

North Carolina Department of Transportation

Raleigh, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2023

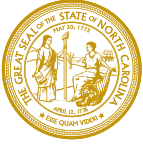
A Department of the State of North Carolina

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A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Joey R. Hopkins, Secretary
North Carolina Department of Transportation

We have completed a financial statement audit of the North Carolina Department of Transportation for the year ended June 30, 2023, 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.

A handwritten signature in cursive script that reads "Jessica N. Holmes, J.D.".

Jessica N. Holmes, J.D.
State Auditor

An Overview of How to Use this Report

This report provides audited financial information on the North Carolina Department of Transportation (Department) and is designed to provide the information at a summarized level in the beginning and more detailed information further into the report. This report is made up of various components as listed in the Table of Contents.

The Department reports financial activities in two major governmental funds, one major proprietary fund, one fiduciary fund, and two component units. The two governmental funds, the Highway Fund and the Highway Trust Fund, are special revenue funds and are used to report most of the activity of the Department. The proprietary fund is used to report the activity of the North Carolina Turnpike Authority (NCTA). The fiduciary fund is a custodial fund that reports vehicle property tax collections. The two component units are the North Carolina State Ports Authority (Ports Authority) and the North Carolina Global TransPark Authority (Global TransPark Authority).

The financial information in the report is presented at a summarized, departmental, and component unit level initially. Where some numbers need further explanation, additional detail is provided in the supplementary schedules or “Notes to the Financial Statements”. The Exhibits/Notes will be referenced next to the line item caption. Throughout the report, the term Department is used to refer to the governmental funds, proprietary fund, and fiduciary fund combined, unless otherwise specifically stated.

Required Information (Information required to be reported per the Governmental Accounting Standards Board and *Government Auditing Standards*):

The **Independent Auditor’s Report** presents the auditor’s opinions on the financial statements, which is whether the financial statements, as presented, are presented fairly in all material respects.

The **Management’s Discussion and Analysis** presents a discussion of the reasons for significant financial changes between years. The Management’s Discussion and Analysis is prepared by the Department and has not been subjected to the same auditing procedures performed on the financial statements.

“A” Exhibits present the Balance Sheet as of June 30, 2023 and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2023 for the Department’s **governmental funds as a whole (represented by the Highway Fund and the Highway Trust Fund)**.

“B” Exhibits present the Statement of Net Position as of June 30, 2023, the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2023, and the Statement of Cash Flows for the fiscal year ended June 30, 2023 for the Department’s **proprietary fund as a whole (represented by the North Carolina Turnpike Authority Fund)**.

“C” Exhibits present the Statement of Fiduciary Net Position as of June 30, 2023 and the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2023 for the

Department's **fiduciary fund as a whole (represented by the Vehicle Property Tax Collection Fund)**.

"D" Exhibits present the Statement of Net Position as of June 30, 2023, the Statement of Changes in Revenues, Expenses, and Change in Net Position for the fiscal year ended June 30, 2023, and the Statement of Cash Flows for the fiscal year ended June 30, 2023 for the two **component units (North Carolina State Ports Authority and North Carolina Global TransPark Authority)** and the North Carolina Global TransPark Authority's discretely presented component unit (**Global TransPark Foundation, Inc.**).

Notes to the Financial Statements are designed to give the reader additional information concerning the Department and the component units and further support the financial statements.

Required Supplementary Information:

"E" Schedules present the required supplementary information related to the pension plan and other postemployment benefit (OPEB) plans for the **proprietary fund (represented by the North Carolina Turnpike Authority Fund)**.

Other Supplementary Information:

"F" Schedules present schedules of expenditures by division for the fiscal year ended June 30, 2023 for the Department's governmental funds.

"G" Schedules present schedules of expenditures by purpose for the fiscal year ended June 30, 2023 for the Department's governmental funds.

"H" Schedules present schedules of project expenditures by each of the Highway Division Offices for the fiscal year ended June 30, 2023 for the Department's governmental funds.

Required Information:

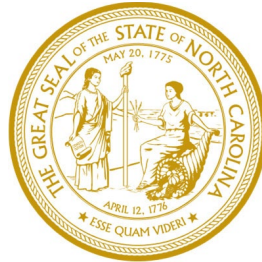
The **Independent Auditor's Report on Internal Control and Compliance** – this report is not an opinion on internal control or compliance but rather a report on the matters related to internal control and compliance that were noted as a part of the audit of the financial statements.

Table of Contents

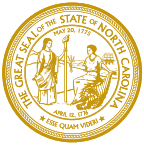
	Page
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	5
Basic Financial Statements	
Governmental Funds:	
A-1 Balance Sheet	15
A-2 Statement of Revenues, Expenses, and Changes in Fund Balances	16
Proprietary Fund – North Carolina Turnpike Authority:	
B-1 Statement of Net Position	17
B-2 Statement of Revenues, Expenses, and Changes in Net Position	18
B-3 Statement of Cash Flows.....	19
Fiduciary Fund – Vehicle Property Tax Collection Fund:	
C-1 Statement of Fiduciary Net Position.....	21
C-2 Statement of Changes in Fiduciary Net Position	22
Discretely Presented Component Units:	
D-1 Statement of Net Position	23
D-2 Statement of Revenues, Expenses, and Changes in Net Position	24
D-3 Statement of Cash Flows.....	25
D-4 Statement of Financial Position – Global TransPark Foundation, Inc.....	27
D-5 Statement of Activities – Global TransPark Foundation, Inc....	28
Notes to the Financial Statements.....	29
Required Supplementary Information	
E-1 Schedule of the Proportionate Share of the Net Pension Liability (Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan)	80
E-2 Schedule of Employer Contributions (Cost-Sharing, Multiple- Employer, Defined Benefit Pension Plan).....	81
Notes to Required Supplementary Information (Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan).....	82
E-3 Schedule of the Proportionate Share of the Net OPEB Liability or Asset (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans)	83

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.

E-4 Schedule of Employer Contributions (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans).....	84
Notes to Required Supplementary Information (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans).....	85
Other Supplementary Information	
F-1 Schedule of Expenditures by Division – Total Governmental Funds.....	86
F-2 Schedule of Expenditures by Division – Division of Motor Vehicles	87
F-3 Schedule of the Expenditures by Division – Division of Transit.....	88
F-4 Schedule of Expenditures by Division – Division of Highways and Technical Services	89
F-5 Schedule of Expenditures by Division – Fourteen Highway Division Offices Vehicles	90
F-6 Schedule of the Expenditures by Division – Other Divisions ...	92
Schedule of Expenditures by Purpose – Description of Accounts	93
G-1 Schedule of Expenditures by Purpose – Highway Fund	99
G-2 Schedule of Expenditures by Purpose – Highway Trust Fund.....	101
Map of Fourteen Highway Divisions	102
Schedule of Project Expenditures – Counties by Division.....	103
Schedule of Project Expenditures – Descriptions of Project Expenditure Categories.....	104
H Schedule of Project Expenditures – Total Governmental Funds.....	108
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 <i>Government Auditing Standards</i>	114
Ordering Information	116



Independent Auditor's Report



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report

Joey R. Hopkins, Secretary
and Management of the North Carolina Department of Transportation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major governmental fund, the major proprietary fund, the fiduciary fund, and the aggregate discretely presented component units of the North Carolina Department of Transportation (Department) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major governmental fund, the major proprietary fund, the fiduciary fund, and the discretely presented component units of the North Carolina Department of Transportation as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The North Carolina Turnpike Authority, which represent 100 percent of the assets, net position, and revenues of the Department's major proprietary fund.
- The North Carolina State Port Authority and the North Carolina Global TransPark Authority, which represent the Department's discretely presented component units.

The financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's

Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Carolina Department of Transportation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Carolina Department of Transportation are intended to present the financial position, changes in financial position, and, where applicable, cash flows that are only attributable to the transactions of the North Carolina Department of Transportation. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Department'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 Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to

those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department'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 Department'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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 on our consideration of the Department'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 Department's internal control over financial reporting and compliance.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

June 3, 2024



Management's Discussion and Analysis

Introduction

The Management's Discussion and Analysis section of the North Carolina Department of Transportation's (Department) financial report is provided as an overview of the financial performance of the governmental funds and the proprietary fund for the fiscal year ended June 30, 2023. This discussion and analysis should be read in conjunction with the financial statements and related notes which follow this section.

Financial Highlights

Governmental Funds Financial Statements

- The fund balance of the Highway Fund increased \$18.73 million or 2% from June 30, 2022 to 2023.
- The fund balance of the Highway Trust Fund decreased \$552.03 million or 34% from June 30, 2022 to 2023.

Proprietary Fund Financial Statements

- The net position of the North Carolina Turnpike Authority increased \$89.81 million or 38% from June 30, 2022 to 2023.

Capital Assets

- The Department's investment in capital assets (net of accumulated depreciation) increased \$3.3 billion or 6% from June 30, 2022 to 2023. The increase was primarily due to increases in construction in progress of \$698.72 million, increases in land and permanent easements of \$884.39 million, and increases in the State Highway Network, net of accumulated depreciation, of \$1.68 billion.

Long-Term Debt

- The Department's long-term liabilities decreased \$158.55 million or 3% from June 30, 2022 to 2023. This balance is comprised of revenue bonds, Grant Anticipation Revenue Vehicle (GARVEE) bonds, Build NC bonds, deferred issuance premiums, workers compensation, notes from direct borrowings, lease liability, subscription (SBITA) liability, compensated absences, net pension liability, other postemployment benefits (OPEB), and pollution remediation payable. The decrease was primarily due to the decreases in outstanding bonds payable, offset by the increase in notes from direct borrowings.

Overview of the Financial Statements

The Department's financial statements are comprised of the governmental funds (Highway Fund and Highway Trust Fund), the proprietary fund (North Carolina Turnpike Authority Fund), the fiduciary fund (Vehicle Property Tax Collections Fund), and two discretely presented component units (North Carolina State Ports Authority and North Carolina Global TransPark Authority). The Highway Fund and Highway Trust Fund's basic financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The North Carolina Turnpike Authority's basic financial statements consist of the Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Vehicle Property Tax Collections Fund's financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Statement of Net Position; the Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows are presented for the component units of the Department.

Highway Fund and Highway Trust Fund:

- The Balance Sheets present the governmental fund assets, deferred outflows, deferred inflows, and liabilities that are considered relevant to an assessment of near-term liquidity. The difference between assets/deferred outflows and liabilities/deferred inflows is reported as fund balance.
- The Statements of Revenues, Expenditures, and Changes in Fund Balances report the resource flow (revenues and expenditures) of the governmental funds.

North Carolina Turnpike Authority Fund:

- The Statement of Net Position shows the financial position of the proprietary fund and includes the fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Net Position also provides the basis for evaluating the liquidity and financial flexibility of the fund.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the proprietary fund. The net effect of revenues and expenses is included in net position, which reflects the current year activities.
- The Statement of Cash Flows is prepared using the direct method. This statement shows the net changes in cash resulting from operating, financing, and investing activities.

Vehicle Property Tax Collection Fund:

- The Statement of Fiduciary Net Position shows the amount of assets and liabilities that the Department holds for the benefit of parties outside of the State.
- The Statement of Changes in Fiduciary Net Position reflects the collection and disbursement of the funds held to and from those outside of the State.

Discretely Presented Component Units:

- Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. A description of the component units and an address for obtaining their separately issued financial statements can be found in Note 1 of the Department's Notes to the Financial Statements.

Notes to the financial statements are designed to give the reader additional information concerning the Department and further support the statements noted above.

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 disclosures related to pensions and other postemployment benefits pursuant to GASB Statement 68 and 75 for the North Carolina Turnpike Authority. A budget-actual report is not presented in these statements as the Department does not have annual appropriated

budgets and utilizes multi-year encumbrance accounting for projects. Appropriations and revenue collections in a given year are related to multi-year projects and expenditures are incurred over the life of the projects. An annual budget-actual report would not accurately reflect the Department's position. Management's Discussion and Analysis concentrates on the Department's governmental funds and proprietary fund.

Other supplementary information includes the Schedule of Expenditures by Division, Schedule of Expenditures by Purpose, and Schedule of Project Expenditures.

Governmental Funds

Condensed Balance Sheets

The following condensed balance sheets show the Highway Fund's financial position on June 30, 2023 and 2022:

	Highway Fund		
	2023	2022 (as Restated)	Change
Assets	\$ 2,440,421,068	\$ 2,276,240,199	\$ 164,180,869
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 2,440,421,068</u>	<u>\$ 2,276,240,199</u>	<u>\$ 164,180,869</u>
Liabilities	\$ 1,172,935,665	\$ 1,026,862,645	\$ 146,073,020
Deferred Inflows of Resources	70,530,125	71,147,747	(617,622)
Fund Balances			
Nonspendable	109,722,741	101,950,144	7,772,597
Restricted	38,476,878	198,071,084	(159,594,206)
Committed	1,048,755,659	878,208,579	170,547,080
Total Fund Balances	<u>1,196,955,278</u>	<u>1,178,229,807</u>	<u>18,725,471</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,440,421,068</u>	<u>\$ 2,276,240,199</u>	<u>\$ 164,180,869</u>

Total assets for the Highway Fund increased by \$164.18 million or 7% from June 30, 2022 to 2023, primarily due to an increase in pooled cash of \$354.53 million, which was offset by a decrease in restricted investments of \$159.56 million. The increase in pooled cash is mainly due to transfer of funds from the Department of Commerce Economic Development Fund of \$200 million as mandated in Session Law 2022-74, transfers from the General Fund Capital and Infrastructure Fund of \$56 million, and conversion of Grant Anticipation Revenue Vehicle (GARVEE) bond proceeds for \$160 million for use on construction projects. Restricted investments decreased due to the continued use of GARVEE bond proceeds for construction projects and no issuance of new bonds in fiscal year 2023.

As with assets, a combination of circumstances contributed to the change in liabilities in the Highway Fund. Overall, liabilities increased by \$146.07 million or 14% primarily due to an increase in unearned revenue of \$385.47 million, offset by a decrease in the amount due to the Highway Trust Fund of \$204.85 million. The increase in unearned revenue is mainly due to \$350 million in deposits received from external parties for infrastructure improvements related to the economic development project in Randolph County. The deposits are recorded to unearned revenue instead of revenue because the Department has not yet substantially accomplished what it is required to

Management's Discussion and Analysis

do to be entitled to the funds. The amount due to the Highway Trust Fund decreased as a result of the Highway Fund repaying the outstanding balance owed for prior loans from the Highway Trust Fund.

In fiscal year 2023, fund balance for the Highway Fund had an insignificant increase of \$18.7 million. Due to the implementation of GASB 94, the Highway Fund restated a deferred inflow that decreased the prior year's ending fund balance in the amount of \$70.2 million.

The following condensed balance sheet shows the Highway Trust Fund's financial position on June 30, 2023 and 2022:

	Highway Trust Fund		
	2023	2022	Change
Assets	\$ 1,207,656,938	\$ 1,791,372,283	\$ (583,715,345)
Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 1,207,656,938</u>	<u>\$ 1,791,372,283</u>	<u>\$ (583,715,345)</u>
Liabilities	\$ 132,486,496	\$ 164,171,902	\$ (31,685,406)
Deferred Inflows of Resources			
Fund Balances			
Restricted	214,914,759	484,896,579	(269,981,820)
Committed	<u>860,255,683</u>	<u>1,142,303,802</u>	<u>(282,048,119)</u>
Total Fund Balances	<u>1,075,170,442</u>	<u>1,627,200,381</u>	<u>(552,029,939)</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,207,656,938</u>	<u>\$ 1,791,372,283</u>	<u>\$ (583,715,345)</u>

Total assets for the Highway Trust Fund decreased by \$583.72 million or 33%, primarily due to a decrease in pooled cash of \$115.59 million, a decrease in restricted investments \$269.98 million, and a decrease in due from the Highway Fund of \$205.30 million. The pooled cash decrease is due to increased activity in the Strategic Transportation Improvement Program (STIP) to increase statewide construction activities, previously slowed down by COVID and the cash constraints of state fiscal year 2020. Additionally, the first principal payment for the Build NC Series 2022 bonds was made during the year, further contributing to the decrease in pooled cash. Continued construction spending of Build NC bond proceeds, with no new debt being issued during state fiscal year 2023, contributed to the decrease in restricted investments. As noted above in the Highway Fund section, the Highway Fund fully repaid the outstanding balance owed to the Highway Fund, resulting in a decrease in the Highway Trust Fund's due from Highway Fund balance.

Liabilities for the Highway Trust Fund decreased by \$31.69 million or 19%, primarily due to a reduction in amounts owed by the Highway Trust Fund to the Highway Fund to repay intra-agency due to/due from transactions at year-end.

Fund balance for the Highway Trust Fund decreased \$552.03 million or 34% from June 30, 2022 to 2023 as result of expenditures for the Strategic Transportation Improvement Plan (STIP) and other projects surpassing revenues.

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balances

The following condensed statements show the Highway Fund's resource flows at June 30, 2023 and 2022:

	Highway Fund		
	2023	2022 (as Restated)	Change
Revenues:			
Taxes	\$ 2,101,239,606	\$ 1,865,575,327	\$ 235,664,279
Federal Funds	1,479,354,181	1,322,819,713	156,534,468
Fees, Licenses, and Fines	958,445,111	924,179,937	34,265,174
Other	417,612,347	477,271,836	(59,659,489)
Total Revenues	4,956,651,245	4,589,846,813	366,804,432
Expenditures:			
Salaries and Benefits	763,705,880	741,118,216	22,587,664
Contracted Personal Services	192,060,212	154,780,522	37,279,690
Supplies and Materials	185,373,635	170,824,468	14,549,167
Debt Service	183,551,046	169,675,348	13,875,698
Capital Outlay	2,919,224,814	2,469,532,020	449,692,794
Grants, State Aid, and Subsidies	599,649,261	650,415,776	(50,766,515)
Other Expenditures	112,198,700	206,979,363	(94,780,663)
Expenditures to Other State Agencies	55,048,693	47,871,239	7,177,454
Expenditures to Component Units	9,953,951	9,207,946	746,005
Total Expenditures	5,020,766,192	4,620,404,898	400,361,294
Excess Revenues Under Expenditures	(64,114,947)	(30,558,085)	(33,556,862)
Other Financing Sources (Uses)			
Refunding Bonds Issued		252,595,000	(252,595,000)
Premiums on Debt Issued		53,560,873	(53,560,873)
Other Debt Issued	61,697,675	4,420,709	57,276,966
Sale of Capital Assets	9,202,071	17,867,223	(8,665,152)
Insurance Recoveries	17,569,183	12,861,764	4,707,419
Transfers In	125,873,071	178,753,936	(52,880,865)
Transfers Out	(109,834,972)		(109,834,972)
Transfers to Turnpike Authority	(21,666,610)	(4,096,607)	(17,570,003)
Total Other Financing Sources	82,840,418	515,962,898	(433,122,480)
Net Change in Fund Balances	18,725,471	485,404,813	(466,679,342)
Fund Balances July 1, as Restated	1,178,229,807	692,824,994	485,404,813
Fund Balances June 30	<u>\$ 1,196,955,278</u>	<u>\$ 1,178,229,807</u>	<u>\$ 18,725,471</u>

Highway Fund revenues increased 8%, to \$4.96 billion, primarily due to the enactment of N.C. Session Law 2022-74, Section 42.3.(a), which required the net proceeds of tax collected on aviation gasoline and jet fuel to be transferred to the Highway Fund. Additionally, beginning fiscal year 2023, the session law requires a percentage of the net proceeds from the State's sales tax collections to be transferred to the Highway Fund for transportation needs. For state fiscal year 2023, the amount was 2%. Lastly, effective January 1, 2023, the motor fuels tax rate increased from 38.5 cents to 40.5 cents per gallon. An increase in the monthly average of the Short-Term Investment Fund (STIF) interest rate from 0.0216% in fiscal year 2022 to 2.224% in fiscal year 2023 also contributed to the revenue increase.

Management's Discussion and Analysis

Highway Fund expenditures increased by 9% to \$5.02 billion primarily due to the implementation of the Ariba procurement system, higher capital outlay costs, and increased spending for contract resurfacing and bridge projects.

Other financing sources for the Highway Fund decreased by \$433.12 million or 84% due to decreases in bonds and associated premiums on debt issued of \$306.16 and increases in Transfers Out of \$109.83. Bonds and associated premiums on debt decreased since there were no GARVEE bonds issued for state fiscal year 2023. Alternatively, transfers out increased due to Session Law 2022-74, Section 41.7.(a), which required a transfer of \$109.83 million from the Highway Fund to the Highway Trust Fund for the purchase of property under the Undue Hardship Advance Acquisition Program.

The following condensed statements show the Highway Trust Fund's resource flows at June 30, 2023 and 2022:

	Highway Trust Fund		
	2023	2022	Change
Revenues:			
Taxes	\$ 1,676,934,028	\$ 1,476,821,738	\$ 200,112,290
Fees, Licenses, and Fines	148,209,864	152,560,226	(4,350,362)
Other	48,024,655	10,802,445	37,222,210
Total Revenues	1,873,168,547	1,640,184,409	232,984,138
Expenditures:			
Salaries and Benefits	80,753,585	73,073,052	7,680,533
Contracted Personal Services	2,862,783	2,807,060	55,723
Supplies and Materials	2,070,581	2,164,106	(93,525)
Debt Service	122,063,585	94,523,394	27,540,191
Capital Outlay	2,001,261,504	1,643,179,357	358,082,147
Grants, State Aid, and Subsidies	20,377,939	57,962,722	(37,584,783)
Other Expenditures	43,918,109	77,072,764	(33,154,655)
Expenditures to Other State Agencies	542,288	2,870,039	(2,327,751)
Expenditures to Component Units	45,000,000		45,000,000
Total Expenditures	2,318,850,374	1,953,652,494	365,197,880
Excess Revenues Under Expenditures	(445,681,827)	(313,468,085)	(132,213,742)
Other Financing Sources (Uses)			
Bonds Issued		300,000,000	(300,000,000)
Premiums on Debt Issued		34,012,959	(34,012,959)
Sale of Capital Assets	1,005,956	106,672	899,284
Transfers In	109,834,972		109,834,972
Transfers Out	(125,873,071)	(178,753,936)	52,880,865
Transfers to Turnpike Authority	(91,315,969)	(52,903,494)	(38,412,475)
Total Other Financing Sources (Uses)	(106,348,112)	102,462,201	(208,810,313)
Net Change in Fund Balances	(552,029,939)	(211,005,884)	(341,024,055)
Fund Balances July 1	1,627,200,381	1,838,206,265	(211,005,884)
Fund Balances June 30	\$ 1,075,170,442	\$ 1,627,200,381	\$ (552,029,939)

Highway Trust Fund revenues increased by 14% to \$1.87 billion for fiscal year 2023. As with the Highway Fund, legislative action contributed to the increase in revenues for the Highway Trust Fund. Effective January 1, 2023, the motor fuels tax rate increased from 38.5 cents to 40.5 cents per gallon. Additionally, the motor fuels distribution percentage rate increased from 20% in fiscal year 2022 to 25% in fiscal year 2023. The increase in highway use tax was due to an increase in

the number of transactions to title a motor vehicle in fiscal year 2023 compared to fiscal year 2022. This was fueled by increased vehicle purchases as the supply chain issues eased and the continuation of new residents moving into North Carolina who must title a vehicle with North Carolina before registering their vehicle.

The Highway Trust Fund expenditures increased by 19% to \$2.32 billion primarily due to increased STIP activity, representing continued growth of statewide construction activities after the COVID shutdown and the cash constraints of fiscal year 2020. Increased project participation from the Highway Trust Fund to NCTA projects, as well as the first payment of the Build NC Series 2022 bonds being made in fiscal year 2023, also contributed to the increase in expenditures.

Total other financing sources decreased by \$208.81 million or 204% primarily due to no Build NC bonds being issued, which resulted in decreases in bonds issued and premiums on debt of \$334.01 million.

Future Outlook

The Department continues to recover from the effects of the COVID-19 pandemic. Like many other transportation departments, NCDOT struggles with limited resources, increasing needs and competing priorities. The Department estimates that transportation revenue will continue to track with population growth, vehicle, and ownership fees; however, it is estimated that additional funding will be needed to keep pace with transportation needs. It is anticipated that federal funding to North Carolina will remain constant, which may require shifting the burden to state and local governments to fund more of their transportation needs.

As part of Session Law 2022-74, Section 42.3.(a), discussed above, the percentage of the net sales tax proceeds collected to be distributed to the Department will change. For the state fiscal year 2024, 1% will be distributed to the Highway Fund and 3% will be distributed to the Highway Trust Fund. For the state fiscal year 2025 and thereafter, the funds will be distributed 1.5% to the Highway Fund and 4.5% to the Highway Trust Fund.

New legislation affecting the Highway Fund is Session Law 2023-134, Section 2.2.(j), which establishes a Transportation Reserve in the amount of \$450 million for fiscal year 2024 and \$100 million for fiscal year 2025.

New legislation also affects the operations of the Division of Motor Vehicles (DMV). Session Law 2023-134, Section 41.14C.(a)-(f), requires NCDOT to conduct a study to determine if privatization of DMV operations would improve the Division's delivery of services. In addition, Section 41.14E.(a)-(b) requires DMV to develop a plan for adding a fee to transactions where it accepts electronic payment to help offset any charge the Division pays for electronic payment service. Section 41.14D.(a) of Session Law 2023-134 increases the fees for certain electric vehicles and plug-in hybrid vehicles.

Proprietary Funds

Condensed Statement of Net Position

The following condensed balance sheet shows the NCTA's financial position as of June 30, 2023 and 2022:

	North Carolina Turnpike Authority		
	2023	2022	Change
Current Assets	\$ 85,801,706	\$ 51,936,083	\$ 33,865,623
Restricted Assets	364,318,899	523,815,019	(159,496,120)
Other Noncurrent Assets	4,278,485	4,537,966	(259,481)
Capital Assets, Net of Depreciation	<u>2,800,516,047</u>	<u>2,583,207,797</u>	<u>217,308,250</u>
Total Assets	<u>3,254,915,137</u>	<u>3,163,496,865</u>	<u>91,418,272</u>
Deferred Outflows of Resources	<u>21,018,744</u>	<u>23,562,733</u>	<u>(2,543,989)</u>
Current Liabilities	258,017,963	225,049,027	32,968,936
Noncurrent Liabilities	<u>2,671,523,642</u>	<u>2,718,837,473</u>	<u>(47,313,831)</u>
Total Liabilities	<u>2,929,541,605</u>	<u>2,943,886,500</u>	<u>(14,344,895)</u>
Deferred Inflows of Resources	<u>20,955,385</u>	<u>7,542,181</u>	<u>13,413,204</u>
Net Investment in Capital Assets	531,138,700	422,923,974	108,214,726
Restricted for Debt Service	142,613,215	197,962,415	(55,349,200)
Restricted for Transportation	19,475,299	17,470,046	2,005,253
Unrestricted	<u>(367,790,323)</u>	<u>(402,725,518)</u>	<u>34,935,195</u>
Total Net Position	<u>\$ 325,436,891</u>	<u>\$ 235,630,917</u>	<u>\$ 89,805,974</u>

Current assets increased in fiscal year 2023 primarily due to an increase of \$17.1 million in accounts receivable for bill by mail toll revenue and an increase of \$20.8 million in intergovernmental receivables from the National Highway Performance Program (NHPP) for the Triangle Expressway's Complete 540 project.

Restricted assets decreased in fiscal year 2023 primarily due to decrease in restricted investments of \$171.3 million for the continued construction of the Triangle Expressway's Complete 540 project using bond proceeds.

The increase in nondepreciable capital assets in fiscal year 2023 was due to the continued progress on the Complete 540 project with an increase for right-of-way (ROW) acquisition of \$34.7 million and an increase for construction in progress of \$212.3 million.

Current liabilities include accounts payable, current portion of interest payable, obligations under securities lending, current portion of revenue bonds payable, and other current liabilities. Current liabilities increased in fiscal year 2023 primarily due to a \$16.7 million increase in due to other funds for ROW acquisition expenditures for the Complete 540 project and an increase of \$13.5 million in Accounts Payable.

Noncurrent liabilities include revenue bonds payable, notes payable, funds advanced to the Turnpike Authority from the Highway Trust Fund to cover the Turnpike Authority's administrative expenditures, and the noncurrent portion of accrued vacation and interest payable. Noncurrent liabilities decreased in fiscal year 2023 primarily due to utilizing the TIFIA line of credit to refund

the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020 for the Complete 540 project.

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

The following condensed statement for the NCTA provides answers to the nature and source of changes in net position for the years ended June 30, 2023 and 2022:

	North Carolina Turnpike Authority		
	2023	2022	Change
Operating Revenues			
Charges for Services	\$ 94,172,843	\$ 89,667,045	\$ 4,505,798
Other Operating Revenues	17,598,892	17,604,543	(5,651)
Total Operating Revenues	<u>111,771,735</u>	<u>107,271,588</u>	<u>4,500,147</u>
Operating Expenses			
Personnel Services	3,189,566	3,024,259	165,307
Supplies and Materials	1,643,019	613,815	1,029,204
Contracted Personnel Services	12,733,449	8,595,600	4,137,849
Travel	84,194	72,971	11,223
Advertising	718,950	159,027	559,923
Utilities	553,651	330,178	223,473
Dues and Subscription Fees	10,216	43,887	(33,671)
Other Services	17,837,082	29,013,342	(11,176,260)
Costs of Goods Sold	608,213	933,468	(325,255)
Capital Outlay	42,286,501	35,794,768	6,491,733
Rental Expense	113,913	199,973	(86,060)
Depreciation	29,683,523	29,683,523	
Total Operating Expenses	<u>109,462,277</u>	<u>108,464,811</u>	<u>997,466</u>
Operating Income (Loss)	<u>2,309,458</u>	<u>(1,193,223)</u>	<u>3,502,681</u>
Nonoperating Revenue (Expenses) and Capital Grants	(25,486,063)	(102,730,936)	77,244,873
Transfers In	112,982,579	57,023,246	55,959,333
Change in Net Position	89,805,974	(46,900,913)	136,706,887
Net Position Beginning July 1	<u>235,630,917</u>	<u>282,531,830</u>	<u>(46,900,913)</u>
Net Position Ending June 30	<u>\$ 325,436,891</u>	<u>\$ 235,630,917</u>	<u>\$ 89,805,974</u>

Operating revenues are revenues derived from the business operations of the Turnpike Authority. These include toll revenues, fees, and sales revenue from the sale of transponders. Operating revenues increased in fiscal year 2023 primarily due to an increase of \$4.5 million in toll revenues from increased traffic levels.

Operating expenses are expenses used to acquire or produce goods and services to carry out the mission of the Turnpike Authority. In fiscal year 2023, operating expenses increased insignificantly at \$1.0 million.

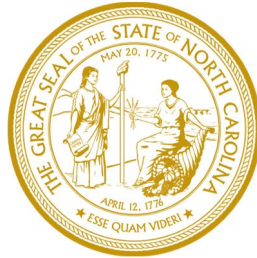
Nonoperating revenues/expenses are revenues received or expenses incurred for which goods and services are not provided or received. They include capital grants, investment income, and debt service expense. In fiscal year 2023, nonoperating revenues and expenses decreased an insignificant amount of \$1.9 million. Capital grants increased \$75.4 million in fiscal year 2023 primarily due to funding from the National Highway Performance Program (NHPP) for the Triangle Expressway's Complete 540 project.

Transfers in include funds received from NCDOT for gap funding of debt service and funds for the FHWA State match. The amount of funds received for gap funding of debt service remained unchanged at \$49.0 million in fiscal year 2023.

Transfers out include funds disbursed to reimburse NCDOT for project participation incurred with proceeds from the sale of bonds for the Complete 540 project. There were no transfers out in fiscal year 2023.

Future Outlook

NCTA expects the effects of the economic rebound from the COVID-19 pandemic to continue. Traffic volumes across all projects increased throughout fiscal year 2022 and that trend is anticipated to continue. North Carolina continues to see population growth, largely in part to job opportunities in various commercial sectors. The North Carolina Office of State Budget and Management projects this population growth at approximately 11% from 2020 to 2030. As demand for toll services increases, NCTA will continue modernizing its toll collection system platform to accommodate future statewide toll facilities with a more centralized system to meet increasing demand from its customers. Continual population growth, low unemployment rates, and the rise of industries in North Carolina indicate a positive trend of economic activities including a strong commuter demand for quick, alternative routes like toll roads. The factors and trends are expected to continue into the coming fiscal year.



Financial Statements

North Carolina Department of Transportation
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit A-1

	Highway Fund	Highway Trust Fund	Total Governmental Funds
ASSETS			
Cash, Cash Equivalents, and Pooled Cash (Note 2):			
Cash and Cash Equivalents	\$ 37,183,769	\$ 0	\$ 37,183,769
Pooled Cash	1,845,865,410	863,574,336	2,709,439,746
Restricted Investments (Note 3)	35,167,131	214,914,759	250,081,890
Securities Lending Collateral	28,012,321	17,786,389	45,798,710
Receivables:			
Fuel Tax Receivable, Net (Note 4)	172,309,990	56,465,336	228,775,326
Accounts Receivable	45,488,319	35,485	45,523,804
Intergovernmental Receivables (Note 5)	22,138,031	3,691,560	25,829,591
Interest Receivable	4,467,625	2,355,855	6,823,480
Other Receivables	4,184,077		4,184,077
Inventories (Note 6)	109,722,741		109,722,741
Advances to Component Units (Note 14)	1,690,615		1,690,615
Notes Receivable	131,947	3,157	135,104
Securities Held in Trust (Sureties)	4,177,343		4,177,343
Due from State of North Carolina Component Unit	40,000,000		40,000,000
Due from Fiduciary Funds	1,401,335		1,401,335
Due from Turnpike Authority	72,078,830	15,990,333	88,069,163
Due from General Fund	16,401,584		16,401,584
Advances to Turnpike Authority (Note 14)		32,839,728	32,839,728
Total Assets	<u>2,440,421,068</u>	<u>1,207,656,938</u>	<u>3,648,078,006</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Assets and Deferred Outflows of Resources	<u>\$ 2,440,421,068</u>	<u>\$ 1,207,656,938</u>	<u>\$ 3,648,078,006</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities:			
Accounts Payable (Note 8)	\$ 379,007,025	\$ 105,092,848	\$ 484,099,873
Accrued Payroll	43,712,513		43,712,513
Intergovernmental Payables (Note 5)	161,944,162	4,289,652	166,233,814
Tax Refunds Payable	5,918,876	1,972,959	7,891,835
Obligations Under Securities Lending	28,012,321	17,786,389	45,798,710
Due to Prison Enterprise Fund	1,960,205		1,960,205
Due to Internal Service Funds	2,444,093		2,444,093
Due to General Fund	12,025,694		12,025,694
Due to Component Units	1,769,226		1,769,226
Unearned Revenue	509,105,871	3,344,648	512,450,519
Funds Held for Others (Note 9)	27,035,679		27,035,679
Total Liabilities	<u>1,172,935,665</u>	<u>132,486,496</u>	<u>1,305,422,161</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,798,045		1,798,045
Deferred Inflows Under Public-Private Partnerships (Note 7)	68,732,080		68,732,080
Total Deferred Inflows of Resources	<u>70,530,125</u>		<u>70,530,125</u>
FUND BALANCES (Note 12)			
Nonspendable	109,722,741		109,722,741
Restricted	38,476,878	214,914,759	253,391,637
Committed	1,048,755,659	860,255,683	1,909,011,342
Total Fund Balances	<u>1,196,955,278</u>	<u>1,075,170,442</u>	<u>2,272,125,720</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,440,421,068</u>	<u>\$ 1,207,656,938</u>	<u>\$ 3,648,078,006</u>

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

North Carolina Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

Exhibit A-2

	Highway Fund	Highway Trust Fund	Total Governmental Funds
REVENUES			
Tax Revenues	\$ 2,101,239,606	\$ 1,676,934,028	\$ 3,778,173,634
Federal Funds	1,479,354,181		1,479,354,181
Local Funds	14,358,504	10,434,269	24,792,773
Contributions, Gifts, and Grants	8,786,975	1,345,632	10,132,607
Sales and Services	5,679,193		5,679,193
Fees, Licenses, and Fines	958,445,111	148,209,864	1,106,654,975
Rental and Lease of Property	3,550,758	680,712	4,231,470
Investment Earnings	35,839,332	33,312,342	69,151,674
Interest Earnings on Loans		228,031	228,031
Revenues from Other State Agencies (Note 13)	325,426,026		325,426,026
Miscellaneous Revenue	23,971,559	2,023,669	25,995,228
Total Revenues	<u>4,956,651,245</u>	<u>1,873,168,547</u>	<u>6,829,819,792</u>
EXPENDITURES			
Salaries and Benefits	763,705,880	80,753,585	844,459,465
Contracted Personal Services	192,060,212	2,862,783	194,922,995
Supplies and Materials	185,373,635	2,070,581	187,444,216
Purchases for Resale	4,610,082		4,610,082
Travel	7,696,630	292,148	7,988,778
Communication	15,144,372	39,923	15,184,295
Utilities	16,442,381	970,657	17,413,038
Data Processing Services	18,801,726	303,857	19,105,583
Other Services	29,128,698	465,891	29,594,589
Claims and Benefits	1,117,290		1,117,290
Debt Service:			
Principal Retirement	131,034,812	67,110,000	198,144,812
Interest and Fees	52,242,298	54,829,849	107,072,147
Debt Issuance Costs	273,936	123,736	397,672
Other Fixed Charges	14,050,810	1,976,072	16,026,882
Capital Outlay	2,919,224,814	2,001,261,504	4,920,486,318
Grants, State Aid, and Subsidies	599,649,261	20,377,939	620,027,200
Scholarships	24,000		24,000
Insurance and Bonding	4,132,106		4,132,106
Other Expenditures	1,050,605	39,869,561	40,920,166
Expenditures to Other State Agencies (Note 13)	55,048,693	542,288	55,590,981
Expenditures to Component Units	9,953,951	45,000,000	54,953,951
Total Expenditures	<u>5,020,766,192</u>	<u>2,318,850,374</u>	<u>7,339,616,566</u>
Excess of Revenues Under Expenditures	<u>(64,114,947)</u>	<u>(445,681,827)</u>	<u>(509,796,774)</u>
OTHER FINANCING SOURCES (USES)			
Other Debt Issued	61,697,675		61,697,675
Sale of Capital Assets	9,202,071	1,005,956	10,208,027
Insurance Recoveries	17,569,183		17,569,183
Transfers In (Note 14)	125,873,071	109,834,972	235,708,043
Transfers Out (Note 14)	(109,834,972)	(125,873,071)	(235,708,043)
Transfers to Turnpike Authority (Note 14)	(21,666,610)	(91,315,969)	(112,982,579)
Total Other Financing Sources (Uses)	<u>82,840,418</u>	<u>(106,348,112)</u>	<u>(23,507,694)</u>
Net Change in Fund Balances	18,725,471	(552,029,939)	(533,304,468)
Fund Balances - July 1, 2022, As Restated (Note 20)	<u>1,178,229,807</u>	<u>1,627,200,381</u>	<u>2,805,430,188</u>
Fund Balances - June 30	<u>\$ 1,196,955,278</u>	<u>\$ 1,075,170,442</u>	<u>\$ 2,272,125,720</u>

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

North Carolina Department of Transportation
Statement of Net Position
Proprietary Fund - North Carolina Turnpike Authority
June 30, 2023

Exhibit B-1

ASSETS

Current Assets:	
Securities Lending Collateral	\$ 1,020,321
Accounts Receivable, Net	58,125,209
Intergovernmental Receivables	25,581,648
Inventory	1,074,528
	<hr/>
Total Current Assets	85,801,706
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	50,195,497
Restricted Investments (Note 3)	314,123,402
Prepaid Insurance Costs	4,278,485
Capital Assets, Nondepreciable (Note 7):	
Land and Permanent Easements	590,424,120
Construction in Progress	910,822,653
Capital Assets, Depreciable, Net of Depreciation (Note 7):	
Highway Network	1,299,269,274
	<hr/>
Total Noncurrent Assets	3,169,113,431
	<hr/>
Total Assets	3,254,915,137

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 15)	1,250,417
Deferred Outflows Related to Other Postemployment Benefits (Note 16)	1,597,382
Deferred Outflows Related to Unamortized Bond Refunding Charges	18,170,945
	<hr/>
Total Deferred Outflows of Resources	21,018,744

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities:	
Accounts Payable	30,346,258
Accrued Interest Payable	56,476,044
Compensated Absences (Note 10)	36,553
Intergovernmental Payables	2,006,851
Obligations Under Securities Lending	1,020,321
Due to the State (NCDOT)	111,590,293
Bonds Payable, Net (Note 10)	42,002,000
Notes from Direct Borrowings (Note 10)	217,659
Funds Held for Others	14,321,984
	<hr/>
Total Current Liabilities	258,017,963
Noncurrent Liabilities:	
Bonds Payable, Net (Note 10)	1,875,536,769
Notes from Direct Borrowings (Note 10)	665,744,321
Advances from Other Funds	32,839,728
Accrued Interest Payable	92,892,599
Compensated Absences (Note 10)	347,808
Net OPEB Liability (Note 10)	2,450,532
Net Pension Liability (Note 10)	1,711,885
	<hr/>
Total Noncurrent Liabilities	2,671,523,642
	<hr/>
Total Liabilities	2,929,541,605

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 15)	40,391
Deferred Gain on Refunding	19,578,829
Deferred Inflows Related to Other Postemployment Benefits (Note 16)	1,336,165
	<hr/>
Total Deferred Inflows of Resources	20,955,385

NET POSITION

Net Investment in Capital Assets	531,138,700
Restricted for Debt Service	142,613,215
Restricted for Transportation	19,475,299
Unrestricted	(367,790,323)
	<hr/>
Total Net Position	\$ 325,436,891

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

North Carolina Department of Transportation
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2023

Exhibit B-2

OPERATING REVENUES	
Charges for Services	\$ 94,172,843
Other Operating Revenues	17,598,892
	<hr/>
Total Operating Revenues	111,771,735
OPERATING EXPENSES	
Personnel Services	3,189,566
Supplies and Materials	1,643,019
Contracted Personnel Services	12,733,449
Travel	84,194
Advertising	718,950
Utilities	553,651
Dues and Subscription Fees	10,216
Other Services	17,837,082
Costs of Goods Sold	608,213
Capital Outlay	42,286,501
Rental Expense	113,913
Depreciation	29,683,523
	<hr/>
Total Operating Expenses	109,462,277
Operating Income	2,309,458
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	10,407,076
Federal Interest Subsidy on Debt	3,877,885
Interest and Fees	(115,267,249)
Miscellaneous	41,988
	<hr/>
Net Nonoperating Expenses	(100,940,300)
Loss Before Capital Grants and Transfers	(98,630,842)
Capital Grants	75,454,237
Transfers In (Note 14)	112,982,579
	<hr/>
Increase in Net Position	89,805,974
NET POSITION	
Net Position - July 1, 2022	235,630,917
	<hr/>
Net Position - June 30	\$ 325,436,891
	<hr/> <hr/>

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

North Carolina Department of Transportation
Statement of Cash Flows
Proprietary Funds - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2023

Exhibit B-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 78,460,180
Payments to Employees and Fringe Benefits	(3,021,508)
Payments to Vendors and Suppliers	(57,215,971)
Other Receipts	18,131,275
Other Payments	(53,197)
	<u>36,300,779</u>
Net Cash Provided by Operating Activities	<u>36,300,779</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Advances from Other Funds	<u>2,416,187</u>
Cash Provided by Noncapital Financing Activities	<u>2,416,187</u>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(246,040,714)
Transfers In	112,982,580
Federal Interest Subsidy on Debt	3,877,885
Capital Grants	
Capital Contributions	56,039,975
Principal Payments	(536,454,000)
Interest Payments	(98,387,212)
Proceeds from Capital Debt	499,461,980
Bond Issuance Costs	(71,250)
Insurance Recoveries	23,382
	<u>(208,567,374)</u>
Net Cash Used by Capital Financing and Related Financing Activities	<u>(208,567,374)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	576,823,684
Investment Earnings	8,447,710
Purchase of Investments and Related Fees	(403,573,647)
	<u>181,697,747</u>
Net Cash Provided by Investing Activities	<u>181,697,747</u>

Net Increase in Cash and Cash Equivalents	11,847,339
Cash and Cash Equivalents - July 1	<u>38,348,158</u>
Cash and Cash Equivalents - June 30	<u>\$ 50,195,497</u>

North Carolina Department of Transportation
Statement of Cash Flows
Proprietary Funds - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2023

Exhibit B-3
Page 2 of 2

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 2,309,458
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	29,683,523
Nonoperating Miscellaneous and Other Expense	(124,447)
Management Fees	(53,197)
Changes in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(17,100,212)
Intergovernmental Receivables	(2,491,540)
Due from Other Funds	1,128,636
Inventories	(159,659)
Net Other Postemployment Benefits Asset	1,530
Deferred Outflows Related to Pensions	(442,777)
Deferred Outflows Related to Other Postemployment Benefits	218,639
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	2,822,234
Due to Other Funds	16,708,950
Funds Held for Others	3,560,635
Unearned Revenue	(150,000)
Compensated Absences	57,492
Net Pension Liability	1,199,967
Net Other Postemployment Benefits Liability	(481,902)
Deferred Inflows Related to Pensions	(629,221)
Deferred Inflows Related to Other Post Employment Benefits	242,670
Net Cash Provided by Operating Activities	<u>\$ 36,300,779</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	(4,289,423)
Change in Net OPEB Liability related to Noncapital Contributions	(18,605)
Change in Construction in Progress as a Result of Accrual Liabilities	22,916,373
Change in Securities Lending Collateral	(4,171,005)
Change in Receivables Related to Nonoperating Income	19,414,263
Assets Acquired Through Assumption of a Liability	148,784

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

North Carolina Department of Transportation
Statement of Fiduciary Net Position
Fiduciary Fund - Vehicle Property Tax Collection Fund
Custodial Fund
June 30, 2023

Exhibit C-1

ASSETS

Cash and Cash Equivalents (Note 2)	\$ 116,139,627
Securities Lending Collateral	2,047,752
Interest Receivable	<u>265,806</u>
Total Assets	<u>118,453,185</u>

LIABILITIES

Intergovernmental Payables	116,191,709
Obligations Under Securities Lending	<u>2,047,752</u>
Total Liabilities	<u>118,239,461</u>

NET POSITION

Restricted for Local Governments	<u><u>\$ 213,724</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**North Carolina Department of Transportation
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Vehicle Property Tax Collection Fund
Custodial Fund
For the Fiscal Year Ended June 30, 2023**

Exhibit C-2

ADDITIONS	
Property Tax Collections for Local Governments	<u>\$ 1,259,364,106</u>
DEDUCTIONS	
Property Tax Payments to Local Governments	<u>1,259,121,960</u>
Net Increase in Fiduciary Net Position	<u>242,146</u>
NET POSITION	
Net Position - July 1, 2022	<u>(28,422)</u>
Net Position - June 30	<u><u>\$ 213,724</u></u>

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

North Carolina Department of Transportation
Statement of Net Position
Component Units
June 30, 2023

Exhibit D-1

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,508,922	\$ 3,114,404	\$ 7,623,326
Short-Term Investments	28,638,272		28,638,272
Receivables, Net	12,712,587	517,660	13,230,247
Inventories	710,465		710,465
Due from Primary Government		546,823	546,823
Leases Receivable	2,097,341	1,075,624	3,172,965
Prepaid Items	1,443,802		1,443,802
Total Current Assets	50,111,389	5,254,511	55,365,900
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	24,981	17,659,821	17,684,802
Receivables, Net		2,474,140	2,474,140
Restricted Due from Primary Government	1,129,445		1,129,445
Investments	36,304,233		36,304,233
Leases Receivable, Net	25,791,753	5,923,865	31,715,618
Restricted Investments	62,565,000		62,565,000
Capital Assets - Nondepreciable	109,573,393	23,276,976	132,850,369
Capital Assets - Depreciable, Net	417,909,239	122,631,499	540,540,738
Total Noncurrent Assets	653,298,044	171,966,301	825,264,345
Total Assets	703,409,433	177,220,812	880,630,245
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	9,730,502	566,712	10,297,214
Deferred Outflows Related to Other Postemployment Benefits	6,653,778	885,366	7,539,144
Total Deferred Outflows of Resources	16,384,280	1,452,078	17,836,358
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	13,875,449	1,471,582	15,347,031
Due to Primary Government	981,360	1,935,797	2,917,157
Due to Component Units		412,357	412,357
Funds Held for Others		93,000	93,000
Unearned Revenue	723,737	93,434	817,171
Interest Payable	818,048	53,022	871,070
Long-Term Liabilities - Current Portion	6,625,049	870,068	7,495,117
Total Current Liabilities	23,023,643	4,929,260	27,952,903
Noncurrent Liabilities:			
Due to Component Units		2,474,140	2,474,140
Long-Term Liabilities, Net	116,384,150	8,534,118	124,918,268
Total Noncurrent Liabilities	116,384,150	11,008,258	127,392,408
Total Liabilities	139,407,793	15,937,518	155,345,311
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Refunding	132,780		132,780
Deferred Inflows for Leases	27,889,094	6,999,489	34,888,583
Deferred Inflows Related to Pensions	189,840	16,036	205,876
Deferred Inflows Related to Other Postemployment Benefits	8,470,709	543,749	9,014,458
Total Deferred Inflows of Resources	36,682,423	7,559,274	44,241,697
NET POSITION			
Net Investment in Capital Assets	432,646,603	135,485,363	568,131,966
Restricted for:			
Expendable:			
Capital Projects	63,694,445	16,566,821	80,261,266
Debt Service		1,000,000	1,000,000
Other		3,468	3,468
Unrestricted	47,362,449	2,120,446	49,482,895
Total Net Position	\$ 543,703,497	\$ 155,176,098	\$ 698,879,595

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

North Carolina Department of Transportation
Statement of Revenues, Expenses, and Changes in Net Position
Component Units
For the Fiscal Year Ended June 30, 2023

Exhibit D-2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
OPERATING REVENUES			
Sales and Services (Net of Allowance for Doubtful Accounts for State Ports of \$234,944)	\$ 72,578,550	\$ 430,164	\$ 73,008,714
Local Contracts		360,042	360,042
Lease Income	4,353,698	2,207,310	6,561,008
Total Operating Revenues	<u>76,932,248</u>	<u>2,997,516</u>	<u>79,929,764</u>
OPERATING EXPENSES			
Salaries and Benefits	25,694,641	1,595,351	27,289,992
Supplies and Materials	4,682,737	1,840,820	6,523,557
Services	21,503,652		21,503,652
Insurance and Bonding	2,699,133		2,699,133
Utilities		197,562	197,562
Wilmington Harbor Study Cost Share	4,150,000		4,150,000
Depreciation/Amortization	17,931,546	7,332,944	25,264,490
Other Operating Expenses	329,443		329,443
Total Operating Expenses	<u>76,991,152</u>	<u>10,966,677</u>	<u>87,957,829</u>
Operating Loss	<u>(58,904)</u>	<u>(7,969,161)</u>	<u>(8,028,065)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income (Net of Investment Expense for State Ports of \$30,253)	1,859,661	338,793	2,198,454
Interest and Fees on Debt	(2,456,194)	(203,031)	(2,659,225)
Interest Earned on Leases	904,897	408,284	1,313,181
Insurance Repairs	(565,141)		(565,141)
State Operating Aid		862,833	862,833
State Operating Aid - Coronavirus		116,162	116,162
Noncapital Contributions	140,452	484,885	625,337
Other Nonoperating Revenues	1,636,430		1,636,430
Net Nonoperating Revenues	<u>1,520,105</u>	<u>2,007,926</u>	<u>3,528,031</u>
Income (Loss) Before Other Revenues	<u>1,461,201</u>	<u>(5,961,235)</u>	<u>(4,500,034)</u>
State Capital Appropriations	45,000,000		45,000,000
State Capital Aid		8,000,000	8,000,000
Capital Contributions	3,287,500	6,989,190	10,276,690
Total Other Revenues	<u>48,287,500</u>	<u>14,989,190</u>	<u>63,276,690</u>
Increase in Net Position	49,748,701	9,027,955	58,776,656
NET POSITION			
Net Position - July 1	<u>493,954,796</u>	<u>146,148,143</u>	<u>640,102,939</u>
Net Position - June 30	<u>\$ 543,703,497</u>	<u>\$ 155,176,098</u>	<u>\$ 698,879,595</u>

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

North Carolina Department of Transportation
Statement of Cash Flows
Component Units
For the Fiscal Year Ended June 30, 2023

Exhibit D-3
Page 1 of 2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 75,094,077	\$ 3,594,012	\$ 78,688,089
Payments to Employees and Fringe Benefits	(27,494,515)	(1,365,926)	(28,860,441)
Payments to Vendors and Suppliers	(31,658,301)	(1,971,628)	(33,629,929)
Other Receipts	1,636,430	13,000	1,649,430
Net Cash Provided by Operating Activities	<u>17,577,691</u>	<u>269,458</u>	<u>17,847,149</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Aid - Coronavirus		116,162	116,162
State Operating Aid		862,833	862,833
Noncapital Contributions		273,522	273,522
Cash Provided by Noncapital Financing Activities		<u>1,252,517</u>	<u>1,252,517</u>
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES			
Capital Appropriations	45,000,000		45,000,000
State Capital Aid		8,000,000	8,000,000
Capital Contributions	2,544,563	6,646,889	9,191,452
Interest Earned on Leases	904,897	408,284	1,313,181
Insurance Payments	(565,141)		(565,141)
Acquisition and Construction of Capital Assets	(39,892,312)	(7,293,104)	(47,185,416)
Principal Paid on Capital Debt, Leases, and Subscription Liabilities	(6,338,679)	(775,761)	(7,114,440)
Interest and Fees Paid on Capital Debt, Leases, and Subscription Liabilities	(2,308,230)	(163,827)	(2,472,057)
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	<u>(654,902)</u>	<u>6,822,481</u>	<u>6,167,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales and Maturities of Investments	30,125,936		30,125,936
Investment Income	2,017,331	338,793	2,356,124
Purchase of Investments and Related Fees	(48,537,253)		(48,537,253)
Net Cash Provided (Used) by Investing Activities	<u>(16,393,986)</u>	<u>338,793</u>	<u>(16,055,193)</u>
Net Increase in Cash and Cash Equivalents	528,803	8,683,249	9,212,052
Cash and Cash Equivalents - July 1	4,005,100	12,090,976	16,096,076
Cash and Cash Equivalents - June 30	<u>\$ 4,533,903</u>	<u>\$ 20,774,225</u>	<u>\$ 25,308,128</u>

North Carolina Department of Transportation
Statement of Cash Flows
Component Units
For the Fiscal Year Ended June 30, 2023

Exhibit D-3
Page 2 of 2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
RECONCILIATION OF OPERATING LOSS			
TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Loss	\$ (58,904)	\$ (7,969,161)	\$ (8,028,065)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation/Amortization Expense	17,931,546	7,332,944	25,264,490
Other Nonoperating Income	1,636,430		1,636,430
Changes in Assets and Deferred Outflows of Resources:			
Receivables, Net	(2,272,626)	634,439	(1,638,187)
Unamortized Charges	48,859		48,859
Prepaid Items	1,122,321		1,122,321
Inventories	44,057		44,057
Net Other Postemployment Benefits Asset	11,674	925	12,599
Deferred Outflows Related to Pensions	(4,994,081)	(205,376)	(5,199,457)
Deferred Outflows Related to Other Postemployment Benefits	(821,157)	(320,782)	(1,141,939)
Change in Liabilities and Deferred Inflows of Resources:			
Accounts Payable and Accrued Liabilities	746,622	463,889	1,210,511
Due to Primary Government	20,584	26,579	47,163
Due to State of North Carolina Component Units		(412,357)	(412,357)
Unearned Revenue	434,455	(37,943)	396,512
Funds Held for Others		13,000	13,000
Workers Compensation Liability	(253,290)		(253,290)
Net Pension Liability	9,940,721	484,158	10,424,879
Net Other Postemployment Benefits Liability	(3,767,930)	187,546	(3,580,384)
Compensated Absences	59,069	85,403	144,472
Deferred Inflows Related to Pensions	(4,840,948)	(193,018)	(5,033,966)
Deferred Inflows Related to Other Postemployment Benefits	2,590,289	179,212	2,769,501
Net Cash Provided by Operating Activities	<u>\$ 17,577,691</u>	<u>\$ 269,458</u>	<u>\$ 17,847,149</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Assets Acquired through the Assumption of a Liability	\$ 9,416,272	\$ 2,733,070	\$ 12,149,342
Decrease in Net OPEB Liability Related to Noncapital Contributions	(140,452)	(6,841)	(147,293)
Change in Fair Value of Investments	(131,733)		(131,733)
Increase in Receivables Related to Nonoperating/Other Income	876,823	546,823	1,423,646

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

**North Carolina Department of Transportation
Statement of Financial Position
Component Unit - Global TransPark Foundation, Inc.
June 30, 2023**

Exhibit D-4

ASSETS

Cash and Cash Equivalents	\$	263,380
Loans Receivable (Related Party)		887,715
Investments		5,324,853
Property and Equipment (Net of Accumulated Depreciation of \$5,716,716)		<u>2,781,348</u>
Total Assets	\$	<u>9,257,296</u>

LIABILITIES

Accounts Payable	\$	<u>30,974</u>
Total Operating Expenses		<u>30,974</u>

NET ASSETS

Without Donor Restrictions		<u>9,226,322</u>
Total Net Assets		<u>9,226,322</u>
Total Liabilities and Net Assets	\$	<u>9,257,296</u>

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

North Carolina Department of Transportation
Statement of Activities
Component Unit - Global TransPark Foundation, Inc.
For the Fiscal Year Ended June 30, 2023

Exhibit D-5

NET ASSETS WITHOUT DONOR RESTRICTIONS:

REVENUES, GAINS, AND LOSSES

Rent Income	\$ 341,808
Interest Income - Loans	27,799
Investment Income	93,600
Net Realized and Unrealized Gains on Investments, Net of Investment Fees	<u>56,320</u>
Total Revenues and Gains	<u>519,527</u>

EXPENSES

Program Services	238,141
Management and General Expenses	<u>21,714</u>
Total Expenses	<u>259,855</u>
Change in Net Assets Without Donor Restrictions	259,672
Net Assets Without Donor Restrictions at Beginning of Year	<u>8,966,650</u>
Net Assets Without Donor Restrictions End of Year	<u><u>\$ 9,226,322</u></u>

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. Organization – The North Carolina Department of Transportation (Department) is a part of the State of North Carolina and is not a separate legal or reporting entity. The Department is charged with providing high-quality transportation for travelers throughout North Carolina, including highways, rail, aviation, ferries, bicycle and pedestrian facilities, and public transit. The Department also oversees the North Carolina Division of Motor Vehicles and the North Carolina Turnpike Authority (NCTA).

The operations of the Department are led by the Secretary of Transportation, a member of the Governor's cabinet.

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

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

Complete financial statements for the NCTA, which are included in the Department's financial statements, may be obtained from the Chief Financial Officer at the North Carolina Turnpike Authority, 1 South Wilmington Street, Raleigh, NC 27601.

The Department's component units are discretely presented in the Department's financial statements. See below for further discussion of the Department's component units.

Discretely Presented Component Units:

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

North Carolina Global TransPark Authority – The North Carolina Global TransPark Authority (Global TransPark Authority) is a legally separate authority created to administer the development of the North Carolina Global TransPark. Of the 20-member governing board, 19 are voting members. Six of the voting members are appointed by the Governor and six are appointed by the General Assembly. The Department has obligated itself to

provide significant funding to the Global TransPark Authority; therefore, a financial benefit/burden relationship exists between the Department and the Global TransPark Authority. Effective July 2011, the General Assembly enacted legislation that made the Global TransPark Authority subject to the direction and supervision of the North Carolina Secretary of Transportation. Also included in the Global TransPark Authority is the financial data of its discretely presented component unit, the North Carolina Global TransPark Foundation, Inc.

Complete financial statements for the Department's component units may be obtained from the Office of the State Auditor, 325 North Salisbury Street, 20601 Mail Service Center, Raleigh, N.C. 27699 or can be accessed from the Office of State Auditor website at <http://www.auditor.nc.gov>.

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

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

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental funds, proprietary funds, and fiduciary funds, each displayed in separate exhibits. Throughout the report, the term Department is used to refer to the governmental funds, proprietary fund, and fiduciary fund combined, unless otherwise specifically stated.

The Department's financial statements consist of the following major governmental funds:

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

Highway Trust Fund – This special revenue fund was established by legislation (Chapter 692 of the 1989 Session Laws) to provide a dedicated funding mechanism to meet highway construction needs for North Carolina. Taxes were increased for the specific purpose of improving identified primary transportation corridors within the State and for the completion of urban loops around seven major metropolitan areas. Additionally, this fund provides supplemental allocations for secondary road construction. The fund also makes transfers to the State's General Fund, the Highway Fund, and the North Carolina Turnpike Authority.

The fund also provides revenues to the Ports Authority to support modernization initiatives. Session Law 2013-183 amended the Highway Trust Fund allocation of resources and created the Strategic Prioritization Funding Plan. The Plan eliminated individually legislated projects and implemented a new way for the Department to fund and prioritize necessary infrastructure improvements while utilizing existing revenue sources more efficiently. In June 2015, the Board of Transportation approved the 10-year State Transportation Improvement Program, fully implementing the new legislation. The principal revenues of the Highway Trust Fund are highway use taxes, motor fuel taxes, and various title and registration fees.

The Department's financial statements consist of the following major proprietary fund:

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

The Department's financial statements consist of the following fiduciary fund:

Vehicle Property Tax Collection Fund – This custodial fund accounts for vehicle property tax collections held on behalf of local governments in a pure custodial capacity. These assets belong to those local governments and are not considered to be assets or liabilities of the Department.

D. Measurement Focus and Basis of Accounting

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

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

Since capital asset and long-term liability accounts relating to the governmental funds are reported only at the statewide level, these amounts are not included in the Department's

governmental fund financial statements. However, these amounts are reported in the Department's Notes to the Financial Statements.

Proprietary Fund – Proprietary fund financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows.

Fiduciary Fund – Fiduciary fund financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows. These balances do not belong to the Department and are not considered to be assets or liabilities of the Department.

Component Units – The Ports Authority and Global TransPark Authority financial statements were prepared using the economic resource measurement focus and the accrual basis of accounting, described above under the Proprietary Fund section.

Nonexchange transactions, in which the Department receives (or gives) value without directly giving (or receiving) equal value in exchange, includes taxes, investment earnings, and certain grants and similar assistance. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

The preparation of financial statements, in conformity with GAAP, requires management of the Department to make estimates and judgments that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and the disclosures and contingencies at the date of the financial statements and revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates. Should actual results differ from those estimates, changes will flow through the financial statements during the year of change and will be disclosed, if material.

- E. Cash and Cash Equivalents** – This classification includes undeposited receipts, 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.
- F. Restricted Cash and Cash Equivalents** – For NCTA this classification includes funds received through toll revenue collections. The proceeds are to be used for debt service payments. The funds are held in the STIF. Ownership interest of the STIF is determined on a fair market valuation basis as of June 30, 2023, in accordance with the STIF operating procedures.
- G. Restricted Investments** – For the Highway Fund, this classification includes the unspent portions of Grant Anticipation Revenue Vehicle (GARVEE) bond proceeds. The GARVEE bond proceeds are invested in repurchase agreements valued at cost and US Treasury bills valued at market value. The proceeds are to be used to accelerate the construction and/or preservation of identified strategic corridors as identified in the Transportation Improvement Program (TIP).

For the Highway Trust Fund, this classification includes the unspent portions of the Build NC bond proceeds. The Build NC bond proceeds are invested in US Treasury bills and valued at market value.

For NCTA this classification includes revenue bond proceeds and funds received from the State of North Carolina to be used solely for the construction of the Triangle Expressway and the Monroe Expressway. These funds are invested in a money market mutual fund and other designated funds. The NCTA restricted investments are measured at fair value except for the money market mutual funds, which are measured at cost.

Additional information regarding the fair market value measurement of the Department's restricted investments is disclosed in Note 3.

- H. Securities Lending** – While the Department does not directly engage in securities lending transactions, it deposits certain funds with the State Treasurer's STIF, which participates in securities lending activities. Based on the State Treasurer's allocation of these transactions, the Department recognizes its allocable share of the assets and liabilities related to these transactions on the accompanying financial statements as "Securities Lending Collateral" and "Obligations under Securities Lending." The Department's allocable share of these assets and liabilities is based on the Department's year-end deposit balance per the State Treasurer's records.

Based on the authority provided in North Carolina General Statute 147-69.3(e), the State Treasurer lends securities from its investment pools to brokers-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's securities custodian manages the securities lending program.

Additional disclosures about the State Treasurer's securities lending program are included in the State of North Carolina's *Annual Comprehensive Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of State Controller's website at <http://www.osc.nc.gov> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Fuel tax receivables for the governmental funds include amounts due from the collection of motor fuel tax revenues. Receivables are recorded net of estimated uncollectible amounts for the Highway Fund.

Accounts receivable for the governmental funds include amounts due from oversize and overweight penalties and amounts due from companies for damage to the Department's property. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Accounts receivable for NCTA consist of uncollected toll revenues. An allowance for doubtful accounts has been determined based on historical collections.

Intergovernmental receivables for the governmental funds represent amounts due from federal and local governments for their share of funding related to construction projects performed by the Department and for fees associated with vehicle property tax collections.

Intergovernmental receivables for the NCTA represent amounts due from the Federal Highway Administration (FHWA) and other local governmental agencies in connection with reimbursement of allowable expenditures made pursuant to contracts and grants that are verifiable, measurable, and for which provider requirements have been met.

- J. Inventories** – Inventory in the Highway Fund, consisting of expendable supplies and materials, is valued at cost using the moving weighted average method.

Inventory for NCTA, consisting of transponders held for resale, is valued at the lower of cost (first-in, first-out cost basis) or net realizable value.

- K. Prepaid Insurance** – Prepaid insurance for NCTA consists of prepayments for guaranty bond insurance related to the issuance of the 2009 Triangle Expressway bonds, the 2017 and 2018 Triangle Expressway Revenue Refunding bonds, and the Triangle Expressway Senior Lien Series 2019 Revenue bonds. These amounts are capitalized and will be amortized over the maturity of the bonds.

- L. Capital Assets** – Capital assets, which include property, plant, and equipment; easements; and infrastructure assets (e.g. State highway network), are reported as expenditures in the governmental funds. Consequently, capital asset balances are not reported on the face of the governmental fund financial statements but are reported in Note 7 of the Department's Notes to the Financial Statements. Capital assets are reported on the face of the proprietary fund financial statements for NCTA.

Assets that have a value or cost in excess of \$5,000 at the date of acquisition and have an expected useful life of more than two years are capitalized in conformance with the North Carolina Office of the State Controller policy.

Nondepreciable Capital Assets include land and permanent easements purchased for specific projects. These costs will never be depreciated. Construction in progress includes consultant contract expenditures and contracted personnel services expenditures that are charged to specific projects. The costs will be transferred to depreciable asset categories when the projects are complete.

Depreciable Capital Assets include the highway network (toll roads) and equipment. The assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is calculated for the NCTA highway network using the straight-line method over an estimated useful life of 50 years. For the highway network, depreciation is based on a weighted average of the estimated useful lives of dissimilar assets in the network (e.g. subsurface foundations, roadway surfaces, bridges, traffic control devices, guardrails, markings, signage, etc.). Capital assets are carried at cost less accumulated depreciation.

Additional information regarding the Department's capital assets is disclosed in Note 7.

- M. Payables** – Accounts payable for the governmental and proprietary funds include amounts due to vendors in connection with construction related services.

Intergovernmental payables for the governmental funds represent amounts due to local governments for transportation programs.

Intergovernmental payables for NCTA represent amounts due to other state agencies for services provided.

Intergovernmental payables for the fiduciary fund represent amounts due to local governments for vehicle property taxes collected on their behalf by the Department.

- N. Due to/from** – Activities between the Department's funds, State agencies, and component units that are representative of lending/borrowing activities and/or outstanding balances related to services provided and used, reimbursements, and transfers are classified as amounts due from or due to other funds of the Department, State agencies, and Component Units. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded.
- O. Unearned Revenue** – Unearned revenue represents amounts received on deposit related to private road maintenance contracts, economic development projects, and Transportation Improvement Programs that have contract funding agreements for which services have not been delivered.
- P. Long-Term Liabilities** – General long-term liabilities for governmental funds are not recognized in the governmental funds until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the governmental funds' financial statements but are reported in Note 10 of the Department's Notes to the Financial Statements. Long-term liabilities for NCTA are reported on the face of the NCTA's financial statements and disclosed in Note 10.

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.

For the NCTA, noncurrent long-term liabilities include bonds payable, net pension liability, net OPEB liability, notes from direct borrowings, and compensated absences.

Bonds Payable – Revenue bonds payable for NCTA are reported net of unamortized premiums or discounts. The NCTA amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method and aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

Net Pension Liability – The net pension liability for NCTA represents the NCTA's proportionate share of the collective net pension liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the NCTA's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 15 of the Department's Notes to the Financial Statements for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability – The net OPEB liability represents the NCTA proportionate share of the collective net OPEB liability reported in the State of North Carolina’s 2022 *Annual Comprehensive Financial Report*. This liability represents the NCTA portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefits Fund and Disability Income Plan of North Carolina. See Note 16 for further information regarding the Department’s policies for recognizing liabilities, expenses, and deferred outflows and inflows related to OPEB.

Compensated Absences – Employees of the Department are permitted to accumulate earned, but unused vacation pay benefits. For NCTA, all vacation pay is accrued when earned. When determining the vacation pay liability due within one year, leave is considered taken on a last-in, first-out (LIFO) basis. In the governmental fund, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. Consequently, compensated absence balances are not reported on the face of the governmental fund financial statements but are reported in Note 10 of the Department’s Notes to the Financial Statements.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

Q. Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Highway Fund includes deferred inflows or resources for unavailable revenues related to road tax and inspections fees and public-private partnership arrangement revenue applicable to future years.

The NCTA has deferred outflows of resources for pensions and OPEB related deferrals and deferrals related to debt refundings that took place in prior years. The NCTA has

deferred inflows of resources for pension and OPEB related deferrals and deferrals related to debt refunding that took place in prior years.

R. Fund Balance/Net Position

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

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

Restricted Fund Balance – These amounts have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the North Carolina General Assembly, the State's highest level of decision-making authority. The North Carolina General Assembly establishes commitments through the passage of legislation that becomes State law. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

Expenditures are considered to be made from the most restrictive resource (i.e., restricted, committed, assigned, and unassigned in that order) when more than one fund balance classification is available for use.

Net Position – Net position for the NCTA is classified as follows:

Net investment in Capital Assets – For NCTA this represents the total investment in capital assets, net of corresponding related debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position – For NCTA this represents funds received through toll revenue collections and other deposits that are to be used for debt service payments and reserves. The funds are held in the STIF.

Unrestricted Net Position – Since NCTA has historically operated with expenditures in excess of revenues collected, NCTA has a deficit in the unrestricted balance.

Net Position – Net position for the fiduciary fund is classified as follows:

Restricted Net Position – Fiduciary net position includes vehicle property tax collections held on behalf of local governments that are not available for alternative use by the Department.

S. Revenues and Expenditures from / to Other State Agencies – Revenues and expenditures from/to Other State Agencies for the governmental funds represent amounts

that the Department obtains from or transfers to other agencies, institutions, or entities within the State of North Carolina. These transfers are not considered other financing sources or uses per GAAP, nor are they considered interfund transfers. These revenues and expenditures represent nonexchange transactions and are eliminated at the statewide reporting level in the State's *Annual Comprehensive Financial Report*.

T. Revenues and Expenses – The NCTA classifies its revenue and expenses as operating and nonoperating in the accompanying statements of revenues, expenses, and changes in net position. Operating expenses generally result from providing services and producing and delivering goods in connection with the NCTA's principal ongoing operations. 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*. Operating revenues include activity from the toll roads that were open for operations during the fiscal year ended June 30, 2023. These revenues include toll revenues, processing fees, and other charges arising from the toll roads.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenue from nonexchange transactions represents funds received from the Federal Highway Administration (FHWA) and the Department. Revenues from FHWA are classified as capital grants and are considered nonoperating, along with investment income and transfers in from the Department, since they are related to investing, capital, or non-capital financing activities.

U. Retirement Plans – 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 Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The NCTA's employer contributions are recognized when due and NCTA has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

V. Other Post Employment Benefit Plans – For purposes of measuring the net OPEB asset and liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Retiree Health Benefit Fund ("RHBF") and the Disability Income Plan of North Carolina ("DIPNC"), and additions to/deductions from RHBF and DIPNC's fiduciary net positions have been determined on the same basis as they are reported by RHBF and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. NCTA's employer contributions are recognized when due and NCTA has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of RHBF and DIPNC. Investments are reported at fair value.

Note 2 - Deposits and Investments

Unless specifically exempt, the Department is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. North Carolina General Statute 147-69.1, applicable to the Highway Fund and Highway Trust Fund, authorizes the State Treasurer to invest all deposits in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

At June 30, 2023, the governmental funds' Balance Sheet reported cash and cash equivalents of \$2,746,623,515.

The NCTA's Statement of Net Position reported cash and cash equivalents of \$50,195,497 at June 30, 2023.

The Vehicle Property Tax Collection Fund's Statement of Fiduciary Net Position reported cash and cash equivalents of \$116,139,627 at June 30, 2023.

The above amounts represent the Department's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal oversight other than that of the legislative body) had a weighted average maturity of 0.7 years as of June 30, 2023. 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 <http://www.nctreasurer.com/> in the Audited Financial Statements section.

Note 3 - Restricted Investments and Fair Value Measurements

North Carolina General Statute 147-69.1, applicable to the Highway Fund and Highway Trust Fund, authorizes the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; specified repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper with specified ratings; specified bills of exchange or time drafts; asset-backed securities with specified ratings; and corporate bonds and notes with specified ratings.

North Carolina General Statute 136-89.183(a)(6a) allows NCTA to invest the proceeds of bonds or notes of NCTA that are pending disbursement or other idle funds of NCTA in any investment authorized by North Carolina General Statute 159-30. In general, General Statute 159-30 and bond covenants allow funds to be invested in the following: obligations of the United States or obligations fully guaranteed by the United States; obligations of certain federal

agencies; obligations of the State of North Carolina or localities of the State of North Carolina; prime quality commercial paper; shares of certain money market mutual funds; repurchase agreements; and commingled investment pools.

To the extent available, the Department's investments are recorded at fair value as of June 30, 2023, except for asset backed securities, repurchase agreements and certain money market mutual funds, which are reported at cost. 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.

Concentrations of Credit Risk - A diversified portfolio is managed by the Department, financial advisors, and trustees to minimize the risk of loss resulting from over concentration of assets. Securities that are exposed to credit risk, i.e. commercial paper, are limited to 5% of the portfolio to a single issuer. The Department's policy does not set a limit on the amount that may be invested in any single government sponsored enterprise, money market mutual fund, or commingled investment pool.

Interest Rate Risk – Interest rate risk represents the risk governments are exposed to as a result of changes in interest rate on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Department's policy to mitigate risk has been to structure the investment portfolio so that securities mature to meet cash requirements, reducing the need to sell securities on the open market prior to maturity. In addition, interest rate risk is reduced by investing funds primarily in shorter-term securities. The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – As established in the contract with the private investment company advising on the portfolio, all GARVEE and Build NC bond proceeds are managed in compliance with North Carolina General Statute 147-69.1, which limits credit risk as described above, and can only be invested in short-term maturities with the average maturity ranging between overnight to six months based on the liquidity needs of the investment accounts.

The Department's governmental funds Grant Anticipation Revenue Vehicle (GARVEE) bond and Build NC bond proceeds were invested as follows as of the year ended June 30, 2023:

Type of Investment	Valuation Measurement Method	Investment Maturities (in Years)		
		Fair Value	Less Than 1 Year	1 – 5 Years
U.S. Treasuries (GARVEE & Build NC)	Fair Value - Level 1	\$ 182,599,562	\$ 182,599,562	\$ 0
Repurchase Agreements (Build NC)	Cost	66,908,593	66,908,593	
NC STIF	Fair Value	573,735	573,735	
Total Restricted Investments		\$ 250,081,890	\$ 250,081,890	\$ 0

The NCTA's revenue bond proceeds were invested as follows as of the year ended June 30, 2023:

Type of Investment	Valuation Measurement Method	Investment Maturities (in Years)		
		Fair Value	Less Than 1 Year	1 – 5 Years
U.S. Treasuries	Fair Value - Level 1	\$ 115,677,389	\$ 61,962,553	\$ 53,714,836
U.S. Agencies	Fair Value - Level 1	16,946,547	10,914,545	6,032,002
NC STIF	Fair Value	3,652,973	3,652,973	
Money Market Mutual Funds	Cost	177,846,493	177,846,493	
Total Restricted Investments		\$ 314,123,402	\$ 254,376,564	\$ 59,746,838

As of June 30, 2023, included in the Money Market Mutual Fund totals as stated above, \$177,846,493 is invested in the PFM Funds – Prime Series, Institutional Class. The PFM Funds – Prime Series is an SEC-registered money market mutual fund. The fund invests in obligations of the United States government and its agencies, high quality debt obligations of U.S. companies, and obligations of financial institutions. The fund seeks to maintain a constant \$1 net asset value and is rated AAAM by Standard & Poor's. In addition, the fund maintains a weighted average maturity of 60 days or less.

Ownership interest in the North Carolina State Treasurer's Short-Term Investment Fund (STIF) is determined on a fair market valuation basis as of the end of the fiscal year, in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Department's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Notes to the Financial Statements

Note 4 - Receivables

Fuel tax receivables for the Department's governmental funds at June 30, 2023 were as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Fuel Tax Receivable		
Fuel Tax Receivable	\$ 178,604,597	\$ 56,465,336
Allowance for Uncollectible Amounts	(6,294,607)	
Fuel Tax Receivable, Net	<u>\$ 172,309,990</u>	<u>\$ 56,465,336</u>

Note 5 - Intergovernmental Receivables and Payables

Intergovernmental receivables and payables for the governmental funds at June 30, 2023, were as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Intergovernmental Receivables		
Participation from Federal Government	\$ 15,856,032	\$ 0
Participation from Local Governments	6,281,999	3,691,560
Total Intergovernmental Receivables	<u>\$ 22,138,031</u>	<u>\$ 3,691,560</u>
Intergovernmental Payables		
Local Governments:		
Purchase of Right of Ways from Local Governments	\$ 1,064,079	\$ 4,289,652
Due to Counties for Triangle Transit Authority Fee	5,623,466	
Due to Municipalities under Powell Bill (G.S. 136-41.1 - 136-41.4)	154,875,000	
Due to Local Governments for Aviation Programs	339,639	
Due to Counties for Piedmont Authority Regional Transit Fee	41,978	
Total Intergovernmental Payables	<u>\$ 161,944,162</u>	<u>\$ 4,289,652</u>

Note 6 - Inventories

Inventories for the Highway Fund at June 30, 2023 were as follows:

	<u>Amount</u>
Inventories	
Central Stores	\$ 2,927,750
Clothing	44,410
Janitorial Supplies	157,454
Motor Fuel & Lubricants	7,186,707
Motor Vehicle Parts	14,746,168
Office Supplies	204,650
Postage	407,543
Purchase for Resale	3,046,294
Repair & Maintenance Supplies	75,542,259
Tires & Tubes	2,611,755
Other	2,847,751
Total Inventories	<u>\$ 109,722,741</u>

Note 7 - Capital Assets

As stated in Note 1, capital assets are reported as expenditures in the governmental funds. Consequently, capital asset balances are not reported on the face of the governmental fund financial statements. The NCTA capital assets are reported on the face of the financial statements.

Purchased or constructed capital assets are reported at cost or estimated historical cost. The State highway network constructed prior to July 1, 2001 is recorded at estimated historical cost. Since July 1, 2001 the State highway network is recorded at cost. The initial estimated historical cost of the network is based on construction expenditures reported by the Department less amounts estimated for the cost of right-of-ways and land improvements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Donated capital assets acquired prior to July 1, 2015 are recorded at their estimated fair value as of the date of donation. Assets donated after July 1, 2015 are stated at acquisition value at the date of donation. Right-to-use leased assets are measured as the sum of the initial lease liability plus prepayments made at or before the commencement of the lease term less lease incentives received plus initial direct costs that are ancillary charges necessary to place the leased asset in service. Subscription assets are measured as the sum of the initial subscription liability plus any prepayments made at the commencement of the subscription term plus the capitalizable initial implementation costs less subscription incentive received.

Generally, capital assets are defined by the Department as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of two or more years, except for internally generated computer software and other intangible assets, which are capitalized when the value or cost is greater than or equal to \$1 million and \$100,000, respectively. Intangible right-to-use leased assets and subscription assets associated with leases/subscriptions of the Department are defined by the Department as leased/subscription assets whose future lease/subscription payments through the lease/subscription term are respectively \$10,000 or greater and \$400,000 or greater.

The value of assets constructed by the Department for their own use includes all material direct and indirect construction costs that are incurred as a result of the construction.

Depreciation and amortization are recorded at the statewide level for governmental funds and in the financial statements for NCTA. The depreciation and amortization methods and estimated useful lives generally used by the Department are as follows:

<u>Asset Class</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Buildings	Straight-line	10-100 years
Machinery and Equipment	Straight-line	2-30 years
	Units of output (motor vehicles)	90,000 miles
State Highway Network	Composite	50 years
Computer Software	Straight-line	2-30 years
Right-To-Use Leased Asset - Land	Straight-line	Lease term
Right-To-Use Leased Asset - Building	Straight-line	Shorter of lease term or useful life*
Right-To-Use Leased Asset - Machinery & Equipment	Straight-line	Shorter of lease term or useful life*
Subscription Asset (SBITAs)	Straight-line	Shorter of subscription term or useful life*

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

Notes to the Financial Statements

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

A summary of changes in the Department's governmental funds' capital assets for the year ended June 30, 2023 is presented as follows:

	July 1, 2022, as Restated	Increases	Decreases	June 30, 2023
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 20,162,760,898	\$ 867,308,426	\$ 17,628,693	\$ 21,012,440,631
Construction in Progress	2,753,819,169	3,160,264,450	2,673,817,796	3,240,265,823
Total Capital Assets, Nondepreciable	22,916,580,067	4,027,572,876	2,691,446,489	24,252,706,454
Capital Assets, Depreciable:				
Buildings	374,807,332	8,600,000	963,016	382,444,316
Machinery and Equipment	784,304,349	39,985,285	8,676,345	815,613,289
Highway Network	46,952,576,082	2,673,817,796	186,611,548	49,439,782,330
Computer Software	1,726,690			1,726,690
Right-To-Use Leased Land	115,266		29,594	85,672
Right-To-Use Leased Buildings	85,591,780		27,713,398	57,878,382
Right-To-Use Leased Machinery and Equipment	300,290		244,962	55,328
Right-To-Use Subscription Assets		61,697,675		61,697,675
Total Capital Assets, Depreciable	48,199,421,789	2,784,100,756	224,238,863	50,759,283,682
Less Accumulated Depreciation/Amortization for:				
Buildings	106,121,438	5,983,890	316,270	111,789,058
Machinery and Equipment	667,124,790	43,300,970	8,684,757	701,741,003
Highway Network	14,522,082,042	988,795,647	182,879,317	15,327,998,372
Computer Software	777,011	86,335		863,346
Right-To-Use Leased Land	26,772		3,344	23,428
Right-To-Use Leased Buildings	9,752,835	27,388	3,625,996	6,154,227
Right-To-Use Leased Machinery and Equipment	83,233		59,521	23,712
Right-To-Use Subscription Assets		11,034,208		11,034,208
Total Accumulated Depreciation/Amortization	15,305,968,121	1,049,228,438	195,569,205	16,159,627,354
Total Capital Assets, Depreciable, Net	32,893,453,668	1,734,872,318	28,669,658	34,599,656,328
Capital Assets, Net	\$ 55,810,033,735	\$ 5,762,445,194	\$ 2,720,116,147	\$ 58,852,362,782

As of June 30, 2023, the total amount of the right-to-use leased and subscription assets was \$58,019,382 and \$61,697,675 and the related accumulated amortization was \$6,201,367 and \$11,034,208, respectively.

A summary of changes in the NCTA's capital assets for the year ended June 30, 2023 is presented as follows:

	July 1, 2022	Additions	Disposals	June 30, 2023
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 555,710,391	\$ 34,713,729	\$ 0	\$ 590,424,120
Construction in Progress	698,544,609	212,278,044		910,822,653
Total Capital Assets, Nondepreciable	1,254,255,000	246,991,773		1,501,246,773
Capital Assets, Depreciable:				
NC Toll Road System	1,534,468,821			1,534,468,821
Machinery and Equipment	32,606			32,606
Total Capital Assets, Depreciable	1,534,501,427			1,534,501,427
Less Accumulated Depreciation for:				
NC Toll Road System	205,516,024	29,683,523		235,199,547
Machinery and Equipment	32,606			32,606
Total Accumulated Depreciation	205,548,630	29,683,523		235,232,153
Total Capital Assets, Depreciable, Net	1,328,952,797	(29,683,523)		1,299,269,274
Capital Assets, Net	\$ 2,583,207,797	\$ 217,308,250	\$ 0	\$ 2,800,516,047

Public-Private Partnerships Arrangements for the Department

In June 2014, the Department entered into a public-private partnership (PPP) arrangement with I-77 Mobility Partners, LLC (MP, LLC) to design, build, finance, and operate the I-77 High Occupancy Toll (HOT) Lanes Project. During fiscal year 2020, improvements were completed along approximately 26 miles of the I-77 corridor, in Mecklenburg and Iredell Counties. This included the conversion of HOV (high occupancy vehicle) lanes to express lanes or high occupancy toll (HOT) lanes and the construction of new HOT lanes and two major interchanges. Under the arrangement, Mobility Partners, LLC, will operate the express lanes for 50 years and have the exclusive right to impose tolls and incidental charges to express lane users. NC DOT maintains title to the real property underlying the I-77 toll lanes and reports the I-77 HOT lanes as a capital asset with a carrying value of \$189,192,612 at fiscal year-end and related deferred inflow of resources of \$68,732,080 that is amortized using the straight-line method over the term of the PPP arrangement. The Department recognized \$1,478,109 in revenue during the fiscal year related to the amortization of the deferred inflow of resources.

Note 8 - Accounts Payable

Accounts payable for the Department's governmental funds at June 30, 2023 were as follows:

	Highway Fund	Highway Trust Fund
Accounts Payable		
Accounts Payable	\$ 348,506,090	\$ 95,853,561
Due to Employees	73,618	3,543
Accrued Sales Tax	245,074	
Contract Retainage and Anticipated Liquidated Damages	30,182,243	9,235,744
Total Accounts Payable	\$ 379,007,025	\$ 105,092,848

Note 9 - Funds Held for Others

The following is a summary of funds held for others by the Highway Fund for the year ended June 30, 2023:

Funds Held for Others	<u>Amount</u>
Debt Set-Off Trust Account	\$ 60,324
Miscellaneous Funds Held for Others	3,997,991
International Registration Plan - Motor Carriers	5,163,645
Mortgage Loan Escrow	(42,873)
Performance Bonds	11,238,880
Permits - Prepaid	1,772,568
Securities Deposits	10,000
Title Bonds	1,610
DMV Deposits/Security Bonds	4,833,534
Total Funds Held for Others	\$ 27,035,679

Note 10 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the Department's governmental funds long-term liabilities for the year ended June 30, 2023 is presented as follows:

Governmental Funds:	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Bonds Payable					
GARVEE Bonds	\$ 1,023,210,000	\$ 0	\$ 104,270,000	\$ 918,940,000	\$ 73,225,000
Build NC Bonds	1,193,500,000		67,110,000	1,126,390,000	69,600,000
Deferred Amounts:					
For Issuance Premiums	332,365,448		48,011,843	284,353,605	
Total Bonds Payable	<u>2,549,075,448</u>		<u>219,391,843</u>	<u>2,329,683,605</u>	<u>142,825,000</u>
Workers' Compensation ³	46,726,614	10,354,354	15,376,840	41,704,128	1,499,435
Note from Direct Borrowings	28,328,741		2,673,162	25,655,579	2,738,543
Compensated Absences	85,229,980	58,941,864	51,077,665	93,094,179	
Lease Liabilities ⁴	77,612,136		24,477,841	53,134,295	4,673,316
Subscription (SBITA) Liabilities ⁴		61,697,675	17,931,330	43,766,345	10,492,738
Net Pension Liability ¹	134,203,235	281,617,814		415,821,049	
Net OPEB Liability ²	773,638,135	716,849	179,114,702	595,240,282	
Pollution Remediation Payable	7,325,188		346,346	6,978,842	348,953
Total Long-Term Liabilities	\$ 3,702,139,477	\$ 413,328,556	\$ 510,389,729	\$ 3,605,078,304	\$ 162,577,985

¹ Additional information regarding the net pension liability is included in Note 15.

² Additional information regarding the net other postemployment benefits liability is included in Note 16.

³ Additional information regarding Workers' Compensation liability is included in Note 17.

⁴ Additional information regarding lease and subscription (SBITA) liabilities is included in Note 11.

In the Event of Default

The outstanding notes from direct borrowings of \$25,565,506 for the Roadway Lighting Loan and the Energy Savings Loan contain the following provisions: Upon the occurrence of any event of default, the Lender may, without any further demand or notice, exercise any one or more of the following remedies: Declare the entire amount of the principal component of the Installment Payments and the accrued and unpaid interest component to the date of declaration to be immediately due and payable; exercise all remedies available at law or in equity or under the Security Agreement, including sale of the Project, and apply the proceeds of any such sale or other disposition toward the principal component and accrued and unpaid interest due; direct the Acquisition Fund Custodian to apply all amounts in the acquisition fund to the payment of the payments due. Subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the State or the Department of the applicable covenants of the agreement or to recover for the breach thereof.

The outstanding GARVEE Bonds of \$918,940,000 contain provisions that following an event of default, moneys held in the Construction Fund shall be transferred to the Bond Payment Fund. The remedies available to the trustee and the owners of the bonds upon an event of default on the bonds or under the indenture do not include the right to declare all amounts immediately due and payable.

The outstanding Build NC Bonds of \$1,126,390,000 contain provisions that upon the happening and continuance of any event of default then and in every case the Trustee may, upon the written request of the owners of not less than 25% in aggregate principal amount of the bonds then outstanding will, by a notice in writing to the State, declare the principal of all the bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the bonds or the trust indenture to the contrary notwithstanding.

A summary of changes in the NCTA's long-term liabilities for the year ended June 30, 2023 is presented as follows:

Proprietary Funds:	Balance			Balance	
	July 1, 2022	Additions	Reductions	June 30, 2023	Current Portion
Bonds Payable					
Revenue Bonds	\$ 2,323,816,263	\$ 0	\$ 536,454,000	\$ 1,787,362,263	\$ 42,002,000
Deferred Amounts:					
For Issuance Premiums	155,434,421		25,257,915	130,176,506	
Total Bonds Payable	2,479,250,684		561,711,915	1,917,538,769	42,002,000
Notes from Direct Borrowings	166,500,000	499,461,980		665,961,980	217,659
Compensated Absences	326,869	209,179	151,687	384,361	36,553
Net Pension Liability ¹	511,918	1,199,967		1,711,885	
Net OPEB Liability ²	2,951,039	2,951	503,458	2,450,532	
Total Long-Term Liabilities	\$ 2,649,540,510	\$ 500,874,077	\$ 562,367,060	\$ 2,588,047,527	\$ 42,256,212

¹Additional information regarding the net pension liability is included in Note 15.

²Additional information regarding the net other postemployment benefits liability is included in Note 16.

Total interest cost on indebtedness was \$120,898,514 for the year ended June 30, 2023.

In the Event of Default

The Trust Agreement for the North Carolina Turnpike Authority’s outstanding senior lien revenue bonds for the Triangle Expressway System (\$195,193,109) contains a provision providing that there can be no acceleration of payment of principal of or interest on such bonds as a result of the occurrence of any event of default.

The Trust Agreements for the North Carolina Turnpike Authority’s outstanding state appropriation revenue bonds for the Triangle Expressway System (\$284,718,000) and for the Monroe Connector System (\$216,930,000) contain a provision providing that there can be no acceleration of payment of principal or interest on such bonds as a result of the occurrence of any event of default.

The Trust Agreement for the North Carolina Turnpike Authority’s outstanding toll revenue bonds for the Monroe Expressway (\$137,051,904) contains a provision providing that there can be no acceleration of payment of principal of or interest on such bonds as a result of the occurrence of any event of default.

The Trust Agreement for the North Carolina Turnpike Authority’s outstanding senior lien revenue and state appropriation capital appreciation bonds for the Complete 540 Project (\$486,954,250) contains a provision that there can be no acceleration of payment of principal or of interest on such bonds as a result of the occurrence of any event of default.

Federal Interest Cash Subsidy – The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B and the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A as “Build America Bonds” for the purpose of the *American Recovery and Reinvestment Tax Act of 2009* (Recovery Act). In adherence with the Recovery Act, the NCTA receives cash subsidy payments from the United States Treasury Department equal to 35% of the interest payable on the Series 2009B and 2010A State Appropriation Bonds. As part of the 2023 Federal budget, the payments received during the year ended June 30, 2023 were reduced by 5.7%. Cash subsidy payments totaled \$3,877,885 for the year ended June 30, 2023.

B. Outstanding Long-Term Debt – Long-term debt for the governmental funds as of June 30, 2023 consists of the following:

GARVEE Bonds:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2023	Principal Outstanding June 30, 2023
GARVEE Bond	2021	2.0%-5.0%	03/2036	\$ 252,595,000	\$ 29,445,000	\$ 223,150,000
GARVEE Bond	2019	5.00%	03/2034	600,000,000	125,755,000	474,245,000
GARVEE Refunding Bond	2017	4.0%-5.0%	03/2023	224,640,000	224,640,000	
GARVEE Bond	2015	5.0%	03/2030	264,930,000	43,385,000	221,545,000
Total GARVEE Bonds Payable (principal only)				\$ 1,342,165,000	\$ 423,225,000	918,940,000
Plus Unamortized Premium						119,374,060
Total GARVEE Bonds Payable, Net						\$ 1,038,314,060

GARVEE bonds payable maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 73,225,000	\$ 44,859,600	\$ 118,084,600
2025	76,885,000	41,198,350	118,083,350
2026	80,730,000	37,354,100	118,084,100
2027	84,775,000	33,317,600	118,092,600
2028	89,010,000	29,078,850	118,088,850
2029-2033	395,710,000	79,855,750	475,565,750
2034-2038	118,605,000	6,588,850	125,193,850
Total	\$ 918,940,000	\$ 272,253,100	\$ 1,191,193,100

Build NC Bonds:

<u>Purpose</u>	<u>Series</u>	<u>Interest Rate/ Ranges</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2023</u>	<u>Principal Outstanding June 30, 2023</u>
Build NC Bonds	2022	3.5%-5.0%	05/2037	\$ 300,000,000	\$ 14,820,000	\$ 285,180,000
Build NC Bonds	2020	2.0%-5.0%	05/2035	700,000,000	97,100,000	602,900,000
Build NC Bonds	2019	4.0%-5.0%	05/2034	300,000,000	61,690,000	238,310,000
Total Build NC Bonds Payable (principal only)				\$ 1,300,000,000	\$ 173,610,000	1,126,390,000
Plus Unamortized Premium						164,979,545
Total Build NC Bonds Payable, Net						\$ 1,291,369,545

Build NC bonds payable maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 69,600,000	\$ 51,839,825	\$ 121,439,825
2025	72,930,000	48,506,775	121,436,775
2026	76,580,000	44,860,275	121,440,275
2027	80,405,000	41,031,275	121,436,275
2028	84,425,000	37,011,025	121,436,025
2029-2033	489,345,000	117,852,375	607,197,375
2034-2038	253,105,000	18,380,000	271,485,000
Total	\$ 1,126,390,000	\$ 359,481,550	\$ 1,485,871,550

Energy Savings Note:

	<u>Amount</u>
Energy Savings note from direct borrowing for an amount not to exceed \$6,703,727, opened on August 1, 2013, bearing interest of 2.41% per annum, with principal payments beginning February 2015, final maturity August 2029.	\$ 2,981,764

Notes to the Financial Statements

The Energy Savings note requires principal payments commencing February 15, 2015, with a final maturity of August 15, 2029. No payment of principal or interest on the Energy Savings note was required to be made during the period of August 1, 2013 through November 15, 2014. Payments of interest commenced on November 15, 2014. The amounts of principal and interest to be paid were calculated based on the total amount drawn on the note and amount of accrued interest outstanding as of November 15, 2014. Accrued interest on the loan agreement was \$67,296 for June 30, 2023. Principal paid on the loan agreement as of June 30, 2023 was \$3,721,963.

Energy Savings note maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 491,697	\$ 67,296	\$ 558,993
2025	502,181	55,376	557,557
2026	512,892	43,203	556,095
2027	523,834	30,770	554,604
2028	535,008	18,071	553,079
2029-2033	<u>416,152</u>	<u>6,731</u>	<u>422,883</u>
Total	\$ 2,981,764	\$ 221,447	\$ 3,203,211

Roadway Lighting Note:

	<u>Amount</u>
Roadway Lighting note from direct borrowing for an amount not to exceed \$32,303,412, opened on July 14, 2017, bearing interest of 2.104% per annum, with principal payments beginning February 2019, final maturity February 2033.	<u>\$ 22,673,815</u>

The Roadway Lighting note requires principal payments commencing February 1, 2019, with a final maturity of February 1, 2033. No payment of principal on the Roadway Lighting note was required to be made during the period of August 1, 2017 through February 1, 2019. Payments of interest commenced on August 1, 2017. Accrued interest on the loan agreement was \$459,414 for June 30, 2023. Principal paid on the loan agreement as of June 30, 2023 was \$9,629,597.

Roadway Lighting note maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,246,846	\$ 459,414	\$ 2,706,260
2025	2,303,744	411,728	2,715,472
2026	2,368,820	362,747	2,731,567
2027	2,441,974	312,366	2,754,340
2028	2,517,454	260,364	2,777,818
2029-2033	<u>10,794,979</u>	<u>552,560</u>	<u>11,347,539</u>
Total	\$ 22,673,815	\$ 2,359,179	\$ 25,032,996

Outstanding long-term debt for the NCTA as of June 30, 2023 consists of the following:

	<u>Amount</u>
Revenue Bonds	
Revenue bonds payable, Series 2009B Capital Appreciation Triangle Expressway Revenue Bonds in the amount of \$35,173,109, issued July 29, 2009, with interest ranging from 6.74% to 7.10% compounding semiannually, with principal payments beginning January 2030, due in full January 2038.	\$ 35,173,109
Revenue bonds payable, Series 2010A Monroe Connector System State Appropriation Revenue Bonds in the amount of \$233,920,000, issued October 26, 2010, with coupon rates of 5.318% and 5.418%, with principal payments beginning January 2022, final maturity January 2041.	216,930,000
Revenue bonds payable, Series 2016 Monroe Expressway Toll Revenue Bonds in the amount of \$137,051,904, issued January 31, 2017, with a coupon rate of 5.00%, with principal payments beginning July 2023, final maturity July 2054, net of unamortized premium of \$5,817,961 as of June 30, 2023.	142,869,865
Revenue bonds payable, Series 2017 Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$200,515,000, issued March 30, 2017, with coupon rates of 3.125% and 5.00%, with principal payments beginning January 2018, final maturity January 2039, net of unamortized premium of \$12,539,468 as of June 30, 2023.	172,559,468
Revenue bonds payable, Series 2018A Triangle Expressway System Appropriation Revenue Refunding Bonds in the amount of \$150,125,000, issued May 10, 2018, with average coupon rates of 4.00%, with principal payments beginning January 2019, final maturity January 2039, net of unamortized premium of \$4,996,790 as of June 30, 2023.	155,121,790
Revenue bonds payable, Series 2018B Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$161,759,000, issued December 31, 2018, with average coupon rates of 2.82%, with principal payments beginning January 2020, final maturity January 2032.	134,593,000
Revenue bonds payable, Series 2018T Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$396,420,000, issued December 12, 2018, with average coupon rates of 4.61%, with principal payments beginning January 2020, final maturity January 2041, net of unamortized premium of \$21,189,420 as of June 30, 2023.	415,109,420
Revenue bonds payable, Series 2019 Triangle Expressway System Appropriation Revenue Bonds (Capital Appreciation Bonds) in the amount of \$115,979,250, issued December 17, 2019, interest will accrete and be paid upon maturity, with principal payments beginning January 2040, final maturity January 2049.	115,979,250
Revenue bonds payable, Series 2019 Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$370,975,000, issued December 17, 2019, with coupon rates ranging from 3.00% to 5.00%, with principal payments beginning January 2042, final maturity January 2055, net of unamortized premium of \$49,929,368 as of June 30, 2023.	420,904,368
Revenue bonds payable, Series 2020 Triangle Expressway Senior Lien Turnpike Revenue Bonds (Bond Anticipation Notes) in the amount of \$499,460,000, issued October 29, 2020, with a coupon rates of 5.00%, These revenue bonds were refunded in January 2023.	16,364,851
Revenue bonds payable, Series 2021 Monroe Expressway System State Appropriation Revenue Refunding Bonds in the amount of \$73,985,000, issued April 6, 2021, with average coupon rates of 5.00%, with principal payments beginning July 2022, final maturity July 2041, net of unamortized premium of \$19,338,648 as of June 30, 2023.	91,933,648
Total Bonds, Net	<u>\$ 1,917,538,769</u>

Notes to the Financial Statements

Revenue bonds payable maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 42,002,000	\$ 74,226,956	\$ 116,228,956
2025	44,361,000	72,455,519	116,816,519
2026	47,579,000	70,556,309	118,135,309
2027	51,723,359	68,728,819	120,452,178
2028	55,580,064	66,559,784	122,139,848
2029 - 2033	312,398,456	328,145,802	640,544,258
2034 - 2038	361,690,730	370,777,890	732,468,620
2039 - 2043	372,393,654	195,924,284	568,317,938
2044 - 2048	263,884,000	154,275,625	418,159,625
2049 - 2053	170,260,000	47,979,600	218,239,600
2054 - 2058	65,490,000	3,701,125	69,191,125
	1,787,362,263	1,453,331,713	3,240,693,976
Issuance Premiums	130,176,506		130,176,506
Total	\$ 1,917,538,769	\$ 1,453,331,713	\$ 3,370,870,482

Notes from Direct Borrowings:

	<u>Amount</u>
TIFIA note from direct borrowing for an amount not to exceed \$166,500,000, opened on January 31, 2017, bearing interest of 3.08% per annum, with interest payments beginning July 2021, principal payments beginning January 2024, and final maturity July 2053.	\$ 166,500,000
C540 TIFIA note from direct borrowing for an amount not to exceed \$499,461,980, opened on January 17, 2023, bearing interest of 1.83% per annum, with interest payments beginning July 2023, principal payments beginning January 2029, and final maturity in January 2058.	499,461,980
Total Notes from Direct Borrowings, Net	\$ 665,961,980

On January 31, 2017, the NCTA signed an agreement with the United States Department of Transportation for a TIFIA loan of up to \$166,500,000. The loan will be used to pay certain costs, including land acquisition, design, construction, and equipping of the Monroe Expressway Project. The TIFIA note requires debt service payments commencing July 1, 2021, with a final maturity of July 1, 2053. Payments of interest will commence on January 1, 2021 and payments of principal and interest will commence on January 1, 2024. The amounts of principal and interest to be paid are calculated based on the total amount drawn on the note and amount of accrued interest outstanding as of July 1, 2021. Accrued interest on the loan agreement was \$14,529,071 as of June 30, 2023.

On August 5, 2021, the NCTA signed an agreement with the United States Department of Transportation for a 540 Phase 1 Project TIFIA note payable of up to \$499,461,980. In January 2023, NCTA drew down \$499,461,980 on this note to refund the C540 BAN. The note payable requires debt service payments commencing January 1, 2026, with the final maturity of January 1, 2058. No payment of principal or interest on the C540 note payable was required to be made during the period of January 1, 2022 through July 1, 2023. The amounts of accrued interest outstanding as of January 1, 2026. Accrued interest on the loan agreement was \$4,131,851 as of June 30, 2023.

TIFIA note maturities are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 217,659	\$ 4,780,761	\$ 4,998,420
2025	709,726	5,635,087	6,344,813
2026	1,078,361	8,039,986	9,118,347
2027	1,307,496	10,424,254	11,731,750
2028	1,692,029	12,032,683	13,724,712
2029 - 2033	16,165,559	75,455,057	91,620,616
2034 - 2038	19,386,912	74,238,565	93,625,477
2039 - 2043	104,193,882	74,609,609	178,803,491
2044 - 2048	234,273,577	63,441,968	297,715,545
2049 - 2053	181,038,245	34,909,256	215,947,501
2054 - 2058	105,898,534	12,839,930	118,738,464
Total	<u>\$ 665,961,980</u>	<u>\$ 376,407,156</u>	<u>\$ 1,042,369,136</u>

C. Bond Defeasance – The Department has defeased certain bonds through current and advance refundings. New debt proceeds from current refundings may be used to repay the old debt immediately, while new debt proceeds from advance refundings are placed into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Since these bonds are considered to be defeased, the liabilities for these bonds have been removed from the financial statements.

On January 17, 2023, the NCTA drew on the Complete 540 Phase 1 Project TIFIA loan dated August 5, 2021 in the full amount of \$499,461,980. The amount along with a contribution from the project’s Capitalized Interest Fund was placed in escrow in order to fully defease the C540 BANS. Through this defeasance, the future interest earnings allowed \$24,724,173.84 to be deposited into the Triangle Expressway Unrestricted Account within the General Reserve Fund. As a result of this defeasance, the C540 BANS were fully defeased and the liability was removed from the statements of net position as of June 30, 2023.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains and losses related to debt refunding are to be used in determining the carrying value of new debt issued to finance debt refunding. As of June 30, 2023, the carrying values of the 2017 Triangle Expressway System Senior Lien Turnpike Refunding Bonds and the 2018 Triangle Expressway System Appropriation Revenue Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$18,170,945. As of June 30, 2023, the carrying value of the 2022 Monroe Expressway System State Appropriation Revenue Refunding Bonds has been adjusted for the gain from defeasance (net amortization) of \$19,578,829. The deferred inflow of resources is included as unamortized bond refunding charges in the Statement of Net Position.

D. Pledged Revenues

Highway Fund – The Department has pledged future federal transportation revenue from the Highway Fund to repay \$918,940,000 of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2023. These bonds were issued in May 2015, August 2017, June 2019 and September 2021. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds are expected to require less than 12% of such federal transportation revenues. North Carolina General Statute 136-18 limits the amount that can

be issued by providing that the maximum debt service on all GARVEE bonds (including the NCTA GARVEE bonds below) may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan (STIP). As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$1,191,193,100, payable through 2036. For fiscal year 2023, principal and interest paid, and total federal transportation revenues were \$154,343,100 and \$ 1,387,064,404, respectively.

NCTA – The Department has pledged, as security for revenue bonds issued by the North Carolina Turnpike Authority (NCTA), net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. As of June 30, 2023, the Triangle Expressway had \$1,360,785,359 of Appropriation and Revenue bonds payable and a TIFIA note payable in the amount of \$499,461,980. The Monroe Expressway had \$426,576,904 of Appropriation and Revenue bonds payable and a TIFIA note payable in the amount of \$166,500,000. For the Senior Lien and Toll Revenue bonds, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The NCTA has elected to treat the State Annual Appropriation Revenue Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds. As a part of the 2023 Federal Budget, the payments received during the year ended June 30, 2023 were reduced by 5.7%.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that was fully opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility to be built in Mecklenburg and Union counties that was fully opened in November 2018. The total principal and interest remaining to be paid on the bonds is \$3,370,870,482 payable through fiscal year 2057 (final maturity date). For year ended June 30, 2023, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds and investment revenues) were \$146,867,930 and \$117,694,766, respectively.

E. Pollution Remediation Obligations

The Department has several equipment yards across the state with old underground fuel storage tanks. State law requires leaks from tanks to be assessed for remediation. The Department of Environmental Quality (DEQ) assigns a health risk-based score to each incident. Incidents with a site score over set criteria are identified as high priority sites and are required to be remediated. At year end, the Department had 21 high priority sites. For

sites under the set criteria, cleanup is optional. Currently, the Department is not working on low priority sites.

At year-end, the Department recognized a pollution remediation liability of \$6,978,842 for leaking underground fuel tanks. The liability was measured using the expected cash flow technique. The liability could change over time due to changes in the cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

Note 11 - Leases and Subscription-Based Information Technology Arrangements

A. Lessee Arrangements - The Department has lease agreements for the right to use land, equipment, and buildings from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and the right-to-use leased assets are recorded based on the present value of payments expected to be made during the lease term, plus any upfront charges and ancillary charges paid to place the leased asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the Department’s estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year, the Department did not recognize any variable payment amounts.

The Department’s lessee arrangements at June 30, 2023 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms In Years	Interest Rate
Lessee:					
Right-to-Use Leased Land	1	\$ 42,799	\$ 3,942	3.00	3.30%
Right-to-Use Leased Machinery & Equipment	2	34,090	4,667,325	3.00	3.30%
Right-to-Use Leased Buildings	71	53,057,406	2,049	11.50	3.30%
Total	74	\$ 53,134,295	\$ 4,673,316		

B. Subscription-Based Information Technology Arrangements (SBITAs) – The Department enters SBITAs for the right to use information technology software and cloud computing arrangement assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the Department’s estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year, the Department did not recognize any variable payment amounts.

Notes to the Financial Statements

The Department's SBITAs at June 30, 2023, are summarized below (excluding short-term SBITAs):

SBITA	Subscription Liability June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rates
Cloud Hosting Service	\$ 34,151,701	\$ 7,919,263	7.00	4.75%
Network Management Service	9,614,644	2,573,475	5.00	4.75%
Total	\$ 43,766,345	\$ 10,492,738		

C. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs as of June 30, 2023, were as follows:

Fiscal Year	Annual Requirements			
	Lease Liability		Subscription Liability	
	Principal	Interest	Principal	Interest
2024	\$ 4,673,316	\$ 1,647,997	\$ 10,492,738	\$ 1,752,475
2025	3,749,636	1,517,386	9,315,973	1,392,218
2026	3,367,865	1,402,337	9,315,973	1,015,203
2027	3,231,196	1,295,346	8,960,538	620,248
2028	3,080,685	1,191,672	5,681,123	257,617
2029-2033	14,204,448	4,540,857		
2034-2038	9,846,817	2,477,368		
2039-2043	7,135,875	1,225,049		
2044-2048	3,844,457	158,152		
Total Requirements	\$ 53,134,295	\$ 15,456,164	\$ 43,766,345	\$ 5,037,761

Note 12 - Fund Balance

The details of the fund balance classifications for the governmental fund at June 30, 2023 are as follows:

	Highway Fund	Highway Trust Fund
Fund Balance:		
Nonspendable:		
Inventories	\$ 109,722,741	\$ 0
Restricted for:		
Transportation	3,309,747	
Highway Construction/Preservation	35,167,131	68,032,388
Debt Services		146,882,371
Committed to:		
Transportation	212,652,262	
Highway Construction/Preservation	405,312,869	860,255,683
Highway Maintenance	430,790,528	
Total Fund Balances	\$ 1,196,955,278	\$ 1,075,170,442

Note 13 - Revenues and Expenditures from/to Other State Agencies

The Department's governmental funds revenues and expenditures from/to other state agencies by entity and purpose at June 30, 2023 are as follows:

Revenues from Other State Agencies:**Highway Fund:**

	Purpose	Amount
Department of Public Safety	FEMA Reimbursement	\$ 44,154,768
Department of Public Safety	MCSAP Grants	9,141,916
General Fund State Fiscal Recovery	New DMV Saturday Hurs	497,453
General Fund State Capital & Infrastructure Fund	Smith Reynolds Airport	11,500,000
General Fund State Capital & Infrastructure Fund	General Aviation Airports Across the State	38,102,230
General Fund State Capital & Infrastructure Fund	DOT Repair and Renovation for Divisions and Ferry Facilities	6,865,784
Department of Commerce	Chatham County Triangle Innovation Point Project	15,000,000
Department of Commerce	VinFast Plant in Chatham County	200,000,000
Department of Commerce	Department Liaison	160,000
North Carolina State University	Shared Employee Salary Reimbursement	3,875
Total Highway Fund Revenues from Other State Agencies		\$ 325,426,026

Expenditures to Other State Agencies:**Highway Fund:**

	Purpose	Amount
Community Colleges	Specialty License Plate Revenue	\$ 4,760
Department of Administration	Historically Underutilized Business Development Program	278,016
Department of Administration	Support for Various Systems for Human Resources	300,000
Department of Agriculture and Consumer Services	Specialty License Plate Revenue	162,284
Department of Agriculture and Consumer Services	G.S.119-18: Gas Inspection Tax	6,096,638
Department of Agriculture and Consumer Services	Visitor Centers Expenditures	135,000
Department of Commerce	Appalachian Regional Commission Assessment	93,915
Department of Environmental Quality	Specialty License Plate Revenue	9,500
Department of Environmental Quality	Shallow Draft Navigation Channel Dredging and Lake Maintenance	17,434,741
Department of Health and Human Services	Specialty License Plate Revenue	16,275
Department of Health and Human Services	Breathalyzer Training	692,555
Department of Insurance	State Fire Protection Plan	158,000
Department of Natural and Cultural Resources	Historical Markers	100,000
Department of Public Safety	Specialty License Plate Revenue	95,613
Department of Public Safety	State Highway Patrol Expenditures - Motor Carrier Enforcement	14,879,006
Department of Revenue	Fuel Tax Compliance Expenditures	1,537,684
Department of Revenue	International Registration Expenditures	242,418
Department of Revenue	Motor Fuel Tax Division Expenditures	5,202,165
Department of Revenue	HB1779 Tax & Tag Program	2,189,366
Office of the State Controller	Shared Services Expenditures	603,411
Statewide General Fund	General Fund Inspection Fees	1,082,333
Wildlife Resources Commission	Specialty License Plate Revenue - Wildlife Commission	140,435
Wildlife Resources Commission	Non-Game Aquatic Species Fund	682,977
Wildlife Resources Commission	Wildlife Commission Resources Refund	2,911,601
Total Highway Fund Expenditures to Other State Agencies		\$ 55,048,693

Highway Trust Fund:

	Purpose	Amount
Statewide General Fund	General Fund Inspection Fees	\$ 360,265
Wildlife Resources Commission	Non-Game Aquatic Species Fund	182,023
Total Highway Trust Fund Expenditures to Other State Agencies		\$ 542,288

Note 14 - Interfund Balances and Transfers

A. Interfund Balances

Advances To Component Units

Advances to component units from the Highway Fund at June 30, 2023 were as follows:

Advances To Component Units	
North Carolina Global TransPark Authority	<u>\$ 1,690,615</u>

The current portions of the advances are presented as part of the Highway Fund’s accounts receivable balance. The current portion of advances to Global TransPark Authority was \$250,000 as of June 30, 2023.

On September 29, 2011, the Global TransPark Authority signed an agreement with the Department to draw down a maximum of \$5,000,000 for the renovation of GTP-1, a 120,000 square foot facility to be converted from warehousing to industrial fabrication for a tenant. The current agreement commits Global TransPark to make annual payments to the Department of \$250,000 at 0% interest until the final maturity date of July 1, 2030 to repay the advance.

Advances To Other Funds

The following is a summary of changes in the advances from the Highway Trust Fund to NCTA as of June 30, 2023:

<u>July 1, 2022</u>	<u>Additions</u>	<u>June 30, 2023</u>
<u>\$ 30,423,541</u>	<u>\$ 2,416,187</u>	<u>\$ 32,839,728</u>

Pursuant to North Carolina General Statute 136-176(b), operation and project development costs for NCTA are eligible for funding from the Highway Trust Fund administration funds. These funds are considered an Advance from the State (NCDOT) and are to be repaid from toll revenue as soon as possible. Beginning January 1, 2014, one year after the NCTA began collecting tolls on the completed Triangle Expressway project, the NCTA began accruing interest on the unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer’s average annual yield (2.2% as of June 30, 2023) on its investment of Highway Trust Fund funds pursuant to North Carolina General Statute 147-6.1. The NCTA accrued \$272,968 of interest for the year ended June 30, 2023.

B. Interfund Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2023 consisted of the following:

Transfers Out	Transfers In			
	Highway Fund	Highway Trust Fund	NCTA	Total
Highway Fund	\$ 0	\$ 109,834,972	\$ 21,666,610	\$ 131,501,582
Highway Trust Fund	125,873,071		91,315,969	217,189,040
Total	\$ 125,873,071	\$ 109,834,972	\$ 112,982,579	\$ 348,690,622

Transfers are primarily used to (1) transfer revenues and proceeds from one fund required by State statute or budget to collect the revenue to the fund required by State statute or budget to expend them and (2) to provide unrestricted revenues collected in the Highway Trust Fund to finance operating and capital programs accounted for in other funds in accordance with budgetary authorizations.

North Carolina General Assembly Session Law 2013-183 amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the NCTA to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Expressway. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and \$91,315,969 was transferred to the NCTA during the fiscal year.

North Carolina General Assembly Session Law 2022-74, Section 41.7(a) directed a transfer of \$109,834,972 from the Highway Fund to the Highway Trust Fund for the purchase of property under the Undue Hardship Advance Acquisition Program (Undue Hardship Program).

The Department also had intrafund transfers within the Highway Fund for fiscal year ended June 30, 2023, in the amount of \$23,305,255, which has been eliminated on the governmental fund financial statements. These transfers primarily consist of transfers for special license plate revenues and funds for economic development projects, which the Department transfers to the fund authorized to account for the expenditures.

Note 15 - Pension Plans**A. Cost-Sharing, Multiple-Employer, Defined Benefit Plan**

Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if payment is not due until the subsequent period. Consequently, the net pension liability, discussed in Note 10 to the financial statements, is not reported on the face of the governmental funds' financial statements. However, the net pension liability for the proprietary fund is reported on the face of the proprietary fund financial statements.

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits

for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by North Carolina 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 creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The Department's contractually required contribution rate for the year ended June 30, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension

plan were \$31,445,428, and the Department's contributions were \$91,086,923 for the year ended June 30, 2023. Of this amount, the NCTA contributed \$355,636.

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 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS 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 2022 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2023, the Department's governmental funds reported a liability of \$415,821,049 for its proportionate share of the collective net pension liability and NCTA reported \$1,711,885 for its proportionate share. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The Department's proportion of the net pension liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Department's proportion was 2.81%, which was a decrease of 0.07% from its proportion measured as of June 30, 2021, which was 2.88%. Of this amount, the NCTA's share was 0.01%, which was no change from its proportion measured as of June 30, 2021, which was 0.01%.

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:

Notes to the Financial Statements

Valuation Date	12/31/2021
Inflation	2.5%
Salary Increase*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts is 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, 2022 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 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 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, 2022 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	Net Pension Liability		
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Department as a Whole	\$ 735,192,801	\$ 415,821,049	\$ 152,205,210
NCTA	\$ 3,026,700	\$ 1,711,885	\$ 626,610

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2023, the Department's governmental funds proportionate share of the collective pension expense was \$95,759,851 and NCTA recognized \$486,958 for its proportionate share. At June 30, 2023, the Department's proportionate share of deferred outflows of resources and deferred inflows of resources related to TSERS were from the following sources:

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

	Governmental Funds		NCTA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 1,810,510	\$ 5,667,705	\$ 7,454	\$ 23,333
Change of Assumptions	32,806,696		135,061	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	136,572,303		562,252	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	14,248,406	4,143,352	58,659	17,058
Change in Proportion	(131,355)		131,355	
Contributions Subsequent to the Measurement Date	90,731,287		355,636	
Total	<u>\$ 276,037,847</u>	<u>\$ 9,811,057</u>	<u>\$ 1,250,417</u>	<u>\$ 40,391</u>

The amounts of \$90,731,287 and \$355,636 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized in pension expense as follows:

**Schedule of the Net Amount of the Employer's Balance of
Deferred Outflows of Resources and Deferred Inflows of
Resources that will be Recognized in Pension Expense**

Year Ending June 30:	Governmental Funds	NCTA
2024	\$ 52,178,612	\$ 283,436
2025	41,155,380	214,852
2026	16,692,568	86,573
2027	65,468,943	269,529
Total	<u>\$ 175,495,503</u>	<u>\$ 854,390</u>

B. Single Employer, Defined Benefit Plan

Special Separation Allowance

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

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

There is no statewide administration of the SSA. The SSA is not administered through a trust and therefore no assets are accumulated. Funds for this allowance are appropriated annually in the Department's budget. For the fiscal year ended June 30, 2023, the Department paid \$1,225,868 for this benefit for 78 retired law enforcement officers.

Note 16 - Other Postemployment Benefits

Other postemployment benefit contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period. Consequently, the net other postemployment benefits liability, discussed in Note 10 to the financial statements, is not reported on the face of the

governmental fund financial statements. However, the net other postemployment benefits liability for proprietary funds is reported on the face of the proprietary fund financial statements. The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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 other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing,

multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the 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 17. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the 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 Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed 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 TSERS (or in an allowed local system unit), CJRS, or LRS

prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes, and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: 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 Act. The Department's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The Department's contributions to the RHBF were \$36,109,833 for the year ended June 30, 2023. Of this amount, the NCTA contributed \$140,986.

In fiscal year 2021, the Plan transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was considered to be a nonemployer contributing entity contribution and was allocated among the RHBF employers. For the fiscal year ended June 30, 2023, the contribution allocated to the Department was \$4,537,740. Of this amount, the NCTA funds contributed \$18,605.

2. Disability Income

Plan Administration: As discussed in Note 17, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units, and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general

employee is eligible to receive an unreduced retirement benefit from 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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The Department's contractually-required contribution rate for the year ended June 30, 2023 was 0.10% of covered payroll. The Department's contributions to DIPNC were \$524,090 for the year ended June 30, 2023. Of this amount, the NCTA contributed \$2,046.

C. Net OPEB Liability

Retirement Health Benefit Fund: At June 30, 2023, the Department's governmental funds reported a liability of \$594,523,433 for its proportionate share of the collective net OPEB liability for RHBF and NCTA reported \$2,447,581. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and

update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Department's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Department's proportion was 2.513%, which was an increase of 0.002% from its proportion measured as of June 30, 2021, which was 2.511%. Of this amount, the NCTA share was 0.01%, which was no change from its proportion measured as of June 30, 2021, which was 0.01%.

Disability Income Plan of North Carolina: At June 30, 2023, the Department's governmental funds reported a liability of \$716,849 for its proportionate share of the collective net OPEB liability for DIPNC and NCTA reported \$2,951. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Department's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Department relative to the projected present value of future salaries for all participating employers, actuarially determined. As of June 30, 2022, the Department's proportion was 2.42%, which was a decrease of 0.05% from its proportion measured as of June 30, 2021, which was 2.47%. Of this proportion, the NCTA share was 0.01%, which was no change from its proportion measured as of June 30, 2021, which was 0.01%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

*Salary increases include 3.25% inflation and productivity factor.

**Investment rate of return is net of OPEB plan investment expense, including inflation

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan Premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are

based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing 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, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investing consulting firm as part of a study that was complete in early 2022, 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 2.25%. 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, 2022 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described above, 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Department's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability			
	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
RHBF:			
Governmental Funds	\$ 701,149,601	\$ 594,523,433	\$ 507,234,783
NCTA	\$ 2,014,751	\$ 2,447,581	\$ 3,007,076
	1% Decrease (2.08%)	Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC:			
Governmental Funds	\$ 882,712	\$ 716,849	\$ 550,577
NCTA	\$ 3,634	\$ 2,951	\$ 2,267

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5% Pharmacy - 4% - 8.5% Med. Advantage - 0% - 4% Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5 - 6% Pharmacy - 5 - 9.5% Med. Advantage - 0% - 5% Administrative - 3%)	1% Increase (Medical - 6% - 7% Pharmacy - 6% - 10.5% Med. Advantage - 0% - 6% Administrative - 4%)
RHBF:			
Governmental Funds	\$ 489,311,559	\$ 594,523,433	\$ 730,551,605
NCTA	\$ 2,091,988	\$ 2,447,581	\$ 2,882,968

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2023, the Department recognized OPEB expense as follows:

OPEB Expense			
Governmental Funds		NCTA	
RHBF	DIPNC	RHBF	DIPNC
\$ (83,187,203)	\$ 1,104,048	\$ 118,429	\$ 3,846

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the Department's proportionate share of deferred outflows of

resources and deferred inflows of resources related to OPEB were from the following sources:

	Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:					
	Governmental Funds			NCTA		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 5,772,036	\$ 803,528	\$ 6,575,564	\$ 23,763	\$ 3,308	\$ 27,071
Changes of Assumptions	47,599,325	46,074	47,645,399	195,961	190	196,151
Net Difference Between Projected and Actual Earnings on Plan Investments	5,148,316	758,201	5,906,517	21,194	3,121	24,315
Changes in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	45,864,313	504,545	46,368,858	188,818	2,077	190,895
Change in Proportion	(1,015,918)		(1,015,918)	1,015,918		1,015,918
Contributions Subsequent to the Measurement Date	35,968,847	522,044	36,490,891	140,986	2,046	143,032
Total	\$ 139,336,919	\$ 2,634,392	\$ 141,971,311	\$ 1,586,640	\$ 10,742	\$ 1,597,382

	Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:					
	Governmental Funds			NCTA		
	RHBF	DIPNC	Total	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 1,645,107	\$ 0	\$ 1,645,107	\$ 6,773	\$ 0	\$ 6,773
Changes of Assumptions	270,581,613	132,800	270,714,413	1,113,952	547	1,114,499
Changes in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	51,289,404	130,200	51,419,604	211,152	536	211,688
Change in Proportion		(3,205)	(3,205)		3,205	3,205
Total	\$ 323,516,124	\$ 259,795	\$ 323,775,919	\$ 1,331,877	\$ 4,288	\$ 1,336,165

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ended June 30, 2024. 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 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 Ending June 30:	Governmental Funds		NCTA	
	RHBF	DIPNC	RHBF	DIPNC
2024	\$ (81,434,637)	\$ 463,442	\$ 64,132	\$ 1,209
2025	(45,849,382)	515,636	107,878	1,422
2026	(51,099,206)	363,434	(11,462)	998
2027	(41,764,828)	294,057	(46,772)	713
2028	1	107,392	1	(51)
Thereafter		108,592		117
Total	\$ (220,148,052)	\$ 1,852,553	\$ 113,777	\$ 4,408

Note 17 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

Department 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 and employee contributions. The Plan has contracted with third parties to process claims. See Note 16, 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 Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the

extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 16, 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 Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, the Department has chosen a higher deductible of \$60,000 for a reduction in premium.

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

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 \$10,000,000 in the aggregate per fiscal year via contract with a private insurance company. The Department pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

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

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

Note 18 - Conduit Debt Obligations, Commitments, and Contingencies

A. Conduit Debt Obligations

The Department is authorized by N. C. General Statute 136-18(39) and General Statute 136-19(39a) to enter into private partnership agreements to finance by tolls and other financing methods the cost of constructing transportation infrastructures. Such an agreement was entered into on June 26, 2014, with I-77 Mobility Partners LLC (Mobility Partners) to design, build, finance, and operate the I-77 High-Occupancy Toll (HOT) Lanes Project in Mecklenburg and Iredell counties. In May 2015, the Department, as a conduit issuer, issued \$100,000,000 of tax-exempt senior Private Activity Revenue Bonds (PABs) on behalf of Mobility Partners. The PABs are not an obligation of the Department or the State. The bonds are payable from payments received by Mobility Partners, and the Department has committed to maintaining the tax-exempt status of the bonds. Additional funding was obtained by Mobility Partners in the form of a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in the amount of \$189,192,612. The Department is also providing limited credit enhancement support for the Project through the Developer Ration Adjustment Mechanism (DRAM) as set forth in Section 13.3 of the Comprehensive Agreement, which capped at \$12,000,000 in any operating year and \$75,000,000 in aggregate during the DRAM Period. The DRAM is triggered when the projected annual new revenue after payment of operating expenses is not sufficient to pay the scheduled debt service payments and is available until the earlier of the final maturity of the TIFIA loan or the date the Project debt is refinanced. As of June 30, 2023, the outstanding principal of the PABs is \$100,000,000.

B. Pending Litigation and Claims

The Department is party to a legal action brought against it, which may ultimately result in unfavorable settlements or decisions for the Department.

The Transportation Corridor Official Map Act (Map Act) was enacted in 1987 to provide the Department with the authority to record corridor maps that imposed restrictions on a landowner's rights to improve, develop, and subdivide property within the corridor, which may remain indefinitely. The Map Act did not require the Department to purchase the property at the time of the filing of a future corridor map. Starting in 1989, the Department filed 27 separate maps that affected approximately 8,500 parcels of land. In June 2016, the North Carolina Supreme Court ruled that the filing of a transportation corridor map pursuant to the Map Act resulted in a taking of the property owners' rights to improve, develop and subdivide their property. Under state law, whether a property owner should be paid for the property, and how much, are determined on a case-by-case basis.

Since the last update, NCDOT has continued to acquire parcels and settle cases that have been filed in the Map Act corridors. The most current numbers as to remaining cases and dollar value are available from NCDOT.

Landowners' attorneys have also recently raised two new theories of recovery, one of which is raised in a case before the state Court of Appeals. If those theories prevail, the Department's potential liability will be expanded beyond the current number of known cases.

The NCTA at times is involved in litigation in the normal course of business. Although the outcome of any such litigation is not presently determinable, in the opinion of management and the NCTA's General Counsel, the results of the litigation will not have a materially adverse impact on the financial position of the NCTA.

C. Federal Grants

The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2023, the Department is unable to estimate what liabilities may result from such audits.

D. Highway Construction

The Department has placed on deposit in court \$265,099,482 for potential liability to property owners for contested rights-of-way acquisition costs in condemnation proceedings. The Department may also be liable for an additional \$83,766,380 for the year ended June 30, 2023 in these proceedings. The Department has no outstanding verified contractor's claims.

E. Construction and Other Commitments

The Department has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. At June 30, 2023, the Department had commitments of \$6,418,248,975 for construction of highway infrastructure. Of this amount, \$3,680,192,221 relates to the Highway Fund, \$2,559,475,718 relates to the Highway Trust Fund, and \$178,581,036 relates to NCTA.

Note 19 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2023, the Department implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 91, Conduit Debt Obligations

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and providing guidance for accounting and financial reporting for availability payment arrangements (APAs). It improves financial reporting by establishing the definitions of PPPs and APAs (including those that meet the definition of a service concession arrangement) and providing guidance on accounting and financial reporting for transactions that meet those definitions. This guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. It also enhances the decision usefulness of a government’s financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will also allow users to understand the scale and important aspects of a government’s PPPs and evaluate a government’s future obligations and assets resulting from PPPs.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

Note 20 - Fund Balance Restatement

As of July 1, 2022, the fund balances of the governmental funds as previously reported were restated as follows:

	<u>Highway Fund</u>
July 1, 2022 Fund Balance as Previously Reported	\$ 1,248,439,996
Restatement:	
Restatement of Deferred Inflows Due to the Implementation of GASB Statement No. 94	<u>(70,210,189)</u>
July 1, 2022 Fund Balance as Restated	<u>\$ 1,178,229,807</u>

Note 21 - Subsequent Events**Triangle Expressway System Revenue Bonds, TIFIA Series 2024**

On January 30, 2024, the NCTA issued its Triangle Expressway System Revenue Bond, TIFIA Series 2024 in the principal amount of up to \$417,193,471. The TIFIA Series 2024 Bond is being issued to pay eligible project costs for the Complete 540 Phase 2 Project.

Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2024

On January 30, 2024, the NCTA issued \$340,360,305 of tax-exempt Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2024, consisting of Series 2024A in the amount of 304,575,000 and Series 2024B (Capital Appreciation Bonds) in the amount of \$35,785,305. The bonds are dated January 30, 2024, and bear interest from that date.

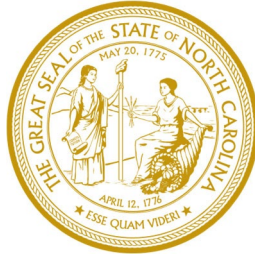
The Series 2024 Bonds were issued to pay certain costs of land acquisition for and design, construction and equipping of an extension of the Triangle Expressway System from I-40 to I-87/US 64/US 264, to provide funds to pay interest on certain Series 2024 Bonds, to pay the premium for a Bond Insurance Policy issued by the 2024 Bond Insurer, to pay the premium for the Series 2024 Debt Service Reserve Policy, and to pay certain costs incurred in connection with the issuance of the Series 2024 Bonds.

Interest on the Series 2024A bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2024. The Series 2024A bonds consist of serial bonds that will mature from January 1, 2053 to January 1, 2058, and were issued with an interest rate of 5%. Interest on the Series 2024B bonds will not be paid currently but will accrue and be payable at maturity.

The Series 2024B serial bonds will mature from January 1, 2050 to January 1, 2053, and were issued with interest rates ranging from 4.88% to 4.96%. The bonds are subject to redemption, at the option of the Authority, on or after January 1, 2034.

Monroe Expressway State Appropriation Revenue Refunding Bonds, Series 2024

On April 8, 2024, the NCTA issued \$182,810,000 of tax-exempt Monroe Expressway System State Appropriation Refunding Revenue Bond, Series 2024 in the principal amount of \$182,810,000. The bonds are dated April 8, 2024, and bear interest from that date. The Series 2024 Bonds were issued to refund the outstanding principal amount of the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds), and to pay certain costs incurred in connection with the issuance of the Series 2024 Bonds and the refunding of the Refunded Bonds. Interest on the bonds will be payable semiannually on each January 1 and July 1, commencing July 1, 2024. The bonds consist of serial bonds that will mature from January 1, 2025, to January 1, 2041, and were issued with an interest rate of 5%. The bonds maturing on or after January 1, 2035 are subject to redemption prior to their respective maturities, at the option of the Authority, on or after January 1, 2034.



Required Supplementary Information

**North Carolina Department of Transportation
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Fund - North Carolina Turnpike Authority
Last Ten Fiscal Years***

Schedule E-1

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net Pension Liability	0.01000%	0.01000%	0.01000%	0.01000%	0.01000%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,711,885	\$ 511,918	\$ 1,270,095	\$ 879,694	\$ 729,749
Covered Payroll	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	75.24%	24.63%	76.63%	56.44%	58.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%
	2018	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.01000%	0.01000%	0.01000%	0.01000%	0.01000%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 483,101	\$ 557,948	\$ 225,156	\$ 69,460	\$ 356,082
Covered Payroll	\$ 1,020,099	\$ 899,061	\$ 882,095	\$ 988,337	\$ 988,337
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	47.36%	62.06%	25.53%	7.03%	36.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	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 Department of Transportation
 Required Supplementary Information
 Schedule of Employer Contributions
 Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
 Proprietary Fund - North Carolina Turnpike Authority
 Last Ten Fiscal Years**

Schedule E-2

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 355,636	\$ 374,320	\$ 307,137	\$ 214,982	\$ 191,568
Contributions in Relation to the Contractually Determined Contribution	355,636	374,320	307,137	214,982	191,568
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 2,232,626	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727
Contributions as a Percentage of Covered Payroll	15.93%	16.45%	14.78%	12.97%	12.29%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 132,103	\$ 101,322	\$ 74,249	\$ 86,087	\$ 82,328
Contributions in Relation to the Contractually Determined Contribution	132,103	101,322	74,249	86,087	82,328
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 1,250,977	\$ 1,020,099	\$ 899,061	\$ 882,095	\$ 988,337
Contributions as a Percentage of Covered Payroll	10.56%	9.93%	8.26%	9.76%	8.33%

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

**North Carolina Department of Transportation
Notes to Required Supplementary Information
Schedule of Employer Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2023**

Changes of Benefit Terms:

Teachers' and State Employees' Retirement System	<u>Cost of Living Increase</u>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLAs) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021, for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of Department Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 15 for more information on the specific assumptions for the 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 January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS 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 the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

North Carolina Department of Transportation
Required Supplementary Information
Schedule of the Proportionate Share of Net OPEB Liability (Asset)
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - North Carolina Turnpike Authority
Last Six Fiscal Years*

Schedule E-3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Retiree Health Benefit Fund						
NCTA Proportionate Share Percentage of Collective Net OPEB Liability	0.01000%	0.01000%	0.01000%	0.01000%	0.01000%	0.01000%
NCTA Proportionate Share of Collective Net OPEB Liability	\$ 2,447,581	\$ 2,951,039	\$ 2,521,627	\$ 2,354,514	\$ 1,794,683	\$ 1,745,360
NCTA Covered Payroll	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099
NCTA Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	107.58%	142.01%	152.13%	151.05%	143.46%	171.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%
Disability Income Plan of North Carolina						
NCTA Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.00000%	0.01000%	0.01000%	0.01000%	0.01000%	0.01000%
NCTA Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 2,951	\$ (1,530)	\$ (4,406)	\$ (3,044)	\$ (1,897)	\$ (1,897)
NCTA Covered Payroll	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099
NCTA Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.13%	0.07%	0.27%	0.20%	0.15%	0.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	90.34%	105.18%	115.57%	113.00%	108.47%	116.23%

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 ending June 30.

**North Carolina Department of Transportation
Required Supplementary Information
Schedule of Employer Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - North Carolina Turnpike Authority
Last Six Fiscal Years**

Schedule E-4

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Retiree Health Benefit Fund						
NCTA Contractually Required Contribution	\$ 140,986	\$ 143,741	\$ 138,814	\$ 107,242	\$ 97,732	\$ 78,436
NCTA Contributions in Relation to the Contractually Determined Contribution	<u>140,986</u>	<u>143,741</u>	<u>138,814</u>	<u>107,242</u>	<u>97,732</u>	<u>78,436</u>
NCTA Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NCTA Covered Payroll	\$ 2,232,626	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977
NCTA Contributions as a Percentage of Covered Payroll	6.31%	6.32%	6.68%	6.47%	6.27%	6.27%
Disability Income Plan of North Carolina						
NCTA Contractually Required Contribution	\$ 2,046	\$ 2,057	\$ 1,870	\$ 1,658	\$ 2,182	\$ 2,182
NCTA Contributions in Relation to the Contractually Determined Contribution	<u>2,046</u>	<u>2,057</u>	<u>1,870</u>	<u>1,658</u>	<u>2,182</u>	<u>2,182</u>
NCTA Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NCTA Covered Payroll	\$ 2,232,626	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977
NCTA Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.09%	0.10%	0.14%	0.17%

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 Department of Transportation
Notes to Required Supplementary Information
Schedule of Employer Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2023**

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

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

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

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

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of the employer contributions to the RHBF was altered by legislation. Previously, non-Medicare eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of 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 16 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in the reports to the plans.

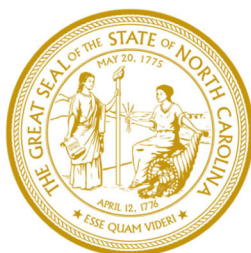
Change of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54% from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescriptions drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2022, for DIPNC, the discount rate was updated to 3.08%, from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined the determination that the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirements systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015 and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired employees' Health Benefits adopted a number of new actuarial assumptions and methods to the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*.



Other Supplementary Information

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Total Governmental Funds
For the Fiscal Year Ended June 30, 2023

Schedule F-1

	Division of Motor Vehicles (1)	Division of Transit (2)	Division of Highways and Technical Services (3)	Fourteen Highway Division Offices (4)	Other Divisions (5)	Total
EXPENDITURES						
Salaries and Benefits	\$ 97,021,820	\$ 51,525,696	\$ 227,593,910	\$ 421,737,445	\$ 45,104,243	\$ 842,983,114
Contracted Personal Services	25,830,203	6,763,764	9,022,457	12,403,019	137,830,500	191,849,943
Supplies and Materials	1,833,224	16,541,257	57,707,360	82,873,587	27,272,993	186,228,421
Purchases for Resale	5,802,710	1,731	5,460		1,008	5,810,909
Travel	2,994,767	575,878	1,427,291	722,332	2,239,277	7,959,545
Communication	2,678,448	383,501	1,677,753	656,991	9,913,124	15,309,817
Utilities	566,323	780,483	3,817,625	9,602,011	2,646,596	17,413,038
Data Processing Services	148,363	23,392	3,220,653	25,989	35,426,814	38,845,211
Other Services	6,614,336	670,976	13,437,722	1,745,269	16,660,000	39,128,303
Claims and Benefits	1,117,290					1,117,290
Debt Service:						
Principal Retirement	2,001,583		857,905	672,535	176,035,952	179,567,975
Interest and Fees	450,957		139,971	91,039	105,567,173	106,249,140
Debt Issuance Costs					397,673	397,673
Other Fixed Charges	1,665,442	45,279	3,810,782	644,406	9,919,835	16,085,744
Capital Outlay	1,328,289	64,716,610	400,042,404	4,311,580,265	104,197,214	4,881,864,782
Grants, State Aid, and Subsidies	45	381,292,788	65,638,228	36,087,342	173,463,159	656,481,562
Scholarships			24,000			24,000
Insurance and Bonding	70,187	154,418	4,406,267		709,727	5,340,599
Other Expenditures	43,738,996	(20,602,873)	(64,740,658)	33,826,128	186,094,265	178,315,858
Expenditures to Other State Agencies			865,000		129,086,821	129,951,821
Expenditures to Component Units			1,091,118		53,862,833	54,953,951
Total Expenditures:	193,862,983	502,872,900	730,045,248	4,912,668,358	1,216,429,207	7,555,878,696
OTHER FINANCING USES						
Transfers Out					145,073,485	145,073,485
Transfers to Turnpike Authority					112,982,579	112,982,579
Total Other Financing Uses:					258,056,064	258,056,064
Total Expenditures and Other Financing Uses	\$ 193,862,983	\$ 502,872,900	\$ 730,045,248	\$ 4,912,668,358	\$ 1,474,485,271	7,813,934,760
						Net Reconciling Accruals and Adjustments: (125,627,572)
						Total Expenditures and Other Financing Uses (GAAP Basis) June 30 (See Exhibit A-2): \$ 7,688,307,188
						Exhibit A-2:
						Total Expenditures \$ 7,339,616,566
						Transfers Out 235,708,043
						Transfers to Turnpike Authority 112,982,579
						Total Expenditures and Other Financing Uses (GAAP Basis) June 30 \$ 7,688,307,188

- (1) See supplemental schedule F-2 for further information.
- (2) See supplemental schedule F-3 for further information.
- (3) See supplemental schedule F-4 for further information.
- (4) See supplemental schedule F-5 for further information.
- (5) See supplemental schedule F-6 for further information.

Note: Negative expenditures represent cost reimbursements for services provided to other divisions within the Department. For example, equipment rental and maintenance services. Additionally, negative expenditures result from refunds on project expenditures.

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Division of Motor Vehicles
For the Fiscal Year Ended June 30, 2023

Schedule F-2

	DMV Commissioner's Office	DMV Driver Licensing	DMV Field Services	DMV Hearing	DMV Processing Services	License and Theft Bureau	Motor Vehicle Exhaust Emissions	Total
EXPENDITURES								
Salaries and Benefits	\$ 13,412,798	\$ 36,531,325	\$ 21,317,010	\$ 1,173,694	\$ 5,720,092	\$ 14,309,516	\$ 4,557,385	\$ 97,021,820
Contracted Personal Services	1,506,706	1,789,262	21,669,399	287	256,159	250,108	358,282	25,830,203
Supplies and Materials	216,514	195,556	605,321	25,833	70,491	560,016	159,493	1,833,224
Purchases for Resale	1,620		5,479,874		5,493	307,797	7,926	5,802,710
Travel	550,708	851,249	55,906	67,817	8,292	1,267,564	193,231	2,994,767
Communication	187,792	353,251	567,364	15,995	95,599	152,976	1,305,471	2,678,448
Utilities	243,652	264,023	38,982		562	15,442	3,662	566,323
Data Processing Services	10,240	63,133	62,666	121	772	8,528	2,903	148,363
Other Services	118,551	170,694	6,288,467	270	1,308	21,206	13,840	6,614,336
Claims and Benefits	28,453					686,814	402,023	1,117,290
Debt Service:								
Principal Retirement	308,283	1,483,879	101,475			29,544	78,402	2,001,583
Interest and Fees	120,927	326,457				3,573		450,957
Other Fixed Charges	47,866	442,743	252,321		1,307	8,075	913,130	1,665,442
Capital Outlay	150,525	401,089	505,030		12,494	138,197	120,954	1,328,289
Grants, State Aid, and Subsidies					45			45
Insurance and Bonding		3,272	64,552			1,960	403	70,187
Other Expenditures	2,178,660	10,564,754	29,404,301	3,439	674,828	232,795	680,219	43,738,996
Total Expenditures:	19,083,295	53,440,687	86,412,668	1,287,456	6,847,442	17,994,111	8,797,324	193,862,983
OTHER FINANCING USES								
Total Expenditures and Other Financing Uses	\$ 19,083,295	\$ 53,440,687	\$ 86,412,668	\$ 1,287,456	\$ 6,847,442	\$ 17,994,111	\$ 8,797,324	\$ 193,862,983

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Division of Transit
For the Fiscal Year Ended June 30, 2023

Schedule F-3

	<u>Aviation</u>	<u>Ferry</u>	<u>Integrated Mobility</u>	<u>Rail</u>	<u>Total</u>
EXPENDITURES					
Salaries and Benefits	\$ 2,768,649	\$ 39,137,788	\$ 3,782,104	\$ 5,837,155	\$ 51,525,696
Contracted Personal Services	433,334	230,620	343,336	5,756,474	6,763,764
Supplies and Materials	298,261	11,659,336	381,556	4,202,104	16,541,257
Purchases for Resale		1,731			1,731
Travel	76,261	313,766	144,252	41,599	575,878
Communication	51,206	138,136	11,472	182,687	383,501
Utilities	47,014	483,671		249,798	780,483
Data Processing Services	3,382	5,411	5,768	8,831	23,392
Other Services	48,101	184,143	17,431	421,301	670,976
Other Fixed Charges	18,470	17,984	7,317	1,508	45,279
Capital Outlay	2,746,952	7,986,651	6,852,307	47,130,700	64,716,610
Grants, State Aid, and Subsidies	241,036,888		139,532,188	723,712	381,292,788
Insurance and Bonding	6,992	129,524		17,902	154,418
Other Expenditures	2,205,062	(21,759,794)	1,468,907	(2,517,048)	(20,602,873)
Total Expenditures:	<u>249,740,572</u>	<u>38,528,967</u>	<u>152,546,638</u>	<u>62,056,723</u>	<u>502,872,900</u>
OTHER FINANCING USES					
Total Expenditures and Other Financing Uses	<u>\$ 249,740,572</u>	<u>\$ 38,528,967</u>	<u>\$ 152,546,638</u>	<u>\$ 62,056,723</u>	<u>\$ 502,872,900</u>

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Division of Highways and Technical Services
For the Fiscal Year Ended June 30, 2023

Schedule F-4

	Administration	Equipment	Highway Design	Other Division of Highways and Technical Service Divisions	Technical Services	Total
EXPENDITURES						
Salaries and Benefits	\$ 1,557,309	\$ 59,282,552	\$ 19,021,942	\$ 114,002,114	\$ 33,729,993	\$ 227,593,910
Contracted Personal Services		1,465,751	332,684	6,224,878	999,144	9,022,457
Supplies and Materials	9,532	54,002,125	145,366	3,236,366	313,971	57,707,360
Purchases for Resale		5,460				5,460
Travel	39,795	71,595	195,623	981,198	139,080	1,427,291
Communication	20,142	792,177	111,425	574,721	179,288	1,677,753
Utilities		1,424,967	4,787	2,334,631	53,240	3,817,625
Data Processing Services	824	6,817	18,629	3,150,797	43,586	3,220,653
Other Services	11,900	2,798,238	21,463	10,212,837	393,284	13,437,722
Debt Service:						
Principal Retirement			150,578	450,177	257,150	857,905
Interest and Fees			49,081	46,044	44,846	139,971
Other Fixed Charges	62,958	607,570	20,241	2,226,835	893,178	3,810,782
Capital Outlay	130,105	49,424,598	44,872,040	246,809,309	58,806,352	400,042,404
Grants, State Aid, and Subsidies				15,579,952	50,058,276	65,638,228
Scholarships				24,000		24,000
Insurance and Bonding		2,942,351		1,455,738	8,178	4,406,267
Other Expenditures	25,827	(109,854,079)	1,351,524	11,410,161	32,325,909	(64,740,658)
Expenditures to Other State Agencies					865,000	865,000
Expenditures to Component Units				1,091,118		1,091,118
Total Expenditures:	<u>1,858,392</u>	<u>62,970,122</u>	<u>66,295,383</u>	<u>419,810,876</u>	<u>179,110,475</u>	<u>730,045,248</u>
OTHER FINANCING USES						
Total Expenditures and Other Financing Uses	<u>\$ 1,858,392</u>	<u>\$ 62,970,122</u>	<u>\$ 66,295,383</u>	<u>\$ 419,810,876</u>	<u>\$ 179,110,475</u>	<u>\$ 730,045,248</u>

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Fourteen Highway Division Offices¹
For the Fiscal Year Ended June 30, 2023

Schedule F-5
Page 1 of 2

	<u>Division 1</u>	<u>Division 2</u>	<u>Division 3</u>	<u>Division 4</u>	<u>Division 5</u>	<u>Division 6</u>	<u>Division 7</u>	<u>Division 8</u>
EXPENDITURES								
Salaries and Benefits	\$ 30,485,663	\$ 26,209,933	\$ 28,733,206	\$ 31,443,319	\$ 31,340,465	\$ 31,417,151	\$ 29,090,629	\$ 31,153,217
Contracted Personal Services	796,607	467,408	597,981	1,832,490	844,889	817,071	797,878	520,786
Supplies and Materials	3,772,996	10,633,000	(3,127,482)	10,100,309	4,698,749	6,924,637	5,703,822	8,701,557
Travel	42,909	31,481	27,455	58,303	27,388	61,874	28,017	23,661
Communication	32,675	6,877	131,711	105,816	23,962	31,929	41,106	38,598
Utilities	266,969	307,535	605,972	928,608	1,706,392	726,697	976,866	430,041
Data Processing Services	2,205	402	1,341	1,793	939	805	8,389	1,207
Other Services	8,298	(133,589)	36,475	105,926	86,439	83,129	215,849	62,907
Debt Service:								
Principal Retirement	89,982	169,002		24,425			114,631	37,145
Interest and Fees	24,109	35,428	3	631	777	16	3,749	2,391
Other Fixed Charges	14,022	8,429	529,499	6,652	9,165	(233)	12,195	2,341
Capital Outlay	140,124,121	237,791,462	303,268,954	263,643,550	350,194,417	660,494,552	274,802,005	536,145,042
Grants, State Aid, and Subsidies	938,129	400,221	4,341,914	609,513	7,402,441	664,969	11,316,199	453,710
Other Expenditures	<u>1,965,087</u>	<u>(536,220)</u>	<u>224,209</u>	<u>871,728</u>	<u>(4,351,536)</u>	<u>7,722,675</u>	<u>804,421</u>	<u>5,916,844</u>
Total Expenditures:	<u>178,563,772</u>	<u>275,391,369</u>	<u>335,371,238</u>	<u>309,733,063</u>	<u>391,984,487</u>	<u>708,945,272</u>	<u>323,915,756</u>	<u>583,489,447</u>
OTHER FINANCING USES								
Total Expenditures and Other Financing Uses	<u>\$ 178,563,772</u>	<u>\$ 275,391,369</u>	<u>\$ 335,371,238</u>	<u>\$ 309,733,063</u>	<u>\$ 391,984,487</u>	<u>\$ 708,945,272</u>	<u>\$ 323,915,756</u>	<u>\$ 583,489,447</u>

¹ A map and listing of the counties covered by each highway division office can be viewed at the beginning of Schedule H.

**North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Fourteen Highway Division Offices¹
For the Fiscal Year Ended June 30, 2023**

**Schedule F-5
Page 2 of 2**

	<u>Division 9</u>	<u>Division 10</u>	<u>Division 11</u>	<u>Division 12</u>	<u>Division 13</u>	<u>Division 14</u>	<u>Total</u>
EXPENDITURES							
Salaries and Benefits	\$ 29,415,202	\$ 32,071,730	\$ 28,167,223	\$ 24,029,823	\$ 32,934,601	\$ 35,245,283	\$ 421,737,445
Contracted Personal Services	847,422	629,452	533,588	1,215,088	1,435,380	1,066,979	12,403,019
Supplies and Materials	6,306,381	4,182,081	8,914,288	4,091,100	4,749,582	7,222,567	82,873,587
Travel	34,074	67,860	43,650	92,591	45,014	138,055	722,332
Communication	23,042	49,141	35,188	46,020	43,735	47,191	656,991
Utilities	540,798	1,016,337	225,270	772,040	665,226	433,260	9,602,011
Data Processing Services	1,207	1,475	3,357	571	1,480	818	25,989
Other Services	405,621	392,248	79,531	51,747	245,130	105,558	1,745,269
Debt Service:							
Principal Retirement	22,748			149,176		65,426	672,535
Interest and Fees	2,137	41		10,564	35	11,158	91,039
Other Fixed Charges	5,573	11,247	12,667	5,409	5,962	21,478	644,406
Capital Outlay	295,219,301	279,880,551	152,875,628	255,169,153	205,527,562	356,443,967	4,311,580,265
Grants, State Aid, and Subsidies	1,998,550	6,095,603	35,996	1,706,067	47,688	76,342	36,087,342
Other Expenditures	<u>3,996,984</u>	<u>5,793,157</u>	<u>5,329,652</u>	<u>1,294,033</u>	<u>(1,567,302)</u>	<u>6,362,396</u>	<u>33,826,128</u>
Total Expenditures:	<u>338,819,040</u>	<u>330,190,923</u>	<u>196,256,038</u>	<u>288,633,382</u>	<u>244,134,093</u>	<u>407,240,478</u>	<u>4,912,668,358</u>
OTHER FINANCING USES							
Total Expenditures and Other Financing Uses	<u>\$ 338,819,040</u>	<u>\$ 330,190,923</u>	<u>\$ 196,256,038</u>	<u>\$ 288,633,382</u>	<u>\$ 244,134,093</u>	<u>\$ 407,240,478</u>	<u>\$ 4,912,668,358</u>

¹ A map and listing of the counties covered by each highway division office can be viewed at the beginning of Schedule H.

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Other Divisions
For the Fiscal Year Ended June 30, 2023

Schedule F-6

	Financial Management	Information Technology	Orders	Other	Other Agency Transfers, Reserves, and Debt Service	Strategic Planning	Total
EXPENDITURES							
Salaries and Benefits	\$ 10,213,133	\$ 4,503	\$ 7,429,955	\$ 26,557,002	\$ 0	\$ 899,650	\$ 45,104,243
Contracted Personal Services	30,048	32,494,901	102,981,536	2,043,174	280,789	52	137,830,500
Supplies and Materials	15,871	924,676	26,125,160	206,517		769	27,272,993
Purchase for Resale			1,008				1,008
Travel	11,451	32,197	1,771,706	416,419		7,504	2,239,277
Communication	19,290	6,097,972	3,682,079	110,464		3,319	9,913,124
Utilities	1,429	3	2,643,989	361	814		2,646,596
Data Processing Services	2,206	29,092,925	6,308,728	21,955	3	997	35,426,814
Other Services	17,614	32,321	14,420,724	2,187,816		1,525	16,660,000
Debt Service:							
Principal Retirement	157,643	1,735,074			174,143,235		176,035,952
Interest and Fees	8,257	217,744			105,341,172		105,567,173
Debt Issuance Costs					397,673		397,673
Other Fixed Charges	16,720	618,610	8,742,676	541,622		207	9,919,835
Capital Outlay	16,631	10,165,647	82,477,173	6,662,285	4,447,443	428,035	104,197,214
Grants, State Aid, and Subsidies	960,992		177,394	14,479,929	157,844,844		173,463,159
Insurance and Bonding	543,551		159,030	1,999	5,147		709,727
Other Expenditures	1,125,702	106,629,207	(285,673,616)	333,370,759	30,705,539	(63,326)	186,094,265
Expenditures to Other State Agencies	93,915	1,537,684	5,571,782	(1,432,114)	123,315,554		129,086,821
Expenditures to Component Units					53,862,833		53,862,833
Total Expenditures:	13,234,453	189,583,464	(23,180,676)	385,168,188	650,345,046	1,278,732	1,216,429,207
OTHER FINANCING USES							
Transfers Out					145,073,485		145,073,485
Transfers to Turnpike Authority				42,315,969	70,666,610		112,982,579
Total Other Financing Uses:				42,315,969	215,740,095		258,056,064
Total Expenditures and Other Financing Uses	\$ 13,234,453	\$ 189,583,464	\$ (23,180,676)	\$ 427,484,157	\$ 866,085,141	\$ 1,278,732	\$ 1,474,485,271

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
Air Cargo Authority	Transfer to the Global TransPark Authority for general operating expenses (<i>General Statute 63A-3</i>).
Airports Program	Expenditures related to the planning, engineering, and general administration necessary for the operation of the State Aid to Airports Program and the Federal State Block Grant Program disbursed to local governments for airport development needs. Funds are used for airport improvements for the safety and efficiency of the statewide network of airports; educational programs to conduct airport planning, land acquisition, and airport construction and maintenance; and many other missions included in Chapter 63 of <i>General Statutes</i> .
Aviation Administration	Expenditures related to the administrative budget for the Aviation Division. The Division of Aviation develops, maintains, and promotes a safe and effective statewide aviation system. The division manages and provides oversight for grants to local communities and airport sponsors for aviation improvements associated with the State Aid to Airports program and the Federal State Block Grant program. A key focus of the division is identifying aviation system safety deficiencies and implementing programs to address the problems. The division provides technical assistance to the private sector along with local, federal, and state agencies to improve air services throughout the state and conducts safety and education programs statewide for pilots, schools, and the public. Division aircraft provide photogrammetry and aerial survey services for the department and other governmental agencies, and air transportation services in support of all state agencies.
Bridge Preservation	Expenditures to employ cost effective solutions to maximize bridge life and lower lifetime cost.
Bridge Program	Expenditures related to bridge improvements on structurally deficient and functionally obsolete bridges.
Capital Improvements	Expenditures related to the management of the design and construction administration of new construction, renovation or large-scale maintenance projects whether performed by internal staff or outside designers.
Capital Improvements HTF	Expenditures related to maintenance and construction programs for major repairs, renovations or replacement of facilities that fail to meet safety standards or that are obsolete for current or future use under Session Law 2003-284.
Central Administration	Expenditures related to administrative support and operations for DOT.
CO Internal Orders	Controlling Orders (CO) are cost collectors for expenses that will be allocated across multiple cost centers and/or projects. Examples include specific administrative and field costs; labor variance; stockpiled and rebuilt inventory; special allocation, temporary, and orders sharing cost to a specific set of Work Breakdown Structure (WBS) numbers.
Construction Primary HTF	Expenditures related to the construction or improvements on US and NC routes outside of incorporated municipalities.
Construction Statewide Secondary HTF	Expenditures for the construction or improvement on Secondary Roads (SR) outside of incorporated municipalities.

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
Contingency	Expenditures related to rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.
Contract Resurfacing	Expenditures related to the placement of thin asphalt overlays or surface treatments by contract on paved state primary and secondary system routes to restore serviceability and prevent deterioration of the pavement surface.
Debt Service - Build NC Bonds	Principal and interest for debt service related to Build NC bonds.
Debt Services - GARVEE bonds	Principal payments for Grant Anticipation Revenue Vehicle (GARVEE) bonds.
Department of Agriculture - Gas Inspection Services	Expenditures related to enforcing quality standards for motor gasoline and diesel fuel, heating fuel (kerosene and fuel oil), and motor oil.
Department of Revenue - Gas Tax	Expenditures related to the administration, collection, and enforcement of the motor fuel tax laws of the State of North Carolina.
Department of Revenue - IRP Auditors	Expenditures related to audit services for the International Registration Plan (IRP).
Division of Highway Administration	Expenditures related to administrative support and operations for the Chief Engineer and Deputy Chief Engineer's office.
Division of Motor Vehicles (DMV)	Expenditures related to the Commissioner's Office, Field Services, Processing Services, and License and Theft for DMV.
Division Small Urban Construction	Expenditures related to small construction projects recommended by the member of the Board of Transportation representing the Division to be served by the project, in consultation with the Division Engineer, and approved by the Board of Transportation. Funds are equally allocated among the 14 Divisions.
DOC - Economic Development Liaison	Established for the transfer of funds from the Department of Commerce (DOC) for a dedicated liaison to work with Commerce and the Economic Development Partnership of North Carolina. The position was eliminated in Session Law 2023-134.
DOT Plant Maintenance Orders	Plant Maintenance orders are used to collect the cost of maintaining and fueling DOT fleet equipment, rented equipment, and outside agency equipment (reimbursable to DOT).
ECO Enhancement Program	Ecological Enhancement Program (EEP) expenditures related to wetland mitigation.
Economic Development	Expenditures related to highway projects, aviation projects at publicly owned airports, and rail or marine public access projects that contribute to economic growth and development by attracting new businesses, new industries, or expanding existing businesses or industries that increase employment opportunity.

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
FEMA	Expenditures of Federal Emergency Management Administration (FEMA) funds for the repair, restoration, reconstruction, and/or replacement of infrastructure on non-Federal Aid routes or facilities damaged and/or destroyed in the event of an emergency, catastrophe, or major disaster.
Ferry Administration	Expenditures related to the administrative budget for Ferry Operations. Ferry Operations provides services to the traveling public and citizens of North Carolina through the operation of 22 ferries over 7 routes across rivers and sounds in coastal eastern North Carolina. Additionally, an eighth, emergency route, is activated to ensure continued access to Highway 12 when breaches along the Outer Banks impede transportation. Ferry Operations serves as an extension of the North Carolina highway network providing the sole access to island villages in addition to providing an alternate means of transportation and access for vehicles, bicycles, and pedestrians.
Ferry Operations	Expenditures related to the ferry services provided to the traveling public and citizens of North Carolina in coastal North Carolina.
FHWA Construction	Expenditures from Federal Highway Administration (FHWA) for different federal programs such as Surface Transportation, National Highway System, Congestion Mitigation, and Bridge Program.
FHWA State Match HTF	State matching funds for Federal Highway Administration (FHWA) funded projects.
Field Operations	Expenditures related to administrative and technical assistance to various Departmental Units and the 14 Highway Divisions for the structure management program and the secondary roads program.
Governor's Highway Safety	Expenditures related to federal and state programs administered by the Governor's Highway Safety Program (GHSP). Examples of programs include Click It or Ticket, bicycle safety programs, safety grants to local and state law enforcement programs, and grants to support the statistical analysis necessary to target funding to areas of critical need.
Health and Human Services - Chemical Test	Expenditures related to the breathalyzer program in the Department of Health and Human Services (DHHS), Public Health Division.
Integrated Mobility Division Administration	Expenditures related to the administrative budget for the Integrated Mobility Division. It is the mission of the Integrated Mobility Division, in partnership with other public and private entities, to support and promote the availability of high-quality public transportation services and partnerships throughout the state by delivering funding, technical assistance, oversight and leadership. The division administers federal and state grant funding to sub recipients for planning, administration, capital improvements and operations and maintenance needs; develops and implements policies and procedures related to state sponsored funding programs; and monitors the use of federal and state financial assistance.
Integrated Mobility Division	Expenditures related to the operation of the Integrated Mobility Division.

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
Intrastate - Highway Trust Fund (HTF)	Expenditures related to the construction of strategic four lane corridors that connect all regions of the state to provide safe, efficient movement of goods and people to improve mobility, safety, and economic opportunities. Program was eliminated with passage of Session Law 2013-183.
Mobility Modernization	Expenditures to fund immediate need construction projects including high impact construction projects such as intersection and operational improvements, safety and mobility projects that reduce congestion and economic development projects.
Motor Carrier Safety	Expenditures related to advance funding to the Department of Public Safety for the cost of administration and activities association with the delivery of the Motor Carrier Safety Assistance Program (MCSAP) Grant and printing & mailing past due oversize/overweight citations issued by the State Highway Patrol.
NC Mobility Fund	Expenditures under Session Law 2010-31 related to transportation projects of statewide and regional significance that relieve congestion and enhance mobility across all modes of transportation. Program was eliminated, and funds transferred to STI in Session Law 2013-360.
Non-System Street	Expenditures related to Powell Bill and other reimbursable agreements (includes expenses such as traffic signal installations, traffic control for marathons, etc.).
Operations Administration	Expenditures related to units that support the Division of Highways. Includes Division admin offices, Right of Way (ROW), Civil Rights, Programming and Development, etc.
OSC - BEST Shared Services	Expenditures related to funds provided to the Office of State Controller (OSC) for 10 positions that were transferred to the BEST Shared Services team due to the implementation of BEACON.
OSBM Oversight Manager	Session Law 2020-91 HB77 Section 5.5(a) requires NCDOT to transfer one vacant FTE position to Office State Budget and Management (OSBM) to be reclassified into the position of Transportation Oversight Manager. This fund center will be used to transfer funds to OSBM upon invoice for the salary and fringes of this position.
OSHA Program	Expenditures related to the mitigation of deficiencies discovered in routine inspections by Occupational Safety and Health Administration (OSHA), building code or health code inspectors, and employee safety training.
Pavement Preservation	Expenditures related to the following preservation activities or treatments for asphalt pavement structures: (1) chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals; (2) microsurfacing; (3) profile milling not covered by resurfacing; (4) asphalt rejuvenators; (5) open graded asphalt friction course; (6) overlays less than 1,000 feet in length; (7) diamond grinding; (8) Joint sealing; (9) dowel bar retrofit; (10) partial-depth or full-depth repairs and reclamations; (11) ultra-thin whitetopping; and (12) thin lift and sand asphalt overlays.
Performance Energy Debt	Expenditures related to debt service that will be paid out of Performance Energy Contract approved by Council of State.

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
Primary Construction	Expenditures related to construction or improvements on US and NC routes outside of incorporated municipalities.
Primary Maintenance	Expenditures related to routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, rest area operations, and bridge repair on the state primary system comprised of all interstate, US, and NC designated highways.
Program Administration	Expenditures related to the administration of the Highway Trust Fund and North Carolina Turnpike Authority. Specifically, personnel costs for central administration and preconstruction activities.
Public Service Roads	Expenditures related to the construction of roads to new industrial facilities and public facilities, such as office and medical complexes; volunteer fire departments and rescue squads entrance aprons; and public school bus driveways and parking areas. Replaced by Mobility Modernization.
Rail Administration	Expenditures related to the administrative budget for the Rail Division program. The purpose of this fund is to develop, administer and operate programs that improve industry and public safety, partner with industry and economic development entities to create jobs, attract investment and increase rail freight movements; partner with short line and Class I railroads to retain jobs in small urban and rural areas, and increase use of intercity passenger rail service opportunities.
Rail Equipment Overhaul	Expenditures to fund the overhaul and improvement of rail equipment.
Railroad Program	Expenditures for the operational support of programs administered by the Rail Division. Programs include operation of the Carolinian and the Piedmont train service, the Freight Rail & Rail Crossing Safety Improvement Program, rail crossing safety and track capacity and velocity improvements, and environmental and planning associated with the development of high-performing passenger rail service throughout North Carolina, Virginia, and the Southeast.
Reserves	Expenditures of reserve funds for costs such as legislative increases, retirement increases, hospital/medical, etc.
Roadside Environmental	Expenditures related to vegetation management, mowing, litter prevention & removal, beautification efforts, rest areas, and guardrail replacements.
ROW Air Space	Right of Way (ROW) orders are used to capture the expense and receipt of property sales for assets that were federally funded. This money is reserved for Title 23 uses.
Secondary Construction	Expenditures related to paving unpaved roads on the secondary road system.
Secondary Construction - HTF	Expenditures related to paving and improving the state's 4,500 miles of unpaved secondary roads that serve the motoring public and provide modernization improvements to the paved secondary road system.

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Years Ended June 30, 2023

Account Title	Account Description
Secondary Maintenance	Expenditures related to routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, bridge repair, machining and stabilization on the state secondary system comprised of all paved and unpaved routes carrying the Secondary Road (SR) designation.
Spot Safety	Expenditures related to the design and construction of cost-effective safety improvements on the state highway system. Examples of projects include installation or improvement of traffic signals, improving roadway geometrics and channelization, installing guardrail, adding rumble strips, and constructing turn lanes.
State Aid to Municipalities	Expenditures related to the Powell Bill allocation to municipalities.
State Ethics Commission	Transfer of funds from the Highway Fund to the State Ethics Commission to support a Paralegal position for the implementation of Session Law 2013-156.
State Fire Protection Grant Fund	Payments of any necessary fire insurance claims up to the \$60,000 deductible for NC DOT-owned capital facilities.
Strategic Transportation Initiative	NCDOT Strategic Prioritization Fund created under Session Law 2013-183. Funds will be distributed 40% to Statewide Strategic Mobility Projects, 30% to Regional Impact Projects, and 30% to Division Need Projects.
Transfer to Highway Fund - Visitor Centers	Transfer of funds from the Highway Trust Fund to the Highway Fund for the Visitor Centers.
Transfer to Ports Authority	The Highway Trust Fund appropriation to the NC State Ports Authority.
Transfer to Turnpike Authority	Transfer to the North Carolina Turnpike Authority from the Highway Trust Fund for debt service or related financing costs and expenses on revenue bonds or notes issued by the Turnpike Authority.
Transportation Mobility & Safety Division Orders	Expenditures related to the planning, design, implementation, investigation, and evaluation of engineering strategies on highway safety, traffic operations, signing and delineation, Intelligent Transportation Systems (ITS), work zone traffic control and congestion management; and the permitting of oversized and overweight vehicles.
Urban Construction	Expenditures related to construction and improvements on US, NC, and SR (Secondary Road) routes inside incorporated municipalities or on municipal streets.
Urban Loops - HTF	Expenditures related to the expansion of transportation options to improve safety and relieve traffic congestion in urban areas through the construction of specific, new urban routes to improve economic development and air quality while serving the motoring public.

Note: Negative expenditures represent cost reimbursements for services provided to other divisions within the Department. For example, equipment rental and maintenance services. Additionally, negative expenditures result from refunds on project expenditures.

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Fund
For the Fiscal Year Ended June 30, 2023**

**Schedule G-1
Page 1 of 2**

CURRENT ACCOUNTS

Central Administration	\$ 112,665,451
Division of Highway Administration	1,783,270
Division of Motor Vehicles	143,758,790
Operations Administration	29,274,040
Ferry Division Administration	1,199,196
Rail Division Administration	602,790
Aviation Division Administration	3,330,492
Integrated Mobility Division Administration	712,608
Field Operations	(13,967,725)
Reserve for Other Agencies:	
Department of Agriculture - Gas Inspection Services	6,096,638
Department of Revenue - Gas Tax	5,202,165
Health and Human Services - Chemical Test	692,555
Air Cargo Authority	8,862,833
State Fire Protection Grant Fund	158,000
Department of Revenue - IRP Auditors	242,418
OSC - Best Shared Services	603,411
State Ethics Commission	89,376
OSBM - Oversight Mgr	132,168
DOC - Economic Development Liaison	(160,000)
Reserves	32,758,995
Internal Orders:	
CO Internal Orders	19,579,632
DOT Plant Maintenance Orders	1,594,270
ECO Enhancement Program	62,591
ROW Air Space	(5,227,128)
Transportation Mobility & Safety Division Orders	5,438
Debt Services - GARVEE	104,270,000
Performance Energy Debt	364,257
	<hr/>
Total Current Accounts	454,686,531
	<hr/>

ENCUMBRANCE ACCOUNTS

Primary Construction	43,681,889
Secondary Construction	14,125,416
Urban Construction	147
Public Service Roads	989
Spot Safety	13,780,046
Contingency	13,745,976
Primary Maintenance	333,285,179
Secondary Maintenance	354,303,214
Contract Resurfacing	587,313,660
Ferry Operations	57,051,638
Capital Improvements	2,476,495
FHWA Construction	1,269,562,757
Governor's Highway Safety	15,119,307
Railroad Program	42,560,649

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Fund
For the Fiscal Year Ended June 30, 2023**

**Schedule G-1
Page 2 of 2**

Airports Program	231,386,335
Integrated Mobility Division	130,417,621
OSHA Program	436,667
Non-System Street	8,991,505
Motor Carrier Safety	2,023,784
FEMA	13,012,172
State Aid to Municipalities	154,849,269
Division Small Urban Construction	371,798
Economic Development	388,751,578
Bridge Program	285,491,621
Pavement Preservation	106,542,678
Bridge Preservation	89,029,949
Roadside Environmental	109,966,606
Mobility Modernization	30,236,537
Rail Equipment Overhaul	1,911,147
	<hr/>
Total Encumbrance Accounts	4,300,426,629
	<hr/>
Total Expenditures and Other Financing Uses June 30	4,755,113,160
	<hr/>
Net Reconciling Accruals and Adjustments	397,154,614
	<hr/>
Total Expenditures and Other Financing Uses (GAAP basis) June 30 (See Exhibit A-2)	<u>\$ 5,152,267,774</u>
Exhibit A-2:	
Total Expenditures	\$ 5,020,766,192
Transfers Out	109,834,972
Transfers to Turnpike Authority	21,666,610
	<hr/>
Total Expenditures and Other Financing Uses (GAAP basis) June 30	<u>\$ 5,152,267,774</u>

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Trust Fund
For the Fiscal Year Ended June 30, 2023

Schedule G-2

CURRENT ACCOUNTS

Program Administration	\$ 34,598,513
Debt Service - Build NC Bonds	121,442,651
Transfer to Turnpike Authority	49,000,000
Transfer to Highway Fund - Visitor Centers	640,000
Transfer to Ports Authority	45,000,000
	<hr/>
Total Current Accounts	250,681,164

ENCUMBRANCE ACCOUNTS

Strategic Transportation Initiative	2,223,168,358
Intrastate - HTF	57,704
Secondary Construction - HTF	1,378,041
Urban Loops - HTF	(169,760)
Construction Primary HTF	23,418
Construction Statewide Secondary HTF	(427,640)
FHWA State Match HTF	11,491,575
Capital Improvements HTF	376
NC Mobility Fund	3,305
	<hr/>
Total Encumbrance Accounts	2,235,525,377

Total Expenditures and Other Financing Uses June 30 2,486,206,541

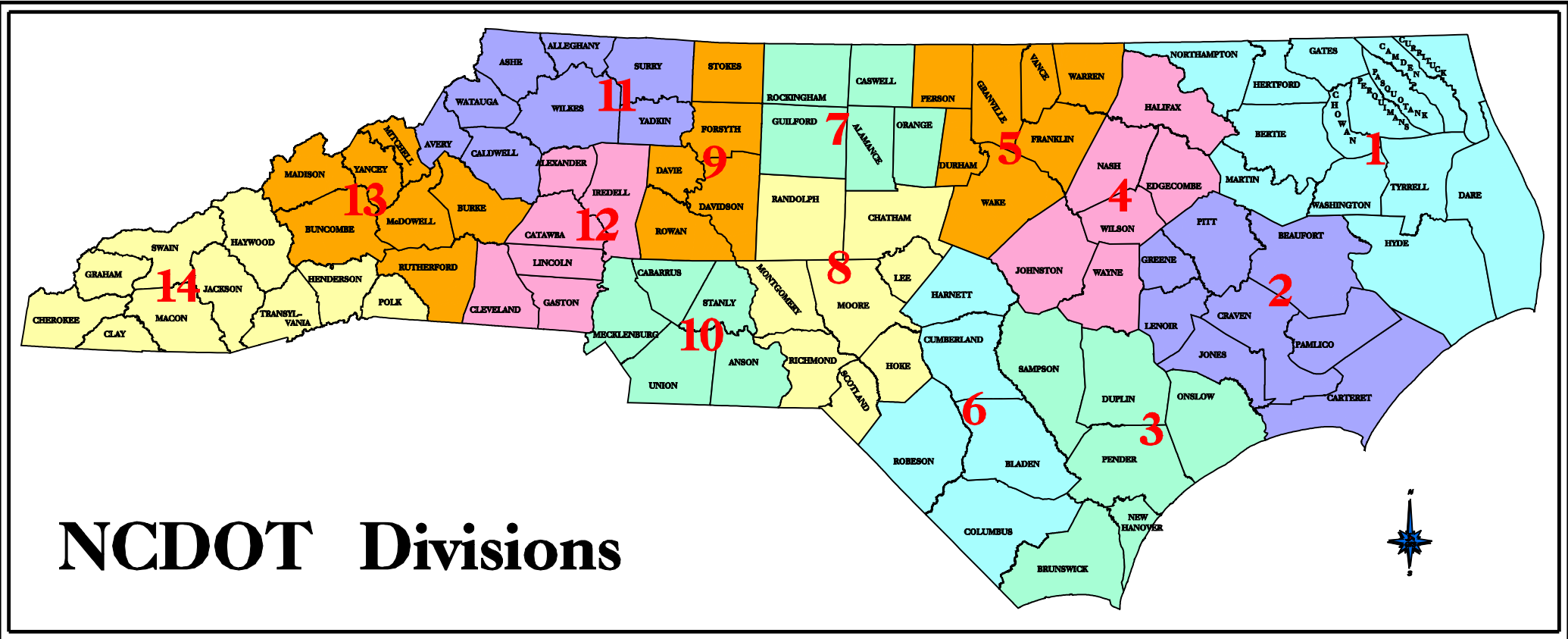
Net Reconciling Accruals and Adjustments 49,832,873

Total Expenditures and Other Financing Uses (GAAP basis) June 30
(See Exhibit A-2) \$ 2,536,039,414

Exhibit A-2:

Total Expenditures	\$ 2,318,850,374
Transfers Out	125,873,071
Transfers to Turnpike Authority	91,315,969
	<hr/>

Total Expenditures and Other Financing Uses (GAAP basis) June 30 \$ 2,536,039,414



NCDOT Divisions

North Carolina Department of Transportation
Schedule of Project Expenditures
Counties By Division
For the Fiscal Year Ended June 30, 2023

Division	Counties Included in the Division
Division 1	Bertie, Camden, Chowan, Currituck, Dare, Gates, Hertford, Hyde, Martin, Northampton, Pasquotank, Perquimans, Tyrrell and Washington
Division 2	Beaufort, Carteret, Craven, Greene, Jones, Lenoir, Pamlico and Pitt
Division 3	Brunswick, Duplin, New Hanover, Onslow, Pender and Sampson
Division 4	Edgecombe, Halifax, Johnston, Nash, Wayne and Wilson
Division 5	Durham, Franklin, Granville, Person, Wake, Warren and Vance
Division 6	Bladen, Columbus, Cumberland, Harnett and Robeson
Division 7	Alamance, Caswell, Guilford, Orange and Rockingham
Division 8	Chatham, Hoke, Lee, Montgomery, Moore, Randolph, Richmond and Scotland
Division 9	Davidson, Davie, Forsyth, Rowan and Stokes
Division 10	Anson, Cabarrus, Mecklenburg, Stanly and Union
Division 11	Alleghany, Ashe, Avery, Caldwell, Surry, Wilkes, Watauga and Yadkin
Division 12	Alexander, Catawba, Cleveland, Gaston, Iredell and Lincoln
Division 13	Buncombe, Burke, Madison, McDowell, Mitchell, Rutherford and Yancey
Division 14	Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Polk, Swain and Transylvania
Statewide	Not associated with specific counties or areas, but rather addresses projects or program needs across the State.

North Carolina Department of Transportation
Schedule of Project Expenditures
Descriptions of Project Expenditure Categories
For the Fiscal Year Ended June 30, 2023

Expenditure Category	Category Description
Aviation	Expenditures related to improving the safety and efficiency of the statewide network of airports, educational programs, conducting airport planning, land acquisition, and airport construction and maintenance, Unmanned Aircraft System (UAS) responsibilities, and many other missions included in Chapter 63 of NCGS.
Bicycle and Pedestrian (TIP)	Expenditures related to the development of comprehensive, safe and accessible pedestrian and bicycle transportation networks. Primary responsibilities include: administration of statewide bicycle and pedestrian education, enforcement, and data collection programs; development of policies and design guidelines for bicycle and pedestrian facilities; oversight of grant-funded bicycle and pedestrian planning studies; and coordination with the Division of Highways to incorporate appropriate bicycle and pedestrian accommodations in roadway improvements.
Bike/Ped (Hwy Funds)	Expenditures related to state funded projects/studies such as the Paved Trails Feasibility Study for Bicycle/Pedestrian improvements.
Bridge Preservation	Expenditures to employ cost effective solutions to maximize bridge life and lower lifetime cost.
Bridge Program	Expenditures related to bridge improvements on structurally deficient and functionally obsolete bridges.
Congestion Mitigation	Expenditures related to the federal Congestion Mitigation and Air Quality (CMAQ) program designed to improve traffic flow, air quality and incident and emergency response.
Disaster	NC Emergency Management - FEMA - Expenditures related to the repair, restoration, reconstruction, and/or replacement of infrastructure on non-Federal Aid routes or facilities damaged and/or destroyed in the event of an emergency, catastrophe, or major disaster.
Disaster Relief (SB356)	Expenditures related to Hurricane Dorian including debris removal and the repair of highway infrastructure damage, the living shoreline projects, the expansion of the Flood Inundation Mapping Alert Network for Transportation and the Flood Risk and Vulnerability Assessment on the Strategic Highway Corridor System.
Economic Development	Included in the Mobility Modernization Program to promote economic growth and development. Projects include improving drives or access to industrial parks, installing turn lanes, etc.
Enhancement (Local)	Transportation enhancement activity. The term "transportation enhancement activity" means, with respect to any project or the area to be served by the project, any of the following activities as the activities relate to surface transportation: facilities for pedestrians and bicycles, safety and educational activities for pedestrians and bicyclists, acquisition of scenic easements and scenic or historic sites, scenic or historic highway programs, landscaping and other scenic beautification, historic preservation, rehabilitation and operation of historic transportation buildings, structures, or facilities, inventory, control, and removal of outdoor advertising, archaeological planning and research, environmental mitigation, establishment of transportation museums.
Federal Bridge	Expenditures related to federal bridge program for replacement or rehabilitation of eligible structurally deficient bridges.
Ferry	Expenditures related to the operation of the three ferry districts, ferry dredging operations, the ferry shipyard, and the ferry maintenance program.
Ferry - Marine and Infrastructure	Expenditures related to marine, shoreside and in-water infrastructure including ramps, gantries, bulkheads, pilling clusters, spoil sites and buildings.
Ferry - Vessel Construction	Expenditures related to the acquisition or construction of marine vessels to maintain existing service capacity by replacing marine vessels that have reached the end of their useful life.

North Carolina Department of Transportation
Schedule of Project Expenditures
Descriptions of Project Expenditure Categories
For the Fiscal Year Ended June 30, 2023

<u>Expenditure Category</u>	<u>Category Description</u>
Governor's Highway Safety Program (GHSP)	Expenditures related to the planning and executing of the comprehensive highway safety program for North Carolina that addresses behavioral issues related to traffic safety. This fund is the administrative budget for the Governor's Highway Safety Program, funded 50% from Highway Funds and 50% with Federal funds.
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	Expenditures related to projects funded by GARVEE bonds.
Hazard Elimination	Expenditures related to the federal program to eliminate hazards at railroad crossings.
High Impact/Low Cost	Included in Mobility Modernization Program. Expenditures for immediate need construction projects related to intersection improvement, minor widening projects, and operational improvements.
Industrial / Public Access	Included in Mobility Modernization Program. Expenditures for access and public service roads to industrial developments, public schools, institutes of higher learning, hospitals, volunteer fire departments and state supported recreational facilities.
Integrated Mobility Division	Expenditures related to the administration of federal and state grant funding to sub recipients for planning, administration, capital improvements and operations and maintenance needs; the development and implementation policies and procedures related to state sponsored funding programs; and monitoring the use of federal and state financial assistance.
Interstate	Expenditures related to TIP projects that are located on existing or Congressionally designated future Interstate routes.
Local Construction	<p>Local Construction expenditures include projects for Spot Safety, Contingency, Public Access, Small Urban Construction, and Economic Development.</p> <p>The purpose of the Spot Safety program is to reduce crashes and injuries in North Carolina through the design and construction of cost-effective safety improvements on the state highway system. Examples of projects include installation or improvement of traffic signals, improving roadway geometrics and channelization, installing guardrail, adding rumble strips, and constructing turn lanes.</p> <p>The Contingency Fund may be used for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.</p> <p>The Public Service program is funded by the Access and Public Service Roads Fund, which may be used to construct roads to new industrial facilities and public facilities such as office and medical complexes, pave entrance aprons at volunteer fire departments and rescue squads, and to construct driveways and parking areas for school buses at public schools.</p> <p>The Small Urban Construction Fund was established to fund Division small construction projects recommended by the member of the Board of Transportation representing the Division that the project is being constructed in consultation with the Division Engineer and approved by the Board of Transportation. Funds are equally allocated among the 14 Divisions.</p> <p>The Economic Development Fund was established to fund prioritized transportation improvements and infrastructure that expedite commercial growth as well as job creation or job retention.</p>
Metropolitan Planning Organization (MPO)/ Rural Planning Organization (RPO)	Expenditures related to travel and transportation issues and needs in metropolitan areas and rural areas.
Miscellaneous Grant	Projects that do not fit under the normal categories of the Federal Highway Administration (FHWA) funding and may receive special funding (and sometimes special obligational limitation) for project completion.

North Carolina Department of Transportation
Schedule of Project Expenditures
Descriptions of Project Expenditure Categories
For the Fiscal Year Ended June 30, 2023

Expenditure Category	Category Description
Mitigation	Expenditures related to federal programs for replacement of loss of wetlands or natural habitat area and for abatement of highway traffic noise impacts.
Municipal Bridge	Expenditures related to the Municipal Bridge Program which provides federal aid funds for bridges that are located on municipal streets and are not part of the state highway system. Bridge projects are funded using 80% Federal-Aid funds with 20% matching Municipal funds required.
Other Miscellaneous	Includes expenditures for the overhead project, Capital Improvements projects, Motor Carrier Safety program, Powell Bill, and any other project that does not fit another subtype.
Other (Statewide)	Expenditures funded with Maintenance dollars but for items that are statewide activities. Examples include inmate labor, state parks maintenance, historical markers, beaver control, etc.
Passenger Rail	Expenditures related to planning, operation and maintenance of rail services and systems to carry passengers.
Pavement Preservation	Expenditures related to the following preservation activities or treatments for asphalt pavement structures: (1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals; (2) Microsurfacing; (3) Profile milling not covered by resurfacing; (4) Asphalt rejuvenators; (5) Open graded asphalt friction course; (6) Overlays less than 1,000 feet in length; (7) Diamond grinding; (8) Joint sealing; (9) Dowel bar retrofit; (10) Partial-depth or full-depth repairs and reclamations; (11) Ultra-thin white topping; and (12) Thin lift and sand asphalt overlays.
Rail	Rail Division expenditures related to the development, administration, and operation of programs that improve industry and public safety; partnering with industry and economic development entities to create jobs; attracting investment and increasing rail freight movements; partnering with short line and Class I railroads to retain jobs in small urban and rural areas; and increasing use of intercity passenger rail service opportunities.
Rail Equipment Overhaul	Expenditures related to the overhaul and improvement of rail equipment.
Rail Safety	Expenditures related to a) safety oversight, outreach and inspections of rail equipment, track, signals and practices and b) design and construction of improvements at highway/rail grade crossings to improve their condition or safety.
Resurfacing	Contract Resurfacing expenditures related to the placement of thin asphalt overlays or surface treatments by contract on paved state primary and secondary system routes to restore serviceability and prevent deterioration of the pavement surface.
Roadside Environmental	Expenditures related to vegetation management, mowing, litter prevention & removal, beautification efforts, rest areas, and guardrail replacements.
Roadside Environmental-Scenic	Roadside Environmental Unit - Expenditures related to the management of special programs to preserve and beautify the natural and human environment along North Carolina's highway system.
Rural	Expenditures related to TIP projects that are non-Interstate and located outside a census defined urbanized area.
Safety and Loss	Safety expenditures related to the professional and technical support to prevent injury, illness, fatalities and accidents to department employees through policy development, training and auditing.
Secondary Road Construction	Expenditures related to paving unpaved roads on the secondary road system.
Small Construction	Included in Mobility Modernization Program. Expenditures for immediate need construction projects such as pedestrian crosswalks, shoulder repair and signal installation.

North Carolina Department of Transportation
Schedule of Project Expenditures
Descriptions of Project Expenditure Categories
For the Fiscal Year Ended June 30, 2023

<u>Expenditure Category</u>	<u>Category Description</u>
Snow and Ice	Expenditures related to the production and application of brine and other anti-icing materials in advance of inclement weather. Also includes mobilization, removal of ice or snow from a roadway, bridge, drainage inlet or channel, removal of fallen trees and limbs from travel lanes as a result of snow or ice, and installation, maintenance, or removal of snow fences. Also includes purchase of snow & ice equipment such as snow plows, spreaders, and brine tanks & applicators as well as the cost of equipment calibration and 'dry runs'.
Spot Mobility	Included in Mobility Modernization Program. Expenditures for safety and mobility projects that reduce congestion and vehicular delay times.
Standing Maintenance	Includes projects for Primary and Secondary Maintenance. The purpose of Primary Maintenance is to provide funding for routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, rest area operations, and bridge repair on the state primary system comprised of all Interstate, US, and NC designated highways. The purpose of Secondary Maintenance is to provide funding for routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, bridge repair, machining, and stabilization on the state secondary system comprised of all paved and unpaved routes carrying the "SR" designation.
State Bridge	Expenditures related to state funded Transportation Improvement Projects (TIP) for replacement or rehabilitation of eligible structurally deficient bridges.
State Planning and Research (SPR)	Engineering and economic surveys and investigations, planning of future highway programs and local public transportation systems, Development and implementation of management system, Studies of the economy, safety, and convenience of surface transportation systems, Study, research, and training on the engineering standards and construction materials for transportation systems, and Research, development, and technology transfer activities necessary in connection with the planning, design, construction, management, and maintenance of highway, public transportation, and intermodal transportation systems.
Strategic Transportation Investments (STI) Non-Highway Project	Expenditures related to STI projects for Rail, Aviation and Public Transportation Division (PTD).
System Preservation	Expenditures related to highway maintenance activities that preserve and extend the life of infrastructure assets, including pavements, bridges, and traffic control devices.
Urban	Expenditures related to TIP projects that are non-Interstate and located within a census defined urbanized area.

**North Carolina Department of Transportation
Schedule of Project Expenditures - Summary
Governmental Funds
For the Fiscal Year Ended June 30, 2023**

**Schedule H
Page 1 of 6**

EXPENDITURES	Summary of Divisions	
	Project Count	Current Year Expenditures SFY 2023 ¹
Aviation	29	\$ 231,386,305
Bicycle and Pedestrian	140	19,101,016
Bike/Ped	9	22,901
Bridge Preservation	22	88,967,866
Bridge Program	329	283,555,875
Congestion Mitigation	42	21,113,905
Disaster	94	32,248,210
Disaster Relief (SB356)	2	2,538,547
Economic Development	14	1,304,543
Enhancement (Local)	8	911,764
Federal Bridge	151	225,601,120
Ferry	3	(201,816)
Ferry - Marine and Infrastructure	1	239,676
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	41	(8,100,757)
Governor's Highway Safety Program (GHSP)	32	15,119,307
Hazard Elimination	75	97,749,567
High Impact/Low Cost	85	12,209,074
Industrial/Public Access	15	2,935,451
Integrated Mobility Division	134	130,241,142
Interstate	158	1,099,345,707
Local Construction	516	373,157,482
Metropolitan Planning Organization / Rural Planning Organization	1	102,610
Miscellaneous Grant	3	176,200
Mitigation	17	2,372,939
Municipal Bridge	15	2,290,832
Other Miscellaneous	76	203,350,919
Other (Statewide)	174	149,400,580
Pavement Preservation	60	106,981,831
Passenger Rail	4	59,138
Rail	77	41,177,479
Rail Equipment Overhaul	2	1,911,147
Rail Safety	26	11,290,111
Resurfacing	80	586,538,421
Roadside Environmental	21	130,374,050
Roadside Environmental - Scenic	46	5,139,396
Rural	244	947,425,607
Safety and Loss	24	6,811,253
Secondary Road Construction	24	21,320,818
Small Construction	16	1,378,987
Snow and Ice	29	39,368,779
Spot Mobility	81	12,521,830
State Bridge	38	16,143,675
State Planning and Research (SPR)	25	35,788,825
Standing Maintenance	55	584,571,979
Strategic Transportation Investments (STI) Non-Highway Project	75	54,557,606
System Preservation	1	776,976
Urban	503	944,673,133
		<u>\$ 6,535,952,006</u>

¹ Total current year expenditures SFY 2023 agrees to total encumbrance accounts for Highway Fund and Highway Trust Fund on Schedule G-1 and G-2.

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
 Governmental Funds
 For the Fiscal Year Ended June 30, 2023

Schedule H
 Page 2 of 6

	Division 1		Division 2		Division 3	
	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023
EXPENDITURES						
Aviation	2	\$ 15,990,606	2	\$ 23,263,175	2	\$ 13,510,854
Bicycle and Pedestrian	1	103,155	1	473	9	252,162
Bike/Ped					1	4,860
Bridge Preservation	2	3,025,358	1	1,818,760	2	2,796,624
Bridge Program	7	8,484,480	24	26,467,342	29	23,673,616
Congestion Mitigation						
Disaster	6	31,350	3	114,316	3	41,906
Disaster Relief (SB356)					1	1,680,414
Economic Development						
Enhancement (Local)						
Federal Bridge	9	38,409,948	16	39,634,184	16	26,626,366
Ferry	2	(208,538)				
Ferry - Marine and Infrastructure						
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	2	83,500	2	(18,805,899)	2	3,763,298
Governor's Highway Safety Program (GHSP)	2	43,210	2	178,440	2	353,304
Hazard Elimination	4	1,534,484	5	3,886,546	8	4,764,088
High Impact/Low Cost	2	33,844	2	174,848	7	437,932
Industrial/Public Access	1	25,673	1	51,345	1	50,810
Integrated Mobility Division	7	3,947,727	8	4,415,595	9	4,344,353
Interstate	3	5,093,064	3	1,293,650	4	12,196,864
Local Construction	20	1,714,509	28	1,716,423	83	4,114,241
Metropolitan Planning Organization / Rural Planning Organization						
Miscellaneous Grant	1	125,313				
Mitigation	1	512,875	1	85,973	1	99,861
Municipal Bridge	1	5,953	1	3,241	1	14,339
Other Miscellaneous	6	1,213,694	2	668,984	2	907,299
Other (Statewide)	6	2,424,714	6	1,184,086	8	1,386,270
Pavement Preservation	4	4,356,664	5	5,781,718	4	882,426
Passenger Rail						
Rail	1	1,793,378	1	325,639	4	821,838
Rail Equipment Overhaul						
Rail Safety			2	93,659	1	79,853
Resurfacing	8	30,634,735	5	42,487,208	6	49,835,216
Roadside Environmental	2	6,994,190	1	7,774,455	2	7,186,297
Roadside Environmental - Scenic	3	366,695	3	303,403	3	339,094
Rural	27	81,081,343	20	121,197,372	14	134,348,239
Safety and Loss	1	7,016	1	4,216	2	560,539
Secondary Road Construction	1	243,483	1	167,799	1	(34,515)
Small Construction	1	107,081	2	146,188	3	82,834
Snow and Ice	2	236,987	2	242,224	2	88,092
Spot Mobility			3	35,218	1	2,755,447
State Bridge	2	1,519	4	6,998,757	2	220,808
State Planning and Research (SPR)					1	156,552
Standing Maintenance	4	30,285,297	4	33,985,384	3	37,877,897
Strategic Transportation Investments (STI) Non-Highway Project	2	134,913			4	2,150,684
System Preservation			1	776,976		
Urban	3	3,260,420	15	50,199,414	44	56,770,240
		<u>\$ 242,098,620</u>		<u>\$ 356,671,112</u>		<u>\$ 395,141,002</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
 Governmental Funds
 For the Fiscal Year Ended June 30, 2023

Schedule H
 Page 3 of 6

	Division 4		Division 5		Division 6	
	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023
EXPENDITURES						
Aviation	2	\$ 6,974,866	2	\$ 35,360,830	2	\$ 10,340,978
Bicycle and Pedestrian	3	72,650	27	2,706,411	9	2,065,908
Bike/Ped	1	509	1	5,916		
Bridge Preservation	1	5,344,006	2	3,858,487	2	3,298,769
Bridge Program	32	25,975,567	20	8,402,983	11	15,145,572
Congestion Mitigation	2	420,276	7	4,642,847		
Disaster	9	9,006,271	4	918,496	7	6,407,955
Disaster Relief (SB356)						
Economic Development	2	311,826	1	2,635	2	492,571
Enhancement (Local)			2	387,572		
Federal Bridge	12	9,461,900	12	5,588,743	7	706,952
Ferry						
Ferry - Marine and Infrastructure						
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	1	182,450	4	439,439	5	358,500
Governor's Highway Safety Program (GHSP)	2	363,149	4	1,208,758	2	240,244
Hazard Elimination	8	36,886,786	4	1,116,093	6	9,008,865
High Impact/Low Cost	4	727,711	12	569,027	5	1,175,699
Industrial/Public Access	1	77,018			1	70,856
Integrated Mobility Division	10	9,124,809	9	13,318,861	4	2,577,293
Interstate	20	38,638,772	29	97,754,736	16	419,852,231
Local Construction	60	3,792,027	44	1,468,931	36	1,042,467
Metropolitan Planning Organization / Rural Planning Organization						
Miscellaneous Grant					1	25,270
Mitigation	2	75,828	1	54,292	1	42,979
Municipal Bridge			1	105,257		
Other Miscellaneous	4	4,798,161	8	1,585,234	2	6,017,609
Other (Statewide)	11	1,473,737	7	4,713,345	8	2,085,797
Pavement Preservation	4	6,620,699	4	9,681,037	3	6,132,715
Passenger Rail			1	18,612	1	(43,970)
Rail	5	117,360	9	3,827,299	1	622,738
Rail Equipment Overhaul						
Rail Safety	2	1,399,535	3	38,485	2	299,121
Resurfacing	6	51,523,343	5	72,935,753	5	34,703,714
Roadside Environmental	2	11,191,049	2	11,256,167	2	12,431,735
Roadside Environmental - Scenic	3	503,236	2	227,610	3	459,620
Rural	12	16,908,977	12	13,769,819	10	68,270,463
Safety and Loss	1	2,180	2	1,418,595	2	1,012,689
Secondary Road Construction	1	1,007,238	5	1,329,517	1	1,260,509
Small Construction					2	539,824
Snow and Ice	2	309,284	2	2,025,826	1	160,601
Spot Mobility	4	202,506	29	2,281,273	7	714,600
State Bridge	7	337,170	1	221,672	3	692,496
State Planning and Research (SPR)	1	32,310	2	97,568	2	56,929
Standing Maintenance	5	42,131,581	4	49,561,807	3	37,602,786
Strategic Transportation Investments (STI) Non-Highway Project	5	870,677	19	16,987,522	3	2,396,154
System Preservation						
Urban	36	52,647,807	82	129,222,864	20	144,094,117
		<u>\$ 339,513,271</u>		<u>\$ 499,110,319</u>		<u>\$ 792,363,356</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
 Governmental Funds
 For the Fiscal Year Ended June 30, 2023

Schedule H
 Page 4 of 6

	Division 7		Division 8		Division 9	
	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023
EXPENDITURES						
Aviation	2	\$ 17,709,280	2	\$ 13,848,325	2	\$ 18,268,624
Bicycle and Pedestrian	11	682,690	6	102,027	11	2,752,705
Bike/Ped			1	790		
Bridge Preservation	1	2,606,502	2	2,177,938	1	2,226,226
Bridge Program	40	35,907,446	5	10,160,521	22	22,140,009
Congestion Mitigation	6	2,140,974			3	606,843
Disaster	2	2,204	3	(82,972)	2	(18)
Disaster Relief (SB356)						
Economic Development			1	15,170	3	294,851
Enhancement (Local)	2	490,597			1	607
Federal Bridge	12	3,916,149			6	3,348,982
Ferry						
Ferry - Marine and Infrastructure						
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	3	40,250	1	57,500	5	2,959,191
Governor's Highway Safety Program (GHSP)	2	211,868	1	17,268	2	80,924
Hazard Elimination	4	385,540	5	6,419,575	3	2,092,057
High Impact/Low Cost	6	1,678,228	19	1,534,141	8	1,072,737
Industrial/Public Access	1	25,673				
Integrated Mobility Division	11	10,050,146	7	4,110,974	10	5,938,291
Interstate	12	58,912,272	6	20,838,614	9	17,522,791
Local Construction	44	13,539,932	23	333,119,749	26	1,627,365
Metropolitan Planning Organization / Rural Planning Organization						
Miscellaneous Grant					1	25,617
Mitigation	1	67,586	1	37,231	1	67,411
Municipal Bridge	2	1,215,927	1	41,208	1	12,436
Other Miscellaneous	2	1,303,076	2	1,768,754	1	1,017,486
Other (Statewide)	7	853,647	10	6,321,022	7	1,852,903
Pavement Preservation	3	7,170,091	4	7,708,337	3	7,523,504
Passenger Rail						
Rail	2	276,494	1	1,169,243	3	1,305,665
Rail Equipment Overhaul						
Rail Safety	3	293,221			2	159,894
Resurfacing	4	54,627,868	5	36,064,900	4	19,738,934
Roadside Environmental	1	11,493,332	1	8,422,054	1	6,520,619
Roadside Environmental - Scenic	3	261,234	3	248,442	3	336,313
Rural	10	16,078,808	25	132,553,116	12	52,421,406
Safety and Loss	2	38,337	2	18,253	2	18,578
Secondary Road Construction	1	380,048	1	1,262,956	1	233,136
Small Construction	2	128,472			1	18,753
Snow and Ice	2	6,653,289	2	401,430	2	1,540,693
Spot Mobility	7	1,160,494	5	449,278	5	1,164,611
State Bridge	2	15,361	2	3,119,780	2	119,207
State Planning and Research (SPR)						
Standing Maintenance	4	42,038,812	4	37,434,437	3	34,556,718
Strategic Transportation Investments (STI) Non-Highway Project	10	2,421,696	4	2,916,859	5	6,983,872
System Preservation						
Urban	47	105,194,682	24	31,298,385	33	207,775,515
		<u>\$ 399,972,226</u>		<u>\$ 663,555,305</u>		<u>\$ 424,325,456</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
 Governmental Funds
 For the Fiscal Year Ended June 30, 2023

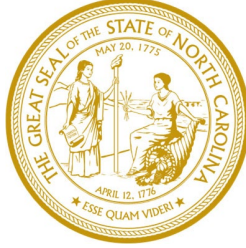
Schedule H
 Page 5 of 6

	Division 10		Division 11		Division 12	
	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023
EXPENDITURES						
Aviation	2	\$ 39,096,013	2	\$ 2,775,292	2	\$ 15,224,381
Bicycle and Pedestrian	27	3,528,625	1	342,194	14	3,739,118
Bike/Ped	1	5,842	1	600	1	3,175
Bridge Preservation	1	3,209,178	2	5,201,022	1	3,935,421
Bridge Program	15	18,371,577	26	28,082,743	31	12,643,202
Congestion Mitigation	8	5,214,780			10	4,466,701
Disaster	1	(5,684)	17	1,563,580	4	1,706,545
Disaster Relief (SB356)						
Economic Development						
Enhancement (Local)			1	692		
Federal Bridge	15	5,096,230	11	966,413	7	1,951,906
Ferry						
Ferry - Marine and Infrastructure						
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	6	660,221	2	220,250	4	372,332
Governor's Highway Safety Program (GHSP)	2	466,732	2	90,070	2	175,479
Hazard Elimination	7	12,687,895	3	1,763,262	7	5,334,626
High Impact/Low Cost	2	1,098,622	4	106,142	3	311,611
Industrial/Public Access	1	193,144	1	25,000	1	25,810
Integrated Mobility Division	13	15,484,107	9	6,461,627	8	2,755,227
Interstate	22	144,787,498	3	5,554,609	9	85,880,825
Local Construction	33	1,059,342	18	956,782	19	1,735,298
Metropolitan Planning Organization / Rural Planning Organization					1	102,610
Miscellaneous Grant						
Mitigation	1	75,935	1	89,244	1	46,380
Municipal Bridge	3	825,165	1	2,432		
Other Miscellaneous	2	761,078	5	573,712	4	18,994,901
Other (Statewide)	7	979,795	8	3,435,082	6	842,619
Pavement Preservation	5	7,322,453	6	16,943,474	4	10,940,048
Passenger Rail	1	1,933				
Rail	8	5,078,503			5	753,552
Rail Equipment Overhaul						
Rail Safety	4	1,822,392			2	322,669
Resurfacing	7	43,834,663	6	38,578,011	5	30,336,633
Roadside Environmental	1	6,729,387	2	9,356,869	1	8,411,040
Roadside Environmental - Scenic	3	198,908	2	31,222	3	203,370
Rural	11	21,380,207	28	36,476,239	15	83,779,906
Safety and Loss	1	4,886	1	16,207	1	2,826
Secondary Road Construction	1	2,047,969	2	4,616,331	1	189,113
Small Construction	2	109,442	1	42,278		
Snow and Ice	2	2,578,580	2	6,032,649	2	1,103,032
Spot Mobility	7	2,179,783			4	399,398
State Bridge	5	389,003	5	3,785,742	1	27,006
State Planning and Research (SPR)			2	31,069	2	41,952
Standing Maintenance	3	39,685,481	4	33,614,935	3	39,455,731
Strategic Transportation Investments (STI) Non-Highway Project	10	8,932,096	2	517,459	2	7,794,975
System Preservation						
Urban	68	61,206,260	12	17,359,722	49	23,412,063
		<u>\$ 457,098,041</u>		<u>\$ 225,612,955</u>		<u>\$ 367,421,481</u>

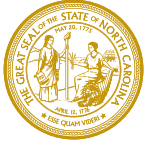
North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
 Governmental Funds
 For the Fiscal Year Ended June 30, 2023

Schedule H
 Page 6 of 6

	Division 13		Division 14		Division Statewide	
	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023	Project Count	Current Year Expenditures SFY 2023
EXPENDITURES						
Aviation	2	\$ 9,259,481	2	\$ 997,414	1	\$ 8,766,186
Bicycle and Pedestrian	13	2,066,977	7	685,921		
Bike/Ped	1	403	1	806		
Bridge Preservation	1	3,874,312	2	3,492,046	1	42,103,217
Bridge Program	30	27,197,159	36	19,291,103	1	1,612,575
Congestion Mitigation					6	3,621,484
Disaster	6	1,192,811	6	10,039,818	21	1,311,632
Disaster Relief (SB356)					1	858,133
Economic Development	1	5,846	3	40,535	1	141,109
Enhancement (Local)					2	32,296
Federal Bridge	10	7,784,370	15	49,894,879	3	32,214,098
Ferry					1	6,722
Ferry - Marine and Infrastructure					1	239,676
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	1	1,365,211	3	203,000		
Governor's Highway Safety Program (GHSP)	2	281,766	2	24,283	3	11,383,812
Hazard Elimination	2	2,916,693	6	2,451,251	3	6,501,806
High Impact/Low Cost	6	1,976,436	5	1,312,096		
Industrial/Public Access	2	150,114	4	2,240,008		
Integrated Mobility Division	10	3,735,864	7	4,073,730	12	39,902,538
Interstate	16	97,823,223	6	93,196,558		
Local Construction	31	4,616,496	49	2,602,242	2	51,678
Metropolitan Planning Organization / Rural Planning Organization						
Miscellaneous Grant						
Mitigation	1	65,086	1	56,935	2	995,323
Municipal Bridge			2	26,213	1	38,661
Other Miscellaneous	6	1,124,190	5	1,475,370	25	161,141,371
Other (Statewide)	9	4,438,210	7	3,888,887	67	113,520,466
Pavement Preservation	8	8,814,307	3	7,104,358		
Passenger Rail					1	82,563
Rail	2	101,794	3	933,434	32	24,050,542
Rail Equipment Overhaul					2	1,911,147
Rail Safety					5	6,781,282
Resurfacing	6	24,581,883	5	44,475,516	3	12,180,044
Roadside Environmental	1	9,668,412	1	9,308,732	1	3,629,712
Roadside Environmental - Scenic	3	256,638	3	401,038	6	1,002,573
Rural	11	27,765,142	31	116,569,412	6	24,825,158
Safety and Loss	2	758,258	2	338,306	2	2,610,367
Secondary Road Construction	1	672,663	5	7,649,718	1	294,853
Small Construction	1	200,863	1	3,252		
Snow and Ice	2	6,801,662	2	4,822,682	2	6,371,748
Spot Mobility	5	228,644	2	237,925	2	712,653
State Bridge	1	209,922	1	5,232		
State Planning and Research (SPR)	1	295	2	63,051	12	35,309,099
Standing Maintenance	3	28,758,381	5	37,570,650	3	60,012,082
Strategic Transportation Investments (STI) Non-Highway Project	2	138,271	3	1,021,819	4	1,290,609
System Preservation						
Urban	39	32,851,392	29	20,258,418	2	9,121,834
		<u>\$ 311,683,175</u>		<u>\$ 446,756,638</u>		<u>\$ 614,629,049</u>



Independent Auditor's Report



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

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*

Joey R. Hopkins, Secretary
and Management of the North Carolina Department of Transportation

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 each major governmental fund, the major proprietary fund, the fiduciary fund, and the discretely presented component units of the North Carolina Department of Transportation (Department), a component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 3, 2024. Our report includes a reference to other auditors who audited the financial statements of the North Carolina Turnpike Authority, North Carolina State Ports Authority, and North Carolina Global TransPark Authority, as described in our report on the Department's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

As discussed in Note 1, the financial statements of the North Carolina Department of Transportation are intended to present the financial position, changes in financial position, and, where applicable, cash flows of only that portion of each fund that is attributable to the transactions of the North Carolina Department of Transportation. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2023, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department's financial statements will not be prevented, or detected and corrected on a timely basis.

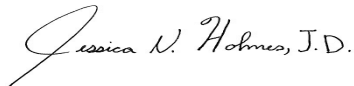
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in 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 Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

June 3, 2024

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This audit required 2,820 hours at an approximate cost of \$383,520, including costs associated with the report on the Department's statewide financial statement audit procedures.