



REPORT SUMMARY

Annual Comprehensive Financial Report

Each year the State of North Carolina's Annual Comprehensive Financial Report (ACFR) is published by the Office of the State Controller. The ACFR provides information on the State's financial position – including revenues, expenses, financial trends, and more. The North Carolina Office of the State Auditor (OSA) is required¹ to conduct an audit of the financial information² included in the ACFR.

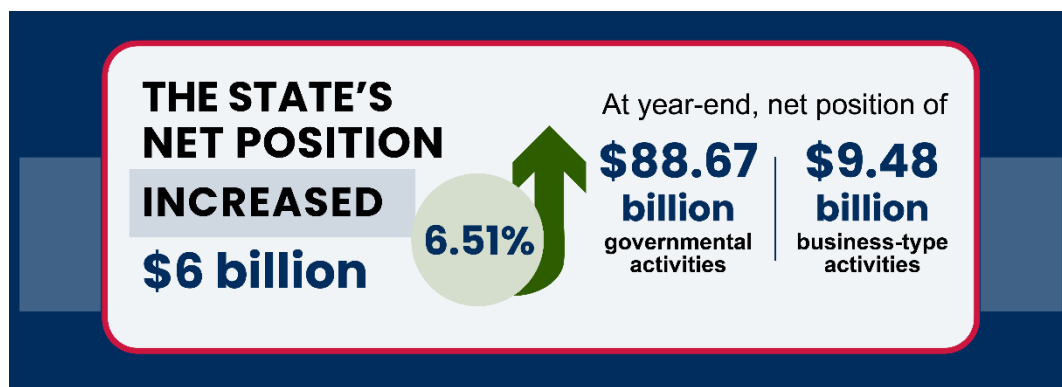


OSA identified six material adjustments during its audit, which have since been corrected. Adjustments related to the Department of Commerce were significant enough to result in a financial reporting finding, which will be included in the State's upcoming Single Audit Report. Total overstatements for the Department of Commerce were \$872.8 million and understatements were \$262.5 million.

Upon publication of the 2025 ACFR, OSA's audit determined the State's financial statements for fiscal year ended June 30, 2025, are accurate and reliable. Select highlights can be found in OSA's Report Summary.

Net Position

The State's net position increased by \$6 billion or 6.51%. At year-end, net position of governmental activities & business-type activities totaled \$88.67 billion and \$9.48 billion, respectively.



¹ North Carolina General Statute 143B-426.40H.

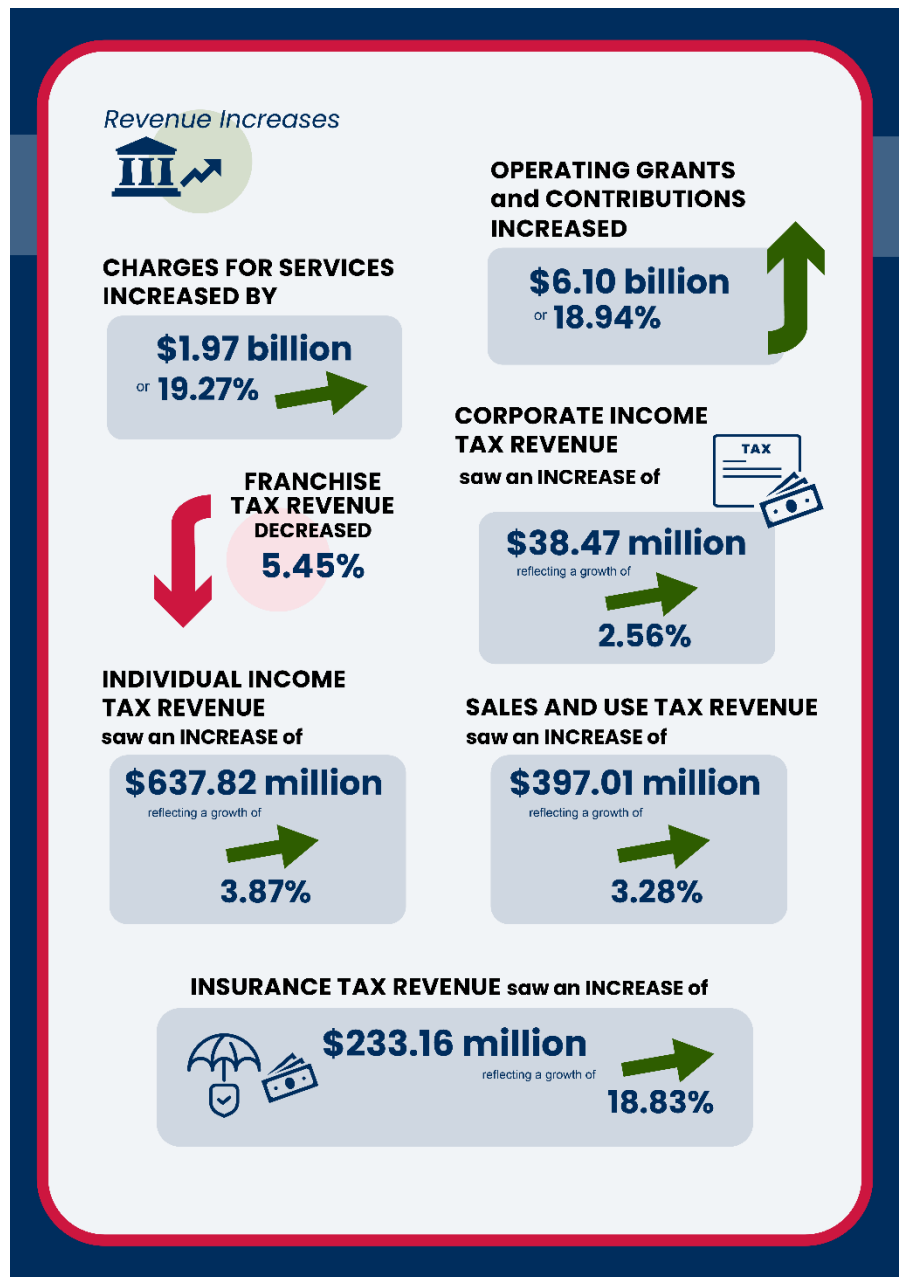
² The State of North Carolina's ACFR includes financial information for all state agencies and component units of the state, including the University of North Carolina System and the Community Colleges.



REPORT SUMMARY (continued)

Revenue Increases

- Operating Grants and Contributions increased \$6.10 billion, or 18.94%, primarily driven by Medicaid Expansion.
- Charges for Services increased by \$1.97 billion, or 19.27%. This growth is primarily attributed to increased lottery ticket sales and higher medical billing resulting from the Medicaid Expansion.
- Individual Income Tax revenue saw an increase of \$637.82 million, reflecting a growth of 3.87%, attributed to increased wages and persistently low unemployment rates.
- Corporate Income Tax revenue saw an increase of \$38.47 million, reflecting a growth of 2.56%.
- Insurance Tax revenue saw an increase of \$233.16 million, reflecting a growth of 18.83%, attributed to the Medicaid Expansion, as gross premium tax revenue from Medicaid Prepaid Health Plans increased due to hospital reimbursements and a rise in Medicaid Enrollment.
- Sales and Use Tax revenue saw an increase of \$397.01 million, reflecting a growth of 3.28%, attributed to sustained strength in consumer spending.
- Franchise Tax revenue decreased 5.45%.

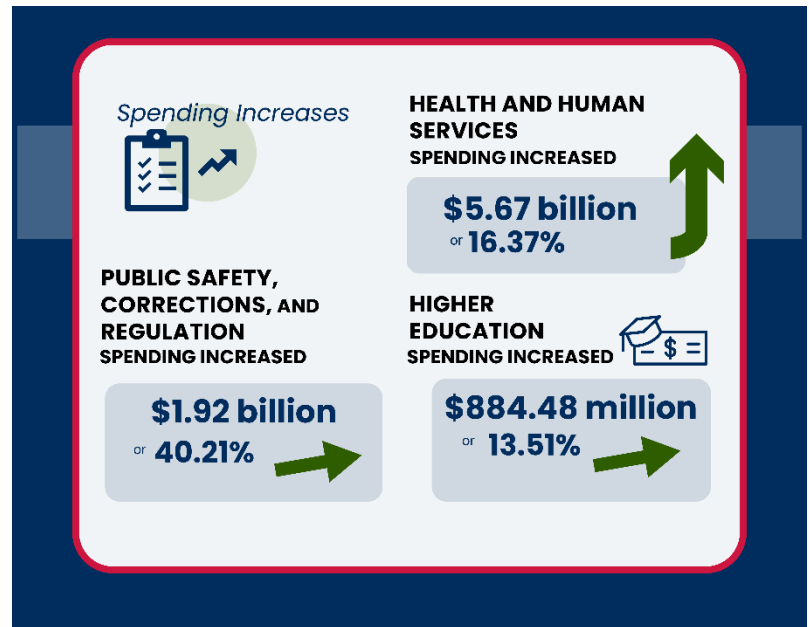




REPORT SUMMARY (continued)

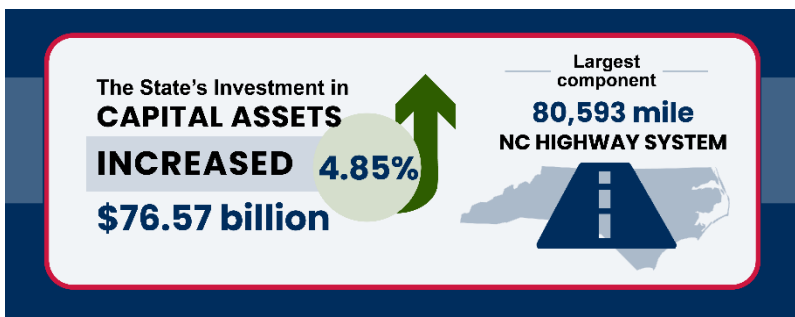
Spending Increases

- Health and Human Services spending increased by \$5.67 billion or 16.37%, primarily driven by Medicaid Expansion.
- Public Safety, Corrections, and Regulation spending increased by \$1.92 billion or 40.21%, primarily attributable to enhanced services provided such as Homeland Security and ongoing hurricane recovery efforts.
- Higher Education spending increased by \$884.48 million or 13.51%, attributable to increased state aid and sports wagering funding.



Capital Assets

The State's investment in capital assets was \$76.57 billion, an increase of 4.85% from the previous fiscal year-end. The largest component of capital assets is the state highway system. North Carolina has an 80,593 mile highway system, making it the second largest state-maintained highway system in the nation.



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Capital Projects In Progress

- State highway projects (\$3.14 billion)
- Complete 540 project (\$297.55 million)
- DHHS new system for managing and administering social service benefits (\$820.85 million)
- Relocation project for the DHHS campus (\$246.99 million)
- New education campus to house several educational system offices (\$107.41 million)



REPORT SUMMARY (concluded)

Long-term Debt

The State had total long-term debt outstanding of \$7.2 billion, an increase of 0.08% from the previous fiscal year-end.

Credit Ratings

In 2025, Standard & Poor's, Moody's Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the triple-A bond rating for the State. North Carolina remains one of only 14 states with a triple-A rating from all three rating agencies.

A triple-A bond rating means that North Carolina has followed well-defined financial management policies and has demonstrated strong debt management practices.

The State had TOTAL LONG-TERM DEBT

OUTSTANDING of **\$7.2 billion**

(bonds, special indebtedness, and notes from direct borrowings), an increase of 0.08% from the previous fiscal year-end.

**AAA
BOND
RATING**

Report

As noted in the auditor's report, OSA did not directly audit the N.C. State Lottery Fund but rather contracted it out. The full **ACFR** can be found [online](#) through the Office of the State Controller website.

Please review the report to fully understand the State of North Carolina's overall financial health and OSA's reporting responsibilities.