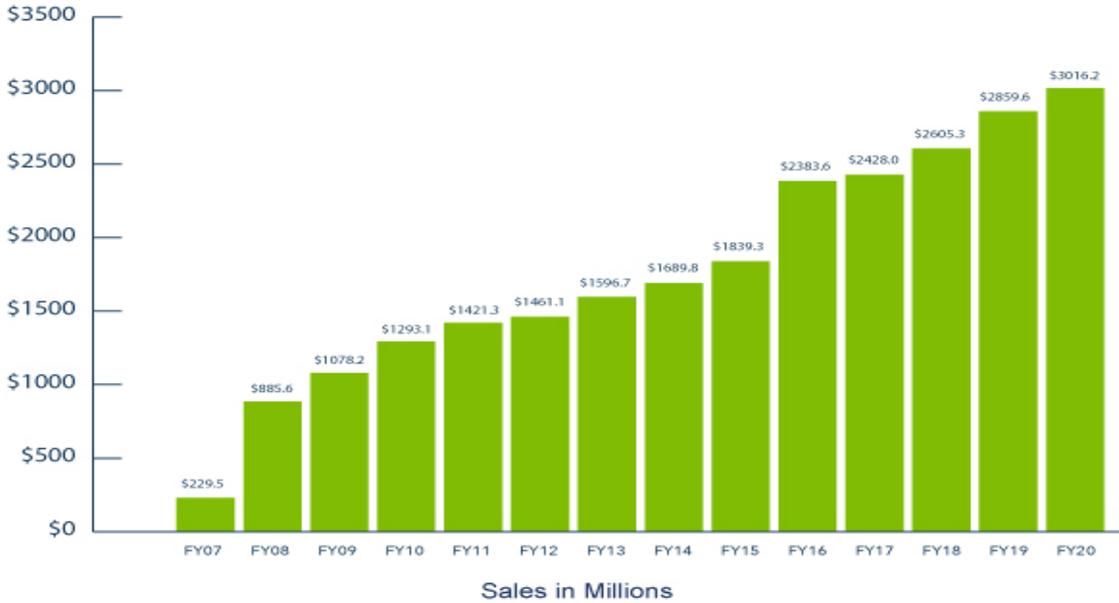


# Financial Highlights

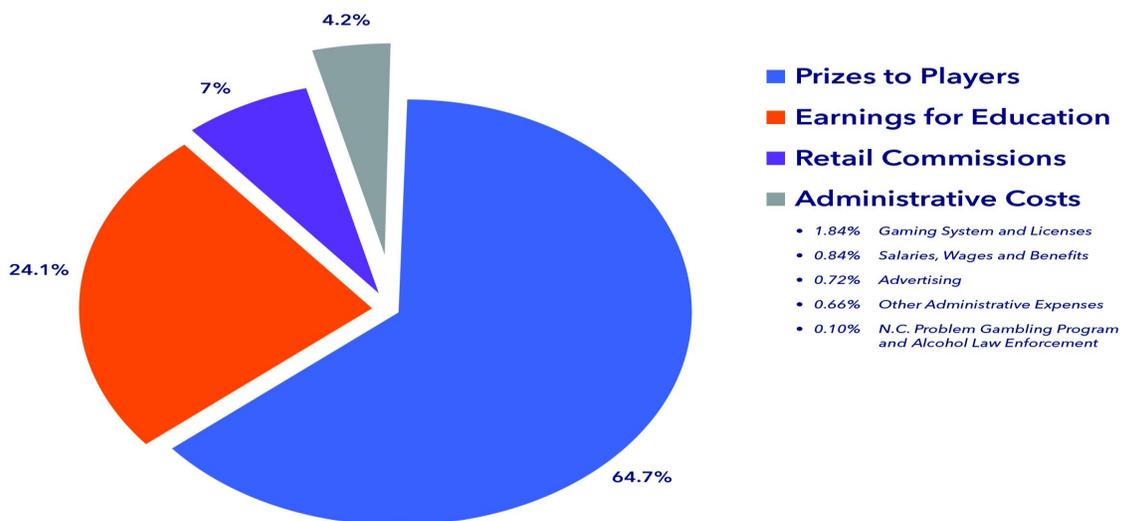
## North Carolina Education Lottery (cont'd)

The following tables illustrate how lottery funds were distributed for education in fiscal year 2020:

### Lottery Sales



### FY20 Distribution of Revenue



# Financial Highlights

## Transportation Highlights

Related to the fiscal year 2020, the North Carolina Department of Transportation (NCDOT) listed the following as some of its key initiatives launched and project advancements:

- ◆ Opening of the Salem Parkway/U.S. 421 in February 2020. The 2-year project has increased mobility and made it much safer for travelers in Winston-Salem.
- ◆ Completion of important work on U.S. 421 outside of Wilmington. U.S. 421 was destroyed by flooding from Hurricane Florence. After the hurricane, engineers replaced the culvert under U.S. 421 with two 2-lane bridges. This has made this vital transportation corridor more resilient to impacts from future storms.
- ◆ The Ferry Division received four new tugboats and two new barges in October 2019. The State-funded boats, built in Louisiana, will help the Division's dredging and marine maintenance efforts.
- ◆ In the Rail Division, NCDOT received an \$80 million federal grant to replace aging engines and passenger cars on its *Piedmont* trains that run between Charlotte and Raleigh.
- ◆ NCDOT and N.C. State Parks are in the final stages of developing the Great Trails State Plan. The plan started earlier this year, and will use existing plans and recommendations to identify a network of paths and trails to connect every county in North Carolina. NCDOT has collected more than 11,000 responses about the types and locations of trails people would like.
- ◆ In January 2020, the Port of Wilmington was named the fastest growing port in the nation by the American Council of Engineering Companies. In April 2020, the Port added a new refrigeration yard, greatly increasing the amount of space to refrigerate goods.
- ◆ The North Carolina Division of Motor Vehicles (NCDMV) began online appointment scheduling for 12 driver services. Customers who need to use a license office can make appointments up to 45 days in advance. NCDMV also added an online service to allow customers to apply to register to vote.
- ◆ NCDOT's COVID-19 response included launching the nation's first emergency drone operation for a hospital pandemic response. The drone operation was launched as part of an NCDOT program to deliver critical equipment and medical supplies to a healthcare network in the Charlotte area. Two more COVID-19 relief medical drone package delivery operations were launched later in the year.
- ◆ Also in response to COVID-19, NCDOT disbursed CARES Act funding that helped keep many North Carolina airports operating during the economic downturn brought on by the pandemic.

*Information provided by the North Carolina Department of Transportation*



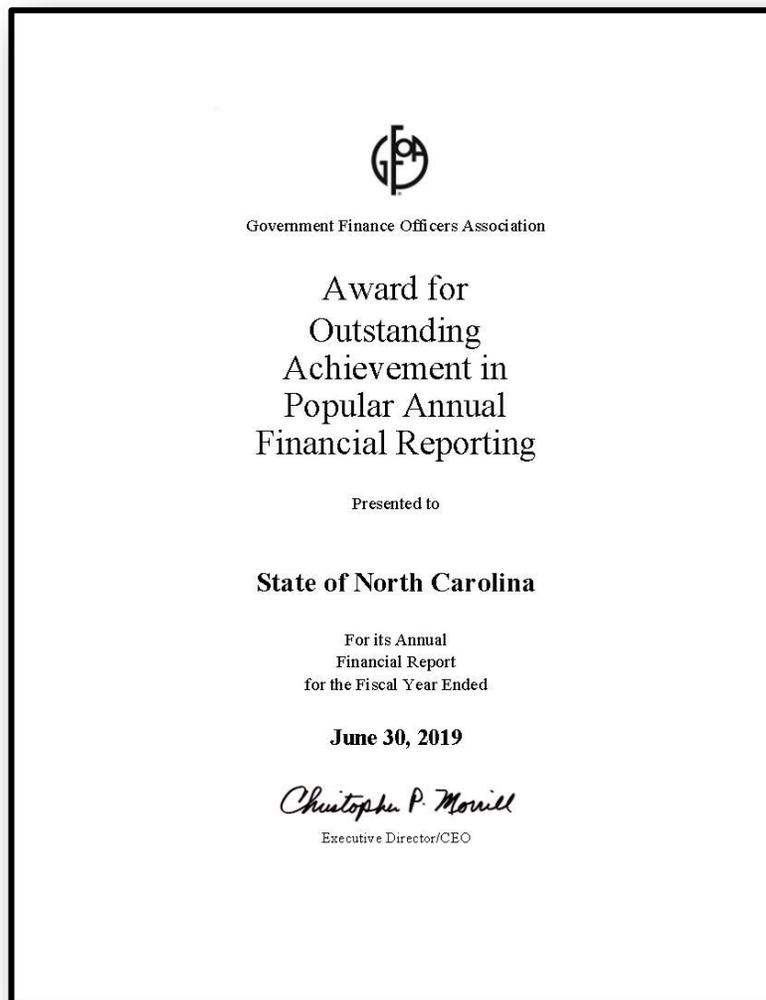
# Financial Highlights

## Award for Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the State of North Carolina for its Popular Annual Financial Report for the fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The State of North Carolina has received a Popular Award for the last 22 consecutive years (fiscal years ended 1998-2019). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.



*25 copies of this public document were printed at a cost of \$167.59 or \$6.70 per copy.*