**Notes to the Financial Statements**

***Disclaimer: The Agency pro forma is designed as a guide for the most common scenarios encountered by Agencies; however, financial reporting responsibility rests solely with the preparer. The pro forma includes only the common disclosures at government entities. Refer to the GASB Codification for full disclosure requirements.***

***[Note to Preparer: If preparing rounded statements* ensure that all cents are removed from cell values entirely *(i.e. do not just hide cents via cell formatting) to ensure charts will properly foot and crossfoot.]***

***[Note to Preparer2: Disclosures have been provided for the most common items reported on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. However, additional disclosures may be required for the specific items reported. Refer to GASB Statement No. 84 and GASB Implementation Guides.]***

# Note 1 - Significant Accounting Policies

1. **Organization** - The North Carolina Department of [XYZ] (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department is charged with [describe purpose and responsibilities]. The operations of the Department are led by the [Secretary of XYZ], a member of the Governor’s cabinet. ***[Modify last sentence as necessary.]***

***[Modify as necessary to include additional entity information.]***

1. **Financial Reporting Entity** -The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The Department is a part of the State of North Carolina and an integral part of the State’s *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the Department [and its component units]. The Department’s accounts and transactions are included in the State’s *Annual Comprehensive Financial Report* as part of the State’s governmental funds [, proprietary funds, fiduciary funds, and component units]. ***[Modify paragraph as necessary.]***

***[Include paragraph below if certain funds issue separate financial statements - delete if not applicable]***

Complete financial statements for [Fund Name], which are included in the Department’s financial statements, may be obtained from the [Office of the State Auditor, 2 South Salisbury Street, 20601 Mail Service Center, Raleigh, NC 27699 or can be accessed from the Office of State Auditor website at https://www.auditor.nc.gov/].

***[Include paragraphs below if Discretely Presented Component Units (DPCU(s)) - delete if not applicable]***

The Department’s component unit[s] is[are] discretely presented in the Department’s financial statements. See below for further discussion of the Department’s component unit[s].

***[Explain the basis for including each component unit in the reporting entity and how to obtain a copy of their financial statements. Example below. If only one component unit, modify the sentence above and paragraphs below.]***

**Discretely Presented Component Unit*(s)***

**[DPCU full name]** - The [Full name] ([short name]) is a legally separate entity established to [purpose]. It is governed by [describe board size and appointments]. The Department has obligated itself to provide significant funding to the [short name]; therefore, a financial benefit/burden relationship exists between the Department and the [short name]. ***[Modify as necessary].***

***[Disclose all significant transactions between the Department and its major discretely presented component units.]***

During the year ended June 30, 2022, the Department distributed $\_\_\_\_\_\_\_\_\_\_\_\_ to the [short name] for both restricted and unrestricted purposes. ***[Modify as necessary.]***

Complete financial statements for the Department’s component unit[s] may be obtained from the [Office of the State Auditor, 2 South Salisbury Street, 20601 Mail Service Center, Raleigh, NC 27699 or can be accessed from the Office of State Auditor website at https://www.auditor.nc.gov/].

**OR**

The [short name] does not issue separate financial statements. The statement of net position, statement of changes in net position, and the statement of cash flows of the [short name] are included in these statements but shown separately as it is considered to be a legally separate entity.

**C. Basis of Presentation** -The Department’s records are maintained on a cash basis throughout the year, but adjustments are made at the end of the fiscal year to convert to GAAP for government entities. The financial statements are prepared according to GAAP as follows:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* and GASB Statement No. 84, *Fiduciary Activities,* require the presentation of government-wide and fund level financial statements. See below for a description of each fund. The financial statements presented are governmental fund [, proprietary fund, and fiduciary fund] financial statements of the Department. Because the Department is not a separate entity, government-wide financial statements are not prepared. ***[Modify as necessary.]***

***[Modify the following paragraphs as necessary - delete if not applicable.]***

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental funds [, proprietary funds, and fiduciary funds], each displayed in separate columns within the fund’s financial statements. Throughout the report, the term Department is used to refer to the governmental funds [, proprietary funds, and fiduciary funds] combined, unless otherwise specifically noted. ***[Modify as necessary.]***

The Department’s financial statements consist of the following major governmental fund(s):

**General Fund** - This fund is the Department’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fund Name** - [Describe]

All remaining governmental funds are aggregated and reported as Other Governmental Funds in a separate column in the financial statements. The other governmental funds include [Fund Name(s)] and are used for [describe].

The Department’s financial statements consist of the following major proprietary fund(s):

**Fund Name** - [Describe]

All remaining proprietary funds are aggregated and reported as Other Proprietary Funds in a separate column in the financial statements. The other proprietary funds include [Fund Name(s)] and are used for [describe].

The Department’s financial statements consist of the following fiduciary fund(s):

**Fund Name** - [Describe]

All remaining fiduciary funds are aggregated and reported as Other Fiduciary Funds in a separate column in the financial statements. The other fiduciary funds include [Fund Name(s)] and are used for [describe].

**D. Measurement Focus and Basis of Accounting**

**Governmental Funds** –Governmental fund financial statements have been prepared 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]. ***[Modify as necessary.]***

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. [Describe exceptions to 31 days rule, if any.] Expenditures are recorded when a liability is incurred, except for [compensated absences, workers’ compensation, pollution remediation, and financing agreements], which are recognized as expenditures when payment is due.Pension and other postemployment benefit (OPEB) contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period. ***[Modify as necessary.]***

Since capital asset and long-term liability accounts relating to the governmental funds are reported only at the statewide level, these amounts are not included in the Department’s governmental fund financial statements. However, these amounts are reported in the Department’s Notes to the Financial Statements.

**Proprietary Fund(s)** - Proprietary fund financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. ***[Delete if not applicable.]***

**Fiduciary Fund(s)** - Fiduciary fund financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. These balances do not belong to the Department and are not considered to be assets or liabilities of the Department. ***[Delete if not applicable.]***

**Component Units** - The [Component unit] financial statements were prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. ***[Delete if not applicable.]***

Nonexchange transactions, in which the Department receives (or gives) value without directly giving (or receiving) equal value in exchange, include [investment earnings (or losses), state appropriations, escheated property, and certain grants and similar assistance]. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection. ***[Modify as necessary.]***

The preparation of financial statements, in conformity with GAAP, requires management of the Department to make estimates and judgments that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and the disclosures and contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates. Should actual results differ from those estimates, changes will flow through the financial statements during the year of change and will be disclosed, if material. ***[Delete if no significant estimates]***

**E. Cash and Cash Equivalents** -This classification includes [undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and] deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. ***[Modify as deemed necessary based on Department’s deposits.]***

***OR***

***[If all of the Department’s investments are held in the STIF:]***

**E. Cash and Cash Equivalents** -This classification includes [undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and] deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Department’s equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note **XX**. ***[Modify as deemed necessary based on Department’s deposits.]***

**F. Investments** -To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note **XX**. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income. ***[Modify as deemed necessary.]***

***[Note to preparer: This paragraph should include all of the Department’s investments that are not measured at fair value (i.e. investments not disclosed in Note X. See GASB Codification Section I50.121-123 for exceptions to fair value reporting. Remove entire paragraph F if all of the Department’s investments are held in the STIF.]***

**G. Receivables** - Receivables consist of amounts that have arisen in the ordinary course of business.

Accountsreceivable for the [governmental funds, proprietary funds, fiduciary funds] primarily include amounts due from [*Example:* individuals, companies, third party providers] in connection with [describe]. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded. **OR** Receivables are recorded net of estimated uncollectible amounts.

Intergovernmental receivables for the [governmental funds, proprietary funds, fiduciary funds] include amounts due from [*Example:* the federal government, state and local governments] in connection with [describe]. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded. **OR** Receivables are recorded net of estimated uncollectible amounts.

***[Modify above as necessary, based on the types and sources of receivables.]***

**H. Due from/to [Other Funds, State Agencies, Component Units]** -Activities between the [Department’s funds, State agencies, Component Units] are composed of amounts due from or due to [other funds of the Department, State agencies, Component Units]. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded. ***[Modify as deemed necessary.]***

**I. Inventories** -Inventories, consisting of [general supplies and materials], are valued at cost using the [first-in, first-out (FIFO) or average cost method]. Inventories of the [governmental funds] are recorded as expenditures when consumed rather than when purchased. ***[Modify as deemed necessary.]***

**J. Capital Assets** - ***[Note to preparer: This section only applies to proprietary funds. For department’s with governmental funds only, capital assets are not reported on the face of the financial statements; therefore, this is not considered a significant accounting policy. Move this information to the capital asset note disclosure.]*** Capital assets, which include property, plant, and equipment, are reported as expenditures in the governmental funds. Consequently, capital asset balances are not reported on the face of the governmental funds’ financial statements, but are reported in Note **XX** of the Department’s Notes to the Financial Statements. Capital assets are reported on the face of the proprietary fund financial statements. ***[Delete sentence if no proprietary funds.]***

Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. ***[Modify as necessary.]***

Generally, capital assets are defined by the Department 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 which is capitalized when the value or cost is greater than or equal to $1,000,000. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of $\_\_\_\_\_ or greater and an estimated useful life of more than one year.The value of assets constructed includes all material direct and indirect construction costs. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service. ***[Note to preparer: Adjust to the Department’s specific capitalization policy.]***

Depreciation and amortization is/are recorded at the statewide level for governmental funds. Depreciation and amortization is/are computed using the straight-line method over the estimated useful lives of the assets in the following manner: ***[Note: Remove ‘and amortization’ if it is not applicable to your entity]***



***[Modify as necessary.] The asset classes in the table above should agree with the Department’s classes of capital assets as reported in the Capital Asset note.***

Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset’s estimated useful life, unless the lease contains a purchase option the Department is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset’s estimated useful life. ***[Remove if no right-to-use lease assets reported]***

The Department does not capitalize the **[fill in the title]**collection*(s)*. This/*(These)* collection*(s)* adhere*(s)* to the Department’s policy to adequately maintain for [public exhibition, education, or research; protect, keep encumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items]. ***[Modify as necessary.]*** Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

***AND/OR***

The **[fill in the title]**collection*(s)* is/*are* capitalized at cost or acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. This/*(These)* collection*(s)* is/*are* depreciated over the life of the collection using the straight-line ***[or other, describe]*** method. The estimated useful life/*(lives)* for the collection*(s)* is/*are* **[fill in years]**.

***OR***

The **[fill in the title]** collection*(s)* is/*are* capitalized at cost or acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. This/*(These)* collection*(s)* is/*are* considered inexhaustible and is/*are* therefore not depreciated.

**K. Payables**

Accountspayable for the [governmental funds, proprietary funds, fiduciary funds] include amounts due to [*Example:* individuals, companies, third party providers] in connection with [describe].

Intergovernmental payables for the [governmental funds, proprietary funds, fiduciary funds] include amounts due to [*Example:* the federal government, state and local governments] in connection with [describe].

***[Modify above as necessary, based on the types and sources of payables.]***

**L. Unearned Revenue** -Unearned revenue for the [governmental funds, proprietary funds] represents [describe]. ***[Modify as necessary. Delete if not applicable.]***

**M. Long**-**Term Liabilities *[Note to preparer: This section only applies to proprietary funds. For department’s with governmental funds only, long-term liabilities are not reported on the face of the financial statements; therefore, this is not considered a significant accounting policy. Move this information to the long-term liabilities note disclosure.]*** - General long-term liabilities for the governmental funds are not recognized in the governmental funds until they become due. Consequently, the general long-term liabilities not yet due are not reported on the face of the governmental funds’ financial statements, but are disclosed in Note **XX** of the Department’s Notes to the Financial Statements. Long-term liabilities for the proprietary funds are reported on the face of the proprietary funds’ financial statements and disclosed in Note **XX**.

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: [revenue bonds payable, special indebtedness, notes from direct placements, notes from direct borrowings, and bond anticipation notes]. Other long-term liabilities include: [arbitrage rebate payable, annuities and life income payable, pollution remediation payable, asset retirement obligations, leases payable, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers’ compensation liability]. ***[Modify as necessary.]***

**Bonds Payable and Special Indebtedness** - Revenue bonds payable and special indebtedness are reported net of unamortized premiums or discounts. The Department amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight‑line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred. ***[Modify as necessary, including if deferred gains/loss are disaggregated. Delete if not applicable.]***

**Net Pension Liability** - The net pension liability represents the Department’s proportionate share of the collective net pension liability reported in the State of North Carolina’s 2021 *Annual Comprehensive Financial Report*. This liability represents the Department’s portion of the collective total pension liability less the fiduciary net position of the Teachers’ and State Employees’ Retirement System. See Note **XX** for further information regarding the Department’s policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions. ***[Note to preparer: Your entity’s net pension liability is based upon the 2021 ACFR for your FY2022 statements and as such the references to the 2021 ACFR are accurate and should not be changed.]***

**Net OPEB Liability** - The net OPEB liability represents the Department’s proportionate share of the collective net OPEB liability reported in the State of North Carolina’s 2021 *Annual Comprehensive Financial Report.* This liability represents the Department’s portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note **XX** for further information regarding the Department’s policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB. ***[Note to preparer: Your entity’s net OPEB liability is based upon the 2021*** ***ACFR for your FY2022 statements and as such the references to the 2021*** ***ACFR are accurate and should not be changed.]***

**Compensated Absences** - Employees of the Department are permitted to accumulate earned but unused vacation pay benefits. In the proprietary funds, all vacation pay is accrued when incurred. When determining the vacation pay liability due within one year, leave is considered taken on a last in, first out (LIFO) basis. In the governmental funds, a liability for these amounts is reported only as payments become due each period upon the occurrence of relevant events such as employee resignations and retirements. This liability is reported in Note **XX** of the Department’s Notes to the Financial Statements.

The Department’s policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at calendar year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30. ***[Revise wording to actual policy of the Department, if different from above.]***

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into 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.

There is no liability for unpaid accumulated sick leave because the Department has no obligation to pay sick leave upon employee termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

***[Modify above as necessary, based on the types and long-term liabilities]***

**N. Deferred Outflows/Inflows of Resources** -Deferred outflows of resources represent 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. Deferred inflows of resources represent 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 then.

**O. Fund Balance/Net Position [If only governmental funds, remove Net Position and related section below]**

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

*Nonspendable Fund Balance* - These amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* - These amounts 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 Balance* - These amounts 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

*Assigned Fund Balance* - These amounts 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 this role to the Director of the Budget at OSBM.

*Unassigned Fund Balance* - This 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. ***[Modify as deemed necessary.]***

Expenditures are considered 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.

**Net Position** - Net position for the proprietary funds is classified as follows: ***[Delete if not applicable]***

*Net Investment in Capital Assets* - This represents the proprietary funds’ total investment in capital assets, [net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.] Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position. ***[Delete last sentence in this paragraph if not applicable to your entity. Additionally, remove the word ‘Net’ from this paragraph’s heading if there are no liabilities related to capital assets at your Department. Liabilities related to capital assets include retainage payable and any accounts payable that are attributable to the acquisition, construction, or improvement of capital assets.]***

*Expendable Restricted Net Position –* Expendable restricted net position includes resources for which the proprietary funds are legally or contractually obligated to spend in accordance with restrictions imposed by external parties. It includes the net position of accrued employee benefits such as [other postemployment benefits]. ***[Modify as deemed*** *necessary.]*

*Unrestricted Net Position* - This represents resources derived from [fees, sales and services, unrestricted grants/gifts, premiums and investment earnings]. It also includes the net position of accrued employee benefits such as [compensated absences, workers’ compensation, pension plans, and other postemployment benefits]. ***[Modify as deemed necessary.]***

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Department. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note **XX** for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

**Net Position** - Net position for the fiduciary funds is classified as follows: ***[Delete if not applicable]***

*Restricted Net Position*- Fiduciary net position includes resources for [list out types of fiduciary activities]that are not available for alternative use by the Department. ***[Modify as necessary to reflect actual circumstances - Delete if not applicable or significant for your Department.]***

***[Modify above as deemed necessary. Delete if not applicable.]***

**P. Revenues and Expenditures from/to Other State Agencies** -Revenues and expenditures from/to other state agencies for the governmental funds represent amounts that the Department obtains from or transfers to other agencies, institutions, or entities within the State of North Carolina. These transfers are not considered other financing sources or uses per GAAP, nor are they considered interfund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State’s *Annual Comprehensive Financial Report*.

**Q. Revenues and Expenses** -The proprietary funds classify revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds’ principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as [describe]. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. ***[Modify as deemed necessary.]***

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent [grants or assistance to the Department, as well as investment earnings], are considered nonoperating since these are either investing, capital, or noncapital financing activities. [Capital contributions are reported separately, after nonoperating revenues and expenses.] ***[Modify as deemed necessary.]***

**R. Transfers from/to State Reserve Fund** - These transfers are for funds obligated in the current year, but not spent at year-end, that will be carried forward to the next fiscal year. The Department must obtain authorization from the Office of State Budget and Management (OSBM) to carry forward funds. At year-end, these funds are transferred to the State Reserve Fund and held by the North Carolina Office of the State Controller until approval is granted from OSBM to return the funds to the Department in the next fiscal year. ***[Modify as deemed necessary. Delete if not applicable.]***

# Note 2 - Deposits *[For use by Departments with no Investments]*

Unless specifically exempt, the Department is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1 authorizes the State Treasurer to invest all deposits in the following: 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.

The amount shown on the governmental funds’ Balance Sheet as cash and cash equivalents included cash on hand totaling $\_\_\_\_\_\_\_ and deposits in private financial institutions with a carrying value and bank balance of $\_\_\_\_\_\_\_. As of June 30, 2022, $\_\_\_\_\_\_\_ of the Department’s bank balances was exposed to custodial credit risk as uninsured and uncollateralized. Custodial credit risk is the risk that in the event of a bank failure, the Department’s deposits may not be returned to it. As of June 30, 2022, the Department’s bank balance in excess of federal depository insurance coverage was covered under the pooling method.

***[Use the following paragraph if only governmental funds]***

At June 30, 2022, the Balance Sheet reported cash and cash equivalents of $\_\_\_\_\_\_\_, which represents the Department’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value.

***OR***

***[Use the following paragraph if BOTH governmental and proprietary funds]***

At June 30, 2022, the governmental funds’ Balance Sheet reported cash and cash equivalents of $\_\_\_\_\_\_\_. The proprietary funds’ Statement of Net Position reported cash and cash equivalents of $\_\_\_\_\_\_\_ for the same date. These amounts represent the Department’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value.

Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF)are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit 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’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

# Note 2 - Deposits and Investments *[For use by Departments with Investments]*

Unless specifically exempt, the Department is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. General Statute 147-69.1, authorizes the State Treasurer to invest all deposits in the following: 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.

The amount shown on the governmental funds’ Balance Sheet as cash and cash equivalents included cash on hand totaling $\_\_\_\_\_\_\_ and deposits in private financial institutions with a carrying value and bank balance of $\_\_\_\_\_\_\_. As of June 30, 2022, $\_\_\_\_\_\_\_ of the Department’s bank balances was exposed to custodial credit risk as uninsured and uncollateralized. Custodial credit risk is the risk that in the event of a bank failure, the Department’s deposits may not be returned to it. As of June 30,2022, the Department’s bank balance in excess of federal depository insurance coverage was covered under the pooling method.

***[Use the following paragraph if only governmental funds]***

At June 30, 2022, the Balance Sheet reported cash and cash equivalents of $\_\_\_\_\_\_\_, which represents the Department’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value.

***OR***

***[Use the following paragraph if BOTH governmental and proprietary funds]***

At June 30, 2022, the governmental funds’ Balance Sheet reported cash and cash equivalents of $\_\_\_\_\_\_\_. The proprietary funds’ Statement of Net Position reported cash and cash equivalents of $\_\_\_\_\_\_\_ for the same date. These amounts represent the Department’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value.

At June 30, 2022, the proprietary funds’ Statement of Net Position reported pooled investments of $\_\_\_\_\_\_\_, which represents the Department’s equity position in the State Treasurer’s Bond Index External Investment Fund (BIF). The BIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 8.75 years as of June 30, 2022. Assets and shares of the BIF are valued at fair value. ***[Remove this paragraph and reference to BIF below if not applicable]***

Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF **[and BIF]**)are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit 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’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.



# Note 3 - Fair Value Measurements

To the extent available, the Department’s investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets **(or liabilities)** in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset **(or liability)**, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset **(or liability)** and may require a degree of professional judgment.

***[Note to Preparer: Remove reference to liabilities above if the Department has no liabilities that are measured at fair value.]***

***[Note to Preparer: See GASB Codification Section I50.109 through 126 for exceptions to fair value reporting.]***

At June 30, 2022, the Department has the following investments: ***[Remove if only STIF]***

**Short-Term Investment Fund** -At year-end, the Department’s cash and cash equivalents, valued at $\_\_\_\_\_\_\_\_\_, were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Department’s position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

**Bond Index External Investment Fund** -At year-end, the Department’s investments, valued at $\_\_\_\_\_\_\_, were held in the BIF. Ownership interest of the BIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. Valuation of the underlying assets is performed by the custodian. The Department’s position in the pool is measured and reported at fair value and the BIF is not required to be categorized within the fair value hierarchy. ***[Delete if not applicable]***

# Note 4 - Receivables *[Modify title as necessary]*

*[Modify tables below as necessary. If no allowance for doubtful accounts, then only one column “Amount” is needed.* *Remove table for Fiduciary Funds/Proprietary Funds if not applicable.]*

Accounts receivable for the governmental funds at June 30, 2022 were as follows:

****

Accounts receivable for the proprietary funds at June 30, 2022 were as follows:

****

Accounts receivable for the fiduciary fund***(s)*** at June 30, 2022 were as follows:



***[Add further description as necessary]***

Intergovernmental receivables for the governmental funds at June 30, 2022 were as follows:



Intergovernmental receivables for the proprietary funds at June 30, 2022 were as follows:



Intergovernmental receivables for the fiduciary fund***(s)*** at June 30, 2022 were as follows:



***[Add further description as necessary]***

# Note 5 - Inventories *[Remove note if not considered significant]*

Inventories at June 30, 2022, were as follows:

***[Note to preparer: Modify as necessary and only include funds with significant inventory balances.]***

****

***[Add further description as necessary]***

# Note 6 - Capital Assets

A summary of changes in the governmental funds’ capital assets for the year ended June 30, 2022 is presented as follows: ***[See below table for disclosures related to impairment of capital assets and insurance recoveries.]***

***[Note to Preparer: Replace Other [Describe] with the name of any other major category of intangible assets capitalized by the Department. See GASB 51 for further guidance.]***



A summary of changes in the proprietary funds’ capital assets for the year ended June 30, 2022 is presented as follows: ***[Delete section if no Proprietary Funds]***



At year-end, the total amount of leased assets was $\_\_\_\_\_\_\_ and the related accumulated amortization was $\_\_\_\_\_\_\_.

***[Include the following disclosures where applicable, otherwise remove. Disclosures related to significant accounting policies should be included in Note 1 – Significant Accounting Policies (i.e. capitalization thresholds, explanation for assets not capitalized).]***

***[Note to preparer: Disclosure of assets pledged as collateral for debt now included in long-term liabilities disclosure with other GASB 88 requirements.]***

***[Note to Preparer: Identify any impairment loss in connection with capital assets. Insurance recoveries reported in years subsequent to the impairment loss should be reported as nonoperating revenue or extraordinary items, as appropriate. See GASB 42, paragraphs 17-22 for additional guidance.]***

The carrying amount of impaired capital assets idle at year end is $\_\_\_\_\_\_\_ for buildings and $\_\_\_\_\_\_\_ for machinery and equipment. ***[Modify as necessary.]***

Supplies and materials expense includes an impairment loss of $\_\_\_\_\_\_\_ due to \_\_\_\_\_\_\_\_\_\_, which is net of an insurance recovery of $\_\_\_\_\_\_\_\_\_. In addition, nonoperating revenues include an insurance recovery of \_\_\_\_\_\_ related to prior year impairments. ***[Modify as necessary.]***

***[Note to Preparer: If the Department has significant assets that were recorded at acquisition value, explain the methods that were used to determine the asset’s value.]***

# Note 7 - Payables *[Modify as necessary. Remove table for Fiduciary Funds/Proprietary Funds if not applicable]*

Payables for the governmental funds at June 30, 2022 were as follows:



Payables for the proprietary funds at June 30, 2022 were as follows:

****

Payables for the fiduciary funds at June 30, 2022 were as follows:

****

***[Add further descriptions as necessary]***

# Note 8 - Long-Term Liabilities

**[XYZ] Fund *[Note to Preparer: Complete a separate section for each major/significant fund OR distinguish funds within table below. Revise captions below as necessary. If the Department has discretely presented component units with material long‑term liabilities include a component unit section.]***

***[Note to Preparer:* *‘Special Indebtedness’ below includes Certificates of Participation (COPs) and Limited Obligation Bonds (LOBs). If your institution only has either COPs or LOBs, you may elect to change references to ‘special indebtedness’ in this note to specify which one. If your entity has both, aggregate them under the term ‘Special Indebtedness’ as provided in this disclosure.]***

***[Note to Preparer: Per GASB 88, direct placements are debt issuances with terms negotiated directly with the investor(s) and are not offered for public sale. Direct borrowing are those with terms directly negotiated with the lender. GASB 88 paragraph 6 requires that information related to direct placements and direct borrowings be separated from other debt in the notes to the financial statements.]***

1. **Changes in Long**-**Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2022 is presented as follows:

******

***[Note to Preparer: Based on current legislation and the FY21 Annual Comprehensive Financial Report, there is no amount due within one year for the Department’s net pension liability or net OPEB liability during FY22.]***

1. **Revenue Bonds Payable, Special Indebtedness, and Bonds/Notes from Direct Placements *[Modify title as necessary]*** -The Department was indebted for [revenue bonds payable, special indebtedness (which includes Certificates of Participation and Limited Obligation Bonds), and bonds/notes from direct placements] for the purposes shown in the following table: ***[Note to preparer: For bonds with interest rate swaps, the synthetic rate should be disclosed below as the interest rate and it should have an asterisk next to it per the note to the financial statement reader at the bottom of the table, identifying it as the synthetic rate. For bonds with installments where each has a different rate (hence a range of interest rates must be disclosed) only include interest rates that will be paid in the future (end of the fiscal year forward) (for example, do not include rates for installments that have already been paid.)]***



The Department has pledged future revenues, net of specific operating expenses, to repay revenue bonds, special indebtedness, and bonds/notes from direct placements as shown in the table below: ***[Modify if no special indebtedness or direct placements. Note 1 to preparer: If single revenue stream is pledged for multiple issuances, may combine disclosure. Note 2 to preparer: GASB 48 requires disclosure of percent of future revenues pledged, if estimable. A possible source of the estimate of future revenues is the official statement which may include an estimate of future revenues over the life of the debt. Note 3 to preparer: Evaluate Federal Interest Subsidy on Debt revenue to determine if it should be included in the following table.]***



***[If the Department has any outstanding demand bonds at year‑end, provide information required by GASB. The following are examples of this disclosure.]***

1. **Notes from Direct Borrowings** -The Department was indebted for notes from direct borrowings for the purpose**(s)** shown in the following table:



The Department plans to refinance the notes maturing on **[date]** with other long-term financing.

***[Report any long-term liabilities representing the Department’s obligation to make payments under a Licensing Agreement (for commercially available software acquired through a licensing agreement requiring multi-year payments) in the above Notes Payable table.]***

1. **Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:



***[If the Department refunded any bonds or had balances in escrow accounts from prior year refunds provide information required by GASB 7 paragraphs 11-14. The following are examples of this disclosure.]***

**E. Debt Authorized but Unissued** - At June 30, 2022, the Department had $\_\_\_\_\_\_\_\_ in authorized but unissued revenue bonds. ***[Modify as necessary.] [Note: If the authorized debt is issued at any point after the end of the fiscal year and disclosed as a subsequent event, remove this paragraph from the note.]***

***[If the Department has any outstanding demand bonds at year‑end, provide information required by GASB. The following are examples of this disclosure.]***

**F. 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 Department’s remarketing or paying agents.

***[See GASB COD – BAL SHT & OPER ST, Section D30: Demand Bonds for disclosure requirements.]***

**G. Terms of Debt Agreements** - ***[Per GASB 88 paragraph 5(b)-(c), disclosure should include assets pledged as collateral for debt as well as terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.]*** The Department’s debt agreements are subject to the following collateral requirements and terms with finance-related consequences: ***[Modify as necessary.]***

**Revenue Bonds Payable** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple series, as applicable. Omit if not applicable.]***

**Special Indebtedness** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple series, as applicable. Omit if not applicable.]***

**Bonds/Notes from Direct Placements** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple series, as applicable. Omit if not applicable.]***

**Notes from Direct Borrowings** - ***[Describe assets pledged as collateral and significant terms for other notes from direct borrowings. Similar terms can be referenced for multiple borrowings, as applicable. Omit if not applicable.]***

**Bond Anticipation Notes** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple notes, as applicable. Omit if not applicable.]***

***[Note to preparer: modify components above as necessary and add any additional debt components reported (e.g. capital appreciation bonds)]***

**H. Bond Defeasance** - The Department has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows: ***[See GASB 7 and 23 for additional guidance on current and advance refundings]***

***[Example of a current refunding:]***

On **[date],** the Department issued $\_\_\_\_\_\_\_ in **[Title of New Bond Issue]** refunding bonds with an average interest rate of \_\_\_%. The bonds were issued for a current refunding of $\_\_\_\_\_\_ of outstanding **[Title of Old Bond Issue]**bonds with an average interest rate of \_\_\_\_%. The refunding was undertaken to reduce total debt service payments by $\_\_\_\_\_\_ over the next \_\_\_ years and resulted in an economic gain of $\_\_\_\_\_\_\_. The substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited. ***[Note to Preparer: Departments should review trust or escrow agreements, bond indentures, etc. to determine if the substitution of risk-free monetary assets for in-substance defeasance transactions is prohibited. If substitution is prohibited, delete the last sentence in the paragraph above.]***

***[Example of a current year advance refunding.***

On **[date],** the Department issued $\_\_\_\_\_\_\_ in **[Title of New Bond Issue]** refunding bonds with an average interest rate of \_\_\_%. The bonds were issued to advance refund $\_\_\_\_\_\_ of outstanding **[Title of Old Bond Issue]**bonds with an average interest rate of \_\_\_\_%. The net proceeds of the refunding bonds *[along with other resources]* were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Department’s Statement of Net Position. The substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited. ***[Note to Preparer: Departments should review trust or escrow agreements, bond indentures, etc. to determine if the substitution of risk-free monetary assets for in-substance defeasance transactions is prohibited. If substitution is prohibited, delete the previous sentence.]*** This advance refunding was undertaken to reduce total debt service payments by $\_\_\_\_\_ over the next \_\_\_years and resulted in an economic gain of $\_\_\_\_. At June 30, 2022, the outstanding balance was $\_\_\_\_\_\_\_ for the defeased **[Title of Old Issue]**bonds.

**Prior Year Defeasances** -During prior years, the Department defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Department’s financial statements. At June 30, 2022, the outstanding balance of prior year defeased bonds was $\_\_\_\_\_\_\_\_\_.

For certain prior year defeasances, the substitution of essentially risk-free monetary assets with monetary assets that are essentially risk-free is not prohibited. At June 30, 2022, the outstanding balance of prior year defeased bonds for which substitution is not prohibited was $\_\_\_\_\_\_\_\_. ***[Note to Preparer: Departments should review trust or escrow agreements, bond indentures, etc. to determine if the substitution of risk-free monetary assets for in-substance defeasance transactions is prohibited. Delete this paragraph if substitution is prohibited.]***

***[Note to Preparer: If the Department defeased debt in the current year using only existing resources, or defeased debt in prior years using only existing resources, additional note disclosures are required. Refer to GASB ¶ 7-8 for guidance regarding the additional required disclosures.]***

**I. Bond Anticipation Notes** -On ***[Date]***, the Department entered into a loan agreement with ***[Lending Institution]*** for $\_\_\_\_\_\_\_\_ to be repaid with bond proceeds received in ***[Date]*** as disclosed in Subsequent Event Note \_\_\_. ***[Provide a description of what the proceeds were used to finance]***.

***[See GASB Statement 62 paragraph 36-40 for additional guidance.]***

**J. Annuities Payable** - ***[Provide description of annuities payable, if applicable.]***:

**K. Pollution Remediation Payable** - ***[See GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations. An example is provided as follows.]*** The Department has recognized a pollution remediation liability for **[describe the nature and source of liability]**. The amount of the estimated liability is $\_\_\_\_\_\_\_\_\_\_. This estimate was calculated **[describe the methods and assumptions used when calculating the estimated liability]**. This liability is subject to potential changes due to **[describe potential changes; for example, price increases or reductions, technology, or applicable laws or regulations]**. The amount of the estimated recoveries for this estimated liability is $\_\_\_\_\_\_\_\_\_\_\_. ***[Omit if not applicable. Modify as necessary.]***

The Department has a pollution remediation liability that could not yet be recognized because it is not reasonably estimable. This liability is **[provide a general description of the nature of the pollution remediation activities]**. ***[Omit if not applicable. Modify as necessary.]***

**L. Asset Retirement Obligations** - ***[See GASB 83 para. 27-29 for specific disclosure requirements. An example is provided as follows.]*** The Department has recognized asset retirement obligations for **[describe the nature and source of obligation(s). Should include information about the associated capital asset]**. The amount of the estimated liability is $\_\_\_\_\_\_\_\_. This estimate was calculated **[describe the methods and assumptions used to measure the liability]**. The estimated remaining useful life for **[associated capital asset]** is **XX** years. Funding and assurance provisions associated with this obligation are being met through the use of **[surety bonds, insurance policies, letters of credit, etc.]**. Assets in the amount of $\_\_\_\_\_\_\_ are restricted for the payment of these obligations. ***[Omit if not applicable. Modify as necessary.]***

The Department has an asset retirement obligation that could not yet be recognized because it is not reasonably estimable. This liability **[provide a general description of the nature of the obligation and reasons it is not reasonably estimable]. *[Omit if not applicable. Modify as necessary.]***

The Department has a minority share of an asset retirement obligation related to **[disclose asset and joint agreement. See GASB 83, paragraph 29 for required elements]**. ***[Omit if not applicable. Modify as necessary.]***

**Component Unit(s) *[If the Department has discretely presented component units with material long‑term liabilities, see component unit Audit report for applicable disclosures.]***

# Note 9 - Leases

The Department’s leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

￼

1. **Lease Receivable** - ***[Note to preparer: See GASB Statement No. 87, paragraph 37 and 57 for disclosure requirements. An example is provided as follows:]*** Measurement of the lease receivable excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the lease receivable that depend on changes in an index or rate (such as the Consumer Price Index). [The Department recognized revenues of $\_\_\_\_\_ during the fiscal year for these changes in variable payments not previously included in the measurement of the lease receivable. The Department also recognized revenues of $\_\_\_\_\_ for residual value guarantees and $\_\_\_\_\_ for termination payments not previously included in the measurement of the lease receivable.] or [During the year the Department did not recognize any variable payment amounts.]

***[Note to preparer: Additional disclosures may be required for lease of investment assets, certain regulated leases, sublease transaction, sale-lease back transactions, and lease-leaseback transactions. See GASB 87 paragraphs 58-60.]***

1. **Lease Liability** - ***[Note to preparer: See GASB Statement No. 87, paragraph 37 and 57 for disclosure requirements. An example is provided as follows:]*** Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. [During the fiscal year, the Department recognized expenses of $ for these changes in variable payments not previously included in the measurement of the lease liability. The Department also recognized expenses of $\_\_\_\_\_ for residual value guarantees and $\_\_\_\_\_ for termination payments not previously included in the measurement of the lease liability.] or [During the year the Department did not recognize any variable payment amounts.]

The Department had commitments under leases before the lease term as follows: a five-year lease agreement for the right to use \_\_\_\_\_ (describe leased asset) beginning \_\_\_\_ (insert commencement date) with total payments over the period of $\_\_\_\_\_. [remove if none]

Future principal and interest lease payments as of June 30, 2022 were as follows:



***[Note to preparer: If a leased asset is impaired (described in paragraph 9 of Statement 42) additional disclosures are required. See GASB 87 paragraph 34 and 37h for additional information.]***

***[Note to preparer: The amount of collateral pledged as a security for a lease should be disclosed unless that collateral is solely the asset underlying the lease. See GASB 87 paragraph 39.]***

***[Note to preparer: GASB 87 requires additional disclosures for sublease transactions, sale-leaseback transactions, and lease-leaseback transactions. See GASB 87 paragraph 38 for further information.]***

# Note 10 - Fund Balance/Net Position *[Modify as necessary. Remove “Net Position” if no proprietary funds.]*

1. **Fund Balance**

The details of the fund balance classifications for the governmental funds at June 30, 2022 were as follows:



***[Remove section below if no proprietary fund(s) or if proprietary fund(s) do not have a deficit in net position]***

1. **Net Position *[Per GASB 63 paragraph 14, describe any transaction that resulted in the recognition of a deferred outflow of resources or deferred inflow of resources in which a component of net position has been significantly affected. Common examples from the recognition of net pension liability and net OPEB liability have been provided below. Modify as necessary. Other possible items include Asset Retirement Obligations.]***

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:



See Notes **X** and **Y** for detailed information regarding the amortization of the proprietary funds’ deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively. ***[Modify to reference pension and OPEB disclosures]***.

# Note 11 - Revenues and Expenditures from/to Other State Agencies

The governmental funds’ revenues and expenditures from/to other state agencies by entity and purpose for the fiscal year ended June 30, 2022 were as follows: ***[Modify as necessary.]***

***[Modify table as necessary, include all major/significant funds.]***

****

# Note 12 - Interfund Balances and Transfers

1. **Interfund Balances *[Delete section and modify title above if interfund balances are not applicable]***

Due To/From Other Funds

Amounts due to/from other funds at June 30, 2022 were as follows:

***[Modify the tables below as necessary]***



Advances To/From Other Funds **[or Component Units]**

Advances to/from other funds **[or Component Units]** at June 30, 2022 were as follows:



***[Add additional information regarding advances as necessary]***

1. **Interfund Transfers**

Transfers in/out of other funds for the fiscal year ended June 30, 2022 consisted of the following:



Transfers are primarily used to (1) transfer revenues and 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 Fundto 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. ***[Modify as necessary.]***

The Department also had intrafund transfers within the **[fund name(s)]** for fiscal year ended June 30, 2022, in the amount of $**\_\_\_\_\_\_\_\_\_**, which has been eliminated on the governmental fund financial statements. ***[If eliminations are not being made, modify.]*** These **[fund name(s)]** transfers primarily consist of transfers for **[reason]**, which the Department transfers to the fund authorized to account for the expenditures. ***[This presentation is optional. Include description of any significant transfers. Remove if intrafund transfers are not presented.]***

# Note 13 - Retirement Plans

1. **Cost-Sharing, Multiple-Employer, Defined Benefit Plan**

Pension 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. Consequently, the net pension liability, discussed in Note **X** to the financial statements, is not reported on the face of the governmental funds’ financial statements. However, the net pension liability for proprietary funds is reported on the face of the proprietary funds’ financial statements.

*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, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

*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 full 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 partial 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 or a return of the member’s contributions. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with full 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 partial retirement benefits at age 50 with 15 years of creditable service as an officer. LEO’s who complete 25 years of credible service with 15 years as an officer are eligible to retire with partial 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 or a return of the member’s contributions.

*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 TSERS 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 TSERS 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 North Carolina General Assembly. The Department’s contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members’ contributions to the pension plan were $\_\_\_\_\_\_, and the Department’s contributions were $\_\_\_\_\_\_\_ for the year ended June 30, 2022. Of this amount, the [component unit/proprietary funds] contributed $\_\_\_\_\_\_\_\_. ***[Remove reference to component unit/proprietary funds if not applicable.]***

The TSERS plan’s financial information, including all information about the plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina’s fiscal year 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller’s website at https://www.osc.nc.gov/ or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan’s fiduciary net position have been determined on the same basis as they are reported by TSERS.

*Methods Used to Value TSERS Investments:* 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. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the 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 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. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

*Net Pension Liability:* At June 30, 2022, the Department reported a liability of $\_\_\_\_\_\_\_\_\_ for its proportionate share of the collective net pension liability. Of this amount, the [component unit/proprietary funds] reported $\_\_\_\_\_\_\_\_. [Remove reference to component unit/proprietary funds if not applicable.] The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The Department’s proportion of the net pension liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the Department’s proportion was \_\_\_\_\_\_\_%, which was an/a [increase/decrease] of \_\_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_\_%. Of this amount, the [component unit/proprietary funds’] share was \_\_\_\_\_\_\_%, which was an/a [increase/decrease] of \_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_\_\_%.

*Actuarial Assumptions:*The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:



TSERS currently uses 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.

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment 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, 2021 (the measurement date) are summarized in the following table:



The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

*Discount Rate:* The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 valuation. The discount rate is in line with 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 plan’s 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 Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan at June 30, 2021 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:



**[Modify as necessary]**

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2022, the Department’s proportionate share of the collective pension expense was $\_\_\_\_\_\_\_. Of this amount the component unit/proprietary funds recognized $\_\_\_\_\_\_\_. ***[Remove if not applicable.]*** At June 30, 2022, the Department’s proportionate share of deferred outflows of resources and deferred inflows of resources related to TSERS were from the following sources:



**[Modify as necessary]**

The amount(s) of $\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_ ***[Only one amount if no proprietary funds]*** reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows: ***[Note to preparer: The amount(s) in the paragraph is referenced in Box 3 of the ‘Disclosures tab’ in the OSC GASB 68 template provided to you.]***



**[Modify as necessary]**

1. **Single-Employer, Defined Benefit Plan**
2. **[Plan 1]**

**[Add/update as necessary. Examples include Special Separation Allowance and NC National Guard Pension Fund for DPS]**

1. **Defined Contribution Plan**

Internal Revenue Code Section 401(k) Plan - All members of the Teachers’ and State Employees’ Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Department except for a 5% employer contribution for the Department’s law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of Department law enforcement officers for the year ended June 30, 2022, were $\_\_\_\_\_\_\_\_.

***Note: Required Supplementary Information [including notes to the RSI] related to pensions is required per GASB 68 and should be included after the notes to the financial statements. See the 2022 Pro Forma Exhibits for an RSI template that satisfies this authoritative requirement.***

# Note 14 - Other Postemployment Benefits

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. Consequently, the net other postemployment benefits liability, discussed in Note **XX [Refer to long term liabilities note]** to the financial statements, is not reported on the face of the governmental fund financial statements. However, the net other postemployment benefits liability and asset for proprietary funds is reported on the face of the proprietary fund financial statements. **[Remove reference to proprietary funds if not applicable.]**

The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan’s financial information, including all information about the plans’ assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina’s fiscal year 2021 *Annual Comprehensive Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller’s website at <https://www.osc.nc.gov/> or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

1. **Summary of Significant Accounting Policies and Plan Asset Matters**

*Basis of Accounting:* The financial statements of these plans were 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. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans’ fiduciary net position have been determined on the same basis as they are reported by the plans.

*Methods Used to Value Plan Investments:* Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits 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 of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report.*

1. **Plan Descriptions**
2. **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 State’s financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan 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 eligible 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 State’s financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers’ and State Employees’ Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are 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 **XX [Refer to risk management note – where the State Health Plan is described].** The plan options change when 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 and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, 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 North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina 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 North Carolina 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 North Carolina 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 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers’ and State Employees’ Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System 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:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The Department’s contractually-required contribution rate for the year ended June 30, 2022 was 6.29% of covered payroll. The Department’s contributions to the RHBF were $\_\_\_\_\_\_\_\_for the year ended June 30, 2022. Of this amount, the proprietary funds contributed $\_\_\_\_\_\_. **[Remove reference to proprietary funds if not applicable.]**

In fiscal year 2021, the State Health Plan (the Plan) transferred $187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was considered to be a nonemployer contributing entity contribution and was allocated among RHBF employers. For the fiscal year ended June 30, 2022, the contribution allocated to the Department was $\_\_\_\_\_\_\_\_. Of this amount, the proprietary funds recognized contributions of $\_\_\_\_\_\_\_\_. ***[*Modify as necessary*]***

1. **Disability Income**

*Plan Administration:* As discussed in Note **XX [Refer to Risk Management note]**, 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 TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, and LEAs which are not part of the reporting entity, and the University Employees’ ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

*Benefits Provided:* Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. 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 TSERS or the University Employees’ ORP, earned within 96 months prior to the end of the short-term disability period 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 TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from 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.

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 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 TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees’ ORP.

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, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State’s fiscal year. The Department’s contractually-required contribution rate for the year ended June 30, 2022 was 0.09% of covered payroll. The Department’s contributions to DIPNC were $\_\_\_\_\_\_\_\_ for the year ended June 30, 2022. Of this amount, the component unit/proprietary funds contributed $\_\_\_\_\_\_\_. ***[Remove reference to proprietary funds if not applicable.]***

1. **Net OPEB Liability (Asset)**

*Net OPEB Liability:* At June 30, 2022, the Department reported a liability of $\_\_\_\_\_\_\_\_\_ for its proportionate share of the collective net OPEB liability for RHBF. Of this amount, the [component unit/proprietary funds] reported $\_\_\_\_\_\_\_\_. **[Remove reference to proprietary funds if not applicable.]** The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The Department’s proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the Department’s proportion was \_\_\_\_\_\_\_\_%,which was an/a [increase/decrease] of \_\_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_%. Of this amount, the [component unit’s/proprietary funds’] share was \_\_\_\_\_\_\_%, which was an/a [increase/decrease] of \_\_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_\_%. **[Remove if not applicable.]**

*Net OPEB Asset:* At June 30, 2022, the Department reported an asset of $\_\_\_\_\_\_\_\_ for its proportionate share of the collective net OPEB asset for DIPNC. Of this amount, the [component unit/proprietary funds] reported $\_\_\_\_\_\_. **[Remove reference to proprietary funds if not applicable.]** The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The Department’s proportion of the net OPEB asset was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the Department’s proportion was \_\_\_\_\_\_\_%, which was an/a [increase/decrease] of \_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_%.Of this proportion, the [component unit/proprietary funds’] share was \_\_\_\_\_\_\_%, which was an/a [increase/decrease] of \_\_\_\_\_\_\_ from its proportion measured as of June 30, 2020, which was \_\_\_\_\_\_\_\_%. **[Remove if not applicable.]**

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.



The OPEB 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 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 a 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, 2021.

Best estimates of real rates of return for each major asset class included in RHBF’s target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:



The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

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 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 historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, 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, 2020 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 the long-term investment return, 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 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows 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. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:* The following presents the Department’s proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans’ 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:

**

*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates:* The following presents the net OPEB liability (asset) of the plans, as well as what the plans’ net OPEB liability (asset) 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:

****

*OPEB Expense:* For the fiscal year ended June 30, 2022, the Department recognized OPEB expense as follows:



*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2022, the Department’s proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:



***[Modify as necessary]***



***[Modify as necessary]***

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 related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:



***[Modify as necessary]***

# Note 15 - Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. ***[Revise previous sentence as necessary.]***

1. **Employee Benefit Plans**
2. **State Health Plan**

Department employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note **XX**, Other Postemployment Benefits, for additional information regarding retiree health benefits.

1. **Death Benefit Plan of North Carolina**

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers who enroll in the Teachers’ and State Employees’ Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

1. **Disability Income Plan**

Short-term and long-term disability benefits are provided to Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State’s Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note **XX [Refer to the OPEB Note]**, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

1. **Other Risk Management and Insurance Activities**
2. **Automobile, Fire, and Other Property Losses**

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State’s General Fund. Other operations not supported by the State’s General Fund are charged for the coverage. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. ***[Revise previous sentence if a different deductible amount has been purchased for fire coverage.] [Add information to describe the additional types of coverage purchased (for example, extended coverage for buildings and contents, sprinkler leakage, vandalism, theft, flood, wind, “all risks”) and whether applicable to all buildings and contents of the entity or just certain ones. Describe coverage amounts and deductibles.]***

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The Department pays premiums to the North Carolina Department of Insurance for the coverage.

1. **Public Officers’ and Employees’ Liability Insurance**

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The Department pays the premium, based on a composite rate, directly to the private insurer.

1. **Employee Dishonesty and Computer Fraud**

The Department is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Department is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible.

1. **Statewide Workers’ Compensation Program**

The North Carolina Workers’ Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the Department’s primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Department is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers’ Compensation Act. The Department retains the risk for workers’ compensation.

Additional details on the state-administered risk management programs are disclosed in the State’s *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

1. **Other Insurance Held by the Department**

***[Add the following paragraph to disclose any material retained risk not disclosed elsewhere in this note as required by GASB 10. (For Example*** *-* ***medical malpractice.)]***

The Department retained the following risks as of June 30, 2022: ***[Describe the risks retained by the Department and applicable liabilities. See GASB 10 for disclosure requirements.]***

***[Add the following paragraph if other private insurance was purchased to address risks that could be of a material nature.]***

The Department purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. ***[Describe other types of insurance purchased and applicable coverage. See GASB 10 for disclosure requirements.]***

***[Also disclose any material events related to risk management occurring during the fiscal year or after the balance sheet date.]***

# Note 16 - Related Parties

***[Describe related parties and disclose the nature and amount of transactions between the Department and the related party. See GASB Codification Section 2250.103 for example]***

These organizations serve to **[relation to Department]**. The Department’s financial statements do not include the assets, liabilities, net position, or operational transactions of the entity, except for support from each organization to the Department. This support approximated $\_\_\_\_\_\_\_ for the year ended June 30, 2022. The Department had receivables from and payables to related party(ies) of $\_\_\_\_\_\_ and $\_\_\_\_\_\_\_, respectively, as of June 30, 2022. ***[Remove receivable and/or payable language if not applicable.]***

***[Add additional information as necessary]***

# Note 17 - Commitments and Contingencies

*[Note to Preparer: Modify as necessary. If significant contingencies exist, see GASB 62 paragraphs 106 through 110 for full disclosure requirements]*

**A. Federal Grants** - The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with 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 questioned costs could become a liability of the Department. As of June 30, 2022 the Department is unable to estimate what liabilities may result from such audits. ***[Modify as considered necessary. Other purchases that are not significant to the financial statements may be omitted.]***

**B. Pending Litigation and Claims** - ***[Describe any pending litigation or claims that could have a material effect on the financial statements. See GASB 10 paragraph 27 and 58 for more details]*** The Department is a party to *[other]* litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. Department management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the Department. ***[Omit if not applicable.]***

**C. Material Violations of Finance**-**Related Legal or Contractual Provisions** - ***[Explain any material noncompliance with finance related requirements including budgets, investments, debt, and bond compliance. Also, disclose actions that the Department has taken to address violations. See GASB 38 paragraph 9 and 45 for more details] [Omit if none exist.]***

**D. Construction and Other Commitments** - The Department has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. As of June 30, 2022, the Department had commitments of $\_\_\_\_\_\_\_\_\_\_ related to construction and improvements of state government facilities, primarily within the [Capital Projects] Fund. ***[Modify as considered necessary. Other purchases that are not significant to the financial statements may be omitted.]***

**E. No Commitment Debt** - ***[Describe any No Commitment Debt that could have a material effect on the financial statements.][Omit if none exist.]***

# Note 18 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2022, the Department implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 87, Leases*

*GASB Statement No. 93, Replacement of Interbank Offered Rates*

*GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

*GASB Statement No. 99, Omnibus 2022*

GASB Statement No. 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

GASB Statement No. 93 addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) for derivative instruments, leases, and other agreements in which variable payments made or received depend on an IBOR. ***[Note to Preparer: Some of the accounting and reporting requirements of GASB Statement No. 93 were effective for FY2021, and some are effective for FY22. Prepares should review the Statement and evaluate whether the accounting and reporting requirements effective for FY22 are applicable to their Department.]***

GASB Statement No. 97’s primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.***[Note to Preparer: Some of the accounting and reporting requirements of GASB Statement No. 97 were effective in a prior fiscal year, and some are effective for FY22. Prepares should review the Statement and evaluate whether the accounting and reporting requirements effective for FY22 are applicable to their Department.]***

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. ***[Note to Preparer: Some of the accounting and reporting requirements of GASB Statement No. 99 are effective for FY22 and some are effective in future years. Prepares should review the Statement and evaluate whether the accounting and reporting requirements effective for FY22 are applicable to their Department.]***

***[Note to Preparer: If a GASB listed here does not impact your Department, remove the GASB. If no GASBs listed impact your Department, remove the disclosure entirely.]***

# Note 19 - Fund Balance/Net Position Restatement(s) *[Remove Net Position if no Proprietary/Fiduciary Fund Restatement]*

As of July 1, 2021, the fund balances of the governmental funds as previously reported were restated as follows: ***[If reason for restatement is not obvious as presented below, give brief description here. See GASB 62 paragraphs 62 and 89 for additional guidance. Modify as necessary.]***



As of July 1, 2021, the net position of the proprietary funds as previously reported was restated as follows:



As of July 1, 2021, the net position of the fiduciary funds as previously reported was restated as follows:



***[Remove table for Fiduciary Funds/Proprietary Funds if not applicable. Modify as necessary.]***

***Or***

As of July 1, 2021, the Department implemented GASB Statement No. 87, *Leases*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note **X** and Note **X** for details on the restated balances related to capital assets and lease liabilities, respectively. ***[Reference the capital asset and long-term liabilities disclosures]***

***[Remove if not applicable. Modify as necessary.]***

# Note 20 - Subsequent Event*(s)*

***[Describe significant events subsequent to year end through the report date. For example: debt issuance after fiscal year-end, a natural disaster such as a hurricane, or the coronavirus pandemic. See GASB 56 paragraphs 8 through 15 for additional guidance.]***

1. ***[Add disclosures as necessary]***