

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Directors, North Carolina Global TransPark Authority

We have completed a financial statement audit of the North Carolina Global TransPark Authority 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 black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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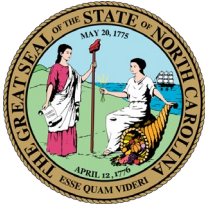
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Chapter 147, Article 5A of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The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



INDEPENDENT AUDITOR'S REPORT

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Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Global TransPark Authority
Kinston, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the North Carolina Global TransPark Authority (Authority), which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the North Carolina Global TransPark Authority, and its discretely presented component unit, 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 Global TransPark Foundation, Inc., the Authority's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Global TransPark Foundation, Inc., are based solely on the report 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 Global TransPark Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our

audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 8, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides an overview of the North Carolina Global TransPark Authority's (Authority) activities during the fiscal year ended June 30, 2023. In addition to Management's Discussion and Analysis, management has prepared the accompanying Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

Although the Global TransPark Foundation, Inc. (Foundation) is included in the financial statements as a discretely presented component unit to comply with the accounting rules that are generally accepted in the United States of America, the accompanying statements in the overview are of the Authority only. The Foundation's and the Authority's financial information are shown separately. The Foundation organizes and raises funds from private individuals and corporations for the sole purpose of increasing business and jobs at the Authority. Refer to Note 1A of the financial statements for additional information regarding the Foundation.

The MD&A is intended to aid the reader in interpreting the Authority's relative financial position as of the above referenced date, as well as gauging performance from one period to the next. Condensed key financial, as well as nonfinancial information will be highlighted for the reader.

Required Supplementary Information (RSI) follows the basic financial statements and Notes to the Financial Statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes information related to the Authority's participation in the State's pension and other postemployment benefits (OPEB) plans.

Financial Highlights and Analysis

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

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

For the fiscal year ended June 30, 2023, the Authority generated adequate cash flows to meet all current obligation and debt service requirements.

Statement of Net Position

The following table compares net position as of June 30, 2023 to that of the prior year.

Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Change
Assets:			
Current Assets	\$ 5,254,511	\$ 5,249,785	\$ 4,726
Noncurrent Assets - Other	26,057,826	17,757,335	8,300,491
Noncurrent Assets - Capital Assets, Net	145,908,475	143,519,760	2,388,715
Total Assets	177,220,812	166,526,880	10,693,932
Total Deferred Outflows of Resources	1,452,078	925,920	526,158
Liabilities:			
Current Liabilities	4,059,192	1,125,908	2,933,284
Other Noncurrent Liabilities	2,474,140	2,886,497	(412,357)
Long-Term Liabilities - Current Portion	870,068	834,316	35,752
Long-Term Liabilities	8,534,118	8,595,365	(61,247)
Total Liabilities	15,937,518	13,442,086	2,495,432
Total Deferred Inflows of Resources	7,559,274	7,862,571	(303,297)
Net Position:			
Net Investment in Capital Assets	135,485,363	134,749,442	735,921
Restricted	17,570,289	9,002,011	8,568,278
Unrestricted	2,120,446	2,396,690	(276,244)
Total Net Position	\$ 155,176,098	\$ 146,148,143	\$ 9,027,955

The Authority's total assets increased primarily due to the increase in other noncurrent assets and net capital assets. The increase in other noncurrent assets resulted from the receipt of \$8 million in state capital aid during 2023 for facility expansion, terminal renovation, and the fuel storage facility that remained unspent at year-end. Net capital assets increased due to the capitalization of landing fields and grounds projects and additions to construction in progress related to the fuel farm project.

Total liabilities increased from the prior year. The increase in current liabilities is the result of payments due to the North Carolina Department of Transportation (NC DOT) for the capitalized parking lot project and other payables related to ongoing capital projects.

Total net position of the Authority increased by over \$9 million compared to the prior fiscal year. The largest portion of the increase in net position was restricted for unspent state capital aid discussed above. Net investment in capital assets increased due to the additions to landing fields and grounds and construction in progress discussed above.

Capital Assets

Total net capital assets include land, intangible assets, construction in progress, and depreciable capital assets, net of accumulated depreciation.

Capital activity during the year included additions to construction in progress for the ongoing fuel farm project. The addition to landing fields and grounds was the completion of the taxi way project and parking lot project. See Note 5 to the financial statements for additional information on capital assets.

Long-Term Liabilities

The decrease in long-term liabilities is due to loan payments made during the fiscal year partially offset by increases in the net pension and net OPEB liabilities. See Note 7 of the financial statements for additional information regarding long-term liabilities.

Statement of Revenues, Expenses, and Changes in Net Position

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

	June 30, 2023	June 30, 2022	Change
Operating Revenues:			
Lease Income	\$ 2,207,310	\$ 4,735,394	\$ (2,528,084)
Local Contracts	360,042	-	360,042
Sales and Services	430,164	444,160	(13,996)
Total Operating Revenues	2,997,516	5,179,554	(2,182,038)
Operating Expenses:			
Salaries and Benefits	1,595,351	1,611,491	(16,140)
Supplies and Services	1,840,820	1,287,231	553,589
Utilities	197,562	147,452	50,110
Depreciation	7,332,944	7,275,140	57,804
Total Operating Expenses	10,966,677	10,321,314	645,363
Operating Loss	(7,969,161)	(5,141,760)	(2,827,401)
Nonoperating Revenues (Expenses):			
State Operating Aid	862,833	881,672	(18,839)
Investment Income	338,793	9,749	329,044
Interest and Fees on Debt	(203,031)	(155,930)	(47,101)
State Aid - Coronavirus	116,162	59,000	57,162
Noncapital Contributions	484,885	263,926	220,959
Interest Earned on Leases	408,284	147,824	260,460
Other Nonoperating Revenues	-	14,771	(14,771)
Net Nonoperating Revenues	2,007,926	1,221,012	786,914
Other Revenues:			
Capital Aid and Contributions	14,989,190	8,565,259	6,423,931
Total Revenues	20,197,663	15,121,755	5,075,908
Total Expenses	(11,169,708)	(10,477,244)	(692,464)
Increase in Net Position	9,027,955	4,644,511	4,383,444
Net Position, July 1	146,148,143	141,503,632	4,644,511
Net Position, June 30	\$ 155,176,098	\$ 146,148,143	\$ 9,027,955

Operating revenues decreased primarily due to a one-time lease payment from Fleet Readiness Center (FRC) East recognized in the previous year. The decline in lease income was partially

offset by local contracts with Wayne, Lenoir, and Greene counties for economic development services provided by the Authority.

Operating expenses increased primarily due to increases in supplies and services for the burial of overhead power lines.

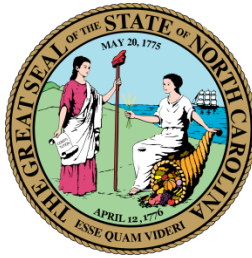
Net nonoperating revenues increased from the prior year. The increase in investment income is due to increased cash in the short-term investment fund (STIF) for unspent capital funding. Noncapital contributions increased primarily due to funding provided for the burial of overhead power lines. Interest earned on leases increased due to several lease modifications or renewals. The increase in other revenues is due to increased contributions provided by the Department of Transportation – Division of Aviation for capital projects at the Authority.

Economic Outlook

The economic outlook for the region is positive, with ongoing projects and high client activity, including Foreign Direct Investment. The Authority continues to focus on attracting Department of Defense contracts and aviation opportunities, which are key drivers for job growth and investment in the area. However, there is a critical need for more product, particularly buildings, to meet the demand. To address this need, it is crucial to establish new partnerships that can help fulfill the demand and enhance opportunities for the citizens and communities in eastern NC. The level of success in the future will largely depend on our ability to create the much needed product.

Contacting the Authority's Management

If you have questions about these financial statements or need additional information, contact the Authority's President/CEO, 2780 Jetport Rd, Kinston, NC 28504, or at (252) 775-6180.



FINANCIAL STATEMENTS

North Carolina Global TransPark Authority
Statement of Net Position
June 30, 2023

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,114,404
Receivables (Note 4)	517,660
Due from Primary Government	546,823
Leases Receivable (Note 8)	1,075,624

Total Current Assets	5,254,511
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	17,659,821
Account Receivable	2,474,140
Leases Receivable (Note 8)	5,923,865
Capital Assets - Nondepreciable (Note 5)	23,276,976
Capital Assets - Depreciable, Net (Note 5)	122,631,499

Total Noncurrent Assets	171,966,301
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Total Assets	177,220,812
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	566,712
Deferred Outflows Related to Other Postemployment Benefits (Note 11)	885,366

Total Deferred Outflows of Resources	1,452,078
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,471,582
Due to Primary Government	1,935,797
Due to State of North Carolina Component Unit	412,357
Funds Held for Others	93,000
Unearned Revenue	93,434
Interest Payable	53,022
Long-Term Liabilities - Current Portion (Note 7)	870,068

Total Current Liabilities	4,929,260
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Noncurrent Liabilities:

Due to State of North Carolina Component Unit	2,474,140
Long-Term Liabilities (Note 7)	8,534,118

Total Noncurrent Liabilities	11,008,258
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Total Liabilities	15,937,518
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	16,036
Deferred Inflows Related to Other Postemployment Benefits (Note 11)	543,749
Deferred Inflows for Leases	6,999,489

Total Deferred Inflows of Resources	7,559,274
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North Carolina Global TransPark Authority
Statement of Net Position
June 30, 2023

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	135,485,363
Restricted:	
Expendable:	
Capital Projects	16,566,821
Debt Service	1,000,000
Other	3,468
	<hr/>
Total Restricted-Expendable Net Position	17,570,289
	<hr/>
Unrestricted	2,120,446
	<hr/>
Total Net Position	<u><u>\$ 155,176,098</u></u>

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

North Carolina Global TransPark Authority
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2023

Exhibit A-2

OPERATING REVENUES

Lease Income	\$ 2,207,310
Local Contracts	360,042
Sales and Services	430,164
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Total Operating Revenues	2,997,516
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	1,595,351
Supplies and Services	1,840,820
Utilities	197,562
Depreciation	7,332,944
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Total Operating Expenses	10,966,677
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Operating Loss	(7,969,161)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Operating Aid	862,833
State Aid - Coronavirus	116,162
Noncapital Contributions	484,885
Investment Income	338,793
Interest and Fees on Debt	(203,031)
Interest Earned on Leases	408,284
	<hr/>
Net Nonoperating Revenues	2,007,926
	<hr/>
Loss Before Other Revenues	(5,961,235)
	<hr/>
State Capital Aid	8,000,000
Capital Contributions	6,989,190
	<hr/>
Total Other Revenues	14,989,190
	<hr/>
Increase in Net Position	9,027,955

NET POSITION

Net Position - July 1, 2022	146,148,143
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Net Position - June 30, 2023	\$ 155,176,098
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The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Global TransPark Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,594,012
Payments to Employees and Fringe Benefits	(1,365,926)
Payments to Vendors and Suppliers	(1,971,628)
Other Receipts	13,000
Net Cash Provided by Operating Activities	269,458

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Operating Aid	862,833
Noncapital Contributions	273,522
State Aid - Coronavirus	116,162
Total Cash Provided by Noncapital Financing Activities	1,252,517

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	8,000,000
Capital Contributions	6,646,889
Interest Earned on Leases	408,284
Acquisition and Construction of Capital Assets	(7,293,104)
Principal Paid on Capital Debt	(775,761)
Interest and Fees Paid on Capital Debt	(163,827)
Net Cash Provided by Capital Financing and Related Financing Activities	6,822,481

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	338,793
Total Cash Provided by Investing Activities	338,793
Increase in Cash and Cash Equivalents	8,683,249
Cash and Cash Equivalents - July 1, 2022	12,090,976
Cash and Cash Equivalents - June 30, 2023	\$ 20,774,225

North Carolina Global TransPark Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Exhibit A-3
Page 2 of 2

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (7,969,161)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	7,332,944
Changes in Assets and Deferred Outflows of Resources:	
Receivables	634,439
Net Other Postemployment Benefits Asset	925
Deferred Outflows Related to Pensions	(205,376)
Deferred Outflows Related to Other Postemployment Benefits	(320,782)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	463,889
Due to Primary Government	26,579
Due to State of North Carolina Component Unit	(412,357)
Funds Held for Others	13,000
Unearned Revenue	(37,943)
Net Pension Liability	484,158
Net Other Postemployment Benefits Liability	187,546
Compensated Absences	85,403
Deferred Inflows Related to Pensions	(193,018)
Deferred Inflows Related to Other Postemployment Benefits	179,212
Net Cash Provided by Operating Activities	<u>\$ 269,458</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 2,733,070
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(6,841)
Increase in Receivables Related to Nonoperating/Other Revenues	546,823

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

Global TransPark Foundation, Inc.
Statement of Financial Position
June 30, 2023

Exhibit B-1

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><u>\$ 9,257,296</u></u>

LIABILITIES

Accounts Payable	<u>\$ 30,974</u>
Total Liabilities	<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><u>\$ 9,257,296</u></u>

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

Global TransPark Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Exhibit B-2

NET ASSETS WITHOUT DONOR RESTRICTIONS
REVENUES AND GAINS

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

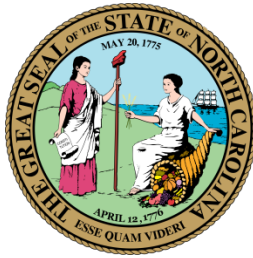
Program Services	238,141
Management and General Expenses	<u>21,714</u>
Total Expenses	<u>259,855</u>

Change in Net Assets Without Donor Restrictions 259,672

NET ASSETS

Net Assets Without Donor Restrictions at Beginning of Year	<u>8,966,650</u>
Net Assets Without Donor Restrictions at 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. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Global TransPark Authority (Authority) is a component unit 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 Authority and its component unit. The Authority's component unit is discretely presented in the Authority's financial statements. See below for further discussion of the Authority's component unit. Other related foundations and similar nonprofit corporations for which the Authority is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - The Global TransPark Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the Authority.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Authority as it develops projects for the Global TransPark (GTP). The Foundation has raised approximately \$18 million of private funds to supplement the Authority funding and pay the Authority as it developed projects at the GTP. The Foundation is a nonprofit organization exempt from income taxation under section 501(c)(3). Although the Authority does not control the timing or amount of receipts from the Foundation, the activities of the Foundation are limited to those which benefit the Authority. Because the resources held by the Foundation can only be used by, or for the benefit of the Authority, the Foundation is considered a component unit of the Authority and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Authority's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained from the North Carolina Global TransPark, 2780 Jetport Road, Kinston, NC 28504, or by calling (252) 775-6180.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the Authority's activities is considered to be a single

business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include state operating aid, state capital aid, capital contributions, grants, and interest income. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Authority's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

- E. Receivables** - Receivables consist of charges to customers for services and the use of facilities. Receivables also include amounts due from state and local governments and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables also include amounts due from Spirit Aerosystems, Inc. (Spirit) in connection with the Spirit Inducement Agreement. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-50 years
Machinery and Equipment	2-25 years
Landing Fields and Grounds	20-40 years

The Authority's permanent conservation easement on the Frog Hollow site is capitalized at cost as an intangible asset. This easement is considered inexhaustible and is therefore not depreciated.

G. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, resources restricted by an interjurisdictional contract, and amounts restricted by Foreign Trade Zone 214.

H. Accounting and Reporting of Fiduciary Activities - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes only notes from direct borrowings. Other long-term liabilities include: compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the Authority'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 Authority's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the Authority's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the Authority's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and Disability Income Plan of North Carolina. See Note 11 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

J. Compensated Absences - The Authority's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30

equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

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

Net Investment in Capital Assets - This represents the Authority's total investment in capital assets, net of outstanding liabilities related to those capital assets.

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

Unrestricted Net Position - Unrestricted net position includes resources derived from operating aid, lease revenues, sales and services, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Authority. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

M. Revenue and Expense Recognition - The Authority classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) lease revenues, (2) charges for services, (3) fuel sales, (4) landing fees, and (5) certain state and local grants and contracts that are essentially contracts for services. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB

Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Authority - Unless specifically exempt, the Authority is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer.

At June 30, 2023, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$19,895,323, which represents the Authority's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 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 <https://www.nctreasurer.com/> in the Audited Financial Statements section.

The carrying amount of the Authority's deposits not with the State Treasurer, was \$878,902 and the bank balance was \$1,213,535. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2023, the Authority's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$59,526.

Component Unit - Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investment type:

Investment Type	Fair Value
U.S. Treasury Obligations	\$ 1,075,404
Private Company Bonds	1,038,307
Cash Equivalents	306,007
Mutual Funds	2,905,135
Total	\$ 5,324,853

NOTE 3 - FAIR VALUE MEASUREMENTS

Authority - To the extent available, the Authority's investments are recorded at fair value as of June 30, 2023. 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. |

Short-Term Investment Fund - At year-end, the Authority's investments held in the STIF were valued at \$19,895,323. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Authority's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit - Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Quoted prices in active markets for identical securities. |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets. |

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

As of June 30, 2023, all of the Foundation's investments were reported at fair value based on Level 1 inputs represented by quoted prices in active markets for identical securities.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2023, were as follows:

	Amount
Current Receivables:	
Due from Customers	\$ 105,303
Inducement Agreement	412,357
Total Current Receivables	<u>\$ 517,660</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land	\$ 21,017,780	\$ -	\$ -	\$ 21,017,780
Intangible Assets	1,546,370	-	-	1,546,370
Construction in Progress	700,569	9,681,827	9,669,570	712,826
Total Capital Assets, Nondepreciable	<u>23,264,719</u>	<u>9,681,827</u>	<u>9,669,570</u>	<u>23,276,976</u>
Capital Assets, Depreciable:				
Buildings	153,946,080	-	-	153,946,080
Machinery and Equipment	2,365,027	39,832	408,852	1,996,007
Landing Fields and Grounds	60,573,871	9,669,570	-	70,243,441
Total Capital Assets, Depreciable	<u>216,884,978</u>	<u>9,709,402</u>	<u>408,852</u>	<u>226,185,528</u>
Less Accumulated Depreciation for:				
Buildings	60,194,448	5,246,370	-	65,440,818
Machinery and Equipment	2,278,102	13,196	408,852	1,882,446
Landing Fields and Grounds	34,157,387	2,073,378	-	36,230,765
Total Accumulated Depreciation	<u>96,629,937</u>	<u>7,332,944</u>	<u>408,852</u>	<u>103,554,029</u>
Total Capital Assets, Depreciable, Net	<u>120,255,041</u>	<u>2,376,458</u>	<u>-</u>	<u>122,631,499</u>
Capital Assets, Net	<u>\$ 143,519,760</u>	<u>\$ 12,058,285</u>	<u>\$ 9,669,570</u>	<u>\$ 145,908,475</u>

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets, Depreciable:				
Buildings	\$ 8,498,064	\$ -	\$ -	\$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	5,504,264	212,452	-	5,716,716
Capital Assets, Net	\$ 2,993,800	\$ (212,452)	\$ -	\$ 2,781,348

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 578,039
Accounts Payable - Capital Assets	864,798
Accrued Payroll	28,745
Total Current Accounts Payable and Accrued Liabilities	\$ 1,471,582

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Debt					
Notes from Direct Borrowings	\$ 8,465,803	\$ -	\$ 775,761	\$ 7,690,042	\$ 790,590
Total Long-Term Debt	8,465,803	-	775,761	7,690,042	790,590
Other Long-Term Liabilities					
Employee Benefits					
Compensated Absences	90,686	85,403	-	176,089	79,478
Net Pension Liability	154,058	484,158	-	638,216	-
Net Other Postemployment Benefits Liability	719,134	180,705	-	899,839	-
Total Other Long-Term Liabilities	963,878	750,266	-	1,714,144	79,478
Total Long-Term Liabilities	\$ 9,429,681	\$ 750,266	\$ 775,761	\$ 9,404,186	\$ 870,068

Additional information regarding the net pension liability is included in Note 10.

Additional information regarding the net other postemployment benefits liability is included in Note 11.

B. Notes from Direct Borrowings - The Authority was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2023
Facility Construction	Southern Bank	3.75%	05/28/2027	\$ 3,159,207	\$ 1,154,015
GTP 1 - Renovation	NC DOT	0.00%	07/01/2029	4,440,615	1,688,922
Facility Construction - Jetstream	First Citizens Bank	3.50%	11/01/2025	2,500,000	2,259,390
Facility Construction - Jetstream	NC DOT Division of Aviation	0.00%	06/30/2039	2,000,000	1,700,000
North Cargo Upfit - Draken	GTP Foundation	3.00%	12/31/2033	1,000,000	887,715
Total Notes from Direct Borrowings				\$ 13,099,822	\$ 7,690,042

C. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements	
	Notes from Direct Borrowings	
	Principal	Interest
2024	\$ 790,590	\$ 148,429
2025	806,941	132,080
2026	2,784,258	68,442
2027	737,517	30,603
2028	432,298	16,467
2029-2033	1,438,438	43,739
2034-2038	500,000	-
2039	200,000	-
Total Requirements	\$ 7,690,042	\$ 439,760

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

Notes from Direct Borrowings - The Authority has pledged land and rents thereon known as GTP-3 and GTP-5 as security for the notes from direct borrowing to First Citizens Bank. Upon the occurrence of any event of default, the First Citizens Bank may, without any further demand or notice, declare the unpaid principal plus any accrued and unpaid interest to be due and payable immediately. The GTP-7 facility and land upon which the facility is located is security for the notes from direct borrowing to Southern Bank. The notes are secured by land and facilities with a carrying value of \$3,869,710.

NOTE 8 - LEASES

A. Lessor Arrangements - The Authority leases warehouses and real property to external parties. The leases expire at various dates, and some have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the Authority's estimated incremental borrowing rate if there is no stated contractual interest rate.

NOTES TO THE FINANCIAL STATEMENTS

During the year ended June 30, 2023, the Authority recognized operating revenues related to lessor arrangements totaling \$1,646,812, and nonoperating lease interest income totaling \$408,284.

The Authority's lessor arrangements at June 30, 2023, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2023	Current Portion	Lease Terms	Interest Rate
Lessor:					
Land	4	\$ 1,178,593	\$ 10,697	29-30 years	6%
Buildings	9	5,820,896	1,064,927	2-18 years	6%
Total	13	\$ 6,999,489	\$ 1,075,624		

B. Annual Lease Revenues - The annual principal and interest lease revenues under noncancelable lease arrangements (excluding short-term leases), at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest
2024	\$ 1,075,624	\$ 381,476
2025	821,535	326,065
2026	633,838	273,761
2027	381,735	240,735
2028	274,447	220,186
2029-2033	1,168,264	898,938
2034-2038	1,595,961	488,612
2039-2043	389,945	154,506
Thereafter	658,140	49,213
Total Requirements	\$ 6,999,489	\$ 3,033,492

NOTE 9 - NET POSITION

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (87,540)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(558,222)
Effect on Unrestricted Net Position	(645,762)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	2,766,208
Total Unrestricted Net Position	\$ 2,120,446

See Notes 10 and 11 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 10 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life 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.

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 Authority'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 \$60,909, and the Authority's contributions were \$176,434 for the year ended June 30, 2023.

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 <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS 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 Authority reported a liability of \$638,216 for its proportionate share of the collective net pension liability. 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 Authority's proportion of the net pension liability was based on a projection of the present value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Authority's proportion was 0.00430%, which was an increase of 0.00101 from its proportion measured as of June 30, 2021, which was 0.00329%.

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

Valuation Date	12/31/2021
Inflation	2.5%
Salary Increases*	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 are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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 the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 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%)
\$ 1,128,399	\$ 638,216	\$ 233,610

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the Authority recognized pension expense of \$198,029. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 2,779	\$ 8,699
Changes of Assumptions	50,353	-
Net Difference Between Projected and Actual Earnings on Plan Investments	209,616	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	127,530	7,337
Contributions Subsequent to the Measurement Date	176,434	-
Total	\$ 566,712	\$ 16,036

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

Year Ending June 30:	Amount
2024	\$ 116,103
2025	117,673
2026	39,981
2027	100,485
Total	\$ 374,242

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

The Authority participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 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 benefit 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 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 12. 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 amended 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 Authority's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The Authority's contributions to the RHBF were \$69,944 for the year ended June 30, 2023.

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 recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the Authority recognized noncapital contributions for RHBF of \$6,841.

2. Disability Income

Plan Administration: As discussed in Note 12, 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;
- (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 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 Authority's contractually-required contribution rate for the year ended June 30, 2023 was 0.10% of covered payroll. The Authority's contributions to DIPNC were \$1,015 for the year ended June 30, 2023.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2023, the Authority reported a liability of \$898,780 for its proportionate share of the collective net OPEB liability for RHBF. 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 Authority's proportion of the net OPEB liability was based on a projection of the present

value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Authority's proportion was 0.00379%, which was an increase of 0.00146 from its proportion measured as of June 30, 2021, which was 0.00233%.

Disability Income Plan of North Carolina: At June 30, 2023, the Authority reported a liability of \$1,059 for its proportionate share of the collective net OPEB liability for DIPNC. 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 Authority's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the Authority's proportion was 0.00356%, which was a decrease of 0.00210 from its proportion measured as of June 30, 2021, which was 0.00566%.

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 review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market

expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 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 measurement 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 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%.

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 flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 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 flow 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 Authority'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%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$	1,060,103	\$ 898,780	\$ 769,250
		1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	\$	1,304	\$ 1,059	\$ 813

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	\$ 740,849	\$ 898,780	\$ 1,105,739

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 Authority recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ 107,243
DIPNC	1,598
Total OPEB Expense	\$ 108,841

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 8,726	\$ 1,187	\$ 9,913
Changes of Assumptions	71,959	68	72,027
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	7,783	1,120	8,903
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	721,141	2,423	723,564
Contributions Subsequent to the Measurement Date	69,944	1,015	70,959
Total	\$ 879,553	\$ 5,813	\$ 885,366

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

	RHB	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 2,487	\$ -	\$ 2,487
Changes of Assumptions	409,056	196	409,252
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	129,861	2,149	132,010
Total	\$ 541,404	\$ 2,345	\$ 543,749

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 RHB and DIPNC in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	RHB	DIPNC
2024	\$ 86,964	\$ 650
2025	83,964	731
2026	9,494	605
2027	87,783	503
2028	-	225
Thereafter	-	(261)
Total	\$ 268,205	\$ 2,453

NOTE 12 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

Authority employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to

process claims. See Note 11, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Authority employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Authority 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 11, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The Authority is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Authority for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Coverage for all remaining risks for all buildings is charged to the Authority. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. The Authority has also chosen to obtain additional all-risk coverage for its buildings and their contents through the North Carolina Department of Insurance. This policy covers a broader range of losses and is also subject to a \$5,000 per occurrence deductible.

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

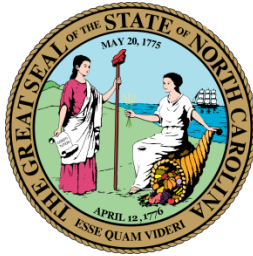
NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. Environmental** - The Authority is subject to a number of federal, state, and local environmental laws, regulations, and policies. The environmental laws and regulations most applicable to the Authority relate to wetlands, air emissions, wastewater discharges, and the handling, disposal, and release of solid and/or hazardous wastes. More specifically, the Authority may be subject to the Comprehensive Environmental Response, Compensation and Liability Act, which imposes retroactive liability upon owners and operators of facilities, including the Authority, for the release or threatened release of hazardous substances at on-site or off-site locations.

Before constructing a major federal action significantly affecting the environment, the Authority must complete an environmental review and permitting process pursuant to applicable federal and state laws and regulations. On September 8, 1997, the Federal Aviation Administration (FAA) granted a favorable Record of Decision satisfactory concluding the FAA's actions on the environmental process. The United States Army Corps of Engineers originally issued a Section 404 permit on October 21, 1998 to discharge dredge or fill material for the initial and future construction of the Global TransPark. The permit has been extended to October 21, 2028.

The Authority will continue to fully comply with all applicable environmental laws, regulations, and policies and does not currently anticipate any material adverse effects on its continued operations or financial condition as a result of its compliance therewith. The possibility that environmental liability may arise is an inherent risk in any development such as the Global TransPark. Additionally, unforeseeable legislative actions by federal, state, or local governments regarding new environmental laws or regulation could increase the cost of and/or delay in developing the Global TransPark.

- B. Commitments** - The Authority has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$6,923,787 at June 30, 2023. There were also long-range environment commitments based on the United States Army Corps of Engineers Section 404 permit for the activities described above.



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net Pension Liability	0.00430%	0.00329%	0.00235%	0.00307%	0.00287%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 638,216	\$ 154,058	\$ 283,927	\$ 318,266	\$ 285,740
Covered Payroll	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.46%	16.94%	43.64%	50.32%	44.63%
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	0.00195%	0.00234%	0.00395%	0.00481%	0.00477%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 154,722	\$ 215,070	\$ 145,689	\$ 56,436	\$ 289,317
Covered Payroll	\$ 456,463	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	33.90%	48.10%	24.39%	8.04%	49.48%
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 Global TransPark Authority
Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Exhibit C-2

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 176,434	\$ 167,380	\$ 134,378	\$ 84,385	\$ 77,730
Contributions in Relation to the Contractually Determined Contribution	176,434	167,380	134,378	84,385	77,730
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,015,155	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	12.97%	12.29%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 69,011	\$ 45,555	\$ 40,913	\$ 54,660	\$ 61,002
Contributions in Relation to the Contractually Determined Contribution	69,011	45,555	40,913	54,660	61,002
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375	\$ 701,974
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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 Global TransPark Authority
Notes to Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2023

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Teachers' and State Employees' Retirement System	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 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. See Note 10 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 Global TransPark Authority
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Seven Fiscal Years*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability	0.00379%	0.00233%	0.00194%	0.00261%	0.00213%
Proportionate Share of Collective Net OPEB Liability	\$ 898,780	\$ 719,134	\$ 538,630	\$ 826,868	\$ 606,794
Covered Payroll	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	87.96%	79.10%	82.79%	130.74%	94.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability	0.00160%	0.00152%			
Proportionate Share of Collective Net OPEB Liability	\$ 523,596	\$ 661,252			
Covered Payroll	\$ 456,463	\$ 447,137			
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	114.71%	147.89%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%			

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

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.00356%	0.00566%	0.00519%	0.00259%	0.00240%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 1,059	\$ (925)	\$ (2,553)	\$ (1,118)	\$ (729)
Covered Payroll	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.10%	0.10%	0.39%	0.18%	0.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.34%	105.18%	115.57%	113.00%	108.47%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.00163%	0.00195%			
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (996)	\$ (1,211)			
Covered Payroll	\$ 456,463	\$ 447,137			
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.22%	0.27%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.23%	116.06%			

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

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

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

Exhibit C-4
Page 1 of 2

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 69,944	\$ 64,275	\$ 60,734	\$ 42,095	\$ 39,656
Contributions in Relation to the Contractually Determined Contribution	69,944	64,275	60,734	42,095	39,656
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,015,155	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%	6.27%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 38,731	\$ 26,521	\$ 25,039	\$ 32,796	\$ 37,907
Contributions in Relation to the Contractually Determined Contribution	38,731	26,521	25,039	32,796	37,907
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375	\$ 701,974
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

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

Exhibit C-4
Page 2 of 2

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 1,015	\$ 920	\$ 818	\$ 651	\$ 885
Contributions in Relation to the Contractually Determined Contribution	1,015	920	818	651	885
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,015,155	\$ 1,021,857	\$ 909,187	\$ 650,616	\$ 632,465
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 896	\$ 1,735	\$ 1,833	\$ 2,449	\$ 3,089
Contributions in Relation to the Contractually Determined Contribution	896	1,735	1,833	2,449	3,089
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375	\$ 701,974
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	0.44%

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months 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 11 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 reports to the plans.

Changes 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 prescription 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 with 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 retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 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 for 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 the 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*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

Board of Directors
North Carolina Global TransPark Authority
Kinston, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Global TransPark Authority (Authority), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2023. Our report includes a reference to other auditors who audited the financial statements of the Global TransPark Foundation, Inc., as described in our report on the Authority's financial statements. The financial statements of the Global TransPark Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Global TransPark Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

December 8, 2023

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