STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

NORTH CAROLINA STATE PORTS AUTHORITY

WILMINGTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2021

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Directors, North Carolina State Ports Authority

We have completed a financial statement audit of the North Carolina State Ports Authority for the year ended June 30, 2021, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina State Ports Authority
Wilmington, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina State Ports Authority (Authority), a component unit of the State of North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the North Carolina State Ports Authority, as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

September 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The annual financial statements of the North Carolina State Ports Authority (Authority) present the results of the Authority's financial activities for the fiscal year ended June 30, 2021. Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and provides a general overview of the Authority's financial activity during the fiscal year. The financial statements include, in addition to this MD&A, a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and accompanying Notes to the Financial Statements. Management is responsible for the preparation of the MD&A and the accompanying basic financial statements.

The MD&A is intended to aid the reader in interpreting the Authority's relative financial position as of the above referenced date as well as gauging performance from one period to the next. Condensed key financial and nonfinancial information will be highlighted for the reader followed by a discussion of the Authority's current capital expansion program and economic outlook.

Required Supplementary Information (RSI) follows the basic financial statements and Notes to the Financial Statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes information related to the Authority's participation in the Teachers' and State Employees' Retirement System (TSERS) and Other Postemployment Benefits (OPEB) plans.

About the Authority

The North Carolina State Ports Authority was created by act of the North Carolina General Assembly (§136-260) in 1945 as a political subdivision of the State of North Carolina for the purpose of engaging in promoting, developing, constructing, equipping, maintaining and operating the harbors and seaports within the State, or within the jurisdiction of the State (§136-261). As a political subdivision of the State, the Authority has no stock or equity shareholders but rather is governed by an 11-member Board of Directors appointed by the Governor, Speaker of the House, and President Pro Tempore of the Senate of North Carolina. Specific Authority operations include the deep-water ports of Morehead City and Wilmington, and the inland terminal facility located in Charlotte. These facilities handle both import and export containerized, break bulk, and bulk cargos.

Financial Highlights and Analysis

The Governmental Accounting Standards Board (GASB), established as an independent nonprofit organization in 1984, is charged with establishing and maintaining accounting policy, procedure, and disclosure standards as they pertain to state and local governments. These standards are most commonly referred to as generally accepted accounting principles (GAAP). Governmental GAAP accounting requires the application of the GASB Statement No. 34 reporting model whose intent is to make financial statements more useful to and easier to understand by oversight bodies, investors, creditors, and citizens. This improvement in utility value is accomplished principally through the introduction of the MD&A and a reformatting and consolidation of the basic financial statements for the main governmental reporting fund types, general government and proprietary units. The Authority is classified as a discretely presented component unit and is reported as a nonmajor component unit in the State's *Comprehensive Annual Financial Report*.

In March 2020, the World Health Organization declared a pandemic due to the spread of the coronavirus disease (COVID-19.) The global COVID-19 pandemic continued to advance causing disruption to supply chains and business operations well into fiscal year 2021. The Authority, considered an "essential" business, operated on a normal schedule despite the challenges brought on by the COVID-19 pandemic, and delivered a strong net position increase of $50.1 million from the previous year.

The accompanying basic financial statements have been prepared on an accrual basis of accounting, meaning that revenues are recognized when earned and expenses when incurred. Please refer to Note 1 in the Notes to the Financial Statements for additional details relating to accounting policies. Taken as a whole, the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows are one measure of an organization's overall financial health and value. Individually, the Statement of Net Position is a static view of financial value while the other two depict the movement of key elements from one period to the next, with a specific focus on the Authority's net position and cash and cash equivalents.

The following table provides a summarized Statement of Net Position as of June 30, 2021 with comparative figures for the prior period:

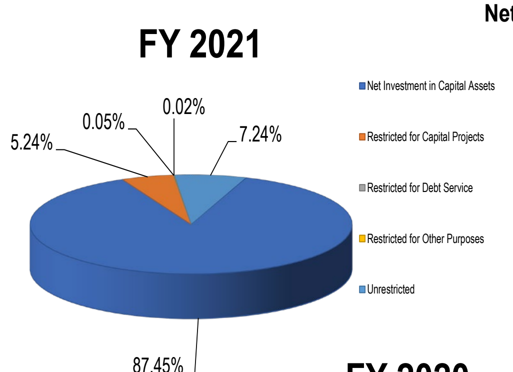
Condensed Statement of Net Position

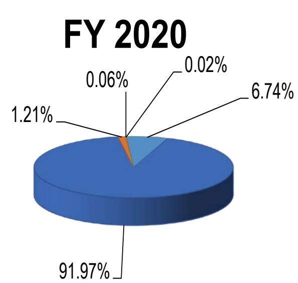
(in thousands)	June 30, 2021	June 30, 2020	Change
Current Assets	$ 27,147	$ 21,396	$ 5,751
Capital Assets, Net	488,332	464,086	24,246
Other Noncurrent Assets	68,359	53,541	14,818
Total Assets	583,838	539,023	44,815
Total Deferred Outflows of Resources	10,589	8,411	2,178
Other Current Liabilities	11,130	9,680	1,450
Long-Term Liabilities, Net	133,107	139,201	(6,094)
Total Liabilities	144,237	148,881	(4,644)
Total Deferred Inflows of Resources	9,083	7,569	1,514
Total Net Position	$ 441,107	$ 390,984	$ 50,123

The change in current assets is primarily due to an increase in receipts from operations. The majority of these receipts are held in short-term investments and available to process vendor payments in relation to the Authority's capital expansion programs and other working capital needs. The change in capital assets, representing the single largest dollar value change in assets, is a result of the expansion capital master plan and core capital spending. Capital project spending includes the updated terminal infrastructure, operating system and equipment, completion of the Berth 1 and 2 improvements, trolley rail improvements, completion of structural improvements at Transit Shed C1, a formalized disaster recovery program, and the purchase of a new Water Injection Dredge. The increases to capital assets are offset by continued depreciation charges. Other noncurrent assets increased primarily in investments. The Authority continued to receive capital appropriations for the expansion capital plan while slowing spending during the fiscal year. These funds were invested and are available for future spending related to the expansion capital plan. The increase in current liabilities represents an increase in payables at year end due to timing differences of purchases of certain supplies, materials, and services as compared to the prior year. The reduction in long-term liabilities represents the regularly scheduled debt service payments on the outstanding capital lease and bonds, offset by an increase in the net pension liability. The changes in deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability are due to valuation changes as determined by the plans' actuaries. Refer to Notes 12 and 13 for additional information regarding the Authority's participation in the TSERS and OPEB plans, respectively.

The Authority's net position is divided into five categories. The first, net investment in capital assets, represents the Authority's equity position with regards to property, facilities, and equipment. The second category is restricted by external funding sources to expenditure for capital projects. The third category is restricted for debt service payments as required by debt agreements. The fourth category is restricted for use by other third parties. The final category is that of unrestricted which is available for any lawful purpose of the Authority. The following exhibit analyzes the Authority's net position category mix for the periods ended June 30, 2021 and 2020, respectively. Significant changes, as noted above, are the result of increases to capital assets as the Authority invests in its capital expansion program (net investment in capital assets) and increases in investments due to cash flows from capital appropriations (capital projects) and from operations (unrestricted).

Net Position





(in thousands)		2021
Net Investment in Capital Assets	$	385,745
Restricted for Capital Projects		23,117
Restricted for Debt Service		228
Restricted for Other Purposes		75
Unrestricted		31,942
Total Net Position	$	441,107

		2020
Net Investment in Capital Assets	$	359,580
Restricted for Capital Projects		4,744
Restricted for Debt Service		244
Restricted for Other Purposes		75
Unrestricted		26,341
Total Net Position	$	390,984

The Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase in net position for the current fiscal year ended June 30, 2021 of $50.1 million. This increase is principally a product of the recognition of $50.5 million in state capital appropriations, decreased operating expenses, and insurance recoveries for property damage at the Port of Morehead City.

The following table identifies variances between major financial categories for the fiscal years ended June 30, 2021 and 2020, respectively.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

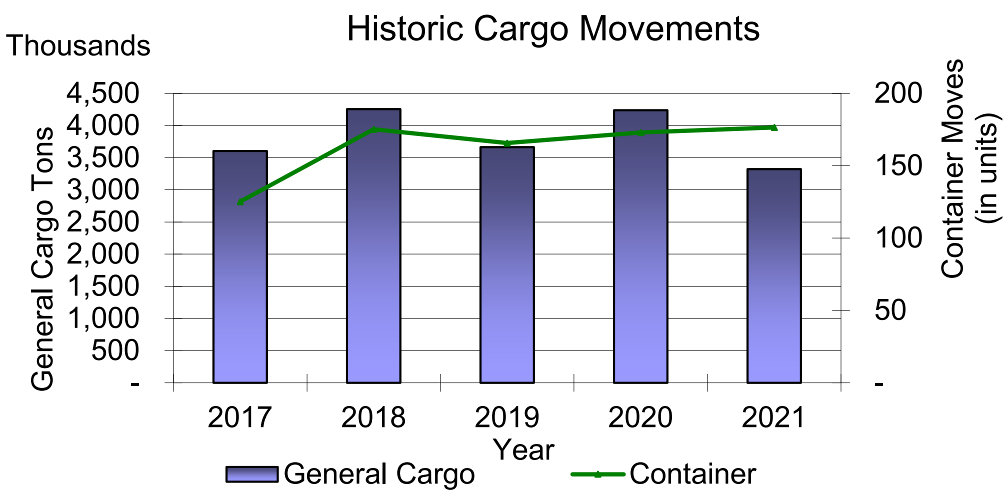
(in thousands)	June 30, 2021	June 30, 2020	Change
Operating Revenues, Net	$ 56,992	$ 58,349	$ (1,357)
Operating Expenses	58,750	61,834	(3,084)
Operating Loss	(1,758)	(3,485)	(1,727)
Nonoperating Revenues (Expenses):			
State Aid - Coronavirus Relief Fund	-	21	(21)
Investment Income, Net	91	1,024	(933)
Interest and Fees on Debt	(2,413)	(3,480)	(1,067)
Insurance Recoveries (Repair Cost), Net	801	(851)	1,652
Noncapital Contributions	343	-	343
Other Nonoperating Expenses	(88)	(154)	66
Net Nonoperating Expenses	(1,266)	(3,440)	2,174
Other Revenues:			
Capital Appropriations	50,500	50,500	-
Capital Contributions	2,647	4,173	(1,526)
Total Revenues	111,374	114,067	(2,693)
Total Expenses	(61,251)	(66,319)	(5,068)
Increase in Net Position	50,123	47,748	2,375
Net Position, Beginning of Period	390,984	343,236	
Net Position, End of Period	$ 441,107	$ 390,984	

As reflected in the preceding table, the Authority posted an operating loss of $1.8 million versus loss of $3.5 million in the prior year. The Authority posted better than budget revenues but were just slightly under the 2020 record revenues. Services decreased during FY2021 due to the final $4.1 million payment to Duke Energy Progress (DEP) for raising the power lines that cross the Cape Fear River as compared to the $7.2 million paid in 2020. The $5.5 million reimbursement towards raising of the powerlines is reflected as capital appropriations. Operating expenses also include the expenses associated with the Queen City Express intermodal service, while the partially offsetting grant reimbursements are classified as capital contributions. Investment income decreased during the fiscal year as a result of the Authority's investment strategies. These strategies included higher investments in U.S treasuries, U.S. agencies, and domestic corporate bonds which yield lower returns, but are less impacted during fluctuating financial markets. Interest and fees on debt decreased due to the Authority's refinancing of outstanding higher rate issues during the fiscal year. Nonoperating revenues increased from the prior year due to recognition of insurance recoveries in advance of total spending for warehouse damages at the Port of Morehead City. During September 2019, the Authority suffered the effects of Hurricane Dorian. All repair expenses related to the hurricane were recorded in FY2020, however the reimbursement from NC Department of Insurance was not received until FY2021. Noncapital contributions were recognized as part of the Authority's allocation from the State Health Plan for cost savings over a span of six years. The Authority received $45 million in both fiscal year 2021 and 2020 for funding of the Authority's expansion capital program. As mentioned earlier, the Authority also received the last of two installments of $5.5 million to total $11 million for reimbursement toward DEP's $11.6 million expense for the power line raising project. Capital contributions also included funding for paving projects as well as security improvements throughout the terminals. The following table shows the major sources of both operating and other revenues in detail.

Revenues by Major Source

(in thousands)	June 30, 2021	June 30, 2020	Change
Operating Revenues:			
Sales and Services, Net	$ 52,735	$ 54,293	$ (1,558)
Rental and Lease Earnings	4,257	4,056	201
Total Operating Revenues	56,992	58,349	(1,357)
Nonoperating Revenues:			
State Aid - Coronavirus Relief Fund	-	21	(21)
Investment Income, Net	91	1,024	(933)
Insurance Recoveries, Net of Repairs	801	-	801
Noncapital Contributions	343	-	343
Total Nonoperating Revenues	1,235	1,045	190
Other Revenues:			
Capital Appropriations	50,500	50,500	-
Capital Contributions	2,647	4,173	(1,526)
Total Other Revenues	53,147	54,673	(1,526)
Total Revenues	$ 111,374	$ 114,067	$ (2,693)

The following graph and table outline the operating statistics compared to prior year and general trends. It is worth noting that operating revenues and cargo statistics were not adjusted for the adverse effect of Hurricane Florence in fiscal year 2019, Hurricane Dorian in fiscal year 2020 or Hurricane Isaias in fiscal year 2021.

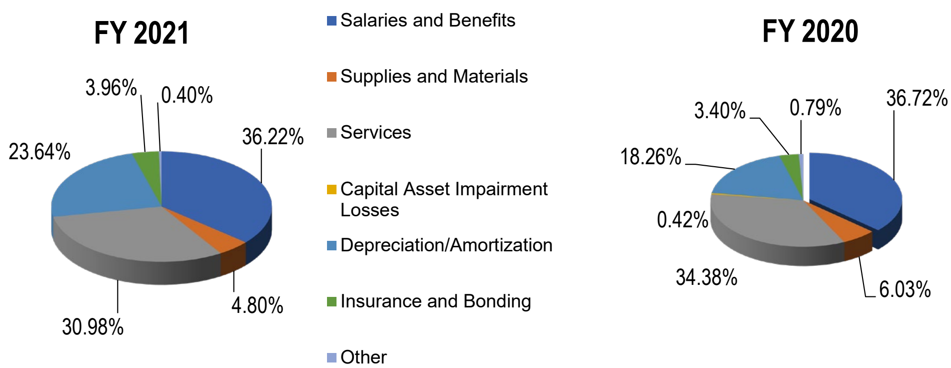


	June 30, 2021	June 30, 2020	Change
Container Movement	176,477	173,023	3,454
General Cargo Movement (Short Tons)	3,322,641	4,238,647	(916,006)
Vessel Calls	691	887	(196)
Rail Car Activity	39,041	33,900	5,141

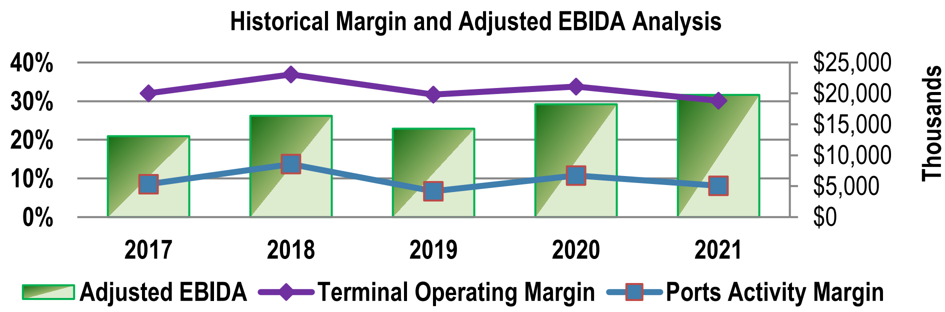
The Authority has continued to manage expenses and implement cost containment measures where possible. The decrease in salaries and benefits is a result of vacant positions offset by the application of the pay-for-performance programs. The decrease in services is a result of completion of the power line raising. Insurance expense increased as a result of expanded coverage in the Authority's portfolio. Depreciation and amortization expense continues to increase as the Authority finalizes larger projects in the capital expansion plan. The following table and graphs analyze operating expenses by major category as well as providing a relative mix year-over-year.

Operating Expenses by Major Category

(in thousands)	June 30, 2021	June 30, 2020	Change
Salaries and Benefits	$ 21,277	$ 22,708	$ (1,431)
Supplies and Materials	2,819	3,729	(910)
Services	18,200	21,256	(3,056)
Capital Asset Impairment Losses	-	259	(259)
Insurance and Bonding	2,329	2,103	226
Other	239	488	(249)
Depreciation/Amortization	13,886	11,291	2,595
Total Operating Expenses	$ 58,750	$ 61,834	$ (3,084)



The following graph depicts the operating margins and earnings before interest, depreciation and amortization (adjusted EBIDA). The Authority budgeted for slightly declining margins due to anticipated drops in business related to the coronavirus pandemic.



The Authority's market share, market position, and long-term growth expectations for both container volume and general terminal activities are considered sustainable as they are driven by a number of factors including continued steady global economic growth, developments in the operating environment for US East Coast ports, and a rebound from negative market and natural forces that impacted fiscal years 2019, 2020 and 2021 that included Hurricanes Florence, Dorian and Isaias and the continued economic uncertainty from the COVID-19 pandemic. US East Coast container volumes are expected to grow with carriers taking advantage of the economic benefits derived by deploying larger ships through the new Panama Canal and general increases in world trade in the East-West trade lane with Asia and Europe and the North-South trade lane with Latin America.

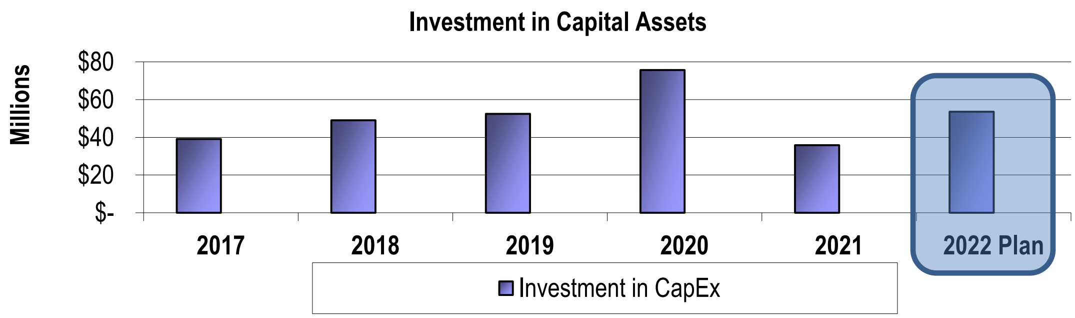
Capital Assets and Long-Term Debt

The Authority's expansion capital program can be traced back to the Strategic Plan formulated in 2015 and subsequently updated and modified in 2019 and again in 2021 whereby the Authority engaged in a significant and comprehensive strategic planning effort which, among other outputs, produced a long-term market plan and corresponding capital infrastructure program. The Authority's strategy continues to grow the container volume and expand business on the general terminals. Investment requirements needed to meet the cargo forecast are factored into the Authority's Capital Budget process.

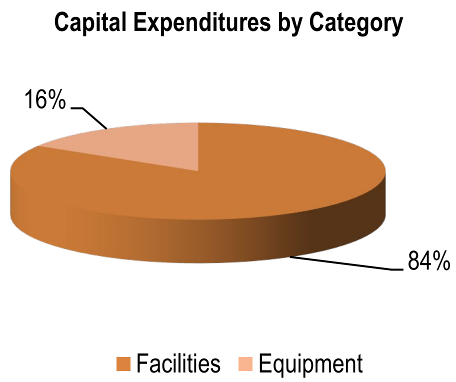
In fiscal year 2018, the Authority refinanced an outstanding capital equipment lease obligation to eliminate a pending balloon payment and take advantage of a more favorable interest rate and terms. In fiscal year 2019, the Authority modified the terms of the outstanding Series 2013 and 2014 variable-rate bonds to eliminate the bank call options. In February 2020, the Authority refinanced the outstanding Series 2010AB bonds to secure a much more favorable interest rate. In December 2020, the Authority refinanced Series B bonds with Series C bonds to eliminate certain tax provisions and secure more favorable interest rates.

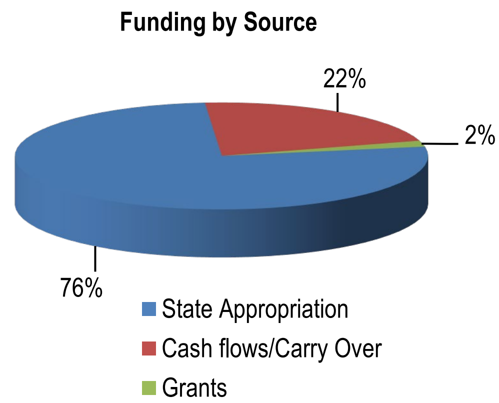
Since fiscal year 2016 when the State of North Carolina appropriated recurring funds for expansion investment, the Authority has assertively worked to rehabilitate or otherwise expand its facilities, investing approximately $274.4 million in equipment and infrastructure, with plans to invest an additional $53.6 million in fiscal year 2022. Highlights of these expenditures include the acquisition of new terminal equipment, investments in terminal and berth infrastructure, improvements in navigation, and new or upgraded facilities. As previously mentioned, during the current fiscal year the Authority received an allotment of $45 million in appropriations from the State of North Carolina to fund infrastructure improvements and expansion.

During the fiscal year, $16.6 million was transferred out of construction in progress and computer software in development to depreciable capital assets, related mostly to enhancing the Authority's aging infrastructure system and updating information technology systems. Refer to Note 5 and discussion above for additional information regarding the Authority's capital assets. The following graph summarizes recent and planned capital investment.



Capital investment for the upcoming fiscal year is anticipated to increase as more terminal improvements are planned. The FY2022 capital investment plan includes finalizing the construction of the new Container Gate and Interchange, continued progress with the capital master plan for the Port of Wilmington as well as other infrastructure, system and equipment improvements. Funding for these expenditures will be accomplished, as in recent years, by a combination of state and federal grants, reserves, and internal cash flows. In addition, the State of North Carolina's proposed budget included the annual continuation of $45 million in capital appropriations to the Authority for fiscal year 2022. In October 2020, the Authority was informed it was awarded a Port Infrastructure Development Grant by United States Department of Transportation (USDOT) for $16 million toward the Port of Wilmington Container Gate Innovation and Access project. An agreement with USDOT Maritime Administration was not finalized in fiscal year 2021 and therefore the Authority did not recognize a receivable pending successful completion of the review. In December 2020, the Wilmington Harbor Navigation Improvement Project (WHNIP) was authorized as part of the federal Omnibus bill passed by the United States Congress. The project calls for the deepening and widening of the navigational channel and extending the ocean entrance channel farther offshore. The total submitted project cost of the 47-foot plan is approximately $847 million with the non-federal share at approximately $285 million. Discussions are underway for sourcing of funds for the non-federal share as the project continues to run through the federal approval process. Further details on the capital improvement program can be found in the Authority's 2022 Capital Budget document. The following graphs provide a breakdown of planned fiscal year 2022 expenditures by category as well as anticipated funding by sources.





Economic Outlook

As a result of the Authority's investments in container operations, the operation of an intermodal service to/from Charlotte, and intense marketing efforts, the Authority was able to attract a number of new container services to the Port of Wilmington. The expanded number, vessel size and scope of container services has the potential to continue to increase container volume as the capacity on the services are allocated to Wilmington. The completion of the bulk wood pellet facility in Wilmington in fiscal year 2017 continues to be a key driver of the increase in handled bulk cargo tonnage through the Wilmington location.

Despite the COVID-19 economic impact, Hurricane Isaias and other economic and market factors, the Authority posted increases in container volumes in fiscal year 2021. The FY2022 Operating Budget was prepared assuming a return to normality post-COVID-19 after outperforming expectations in FY2021. However, as the new COVID-19 Delta Variant is again driving supply chain concerns, the extent of the impact on the Authority's operational and financial performance will again depend on many factors outside of the Authority's control.

The Authority managed the FY2022 budget to have adequate cash flows from operations to meet all current obligations as well as debt service requirements. The Authority's debt service coverage for budgeted fiscal year 2022 is 2.62 to 1.00, which is well within the stipulated debt covenant requirements.

Contacting the Authority's Financial Management

If you have questions about these financial statements or need additional financial information, contact the Authority's Finance Office, 2202 Burnett Blvd., Wilmington, NC 28401.

Financial Statements

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,236,097
Restricted Cash and Cash Equivalents	228,220
Short-Term Investments	11,833,000
Receivables, Net (Note 4)	8,862,081
Inventories	655,823
Prepaid Items	2,331,978
Total Current Assets	27,147,199
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	75,003
Restricted Due from Primary Government	187,999
Investments	43,901,851
Restricted Investments	22,929,000
Unamortized Charges	1,229,965
Net Other Postemployment Benefits Asset	34,618
Capital Assets - Nondepreciable (Note 5)	99,505,364
Capital Assets - Depreciable, Net (Note 5)	388,826,817
Total Noncurrent Assets	556,690,617
Total Assets	583,837,816
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	302,669
Deferred Outflows Related to Pensions	4,774,554
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	5,511,425
Total Deferred Outflows of Resources	10,588,648
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	9,327,502
Due to Primary Government	789,146
Unearned Revenue	348,600
Interest Payable	664,282
Long-Term Liabilities - Current Portion (Note 8)	6,349,043
Total Current Liabilities	17,478,573
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	126,758,070
Total Liabilities	144,236,643

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Bonds	148,794
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	8,934,352
Total Deferred Inflows of Resources	9,083,146
NET POSITION	
Net Investment in Capital Assets	385,745,020
Restricted:	
Expendable	
Other	75,000
Capital Projects	23,116,999
Debt Service	228,223
Unrestricted	31,941,433
Total Net Position	$ 441,106,675

The accompanying notes to the financial statements are an integral part of this statement.

North Carolina State Ports Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021 — Exhibit A-2

OPERATING REVENUES	
Sales and Services (Net of $115,548 of Allowance for Doubtful Accounts)	$ 52,735,070
Rental and Lease Revenues	4,257,063
Total Operating Revenues	56,992,133
OPERATING EXPENSES	
Salaries and Benefits	21,276,566
Supplies and Materials	2,818,648
Services	18,200,357
Insurance and Bonding	2,329,198
Other Operating Expenses	239,246
Depreciation/Amortization	13,886,097
Total Operating Expenses	58,750,112
Operating Loss	(1,757,979)
NONOPERATING REVENUES (EXPENSES)	
Investment Income (Net of Investment Expense of $35,741)	90,783
Interest and Fees on Debt	(2,413,366)
Insurance Recoveries (Net of Repairs of $170,689)	801,636
Noncapital Contributions	343,562
Other Nonoperating Expenses	(88,278)
Net Nonoperating Expenses	(1,265,663)
Loss Before Other Revenues	(3,023,642)
Capital Appropriations	50,500,000
Capital Contributions	2,646,606
Total Other Revenues	53,146,606
Increase in Net Position	50,122,964
NET POSITION	
Net Position - July 1, 2020	390,983,711
Net Position - June 30, 2021	$ 441,106,675

The accompanying notes to the financial statements are an integral part of this statement.

North Carolina State Ports Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	56,203,630
Payments to Employees and Fringe Benefits		(21,548,156)
Payments to Vendors and Suppliers		(26,400,211)
Net Cash Provided by Operating Activities		8,255,263
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Paid on Noncapital Debt		(404,135)
Interest and Fees Paid on Noncapital Debt		(16,165)
Cash Used by Noncapital Financing Activities		(420,300)
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Capital Appropriations		50,500,000
Capital Contributions		2,252,380
Proceeds from Sale of Capital Assets		2
Insurance Repair Recoveries		841,431
Acquisition and Construction of Capital Assets		(34,250,214)
Principal Paid on Capital Debt and Leases		(5,929,350)
Interest and Fees Paid on Capital Debt and Leases		(2,318,495)
Net Cash Provided by Capital Financing and Related Financing Activities		11,095,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		10,676,741
Investment Income		649,908
Purchase of Investments and Related Fees		(31,075,950)
Net Cash Used by Investing Activities		(19,749,301)
Net Decrease in Cash and Cash Equivalents		(818,584)
Cash and Cash Equivalents - July 1, 2020		4,357,904
Cash and Cash Equivalents - June 30, 2021	$	3,539,320

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	$	(1,757,979)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation/Amortization Expense		13,886,097
Miscellaneous Nonoperating Income		343,562
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(726,643)
Unamortized Charges		(155,630)
Inventories		19,230
Prepaid Assets		(285,552)
Net Other Postemployment Benefits Asset		(4,797)
Deferred Outflows Related to Pensions		(812,727)
Deferred Outflows Related to Other Postemployment Benefits		(1,529,814)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(2,255,390)
Due to Primary Government		(164,490)
Unearned Revenue		(61,860)
Net Pension Liability		2,039,637
Net Other Postemployment Benefits Liability		(948,283)
Compensated Absences		(25,291)
Workers' Compensation Liability		(827,001)
Deferred Inflows Related to Pensions		(32,815)
Deferred Inflows Related to Other Postemployment Benefits		1,555,009
Net Cash Provided by Operating Activities	$	8,255,263

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	4,113,514
Change in Fair Value of Investments		(516,018)
Loss on Disposal of Capital Assets		(128,073)
Decrease in Net OPEB Liability Related to Noncapital Contributions		343,562
Funds Escrowed to Defease Debt		10,670,000

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **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 North Carolina State Ports Authority (Authority) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the Authority. Related foundations for which the Authority is not financially accountable or for which the nature of their relationship is not considered significant to the Authority are not part of the accompanying financial statements.

B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. Pursuant to the provisions of 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,* the full scope of the Authority's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. **Basis of Accounting** - The financial statements of the Authority have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include state capital appropriations, certain grants, and investment income. 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.

D. **Cash and Cash Equivalents** - This classification includes 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.

E. **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 3. 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.

F. **Receivables** - Receivables consist of charges to customers for services, contract guarantees, and use of facilities. Receivables also include amounts due from the federal government in connection with reimbursement of allowable expenditures made pursuant to contracts, as well as interest income receivable. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at the lower of cost or market on a moving weighted average cost basis, which approximates cost on a first-in, first-out (FIFO) basis.

H. **Prepaid Items** - Prepaid items consist of prepayments for insurance, subscriptions, and maintenance contracts.

I. **Unamortized Charges** - Unamortized charges are comprised of prepayments of maintenance contracts for dredging and piping relocation that will be expensed in future periods. These charges are expensed over a period of two to three years or length of contract using the straight-line method.

J. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The Authority capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. The Authority capitalizes intangible assets and internally generated software under these same provisions.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-75 years
Machinery and Equipment	2-40 years
General Infrastructure	10-60 years
Computer Software	2-5 years

K. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, and resources restricted for use by other external parties.

L. **Noncurrent Long-Term Liabilities** - 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, capital leases payable, and notes from direct borrowings. Other long-term liabilities include: compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Deferred 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 on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the Authority's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report.* This liability represents the Authority's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the Authority's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report.* This liability represents the Authority's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

M. **Compensated Absences** - The Authority's policy is to record the cost of vacation leave when earned. The 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. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at 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.

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

N. **Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

O. **Net Position** - The Authority's net position is classified as follows:

Net Investment in Capital Assets - This represents the Authority's 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.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from sales and services, rental and lease earnings, sale of surplus property, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is determined by management on a case-by-case basis. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

P. **Revenue and Expense Recognition** - The Authority classifies its 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 Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as sales and services and rental and lease earnings. 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*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state capital appropriations that represent subsidies or gifts to the Authority, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - Unless specifically exempt, the Authority 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.

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $41,070, which represents the Authority'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 other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. 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.

The carrying amount of the Authority's deposits not with the State Treasurer, was $3,498,250, and the bank balance was $4,801,335. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2021, the Authority's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	$ 4,051,333

B. Investments - The Authority invests its excess funds in accordance with *North Carolina General Statute* 159-30, as discussed below.

G.S. 159-30 authorizes the Authority to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3.*

Interest Rate Risk: Interest rate risk is the risk the Authority may face should interest rate variances affect the value of investments. The Authority does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does have a formal policy that addresses credit risk. The policy limits investments to obligations of the United States, or obligations backed by the full faith and credit by the U.S. government; government agencies; repurchase agreements with regard to securities guaranteed by the U.S. government; obligations with the state of North Carolina; time deposits of banks with a physical presence in North Carolina for the purpose of receiving commercial or retail deposits, not to exceed $250,000 per deposit (must be FDIC insured); prime quality commercial paper with a credit rating of no less than AAA by a nationally recognized rating agency; and corporate bonds and notes that bear a rating of no less than AAA by a nationally recognized rating agency.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a formal policy for custodial credit risk.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2021:

	Amount	Investment Maturities (in Years) Less Than 1	1 to 5
Investment Type			
Debt Securities			
U.S. Treasuries	$ 43,539,163	$ 12,057,294	$ 31,481,869
U.S. Agencies	13,353,545	595,885	12,757,660
Money Market Mutual Funds	17,430,875	17,430,875	-
Domestic Corporate Bonds	4,340,268	81,686	4,258,582
Total Debt Securities	$ 78,663,851	$ 30,165,740	$ 48,498,111

At June 30, 2021, the Authority's investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa
U.S. Agencies	$ 13,353,545	$ 13,353,545
Money Market Mutual Funds	17,430,875	17,430,875
Domestic Corporate Bonds	4,340,268	4,340,268
Totals	$ 35,124,688	$ 35,124,688

Rating Agency: Moody's

At June 30, 2021, the Authority's investments were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty's Trust Dept or Agent not in Authority's Name
U.S. Treasuries	$ 43,539,163
U.S. Agences	13,353,545
Domestic Corporate Bonds	4,340,268
Total	$ 61,232,976

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Authority's investments are recorded at fair value as of June 30, 2021. 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 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, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the Authority's investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2021:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	$ 43,539,163	$ 43,539,163	$ -	$ -
U.S. Agencies	13,353,545	13,353,545	-	-
Money Market Mutual Funds	17,430,875	17,430,875	-	-
Domestic Corporate Bonds	4,340,268	4,340,268	-	-
Total Debt Securities	78,663,851	$ 78,663,851	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	41,070			
Total Investments Measured at Fair Value	$ 78,704,921			

Short-Term Investment Fund - 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 72. The Authority'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.

Debt Securities - Debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Accounts	$ 8,652,858	$ 438,347	$ 8,214,511
Intergovernmental	412,318	-	412,318
Investment Earnings	86,454	-	86,454
Other	148,798	-	148,798
Total Receivables	$ 9,300,428	$ 438,347	$ 8,862,081

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 58,026,121	$ 138,799	$ -	$ 58,164,920
Construction in Progress	19,169,672	32,269,622	16,044,683	35,394,611
Computer Software in Development	3,570,198	2,933,875	558,240	5,945,833
Total Capital Assets, Nondepreciable	80,765,991	35,342,296	16,602,923	99,505,364
Capital Assets, Depreciable:				
Buildings	86,436,288	5,581,944	-	92,018,232
Machinery and Equipment	129,302,006	9,015,549	9,259,495	129,058,060
General Infrastructure	339,084,570	4,365,008	-	343,449,578
Computer Software	7,174,807	558,240	-	7,733,047
Total Capital Assets, Depreciable	561,997,671	19,520,741	9,259,495	572,258,917
Less Accumulated Depreciation/Amortization for:				
Buildings	35,327,785	1,626,073	-	36,953,858
Machinery and Equipment	42,379,056	4,446,729	9,131,420	37,694,365
General Infrastructure	98,037,255	6,788,032	-	104,825,287
Computer Software	2,933,327	1,025,263	-	3,958,590
Total Accumulated Depreciation/Amortization	178,677,423	13,886,097	9,131,420	183,432,100
Total Capital Assets, Depreciable, Net	383,320,248	5,634,644	128,075	388,826,817
Capital Assets, Net	$ 464,086,239	$ 40,976,940	$ 16,730,998	$ 488,332,181

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	Amount
Accounts Payable	$ 3,390,184
Accounts Payable - Capital Assets	3,796,793
Accrued Payroll	1,165,509
Contract Retainage	975,016
Total Accounts Payable and Accrued Liabilities	$ 9,327,502

NOTE 7 - SHORT-TERM DEBT – UNUSED LINES OF CREDIT

The Authority has a line of credit agreement with Truist Bank for financing of an amount up to $25,000,000. This line was unused during the year ended June 30, 2021 and has no outstanding balance.

NOTE 8 - LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 49,490,000	$ 10,670,000	$ 12,965,000	$ 47,195,000	$ 2,340,000
Notes from Direct Borrowings	404,135	-	404,135	-	-
Capital Leases Payable	54,254,702	-	3,634,350	50,620,352	3,716,914
Total Long-Term Debt	104,148,837	10,670,000	17,003,485	97,815,352	6,056,914
Other Long-Term Liabilities					
Compensated Absences	1,532,475	914,847	940,138	1,507,184	252,129
Net Pension Liability	8,304,969	2,039,637	-	10,344,606	-
Net Other Postemployment Benefits Liability	21,004,451	-	948,283	20,056,168	-
Workers' Compensation	4,210,804	-	827,001	3,383,803	40,000
Total Other Long-Term Liabilities	35,052,699	2,954,484	2,715,422	35,291,761	292,129
Total Long-Term Liabilities	$ 139,201,536	$ 13,624,484	$ 19,718,907	$ 133,107,113	$ 6,349,043

Additional information regarding capital leases payable is included in Note 9.
Additional information regarding the net pension liability is included in Note 12.
Additional information regarding the net other postemployment benefits liability is included in Note 13.
Additional information regarding workers' compensation is included in Note 14.

B. Revenue Bonds Payable - The Authority was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2021
Construct Bulk Grain Facility	2001	0.25% - 15%	09/2022	$ 11,000,000	$ 590,000
Ports Facilities Senior Lien Revenue Refunding Bond	2013	Variable[1]	02/2036	10,000,000	9,265,000
Ports Facilities Subordinated Revenue Refunding Bond	2014	Variable[2]	02/2029	9,750,000	6,190,000
Ports Facilities Senior Lien Revenue Refunding Bond	2020A	2.69%	02/2040	21,755,000	21,565,000
Ports Facilities Senior Lien Revenue Refunding Bond	2020C	2.10%	02/2029	10,670,000	9,585,000
Total Revenue Bonds Payable				$ 63,175,000	$ 47,195,000

[1] Variable rate calculated as 0.79% per annum + 74.2% (1-month LIBOR)
[2] Variable rate calculated as 0.79% per annum + 72.2% (1-month LIBOR)

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

	Annual Requirements	
	Revenue Bonds Payable	
Fiscal Year	Principal	Interest
2022	$ 2,340,000	$ 927,719
2023	2,400,000	881,470
2024	2,175,000	834,296
2025	2,250,000	797,883
2026	2,320,000	760,377
2027-2031	12,785,000	3,155,364
2032-2036	15,015,000	1,912,508
2037-2040	7,910,000	538,942
Total Requirements	$ 47,195,000	$ 9,808,559

Interest on the variable rate Series 2013 revenue bonds is calculated at 0.9375% at June 30, 2021.
Interest on the variable rate Series 2014 revenue bonds is calculated at 0.08750% at June 30, 2021.

D. Terms of Debt Agreements - The Authority's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Revenue Bonds Payable - The Authority's revenue bonds payable are governed by a trust agreement with U.S. Bank National Association as trustee. This trust agreement requires that the Authority collect receipts in order that for each fiscal year the income available for debt service will not be less than 135% of the long-term debt service requirements for parity indebtedness for that year, and will not be less than 105% of the long-term debt service requirements for parity and subordinated indebtedness for that year.

Provisions related to events of defaults and remedies are also contained within the trust agreement. Significant to these provisions, an event of default occurs when: (1) the Authority fails to pay principal, interest, or premium on any bonds when due and payable, (2) the Authority fails to pay, appeal, or have discharged within 120 days any judgements in excess of $500,000, (3) the Authority becomes insolvent or the subject of insolvency or similar proceedings, (4) a court of competent jurisdiction assumes custody or control of the Authority and such custody is not terminated within 90 days, or (5) the Authority defaults in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions of the agreements and such default continues for 30 days after receipt of a written notice without the Authority instituting action reasonably designed to cure such default. Upon the happening and continuance of any event of default, the trustee may, or if required by the owners of the bonds, must declare all unpaid principal and interest immediately due and payable.

The Authority is also required to annually file the following with the trustee: (1) capital improvements budget, (2) annual audit within 180 days of fiscal year end, (3) officer's certificate within 60 days of fiscal year end stating whether any violations or default occurred, and (4) an insurance report with 60 days of fiscal year end listing policies currently in force including names of such companies, expiration dates, the risks covered, and if a consultant was employed during such fiscal year.

The Authority's revenue bonds contain certain other terms and remedies as detailed below.

Series 2001 - The Authority entered into an agreement with a customer to construct a bulk materials facility through the issuance of special purpose bonds. Debt service obligations related to these bonds were split between the Authority and the customer. The Authority has met its obligation with respect to its portion of debt service and the remaining obligation is that of the customer only. The customer is responsible for remitting remaining principal and interest payments to the Authority which are used to fund the remaining debt service payments. The remaining liability is not secured by or payable from receipts of the Authority. In the event of a default by the customer due to bankruptcy, the remaining principal and interest payments would be the sole responsibility of the Authority. The Authority has secured the outstanding bonds through a standby letter of credit to service the debt through maturity.

Series 2013 - The Series 2013 bonds are secured by a senior lien upon and pledge of the net receipts of the Authority and are on parity with all other parity indebtedness. In addition to the provisions above, these bonds include the following additional requirements: (1) a provision for interest rate adjustment upon determination of taxability equal to 0.825% per-annum + 1-month LIBOR, (2) a provision for interest rate adjustment upon determination of non-bank qualified status equal to 1.096% per-annum + 79%(1-month LIBOR),

(3) a provision for rate calculation should 1-month LIBOR not be ascertainable equal to the prime rate minus 2.5%, and (4) a provision for rate adjustment from and after an event of default until remedied or otherwise waived equal to the greater of the prime rate plus 2%, or 6%.

The Authority is also required to annually file a compliance certificate containing the following provisions: (1) debt service coverage ratio for all debt (parity, subordinate, and non-pledge) at least 105%, (2) funded debt to unrestricted net position must not exceed 60%, (3) days cash on hand of at least 90 days, and (4) a no default certification.

Series 2014 - The Series 2014 bonds are secured by a junior lien upon and pledge of the net receipts of the Authority. As additional security for these bonds the Authority executed and delivered a deed of trust on the site of the NC International Terminal project to secure the Authority's obligations. In addition to the provisions above, these bonds include the following additional requirements: (1) a provision for interest rate adjustment upon determination of taxability equal to 0.80% per-annum + 1-month LIBOR, (2) a provision for interest rate adjustment upon determination of non-bank qualified status equal to 1.062% per-annum + 79%(1-month LIBOR), (3) a provision for rate calculation should 1-month LIBOR not be ascertainable equal to the prime rate minus 2.5%, and (4) a provision for rate adjustment from and after an event of default until remedied or otherwise waived equal to the greater of the prime rate plus 2%, or 6%. The required annual filing from the Series 2013 bonds apply to Series 2014 as well.

Series 2020AC - The Series 2020AC bonds are secured by a senior lien on the net receipts of the Authority, defined as all receipts after the payment of current expenses. There are no pre-payment penalties associated with the bond issue.

Capital Leases Payable - The Authority's capital lease agreement contains provisions related to events of defaults and remedies. Significant to these provisions, an event of default occurs when: (1) the Authority fails to pay, within 10 days following the due date thereof, any rental payment or other amount required, (2) the Authority fails to perform or abide by any condition, agreement, or covenant for a period of 30 days after written notice unless extension is granted, (3) the Authority is found to have made a representation or warrant that was untrue in any material respect upon execution of the agreement, (4) an event of taxability occurs, or (5) the Authority declares bankruptcy or otherwise enters proceedings which impair its ability to continue operations. Upon the happening and continuance of any event of default, the lessor may declare all rental payments immediately due and payable, repossess any or all of the equipment acquired through the agreement, or take any other remedy available by law.

In addition to the provisions above, the capital lease agreement contains the following additional requirements: (1) the Authority may not take on any additional lien or encumbrance against the financed equipment,

(2) the Authority must adhere to terms, conditions, and covenants made in other trust agreements, (3) the Authority must maintain a debt-to-capitalization ratio that is less than 0.6:1. The Authority is also required to maintain certain levels of insurance on the financed equipment through the duration of the agreement.

E. **Bond Defeasance** - The Authority has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

On December 30, 2020 the Authority issued $10,670,000 in Port Facilities Senior Lien Revenue Refunding Bonds, Series 2020C, with an interest rate of 2.10%. The bonds were issued for a current refunding of $10,670,000 of outstanding Port Facilities Senior Lien Revenue Refunding Bonds, Series 2020B, with an interest rate of 2.49%. The refunding was undertaken to reduce total debt service payments by $416,554 over the next eight years and to eliminate certain federal tax law requirements with respect to the 2020B Bonds.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

Capital lease obligations relating to container cranes are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2021:

Fiscal Year	Amount
2022	$ 4,839,554
2023	4,839,554
2024	4,839,554
2025	4,839,554
2026	4,839,554
2027-2031	24,197,772
2032-2033	9,679,108
Total Minimum Lease Payments	58,074,650
Amount Representing Interest (2.259% Rate of Interest)	7,454,298
Present Value of Future Lease Payments	$ 50,620,352

Machinery and equipment acquired under capital lease amounted to $70,009,067 at June 30, 2021.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $14,031,229 at June 30, 2021.

NOTE 10 - NET POSITION

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:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (5,570,052)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(23,511,029)
Effect on Unrestricted Net Position	(29,081,081)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	61,022,514
Total Unrestricted Net Position	$ 31,941,433

See Notes 12 and 13 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 11 - FUTURE RENTAL REVENUES

The Authority leases certain land and facilities to others. These leases are accounted for as operating leases; revenues are recorded when earned on leased facilities. Future minimum revenues under noncancelable agreements treated as operating leases consist of the following at June 30, 2021:

Fiscal Year	Amount
2022	$ 4,205,560
2023	3,746,085
2024	3,184,844
2025	2,922,403
2026	1,092,412
Total Minimum Lease Payments	$ 15,151,304

NOTE 12 - PENSION PLANS

A. Defined Benefit Plan

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.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees 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 based on the actuarially-determined rate recommended by the actuary. The Authority's contractually-required contribution rate for the year ended June 30, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $843,066, and the Authority's contributions were $2,076,753 for the year ended June 30, 2021.

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 2020 *Comprehensive Annual 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 were 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 Investment: 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, 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 2020 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021, the Authority reported a liability of $10,344,606 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The Authority's proportion of the net pension liability was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.08562%, which was an increase of 0.00551 from its proportion measured as of June 30, 2019, which was 0.08011%.

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:

Valuation Date	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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, 2020 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 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, 2020 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 18,617,861	$ 10,344,606	$ 3,405,057

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the Authority recognized pension expense of $3,270,848. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 570,043	$ -
Changes of Assumptions	350,550	-
Net Difference Between Projected and Actual Earnings on Plan Investments	1,144,007	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	633,201	-
Contributions Subsequent to the Measurement Date	2,076,753	-
Total	$ 4,774,554	$ -

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ended June 30:	Amount
2022	$ 1,009,351
2023	737,488
2024	610,153
2025	340,809
Total	$ 2,697,801

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The Authority 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 2020 *Comprehensive Annual 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.

A. 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 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 2020 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the 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 as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. 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 14. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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 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.

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.

The Plan's and 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 Authority's contractually-required contribution rate for the year ended June 30, 2021 was 6.68% of covered payroll. The Authority's contributions to the RHBF were $938,614 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 14, 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, LEAs which are not part of the reporting entity, and the 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 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 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 Authority's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The Authority's contributions to DIPNC were $12,646 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the Authority reported a liability of $20,056,168 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The Authority's proportion of the net OPEB liability was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.07230%, which was an increase of 0.00591 from its proportion measured as of June 30, 2019, which was 0.06639%.

Net OPEB Asset: At June 30, 2021, the Authority reported an asset of $34,618 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The Authority's proportion of the net OPEB asset was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.07037%, which was an increase of 0.00126 from its proportion measured as of June 30, 2019, which was 0.06911%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, 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, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

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 and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. 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 projects 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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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, 2020 is 1.2%.

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 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, 2019 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, 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 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will 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 of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will 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 of 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 Authority'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:

	Net OPEB Liability (Asset)		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	$ 23,785,900	$ 20,056,168	$ 17,052,091
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (29,897)	$ (34,618)	$ (39,201)

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:

	1% Decrease (Medical - 4.% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	$ 16,169,275	$ 20,056,168	$ 25,252,616

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (34,675)	$ (34,618)	$ (34,568)

OPEB Expense: For the fiscal year ended June 30, 2021, the Authority recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ 338,121
DIPNC	28,815
Total OPEB Expense	$ 366,936

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 18,169	$ 25,078	$ 43,247
Changes of Assumptions	879,577	2,692	882,269
Net Difference Between Projected and Actual Earnings on Plan Investments	42,250	-	42,250
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	3,590,261	2,138	3,592,399
Contributions Subsequent to the Measurement Date	938,614	12,646	951,260
Total	$ 5,468,871	$ 42,554	$ 5,511,425

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 784,622	$ -	$ 784,622
Changes of Assumptions	8,139,110	2,726	8,141,836
Net Difference Between Projected and Actual Earnings on Plan Investments	-	5,865	5,865
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	2,029	2,029
Total	$ 8,923,732	$ 10,620	$ 8,934,352

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 ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in OPEB Expense:

Year Ended June 30:	RHBF	DIPNC
2022	$ (1,937,201)	$ 6,809
2023	(1,934,998)	4,455
2024	(372,533)	2,061
2025	84,438	3,584
2026	(233,181)	624
Thereafter	-	1,755
Total	$ (4,393,475)	$ 19,288

NOTE 14 - RISK MANAGEMENT

The Authority 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.

A. Employee Benefit Plans

1. State Health Plan

Authority employees 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 contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. 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.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Authority 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 Authority up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, 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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The Authority is required to maintain all risk 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 Authority for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for coverage. Losses covered by the Fund are subject to a $5,000 per occurrence deductible. However, in order to reduce its premiums, the Authority has established higher deductibles for losses associated with buildings, equipment, and supporting infrastructure of $100,000.

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 Authority pays premiums to the North Carolina Department of Insurance for the coverage.

2. 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 $5,000,000 in the aggregate per fiscal year via contract with a private insurance company. The Authority pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The Authority 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 Authority 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.

4. 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 Authority's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Authority is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Authority retains the risk for workers' compensation.

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

5. Other Insurance Held by the Authority

The Authority purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The Authority carries terminal operator's legal liability coverage from a private insurer at a premium of 0.265% for every dollar of operating revenue, not including rental and lease earnings.

The Authority also purchased additional flood and business interruption coverage under the all-risks policy from the State Property Fire Insurance Fund. This policy reimburses the Authority for lost revenues and extra expenses resulting from certain covered events that disrupt Authority operations for a minimum of 72 hours. The

Authority also purchased cyber risk coverage through a private insurer. This policy has a $25,000 deductible and coverage limits range from $250,000 to $1,000,000 depending on the nature of the event.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. **Commitments** - The Authority has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $16,489,867 at June 30, 2021.

B. **Pending Litigation and Claims** - The Authority is a party to litigation and claims in the ordinary course of its operations. It is not possible to predict the ultimate outcome of these matters, however during the year ended June 30, 2021, the Authority accrued a liability in the financial statements to offset potential future settlements. Authority management is of the opinion that the liability for any of these matters will not have a material adverse effect on the financial position of the Authority.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the Authority implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

The Authority does not have any trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

North Carolina State Ports Authority
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Eight Fiscal Years**

Exhibit B-1

Teachers' and State Employees' Retirement System	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	0.08562%	0.08011%	0.08015%	0.07351%
Proportionate Share of TSERS Collective Net Pension Liability	$ 10,344,606	$ 8,304,969	$ 7,979,805	$ 5,832,608
Covered Payroll	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	70.20%	62.64%	63.41%	46.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%

	2017	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.07858%	0.08158%	0.08220%	0.08138%
Proportionate Share of TSERS Collective Net Pension Liability	$ 7,222,314	$ 3,006,491	$ 963,753	$ 4,940,641
Covered Payroll	$ 12,323,603	$ 12,170,751	$ 11,773,267	$ 12,205,518
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	58.61%	24.70%	8.19%	40.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

North Carolina State Ports Authority
Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years *Exhibit B-2*

Teachers' and State Employees' Retirement System	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 2,076,753	$ 1,911,115	$ 1,629,480	$ 1,356,638	$ 1,246,963
Contributions in Relation to the Contractually Determined Contribution	2,076,753	1,911,115	1,629,480	1,356,638	1,246,963
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 14,051,104	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 1,127,510	$ 1,113,624	$ 1,023,097	$ 1,016,720	$ 952,502
Contributions in Relation to the Contractually Determined Contribution	1,127,510	1,113,624	1,023,097	1,016,720	952,502
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 12,323,603	$ 12,170,751	$ 11,773,267	$ 12,205,518	$ 12,802,452
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

North Carolina State Ports Authority
Notes to Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2021

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees'	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report* .

N/A - Not Applicable

North Carolina State Ports Authority
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Five Fiscal Years*

Exhibit B-3

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.07230%	0.06639%	0.06509%	0.06138%	0.06059%
Proportionate Share of Collective Net OPEB Liability	$ 20,056,168	$ 21,004,451	$ 18,542,674	$ 20,123,893	$ 26,358,709
Covered Payroll	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622	$ 12,323,603
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	136.11%	158.42%	147.34%	161.06%	213.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	0.07037%	0.06911%	0.06910%	0.06361%	0.06872%
Proportionate Share of Collective Net OPEB Asset	$ 34,618	$ 29,821	$ 20,990	$ 38,878	$ 42,675
Covered Payroll	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622	$ 12,323,603
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.23%	0.22%	0.17%	0.31%	0.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

North Carolina State Ports Authority
Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit B-4

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 938,614	$ 953,347	$ 831,313	$ 761,378	$ 725,938
Contributions in Relation to the Contractually Determined Contribution	938,614	953,347	831,313	761,378	725,938
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 14,051,104	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 690,122	$ 668,174	$ 635,756	$ 646,892	$ 640,123
Contributions in Relation to the Contractually Determined Contribution	690,122	668,174	635,756	646,892	640,123
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 12,323,603	$ 12,170,751	$ 11,773,267	$ 12,205,518	$ 12,802,452
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%

Disability Income Plan of North Carolina	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 12,646	$ 14,735	$ 18,562	$ 17,619	$ 47,480
Contributions in Relation to the Contractually Determined Contribution	12,646	14,735	18,562	17,619	47,480
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 14,051,104	$ 14,734,885	$ 13,258,581	$ 12,584,767	$ 12,494,622
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 50,527	$ 49,900	$ 51,802	$ 53,704	$ 66,573
Contributions in Relation to the Contractually Determined Contribution	50,527	49,900	51,802	53,704	66,573
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 12,323,603	$ 12,170,751	$ 11,773,267	$ 12,205,518	$ 12,802,452
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	0.52%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

North Carolina State Ports Authority
Notes to Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2021

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers’ and State Employees’ Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina’s 2020 *Comprehensive Annual Financial Report* .

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
North Carolina State Ports Authority
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina State Ports Authority (Authority), which is a component unit of the State of North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

September 29, 2021

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This audit required 485 hours at an approximate cost of $51,410.