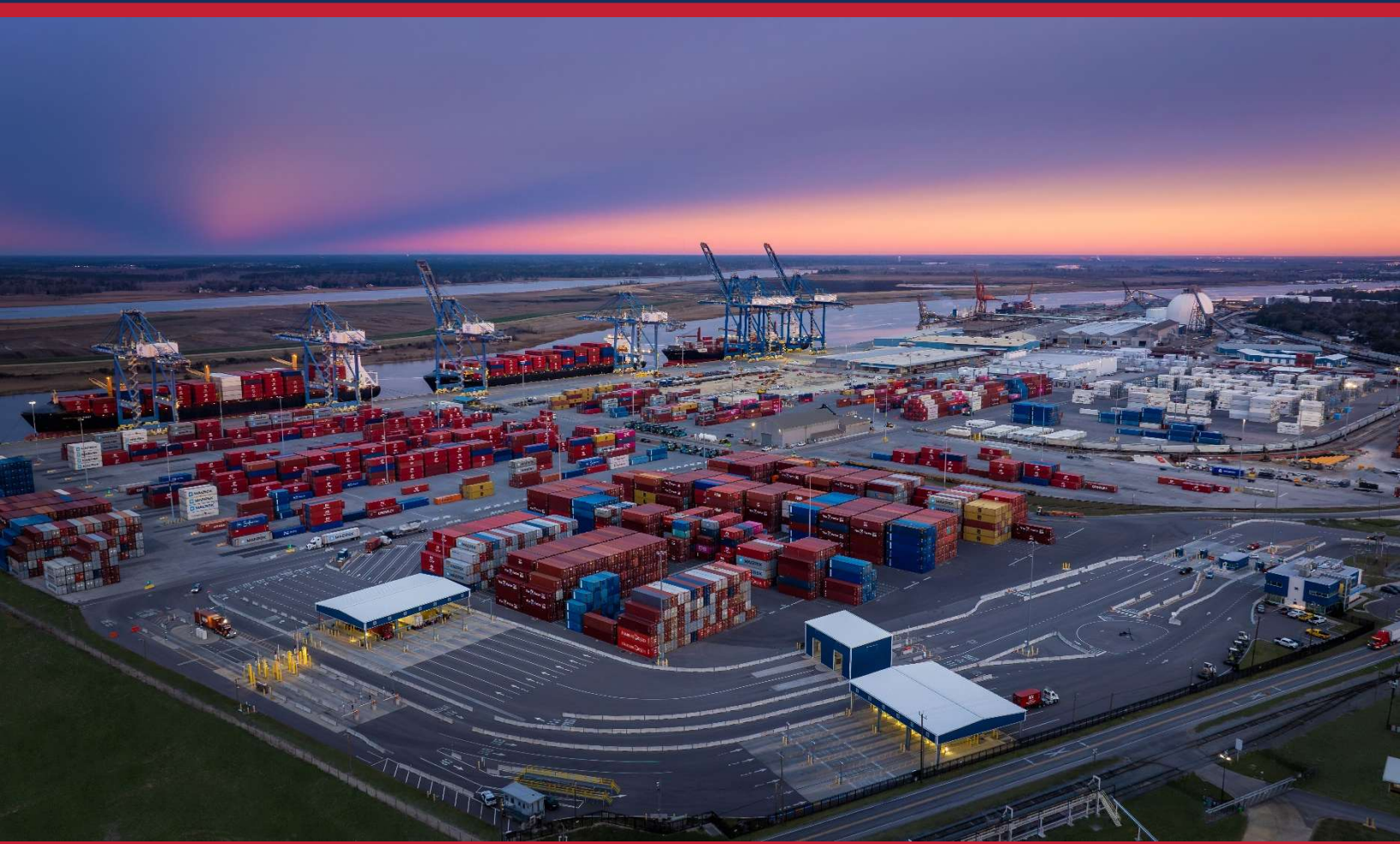


North Carolina State Ports Authority

Wilmington, NC



Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor
Dave Boliek

*A Constitutional Office of the
State of North Carolina*





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Directors, North Carolina State Ports Authority
Brian Clark, Executive Director, North Carolina State Ports Authority

As the owner and operator of ports in Wilmington and Morehead City, the North Carolina State Ports Authority plays an important role in North Carolina's economy. In addition to overseeing cargo movement, it's imperative the North Carolina Ports Authority maintain accurate financial records.

Through financial audits of North Carolina entities and organizations, the North Carolina Office of the State Auditor assesses whether the records prepared by these entities and organizations are materially correct. Our audit of the North Carolina State Ports Authority's financial records shows no material errors for the year ended June 30, 2025. The audited statements make for a clean opinion and can be relied upon by management.

I'd like to thank North Carolina State Ports Authority staff and leadership for working with our team as we conducted this financial statement audit.

Respectfully submitted,

Dave Boliek
State Auditor



REPORT SUMMARY

North Carolina State Ports Authority Financial Statement Audit

The Office of the State Auditor performs annual financial statement audits¹ at the North Carolina State Ports Authority (Authority).

Audit Results

- The Authority's financial statements for fiscal year ended June 30, 2025 are **accurate** and **reliable**.
- Our audit found **no material weaknesses in internal controls or instances of reportable noncompliance**.

Audit Purpose & Importance

Provide an opinion on whether the Authority's financial statements are materially correct and, if necessary, report any internal control weaknesses or noncompliance with laws and regulations.

The annual financial statement audit serves a vital role in promoting transparency, accountability, and trust in the Authority's financial operations.

While a formal process, the audit's impact extends to many members of the public, including:

- Port users and tenants depend on financial stability to maintain infrastructure and provide long-term services.
- Citizens and public officials expect responsible reporting of public funds.
- Management and board members rely on accurate financial reporting to monitor performance, manage risks, and make informed decisions about operations and planning.
- Investors and bondholders use audited financial statements to assess financial health and strength.

A "clean" audit opinion supports public trust and demonstrates the Authority's commitment to responsible financial stewardship, assuring stakeholders that resources are being managed to fulfill the mission of the state's ports.

Quick Highlights

 **Revenues:**
\$132 Million

Expenses:
\$81 Million 

Reports

The Authority's financial statement audit reports are available on our website at this [link](#).

Please review the report to fully understand the Authority's overall financial health and our reporting responsibilities.

¹ North Carolina General Statute 136-272



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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



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the North Carolina State Ports Authority (Authority), a component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the North Carolina State Ports Authority, as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 October 15, 2025 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

October 15, 2025



Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The annual financial statements of the North Carolina State Ports Authority (Authority) present the results of the Authority's financial activities for the fiscal year ended June 30, 2025. Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and provides a general overview of the Authority's financial activity during the fiscal year. The financial statements include, in addition to this MD&A, a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and accompanying Notes to the Financial Statements. Management is responsible for the preparation of the MD&A and the accompanying basic financial statements.

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

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

About the Authority

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

Financial Highlights and Analysis

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

Management's Discussion and Analysis

The Authority delivered a solid financial performance in fiscal year 2025 delivering a \$51.2 million positive net change in position from the prior year, as restated. Although overall general cargo volumes declined slightly, growth in higher revenue breakbulk commodities led to stronger general cargo revenue and contributed to higher operating revenue and earnings before interest, depreciation, and amortization (Adjusted EBIDA). The ongoing support from the State for capital appropriations allowed the Authority to continue to improve its infrastructure to meet the evolving demands of both its container and general cargo customers.

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

The following table provides a summarized Statement of Net Position as of June 30, 2025 with comparative figures for the prior period.

Condensed Statement of Net Position

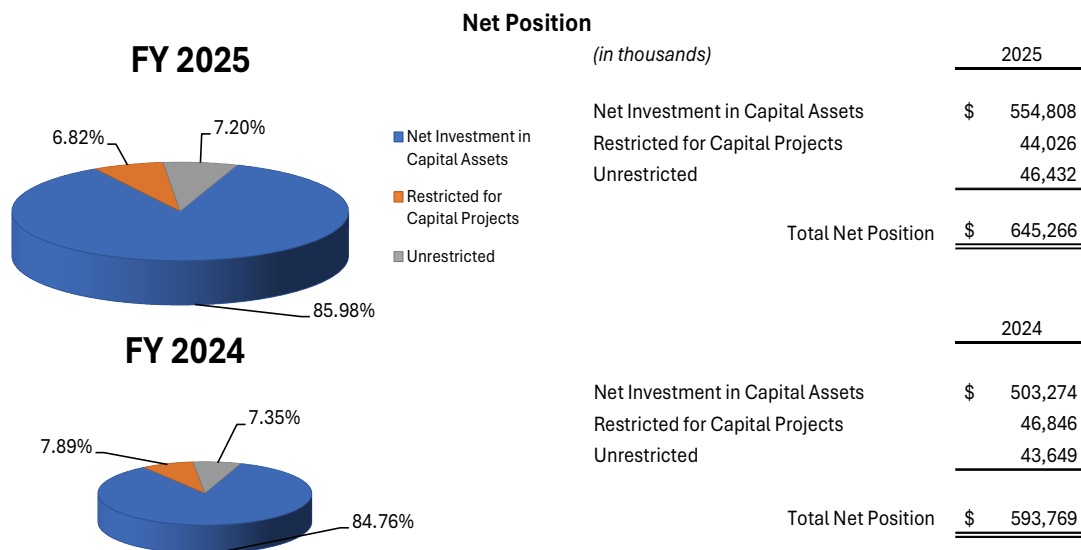
	June 30, 2025	June 30, 2024	Change
<i>(in thousands)</i>			
Current Assets	\$ 49,986	\$ 39,350	\$ 10,636
Capital Assets, Net	629,405	588,446	40,959
Other Noncurrent Assets	107,386	112,211	(4,825)
Total Assets	786,777	740,007	46,770
Total Deferred Outflows of Resources	18,697	17,056	1,641
Other Current Liabilities	10,266	10,422	(156)
Long-Term Liabilities	120,379	121,302	(923)
Total Liabilities	130,645	131,724	(1,079)
Total Deferred Inflows of Resources	29,563	31,570	(2,007)
Total Net Position	\$ 645,266	\$ 593,769	\$ 51,497

The change in current assets is primarily due to an increase in the Authority's receipts from operations, which were not utilized as much during the current fiscal year. The majority of the receipts from operations are held in short-term investments and are available without restriction to process vendor payments in relation to the Authority's capital expansion programs and other working capital needs. The change in capital assets is a result of the expansion capital master plan and core capital spending, net of accumulated depreciation and amortization. Capital project spending includes the updated terminal infrastructure, operating systems, and equipment. The increases to capital assets are offset by continued depreciation and amortization charges. Other noncurrent assets decreased primarily due to a reduction in

restricted investments designated for capital spending. The Authority continued to receive capital appropriations for the expansion capital plan from the State. Capital spending during the fiscal year continued to decrease restricted investments. Any unused funds were invested and will be used for future capital expansion plan spending related to fiscal year 2026 and beyond.

Changes in deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability are due to valuation changes as determined by the plans' actuaries. Refer to Notes 10 and 11 for additional information regarding the Authority's participation in the TSERS and OPEB plans, respectively.

The Authority's net position is divided into three categories. The first, net investment in capital assets, represents the Authority's equity position with regards to property, facilities, and equipment. The second is restricted by external funding sources to expenditure for capital projects. The final, is that of unrestricted, which is available for any lawful purpose of the Authority. The following exhibit analyzes the Authority's net position category mix for the periods ended June 30, 2025 and 2024, respectively. Significant changes, as noted above, are the result of increases to capital assets as the Authority invested in its capital expansion program. Fiscal year 2024 net position was restated for the effects of GASB Statement No. 101, *Compensated Absences*. For further information on the restated balances, see Note 7, which provides details on compensated balances, and Note 15, which discusses the restatement.



The Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase in restated net position for the current fiscal year ended June 30, 2025 of \$51.2 million. This increase is principally a product of the recognition of state capital appropriations and capital contributions.

Management's Discussion and Analysis

The following table identifies variances between major financial categories for the fiscal years ended June 30, 2025 and 2024, respectively.

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

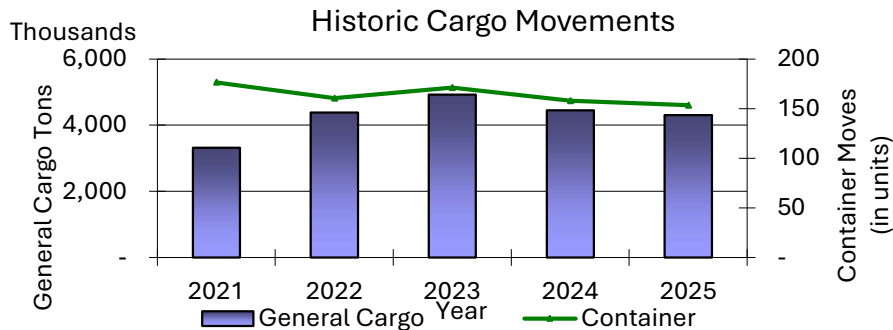
<i>(in thousands)</i>	June 30, 2025	June 30, 2024	Change
Operating Revenues, Net	\$ 72,039	\$ 70,173	\$ 1,866
Operating Expenses	78,373	74,584	3,789
Operating Loss	(6,334)	(4,411)	(1,923)
Nonoperating Revenues (Expenses):			
Investment Income, Net	5,157	5,591	(434)
Interest and Fees on Debt	(2,130)	(2,379)	249
Insurance Recoveries, Net	-	589	(589)
Interest Earned on Leases	828	610	218
Noncapital Contributions	8	27	(19)
Other Nonoperating Revenues (Expenses)	(45)	359	(404)
Net Nonoperating Revenues (Expenses)	3,818	4,797	(979)
Other Revenues:			
Capital Appropriations	45,000	45,000	-
Capital Contributions	8,699	4,680	4,019
Total Revenues	131,731	127,029	4,702
Total Expenses	(80,548)	(76,963)	(3,585)
Increase in Net Position	51,183	50,066	1,117
Prior Period Restatement	314		
Net Position, Beginning of Period	593,769	543,703	
Net Position, End of Period	\$ 645,266	\$ 593,769	

As reflected in the preceding table, the Authority posted an operating loss of \$6.3 million versus \$4.4 million operating loss in the prior year. Fiscal year 2024 and 2025 revenues were overall strong due to continued positives in the general cargo business. Despite declines in the overall general cargo volume from the prior year, the product mix was replaced with higher revenue margin commodities. Salaries and benefits expense increased during the fiscal year primarily due to the actuarial changes in the Pension and OPEB benefit calculations related to the State of North Carolina retirement benefits and pay-for-performance compensation programs. As more of the Authority's capital projects concluded during the fiscal year, additional depreciable assets increased, resulting in a \$2.5 million increase in depreciation and amortization expense. In fiscal year 2025, the Authority continued to receive capital appropriations from the State of North Carolina to fund expansion investments. Capital contributions included an increase for funding Queen City Express intermodal services, as well as security and yard improvements throughout the terminals. The following table shows the major sources of both operating and other revenues in detail.

Revenues by Major Source

	June 30, 2025	June 30, 2024	Change
<i>(in thousands)</i>			
Operating Revenues:			
Sales and Services, Net	\$ 67,307	\$ 65,528	\$ 1,779
Lease Income	4,732	4,645	87
Total Operating Revenues	72,039	70,173	1,866
Nonoperating Revenues:			
Investment Income, Net	5,157	5,591	(434)
Interest Earned on Leases	828	610	218
Insurance Recoveries, Net	-	589	(589)
Noncapital Contributions	8	27	(19)
Other Nonoperating Revenues	-	359	(359)
Total Nonoperating Revenues	5,993	7,176	(1,183)
Other Revenues:			
Capital Appropriations	45,000	45,000	-
Capital Contributions	8,699	4,680	4,019
Total Other Revenues	53,699	49,680	4,019
Total Revenues	\$ 131,731	\$ 127,029	\$ 4,702

The following graph and table outline the operating statistics compared to prior year and general trends.



Summarized Cargo Movement (In Units)

	June 30, 2025	June 30, 2024	Change
Container Movement	153,490	157,993	(4,503)
General Cargo Movement (Short Tons)	4,308,140	4,450,571	(142,431)
Vessel Calls	783	879	(96)
Rail Car Activity	36,157	37,274	(1,117)
* Rail car activity adjusted for intermodal			

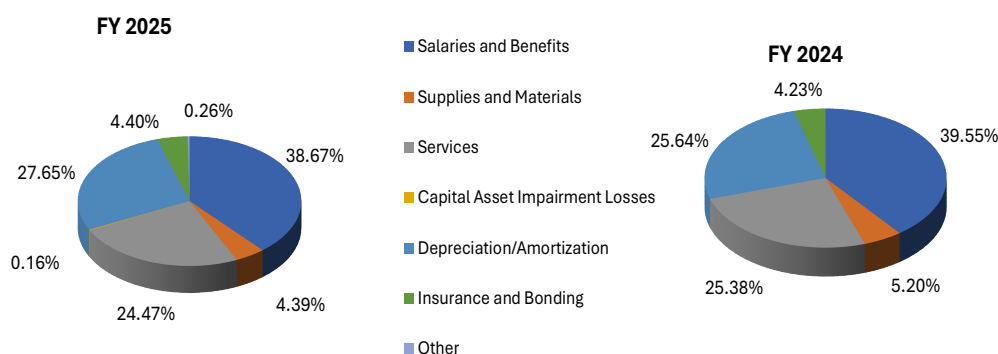
The Authority has continued to manage expenses and implement cost containment measures where practical. The increase in salaries and benefits is a result of the application of the pay-for-performance compensation programs and the aforementioned changes in actuarial calculations on the State of North Carolina's retirement benefit programs. Depreciation and

Management's Discussion and Analysis

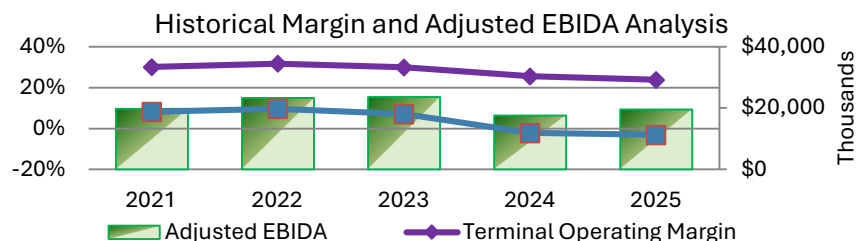
amortization expense continues to increase as the Authority finalizes larger projects in the capital expansion plan. The following table and graphs analyze operating expenses by major category as well as providing a relative mix year-over-year.

Operating Expenses by Major Category

	June 30, 2025	June 30, 2024	Change
<i>(in thousands)</i>			
Salaries and Benefits	\$ 30,310	\$ 29,493	\$ 817
Supplies and Materials	3,439	3,873	(434)
Services	19,180	18,927	253
Capital Asset Impairment Losses	132	12	120
Insurance and Bonding	3,442	3,155	287
Other	203	2	201
Depreciation/Amortization	21,667	19,122	2,545
Total Operating Expenses	<u>\$ 78,373</u>	<u>\$ 74,584</u>	<u>\$ 3,789</u>



The following graph depicts the operating margins and adjusted EBIDA.



The Authority's market share, market position, and long-term growth expectations for both container volume and general terminal activities are considered sustainable as they are driven by a number of factors including continued steady global economic growth and developments in the operating environment for U.S. East Coast ports. U.S. East Coast container volumes are expected to grow with carriers taking advantage of the economic benefits derived by deploying larger ships on the trade and carrier networks gaining stability after a tumultuous period since the pandemic. Growth in general cargo continues to be a bright spot and is reflective of the strong population and economic growth in the mid-Atlantic and North Carolina in particular.

Capital Assets and Long-Term Debt

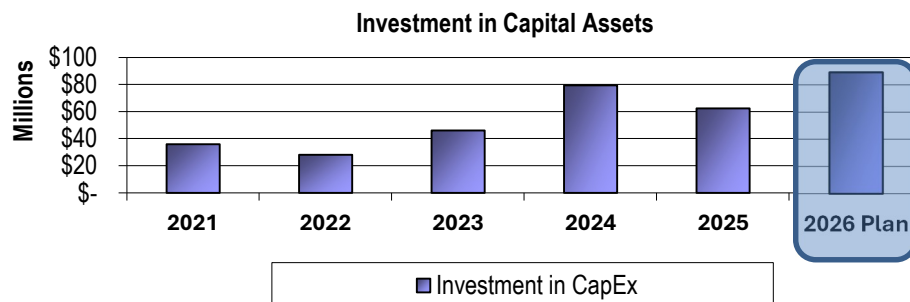
The Authority's expansion capital program can be traced back to the Strategic Plan formulated in 2015 and subsequently updated and modified in 2019 and 2021 whereby the Authority

engaged in a significant and comprehensive strategic planning effort which, among other outputs, produced a long-term market plan and corresponding capital infrastructure program. The Authority's strategy continues to grow the container volume and expand business on the general terminals. Investment requirements needed to meet the cargo forecast are factored into the Authority's Capital Budget process.

In fiscal year 2018, the Authority refinanced an outstanding direct borrowing agreement to eliminate a pending balloon payment and take advantage of a more favorable interest rate and terms. In fiscal year 2019, the Authority modified the terms of the outstanding Series 2013 and 2014 variable-rate bonds to eliminate the bank call options. In fiscal year 2020, the Authority refinanced the outstanding Series 2010AB bonds with the new Series 2020AB bonds to secure favorable interest rates. In fiscal year 2021, the Authority refinanced Series 2020B bonds with Series 2020C bonds to eliminate certain tax provisions and secure a more favorable interest rate.

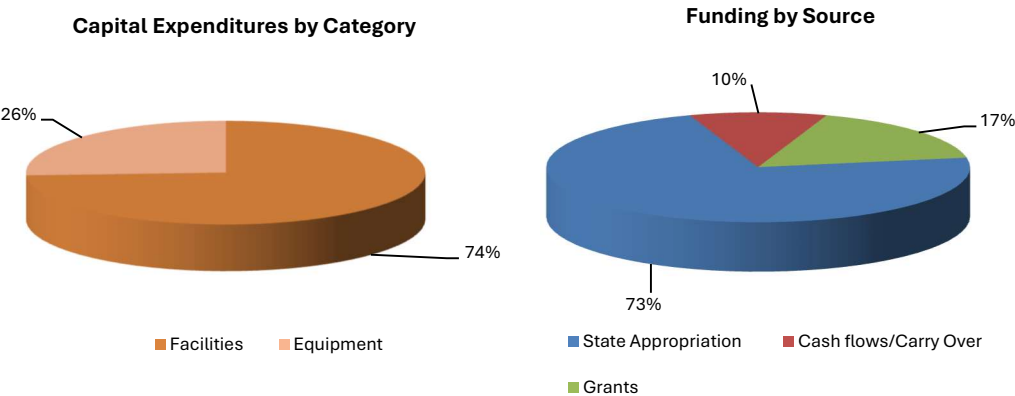
Since fiscal year 2016 when the State of North Carolina appropriated recurring funds for expansion investment, the Authority has assertively worked to upgrade, modernize, and expand its facilities, investing approximately \$490.4 million in equipment and infrastructure, with plans to invest an additional \$89.2 million in fiscal year 2026. Highlights of these expenditures include investments in terminal, rail and berth infrastructure, improvements in navigation, acquisition of new terminal equipment, and new or upgraded facilities and systems. As previously mentioned, during the current fiscal year the Authority received an allotment of \$45 million in appropriations from the State of North Carolina to fund infrastructure improvements and expansion.

During the fiscal year, \$72.1 million was transferred out of construction in progress and computer software in development to depreciable capital assets, related mostly to enhancing the Authority's aging infrastructure system and updating information technology systems. Refer to Note 5 and discussion above for additional information regarding the Authority's capital assets. The following graph summarizes recent and planned capital investment.



Capital investment for the upcoming fiscal year is anticipated to increase as both Wilmington and Morehead City terminal improvements are planned. The fiscal year 2026 capital investment plan includes continued progress in the Port of Wilmington intermodal yard, north property rail storage capacity, general cargo crane and berth improvements, as well as other electrical infrastructure, system and equipment improvements. Likewise, significant Port of Morehead City investments in general cargo crane capacity, terminal rail infrastructure and gate and electrical infrastructure will be completed in the next fiscal year. Funding for these expenditures will be accomplished, as in recent years, by a combination of state and federal grants, reserves,

and internal cash flows. In addition, the State of North Carolina’s proposed budget included the annual continuation of \$45 million in capital appropriations to the Authority for fiscal year 2026. In August 2022, the Authority was informed it was awarded a Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program grant by the United States Department of Transportation (USDOT) for \$18 million towards the Port of Wilmington dedicated intermodal facility. In December 2020, the Wilmington Harbor Navigation Improvement Project (WHNIP) was conditionally authorized as part of the federal Omnibus bill passed by the United States Congress. The project calls for the deepening and widening of the navigational channel and extending the ocean entrance channel farther offshore. The total submitted project cost of the 47-foot plan is approximately \$847 million with the non-federal share at approximately \$284 million. As part of the fiscal year 2022-23 budget process, the State reserved \$283.8 million toward the non-federal share of the project as it continues to run through the federal approval process. Further details on the capital improvement program can be found in the Authority’s 2026 Capital Budget document. The following graphs provide a breakdown of planned fiscal year 2026 expenditures by category as well as anticipated funding by sources.



Economic Outlook

As a result of the Authority’s investments in container operations, the operation of an intermodal service to/from Charlotte and the Mid-West, expansion of refrigerated container services, and intense commercial efforts, the Authority was able to maintain service levels to liner services calling the Port of Wilmington. Despite overall container volumes being down versus previous year and budget, growth in intermodal volumes and strength in both the Transatlantic and Latin American business produced positive results. Unfortunately, continued disruptions in the container industry did result in the largest Transpacific service to pause at year end and into the upcoming fiscal year.

Infrastructure improvements, investments in general cargo facilities, intermodal and refrigerated cargo logistics, and other warehouse equipment continue to be key drivers of the increase in handled bulk and breakbulk cargo tonnage through the Wilmington and Morehead City terminals.

The Authority posted slight decreases year over year in both container and general terminal volumes during the fiscal year. Container volumes were negatively impacted from disruptions to global trade, and Transpacific specifically, from the ongoing tariff rebalancing and uncertainty around trade regulations. While the Transpacific container trade went through a choppy period,

consistent and positive growth of breakbulk materials such as cement, rubber, steel products, and wood products drove the overall results of the business. The fiscal year 2026 Operating Budget was prepared assuming flat container volumes and improving general cargo volumes. While general cargo volumes were slightly down, higher revenue breakbulk cargo had healthy growth and overall led to higher general cargo revenue than expected.

As expectations for an improved interest rate environment during the next 6-12 months and continued very strong population growth in the catchment area of both Wilmington and Morehead City, it is expected that the area serving North Carolina will see further private investment in logistics facilities and further provide usage for the improved port investment and services. Likewise, a more stable environment after tariff and trade agreements have been agreed will provide a more transparent trade flow for the Authority's customers and the ports.

The Authority managed the fiscal year 2026 budget to have adequate cash flows from operations to meet all current obligations as well as debt service requirements. The Authority's debt service coverage for budgeted fiscal year 2026 is 2.14 to 1.00, which is well within the stipulated debt covenant requirements.

Contacting the Authority's Financial Management

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



Financial Statements

North Carolina State Ports Authority
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,721,728
Short-Term Investments	27,334,703
Receivables (Note 4)	12,468,885
Inventories	991,882
Prepaid Items	3,490,863
Leases Receivable (Note 8)	1,978,372

Total Current Assets	<u>49,986,433</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	24,981
Restricted Due from Primary Government	124,716
Investments	39,475,225
Restricted Investments	43,901,000
Leases Receivable (Note 8)	23,828,417
Net Other Postemployment Benefits Asset	30,924
Capital Assets - Nondepreciable (Note 5)	110,342,648
Capital Assets - Depreciable, Net (Note 5)	519,062,477

Total Noncurrent Assets	<u>736,790,388</u>
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Total Assets	<u>786,776,821</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	8,333,841
Deferred Outflows Related to Other Postemployment Benefits (Note 11)	10,363,238

Total Deferred Outflows of Resources	<u>18,697,079</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	9,149,238
Unearned Revenue	425,827
Interest Payable	690,919
Long-Term Liabilities - Current Portion (Note 7)	6,675,770

Total Current Liabilities	<u>16,941,754</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	113,703,117
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Total Liabilities	<u>130,644,871</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Gain on Refunding	116,766
Deferred Inflows Related to Pensions	46,651
Deferred Inflows Related to Other Postemployment Benefits (Note 11)	3,593,005
Deferred Inflows for Leases	25,806,789

Total Deferred Inflows of Resources	<u>29,563,211</u>
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North Carolina State Ports Authority
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	554,808,319
Restricted:	
Expendable:	
Capital Projects	44,025,716
Unrestricted	<u>46,431,793</u>
Total Net Position	<u><u>\$ 645,265,828</u></u>

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

North Carolina State Ports Authority
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2025

Exhibit A-2

OPERATING REVENUES

Sales and Services	\$ 67,306,787
Lease Income	4,731,942
Total Operating Revenues	<u>72,038,729</u>

OPERATING EXPENSES

Salaries and Benefits	30,309,591
Supplies and Materials	3,438,949
Services	19,179,901
Capital Impairment Loss	132,161
Insurance and Bonding	3,442,417
Other Operating Expenses	202,792
Depreciation/Amortization	<u>21,667,107</u>
Total Operating Expenses	<u>78,372,918</u>
Operating Loss	<u>(6,334,189)</u>

NONOPERATING REVENUES (EXPENSES)

Noncapital Contributions	8,259
Investment Income (Net of Investment Expense of \$159,104)	5,156,904
Interest and Fees on Debt	(2,129,837)
Interest Earned on Leases	827,378
Other Nonoperating Expenses	<u>(44,641)</u>
Net Nonoperating Revenues	<u>3,818,063</u>
Loss Before Other Revenues	<u>(2,516,126)</u>
Capital Appropriations	45,000,000
Capital Contributions	<u>8,698,777</u>
Total Other Revenues	<u>53,698,777</u>
Increase in Net Position	51,182,651

NET POSITION

Net Position - July 1, 2024, as Restated (Note 15)	<u>594,083,177</u>
Net Position - June 30, 2025	<u><u>\$ 645,265,828</u></u>

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

North Carolina State Ports Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 70,415,384
Payments to Employees and Fringe Benefits	(28,301,087)
Payments to Vendors and Suppliers	(24,336,756)
Other Receipts	14,744
Net Cash Provided by Operating Activities	17,792,285

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Capital Appropriations	45,000,000
Capital Contributions	8,610,906
Proceeds from Sale of Capital Assets	40,026
Interest Earned on Leases	827,378
Acquisition and Construction of Capital Assets	(67,009,617)
Principal Paid on Capital Debt and Subscription Liabilities	(6,431,147)
Interest and Fees Paid on Capital Debt and Subscription Liabilities	(2,224,919)
Net Cash Used by Capital Financing and Related Financing Activities	(21,187,373)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	22,425,466
Investment Income	5,302,690
Purchase of Investments and Related Fees	(25,229,018)
Net Cash Provided by Investing Activities	2,499,138
Net Decrease in Cash and Cash Equivalents	(895,950)
Cash and Cash Equivalents - July 1, 2024	4,642,659
Cash and Cash Equivalents - June 30, 2025	\$ 3,746,709

North Carolina State Ports Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$	(6,334,189)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation/Amortization Expense		21,667,107
Capital Asset Impairment		132,161
Other Nonoperating Income		14,744
Changes in Assets and Deferred Outflows of Resources:		
Receivables		(1,652,305)
Inventories		(304,959)
Prepaid Items		(1,962,562)
Net Other Postemployment Benefits Asset		(30,924)
Deferred Outflows Related to Pensions		2,417,910
Deferred Outflows Related to Other Postemployment Benefits		(4,059,238)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		5,113,637
Due to Primary Government		(1,016,108)
Unearned Revenue		28,960
Net Pension Liability		(613,984)
Net Other Postemployment Benefits Liability		6,568,371
Compensated Absences		23,465
Workers' Compensation Liability		(191,166)
Deferred Inflows Related to Pensions		(74,357)
Deferred Inflows Related to Other Postemployment Benefits		(1,934,278)
Net Cash Provided by Operating Activities	\$	<u>17,792,285</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$	1,343,312
Change in Fair Value of Investments		(121,239)
Loss on Disposal of Capital Assets		(67,392)
Increase in Receivables Related to Nonoperating Income		87,871
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(8,259)

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. North Carolina State Ports 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. Related foundations for which the Authority is not financially accountable or for which the nature of the relationship is not considered significant to the Authority are not part of the accompanying financial statements.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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*, the full scope of the Authority's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.
- C. Basis of Accounting** - The financial statements of the Authority have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

- F. Receivables** - Receivables consist of charges to customers for services, contract guarantees, and use of facilities. Receivables also include amounts due from the federal government, state and local governments in connection with reimbursement of allowable expenditures made pursuant to contracts as well as interest income receivable. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at the lower of cost or market on a moving weighted average cost basis, which approximates cost on a first-in, first-out (FIFO) basis.
- H. Prepaid Items** - Prepaid items consist of prepayments for insurance, subscriptions, and maintenance contracts.
- I. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The Authority capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. The Authority capitalizes intangible assets and internally generated computer software under these same provisions. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized when considered significant.

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	10-75 years
Machinery and Equipment	2-40 years
General Infrastructure	10-60 years
Computer Software	2-5 years

Right-to-use subscription assets are recorded at the present value of payments expected to be made during the subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$5,000 a month or greater and an estimated useful life of more than one year.

Amortization for right-to-use subscription assets is computed using the straight-line method over the subscription term.

- J. 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 and resources legally segregated for the payment of principal and interest as required by debt covenants.

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

Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the Authority's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *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 2024 *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. 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.

- L. Compensated Absences** - The Authority accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Vacation Leave - Vacation is earned through the annual or personal leave programs established by the North Carolina Office of State Human Resources. Leave is earned bi-weekly and is subject to a maximum accumulated unused amount as of the end of each calendar year. Any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave.

Bonus Leave - Bonus leave includes 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 to 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.

Sick Leave - Sick leave is earned bi-weekly by eligible employees. The policy provides for the accumulation of unused sick leave to be carried forward until used. When employment is terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement

System (TSERS). Based on a historical analysis of sick leave taken compared to sick leave earned, the liability for unused sick leave using the LIFO method was determined to be insignificant. Therefore, no sick leave liability is recognized on the financial statements.

M. 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.

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

Net Investment in Capital Assets - This represents the Authority's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

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

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is determined by management on a case-by-case basis. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

O. Revenue and Expense Recognition - The Authority classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as sales and services and lease income. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state capital appropriations that represent subsidies or gifts to the Authority, as well as investment income, are considered

nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

Note 2 - Deposits and Investments

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

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$62,738, 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 2.1 years as of June 30, 2025. 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 Authority deposits the majority of cash deposits to meet working capital needs with private deposit institutions. The carrying amount of the Authority's deposits not with the State Treasurer was \$3,683,971, and the bank balance was \$5,217,525. 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, 2025, the Authority's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$456,182.

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

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

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

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

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

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does have a formal policy that addresses safekeeping and custody. Investments must be secured through independent third-party custody and safekeeping procedures and benchmark performance must be reviewed annually.

The following table presents investments by type and investments subject to interest rate risk at June 30, 2025:

Investment Type	Amount	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities			
U.S. Treasuries	\$ 67,978,092	\$ 27,971,779	\$ 40,006,313
U.S. Agencies	2,948,171	1,377,346	1,570,825
Money Market Mutual Funds	29,788,049	29,788,049	-
Domestic Corporate Bonds	9,996,616	7,016,732	2,979,884
Total Debt Securities	\$ 110,710,928	\$ 66,153,906	\$ 44,557,022

At June 30, 2025, the Authority's investments had the following credit quality distribution for securities with credit exposure:

	AAA Aaa
U.S. Agencies	\$ 2,948,171
Money Market Mutual Funds	29,788,049
Domestic Corporate Bonds	9,996,616
Totals	<u>\$ 42,732,836</u>

Rating Agency: Moody's

At June 30, 2025, the Authority's investments were exposed to custodial credit risk as follows:

Investment Type	Held by Counterparty's Trust Dept or Agent not in Authority's Name
U.S Treasuries	\$ 67,978,092
U.S. Agencies	2,948,171
Domestic Corporate Bonds	9,996,616
Total	<u><u>\$ 80,922,879</u></u>

Note 3 - Fair Value Measurements

To the extent available, the Authority's investments are recorded at fair value as of June 30, 2025. 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.

Notes to the Financial Statements

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

The following table summarizes the Authority's investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2025:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 67,978,092	\$ 67,978,092	\$ -	\$ -
U.S. Agencies	2,948,171	2,948,171	-	-
Money Market Mutual Funds	29,788,049	29,788,049	-	-
Domestic Corporate Bonds	9,996,616	9,996,616	-	-
Total Debt Securities	\$ 110,710,928	\$ 110,710,928	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	62,738			
Total Investments Measured at Fair Value	\$ 110,773,666			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 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.

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

Note 4 - Receivables

Receivables at June 30, 2025, were as follows:

	Amount
Receivables	
Due from Customers	\$ 8,092,759
Intergovernmental	3,914,445
Investment Earnings	406,606
Other	55,075
Total Receivables	\$ 12,468,885

Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 58,986,071	\$ 46,350	\$ -	\$ 59,032,421
Construction in Progress	68,237,901	54,081,470	71,267,367	51,052,004
Computer Software in Development	72,102	1,054,521	868,400	258,223
Total Capital Assets, Nondepreciable	127,296,074	55,182,341	72,135,767	110,342,648
Capital Assets, Depreciable:				
Buildings	113,143,500	28,422,100	35,170	141,530,430
Machinery and Equipment	142,583,200	13,464,817	1,266,258	154,781,759
General Infrastructure	416,204,705	37,013,194	33,126	453,184,773
Computer Software	15,959,138	874,800	10,562	16,823,376
Right-to-Use Subscription Assets	503,359	44,550	-	547,909
Total Capital Assets, Depreciable	688,393,902	79,819,461	1,345,116	766,868,247
Less Accumulated Depreciation/Amortization for:				
Buildings	42,100,620	2,277,051	13,677	44,363,994
Machinery and Equipment	51,250,654	6,322,984	1,091,860	56,481,778
General Infrastructure	125,148,813	9,947,149	-	135,095,962
Computer Software	8,431,021	2,914,806	-	11,345,827
Right-to-Use Subscription Assets	313,092	205,117	-	518,209
Total Accumulated Depreciation/Amortization	227,244,200	21,667,107	1,105,537	247,805,770
Total Capital Assets, Depreciable, Net	461,149,702	58,152,354	239,579	519,062,477
Capital Assets, Net	\$ 588,445,776	\$ 113,334,695	\$ 72,375,346	\$ 629,405,125

The Authority recorded an impairment loss of \$132,161 due to the obsolescence of certain assets.

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025, were as follows:

	Amount
Accounts Payable	\$ 6,534,669
Accrued Payroll	1,315,807
Contract Retainage	1,298,762
Total Accounts Payable and Accrued Liabilities	\$ 9,149,238

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, 2025, is presented as follows:

	Balance July 1, 2024 (as Restated)	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 40,280,000	\$ -	\$ 2,250,000	\$ 38,030,000	\$ 2,320,000
Notes from Direct Borrowings	39,214,374	-	3,976,030	35,238,344	4,066,356
Total Long-Term Debt	79,494,374	-	6,226,030	73,268,344	6,386,356
Other Long-Term Liabilities					
Subscription (SBITA) Liabilities	190,267	44,550	205,117	29,700	14,850
Employee Benefits					
Compensated Absences	1,353,710	1,163,842	1,140,377	1,377,175	229,564
Net Pension Liability	16,395,228	-	613,984	15,781,244	-
Net Other Postemployment Benefits Liability	20,585,502	6,583,314	23,202	27,145,614	-
Workers' Compensation	2,967,976	20,000	211,166	2,776,810	45,000
Total Other Long-Term Liabilities	41,492,683	7,811,706	2,193,846	47,110,543	289,414
Total Long-Term Liabilities	\$ 120,987,057	\$ 7,811,706	\$ 8,419,876	\$ 120,378,887	\$ 6,675,770

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 8.

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.

Additional information regarding workers' compensation is included in Note 12.

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

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Ports Facilities Senior Lien Revenue Refunding Bond	2013	0.742% - 6%	02/2036	\$ 10,000,000	\$ 8,845,000
Ports Facilities Subordinated Revenue Refunding Bond	2014	0.722% - 6%	02/2029	9,750,000	3,390,000
Ports Facilities Senior Lien Revenue Refunding Bond	2020A	2.69%	02/2040	21,755,000	20,790,000
Ports Facilities Senior Lien Revenue Refunding Bond	2020C	2.10%	02/2029	10,670,000	5,005,000
Total Revenue Bonds Payable				\$ 52,175,000	\$ 38,030,000

C. Notes from Direct Borrowings - The Authority was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
2017 Crane Refinancing Note	Sun Trust Equipment Finance & Leasing Corp.	2.259%	04/2033	\$ 62,850,845	\$ 35,238,344

- D. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2026	\$ 2,320,000	\$ 1,281,018	\$ 4,066,356	\$ 773,198
2027	2,400,000	1,169,035	4,158,734	680,821
2028	2,470,000	1,125,811	4,253,210	586,344
2029	2,555,000	1,044,245	4,349,833	489,722
2030	2,635,000	959,222	4,448,650	390,904
2031-2035	14,530,000	3,289,758	13,961,561	557,101
2036-2040	11,120,000	870,226	-	-
Total Requirements	\$ 38,030,000	\$ 9,739,315	\$ 35,238,344	\$ 3,478,090

Interest on the variable rate Series 2013 revenue bonds is calculated at 5.0000% at June 30, 2025.

Interest on the variable rate Series 2014 revenue bonds is calculated at 5.0000% at June 30, 2025.

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

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

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

The Authority is also required to annually file the following with the trustee: (1) capital improvements budget, (2) annual audit within 180 days of fiscal year end, (3) officer's certificate within 60 days of fiscal year end stating whether any violations or default occurred, and (4) an insurance report with 60 days of fiscal year end listing policies currently in force

including names of such companies, expiration dates, the risks covered, and if a consultant was employed during such fiscal year.

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

Series 2013 - The Series 2013 bonds are secured by a senior lien upon and pledge of the net receipts of the Authority and are on parity with all other parity indebtedness. In addition to the provisions above, a provision for rate adjustment from and after an event of default until remedied or otherwise waived equal to the greater of the prime rate plus 2%, or 6%.

The Authority is also required to annually file a compliance certificate containing the following provisions: (1) debt service coverage ratio for all debt (parity, subordinate, and non-pledge) at least 105%, and (2) a no default certification.

Series 2014 - The Series 2014 bonds are secured by a junior lien upon and pledge of the net receipts of the Authority. As additional security for these bonds the Authority executed and delivered a deed of trust on the site of the NC International Terminal project to secure the Authority's obligations. In addition to the provisions above, a provision for rate adjustment from and after an event of default until remedied or otherwise waived equal to the greater of the prime rate plus 2%, or 6%. The required annual filing from the Series 2013 bonds apply to Series 2014 as well.

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

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

In addition to the provisions above, the direct borrowing agreement contains the following requirements: (1) the Authority may not take on any additional lien or encumbrance against the financed equipment, (2) the Authority must adhere to terms, conditions and covenants made in other trust agreements, and (3) the Authority must maintain a debt-to-capitalization ratio that is less than 0.6:1. The Authority is also required to maintain certain levels of insurance on the financed equipment through the duration of the agreement.

Note 8 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The Authority leases warehouses as well as 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 prime banking rate if one is not presented.

Measurement of the lease receivable excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the lease receivable that depend on customer-specific contract terms. The Authority recognized revenue of \$110,712 during the fiscal year for these changes in variable payments not previously included in the measurement of the lease receivable.

During the year ended June 30, 2025, the Authority recognized operating revenues related to lessor arrangements totaling \$2,289,290, and nonoperating lease interest income totaling \$827,378.

The Authority's lessor arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2025	Current Portion	Lease Terms	Interest Rate Ranges
Lessor:					
Land	4	\$ 24,592,385	\$ 1,375,707	8-50 years	2% - 8.5%
Buildings	2	1,214,404	602,665	1-6 years	1.5% - 5.5%
Total	6	\$ 25,806,789	\$ 1,978,372		

B. Annual Lease Revenues - The annual principal and interest lease revenues under the noncancelable lease arrangements (excluding short-term leases), are as follows at June 30, 2025.

Fiscal Year	Principal	Interest
2026	\$ 1,978,372	\$ 777,605
2027	1,755,492	721,668
2028	1,759,753	668,460
2029	1,531,432	616,511
2030	1,587,089	564,658
2031-2035	6,983,951	2,120,064
2036-2040	614,119	1,432,064
2041-2045	9,596,581	4,109,213
Total Lease Revenues	\$ 25,806,789	\$ 11,010,243

C. Subscription-Based Information Technology Arrangements (SBITAs) - The Authority enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external parties. The SBITA expires at the specified date, and has a renewal option. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the

respective SBITA. The expected payments are discounted using the prime rate as there was no stated contractual interest rate for the SBITA.

During the year the Authority did not recognize any variable payment amounts.

The Authority's SBITAs at June 30, 2025, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2025	Current Portion	SBITA Term	Interest Rate
Right-to-Use Subscription Assets	1	\$ 29,700	\$ 14,850	2 years	8.25%

D. Annual Requirements - The annual requirements to pay principal and interest on SBITAs at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements	
	Principal	Interest
2026	\$ 14,850	\$ 1,225
2027	14,850	1,225
Total Requirements	\$ 29,700	\$ 2,450

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	\$ (7,494,054)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(20,385,169)
Effect on Unrestricted Net Position	(27,879,223)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	74,311,016
Total Unrestricted Net Position	\$ 46,431,793

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 - Retirement 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, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. 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 unreduced 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 reduced 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, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were \$1,165,944, and the Authority's contributions were \$3,262,701 for the year ended June 30, 2025.

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 2024 *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.ncosc.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 2024 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2025, the Authority reported a liability of \$15,781,244 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. 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, 2024, the Authority's proportion was 0.10651%, which was an increase of 0.00817 from its proportion measured as of June 30, 2023, which was 0.09834%.

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	12/31/2023
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, 2023 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, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections

do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 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, 2024 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		
	Current	
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 28,948,942	\$ 15,781,244	\$ 4,922,547

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the Authority recognized pension expense of \$4,992,270. At June 30, 2025, 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	\$ 1,422,164	\$ 46,651
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,602,252	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,046,724	-
Contributions Subsequent to the Measurement Date	3,262,701	-
Total	\$ 8,333,841	\$ 46,651

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, 2026. 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
2026	\$ 1,817,727
2027	3,552,612
2028	(67,299)
2029	(278,551)
Total	\$ 5,024,489

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 2024 *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.ncosc.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. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *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 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 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, 2025 was 6.99% of covered payroll. The Authority's contributions to the RHBF were \$1,358,325 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred \$35 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, 2025, the Authority recognized noncapital contributions for RHBF of \$8,259.

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 disability benefits.

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

Contributions: 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, 2025 was 0.13% of covered payroll. The Authority's contributions to DIPNC were \$25,262 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the Authority reported a liability of \$27,145,614 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. 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, 2024, the Authority's proportion was 0.07981%, which was an increase of 0.00265 from its proportion measured as of June 30, 2023, which was 0.07716%.

Disability Income Plan of North Carolina: At June 30, 2025, the Authority reported an asset of \$30,924 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The Authority's proportion of the net OPEB asset 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, 2024, the Authority's proportion was 0.09392%, which was an increase of 0.00668 from its proportion measured as of June 30, 2023, which was 0.08724%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, 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, 2024 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2023	12/31/2023
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***	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative***	3.0%	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, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

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. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2023 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 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. 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 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. 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 projected to be available to make all projected future benefit payments to the current plan members.

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

Net OPEB Liability (Asset)			
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$ 32,296,057	\$ 27,145,614	\$ 23,009,958
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ (27,574)	\$ (30,924)	\$ (34,445)

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% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF	\$ 22,404,224	\$ 27,145,614	\$ 33,281,309

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2025, the Authority recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 1,912,658
DIPNC	14,859
Total OPEB Expense	\$ 1,927,517

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025, 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:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 221,253	\$ 12,467	\$ 233,720
Changes of Assumptions	6,537,772	461	6,538,233
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	116,323	24,277	140,600
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,066,006	1,092	2,067,098
Contributions Subsequent to the Measurement Date	1,358,325	25,262	1,383,587
Total	\$ 10,299,679	\$ 63,559	\$ 10,363,238

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ -	\$ 35,569	\$ 35,569
Changes of Assumptions	3,539,234	14,407	3,553,641
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	3,795	3,795
Total	\$ 3,539,234	\$ 53,771	\$ 3,593,005

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending

June 30, 2026. 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>	<u>RHBF</u>	<u>DIPNC</u>
2026	\$ 889,466	\$ (13,226)
2027	1,202,832	(9,416)
2028	1,835,123	3,579
2029	1,474,699	2,226
2030	-	1,363
Total	<u>\$ 5,402,120</u>	<u>\$ (15,474)</u>

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 coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, in order to reduce its premiums, the Authority has established higher deductibles for losses associated with buildings, equipment, and supporting infrastructure of \$100,000.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the Office of State Fire Marshal within 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 Office of State Fire Marshal for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$5,000,000 in the aggregate per fiscal year via contract with 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.

5. Other Insurance Held by the Authority

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

The Authority also purchased additional business interruption coverage under the all-risks policy from the State Property Fire Insurance Fund. This policy reimburses the Authority for lost revenues and extra expenses resulting from certain covered events that disrupt Authority operations for a minimum of 72 hours. The Authority also purchased cyber risk coverage through a private insurer. This policy has a \$25,000 deductible and coverage limits range from \$250,000 to \$1,000,000 depending on the nature of the event.

Note 13 - Commitments and Contingencies

- A. Commitments** - The Authority has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were \$50,463,880 at June 30, 2025.
- B. Pending Litigation and Claims** - The Authority is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. Authority management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the Authority.

Note 14 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2025, the Authority implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, *Accounting for Compensated Absences*, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under

a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB Statement No. 102 improves financial reporting by providing users of financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

Note 15 - Net Position Restatement

As of July 1, 2024, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2024 Net Position as Previously Reported	\$ 593,768,548
Restatement:	
Exclude the Retirement Related Component of	
Compensated Absences as Required by GASB	
Statement No. 101, <i>Compensated Absences</i>	<u>314,629</u>
July 1, 2024 Net Position as Restated	<u>\$ 594,083,177</u>



Required Supplementary Information

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

Exhibit B-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.10651%	0.09834%	0.09384%	0.08515%	0.08562%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 15,781,244	\$ 16,395,228	\$ 13,927,956	\$ 3,987,235	\$ 10,344,606
Covered Payroll	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104	\$ 14,734,885
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	82.44%	88.79%	85.68%	28.38%	70.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Proportionate Share Percentage of Collective Net Pension Liability	0.08011%	0.08015%	0.07351%	0.07858%	0.08158%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 8,304,969	\$ 7,979,805	\$ 5,832,608	\$ 7,222,314	\$ 3,006,491
Covered Payroll	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603	\$ 12,170,051
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.64%	63.41%	46.68%	58.61%	24.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

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

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

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

Exhibit B-2

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 3,262,701	\$ 3,376,790	\$ 3,209,414	\$ 2,662,698	\$ 2,076,753
Contributions in Relation to the Contractually Determined Contribution	3,262,701	3,376,790	3,209,414	2,662,698	2,076,753
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 19,432,408	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,911,115	\$ 1,629,480	\$ 1,356,638	\$ 1,246,963	\$ 1,127,510
Contributions in Relation to the Contractually Determined Contribution	1,911,115	1,629,480	1,356,638	1,246,963	1,127,510
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,734,885	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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 State Ports Authority
Notes to Required Supplementary Information
Schedule of Authority Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2025

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA) 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 received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in 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.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. 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.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

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 2024 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

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

Exhibit B-3
Page 1 of 2

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.07981%	0.07716%	0.07781%	0.07249%	0.07230%
Proportionate Share of Collective Net OPEB Liability	\$ 27,145,614	\$ 20,562,300	\$ 18,476,737	\$ 22,409,715	\$ 20,056,168
Covered Payroll	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104	\$ 14,734,885
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	141.81%	111.35%	113.66%	159.49%	136.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability	0.06639%	0.06509%	0.06138%	0.06059%	
Proportionate Share of Collective Net OPEB Liability	\$ 21,004,451	\$ 18,542,674	\$ 20,123,893	\$ 26,358,709	
Covered Payroll	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	158.42%	147.34%	161.06%	213.89%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

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

**Exhibit B-3
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.09392%	0.08724%	0.08268%	0.07147%	0.07037%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (30,924)	\$ 23,202	\$ 24,596	\$ (11,674)	\$ (34,618)
Covered Payroll	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104	\$ 14,734,885
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.16%	0.13%	0.15%	0.08%	0.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.06911%	0.06910%	0.06361%	0.06872%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (29,821)	\$ (20,990)	\$ (38,878)	\$ (42,675)	
Covered Payroll	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.22%	0.17%	0.31%	0.35%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	108.47%	116.23%	116.06%	

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

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

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

**Exhibit B-4
Page 1 of 2**

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 1,358,325	\$ 1,366,796	\$ 1,272,318	\$ 1,022,489	\$ 938,614
Contributions in Relation to the Contractually Determined Contribution	1,358,325	1,366,796	1,272,318	1,022,489	938,614
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 19,432,408	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 953,347	\$ 831,313	\$ 761,378	\$ 725,938	\$ 690,122
Contributions in Relation to the Contractually Determined Contribution	953,347	831,313	761,378	725,938	690,122
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,734,885	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

**Exhibit B-4
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 25,262	\$ 21,057	\$ 18,466	\$ 14,630	\$ 12,646
Contributions in Relation to the Contractually Determined Contribution	25,262	21,057	18,466	14,630	12,646
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 19,432,408	\$ 19,142,799	\$ 18,466,135	\$ 16,255,789	\$ 14,051,104
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 14,735	\$ 18,562	\$ 17,619	\$ 47,480	\$ 50,527
Contributions in Relation to the Contractually Determined Contribution	14,735	18,562	17,619	47,480	50,527
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,734,885	\$ 13,258,581	\$ 12,584,767	\$ 12,494,622	\$ 12,323,603
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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 State Ports Authority

Notes to Required Supplementary Information

Schedule of Authority Contributions

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

For the Fiscal Year Ended June 30, 2025

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.

Effective April 1, 2024, coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

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. The reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019 and no further reimbursements may be issued.

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, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. 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 four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2023.

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.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina State Ports Authority (Authority) a component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 15, 2025.

Internal Control Over Financial Reporting

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

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

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 were not 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

October 15, 2025

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