

North Carolina Department of Transportation

Raleigh, 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
Daniel Johnson, Secretary, Department of Transportation

As stated in the North Carolina Office of the State Auditor's (OSA) financial statement audit of the North Carolina Department of Transportation, the Department's governmental fund expenditures totaled \$8.6 billion for the fiscal year ended June 30, 2025. Larger expenses include \$5.4 billion for capital outlay, \$1 billion toward salaries and benefits at the Department, \$675 million in grants, state aid, and subsidies, and \$222 million toward contracted personal services.

Through financial statement audits of state entities, OSA assesses whether the financial statements of agencies as prepared are materially correct. The audit of the North Carolina Department of Transportation's financial statements shows no material errors for the year ended June 30, 2025.

This financial statement audit is separate from other engagements the North Carolina Office of the State Auditor has with the Department. The Department leadership and staff have cooperated fully as the State Auditor's Office conducted this audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dave Boliek
State Auditor



REPORT SUMMARY

North Carolina Department of Transportation Financial Statement Audit

The Office of the State Auditor (OSA) performs financial statement audits¹ at the North Carolina Department of Transportation (Department) every two years.

Audit Results

- The Department’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 Department’s financial statements are materially correct and, if necessary, report any internal control weaknesses or noncompliance with laws and regulations.

The financial statement audit serves a vital role in promoting transparency, accountability, and trust in the Department’s financial operations.

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

- Travelers and local communities depend on safe, reliable transportation infrastructure supported by sound financial management and investment decisions.
- Taxpayers and public officials expect responsible stewardship and transparent reporting of public funds allocated to transportation programs and capital projects.
- Contractors, vendors, and project partners depend on the Department’s financial stability and integrity to support ongoing construction, maintenance, and service delivery.
- Regulators and oversight bodies use audited financial statements to evaluate compliance with laws, regulations, and funding requirements, as well as the Department’s fiscal accountability.

A “clean” audit opinion supports public trust and demonstrates the Department's commitment to responsible financial stewardship, assuring stakeholders that resources are being managed to fulfill the Department’s mission.

Quick Highlights

Governmental Funds

 Revenues & Sources:
\$9.4 Billion

Expenditures
& Uses:
\$8.9 Billion



Reports

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

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

¹ North Carolina General Statute 147-64(c)(3)

An Overview of How to Use this Report

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

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

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

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

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

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

“A” Exhibits present the Balance Sheet as of June 30, 2025, and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2025 for the Department’s **governmental funds as a whole (represented by the Highway Fund and the Highway Trust Fund)**.

“B” Exhibits present the Statement of Net Position as of June 30, 2025, the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2025, and the Statement of Cash Flows for the fiscal year ended June 30, 2025 for the Department’s **proprietary fund as a whole (represented by the North Carolina Turnpike Authority Fund)**.

“C” Exhibits present the Statement of Fiduciary Net Position as of June 30, 2025, and the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2025 for the

An Overview of How to Use this Report

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

"D" Exhibits present the Statement of Net Position as of June 30, 2025, the Statement of Changes in Revenues, Expenses, and Change in Net Position for the fiscal year ended June 30, 2025, and the Statement of Cash Flows for the fiscal year ended June 30, 2025 for the two **component units (North Carolina State Ports Authority and North Carolina Global TransPark Authority)**.

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

Required Supplementary Information:

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

Other Supplementary Information:

"F" Schedules present schedules of expenditures by division for the fiscal year ended June 30, 2025, for the Department's governmental funds.

"G" Schedules present schedules of expenditures by purpose for the fiscal year ended June 30, 2025, for the Department's governmental funds.

"H" Schedules present schedules of project expenditures by each of the Highway Division Offices for the fiscal year ended June 30, 2025, for the Department's governmental funds.

Required Information:

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



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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.

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Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

Daniel Johnson, Secretary
North Carolina Department of Transportation
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund, the major proprietary fund, the fiduciary fund, and the aggregate discretely presented component units of the North Carolina Department of Transportation (Department) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of each major governmental fund, the major proprietary fund, the fiduciary fund, and the aggregate discretely presented component units of the North Carolina Department of Transportation as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

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

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

Basis for Opinions

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Carolina Department of Transportation are intended to present the financial position, changes in financial position, and, where applicable, cash flows that are only attributable to the transactions of the North Carolina Department of Transportation. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

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

Supplementary Information

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

The accompanying supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Dave Boliek
State Auditor

Raleigh, North Carolina

June 26, 2026



Management's Discussion and Analysis

Introduction

The Management’s Discussion and Analysis section of the North Carolina Department of Transportation’s (Department) financial report is provided as an overview of the financial performance of the governmental funds and the proprietary fund for the fiscal year ended June 30, 2025, with comparative information for the fiscal year ended June 30, 2024. This discussion and analysis should be read in conjunction with the financial statements and related notes which follow this section.

Financial Highlights

Governmental Funds Financial Statements

- The fund balance of the Highway Fund increased \$11.23 million or 1% from June 30, 2024 to 2025.
- The fund balance of the Highway Trust Fund increased \$503.98 million or 60% from June 30, 2024 to 2025.

Proprietary Fund Financial Statements

- The net position of the North Carolina Turnpike Authority increased \$137.10 million or 23% from June 30, 2024 to 2025.
- Prior year net position was restated for accounting principle changes in relation to the implementation of *GASB Statement No. 101, Compensated absences*. This restatement is not reflected in the Condensed Statement of Net Position based on *GASB Statement No. 100, Accounting Changes and Error Corrections* guidance. See Note 21 for further details.

Overview of the Financial Statements

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

Highway Fund and Highway Trust Fund:

- The Balance Sheets present the governmental fund assets, deferred outflows, deferred inflows, and liabilities that are considered relevant to an assessment of near-term

liquidity. The difference between assets/deferred outflows and liabilities/deferred inflows is reported as fund balance.

- The Statements of Revenues, Expenditures, and Changes in Fund Balances report the resource flow (revenues and expenditures) of the governmental funds.

North Carolina Turnpike Authority Fund:

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

Vehicle Property Tax Collection Fund:

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

Discretely Presented Component Units:

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

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

Required Supplementary Information (RSI) follows the basic financial statements and notes to the financial statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes disclosures related to pensions and other postemployment benefits (OPEB) pursuant to GASB Statement 68 and 75 for the North Carolina Turnpike Authority. The RSI related to the two discretely presented component units is disclosed in their separately issued financial statements. A budget-actual report is not presented in these statements as the Department does not have annual appropriated budgets and utilizes multi-year encumbrance accounting for projects. Appropriations and revenue collections in a given year are related to multi-year projects and expenditures are incurred over the life of the projects. An annual budget-actual report would not accurately reflect the Department's position. Management's Discussion and Analysis concentrates on the Department's governmental funds and the proprietary fund.

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

Governmental Funds

Condensed Balance Sheets

The following condensed balance sheet shows the Highway Fund’s financial position on June 30, 2025 and 2024:

	Highway Fund		
	2025	2024	Change
Assets	\$ 2,686,398,136	\$ 2,703,104,262	\$ (16,706,126)
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 2,686,398,136</u>	<u>\$ 2,703,104,262</u>	<u>\$ (16,706,126)</u>
Liabilities	\$ 1,436,625,003	\$ 1,463,115,702	\$ (26,490,699)
Deferred Inflows of Resources	69,282,301	70,725,608	(1,443,307)
Fund Balances			
Nonspendable	117,432,120	113,662,946	3,769,174
Restricted	305,210,101	3,578,403	301,631,698
Committed	757,848,611	1,052,021,603	(294,172,992)
Total Fund Balances	<u>1,180,490,832</u>	<u>1,169,262,952</u>	<u>11,227,880</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,686,398,136</u>	<u>\$ 2,703,104,262</u>	<u>\$ (16,706,126)</u>

Total assets for the Highway Fund decreased by \$16.71 million or 1 % from June 30, 2024 to 2025, primarily due to a decrease in pooled cash of \$353.34 million, which was offset by an increase in restricted investments of \$301.47 million. The decrease in pooled cash is the result of continued spending on Hurricane Helene recovery. The increase in restricted investments is due to the issuance of \$441.52 million of Series 2025 Grant Anticipation Revenue Vehicle (GARVEE) and refunding bonds.

As with assets, a combination of circumstances contributed to the change in liabilities in the Highway Fund. Overall, liabilities decreased by \$26.49 million or 2% primarily due to a decrease in obligations under securities lending of \$127.59 million, offset by an increase in accounts payable of \$110.07 million. The decrease in obligations under securities lending is attributable to year-over-year fluctuations in the amount of funds the Department deposits into the State Treasurer’s STIF, as well as changes in market conditions affecting investment activity. The increase in accounts payable is mainly due to continued expenditures for Hurricane Helene recovery that have been incurred but not paid out at year end.

Fund balance for the Highway Fund increased 1% to \$1.18 billion at June 30, 2025. The increase in fund balance was the result of the issuance in GARVEE and refunding bonds offset by increased expenditures related to the recovery of Hurricane Helene.

Management's Discussion and Analysis

The following condensed balance sheet shows the Highway Trust Fund's financial position on June 30, 2025 and 2024:

	Highway Trust Fund		
	2025	2024	Change
Assets	\$ 1,517,105,688	\$ 1,057,489,733	\$ 459,615,955
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,517,105,688</u>	<u>\$ 1,057,489,733</u>	<u>\$ 459,615,955</u>
Liabilities	\$ 168,662,834	\$ 213,026,679	\$ (44,363,845)
Deferred Inflows of Resources	-	-	-
Fund Balances			
Restricted	382,295,816	146,822,765	235,473,051
Committed	966,147,038	697,640,289	268,506,749
Total Fund Balances	<u>1,348,442,854</u>	<u>844,463,054</u>	<u>503,979,800</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,517,105,688</u>	<u>\$ 1,057,489,733</u>	<u>\$ 459,615,955</u>

Total assets for the Highway Trust Fund increased by \$459.62 million or 43%, primarily because of an increase in pooled cash of \$258.94 million and an increase in restricted investments of \$235.47 million. The increase in pooled cash is the result of strong revenue growth from tax revenue increasing by \$231.93 million plus a reduction in expenditures for the Strategic Transportation Improvement Program (STIP). The increase in restricted investments is due to the issuance of \$300 million of limited obligation Build NC Bonds.

Liabilities for the Highway Trust Fund decreased by \$44.36 million or 21%, primarily due to reduction in the obligations in securities lending collateral by \$46.63 million due to year-over-year fluctuations in the amount of funds the Department deposits into the State Treasurer's STIF, as well as changes in market conditions affecting investment activity. In addition, unearned revenue increased by \$18.92 million due to increased activity for municipal agreements.

Fund balance for the Highway Trust Fund increased \$503.98 million or 60% from June 30, 2024 to 2025 as result of the issuance in Build NC bonds, increased tax revenues and decreased expenditures for the STIP.

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

The following condensed statements show the Highway Fund's resource flows at June 30, 2025 and 2024:

	Highway Fund		
	2025	2024	Change
Revenues:			
Taxes	\$ 2,174,738,118	\$ 2,073,767,206	\$ 100,970,912
Federal Funds	1,818,887,182	1,459,675,703	359,211,479
Fees, Licenses, and Fines	1,183,810,383	985,552,760	198,257,623
Other	651,808,007	766,826,550	(115,018,543)
Total Revenues	5,829,243,690	5,285,822,219	543,421,471
Expenditures:			
Salaries and Benefits	917,054,883	822,660,164	94,394,719
Contracted Personal Services	218,488,262	226,267,506	(7,779,244)
Supplies and Materials	376,148,644	190,242,016	185,906,628
Debt Service	331,997,263	141,556,472	190,440,791
Capital Outlay	3,745,071,898	2,951,083,275	793,988,623
Grants, State Aid, and Subsidies	655,589,942	898,812,364	(243,222,422)
Other Expenditures	169,231,042	141,706,701	27,524,341
Expenditures to Other State Agencies	55,890,206	54,914,839	975,367
Expenditures to Component Units	133,747,561	72,978,105	60,769,456
Total Expenditures	6,603,219,701	5,500,221,442	1,102,998,259
Excess Revenues Under Expenditures	(773,976,011)	(214,399,223)	(559,576,788)
Other Financing Sources (Uses)			
GARVEE Bonds Issued	275,750,000	-	275,750,000
Proceeds of Refunding Debt	165,765,000	-	165,765,000
Other Debt Issued	43,190,806	47,517,852	(4,327,046)
Premiums on Debt Issued	27,124,120	-	27,124,120
Sale of Capital Assets	8,536,975	5,580,886	2,956,089
Insurance Recoveries	17,448,732	14,780,917	2,667,815
Transfers In	237,899,125	131,209,138	106,689,987
Transfers From Turnpike Authority	9,489,133	-	9,489,133
Transfers to Turnpike Authority	-	(12,381,896)	12,381,896
Total Other Financing Sources	785,203,891	186,706,897	598,496,994
Net Change in Fund Balances	11,227,880	(27,692,326)	38,920,206
Fund Balances July 1	1,169,262,952	1,196,955,278	(27,692,326)
Fund Balances June 30	\$ 1,180,490,832	\$ 1,169,262,952	\$ 11,227,880

Highway Fund revenues increased by 10% to \$5.83 billion and are primarily due to increases in federal funds and fees, licenses, and fines. Federal funds increased by \$359.21 million due to increased federal reimbursement of Hurricane Helene related expenditures, specifically from the Federal Highway Administration (FHWA) and Federal Emergency Management Agency (FEMA) funds. Fees, licenses, and fees increased by \$198.26 million due to increased collection of fees from the Division of Motor Vehicles (DMV) primarily due to the quadrennial adjustment of fee amounts beginning on July 1, 2024 per North Carolina General Statute (NCGS) 20-4.02.

Management's Discussion and Analysis

Highway Fund expenditures increased by 20% to \$6.6 billion primarily due to increased costs for capital outlay, supplies and materials, and increased debt service expenditures. Capital outlay and supplies and materials expenditures increased by \$793.99 million and \$185.91 million, respectively. These increases are primarily related to Hurricane Helene, as expenditures related to Hurricane Helene exceeded \$900 million in fiscal year 2025. Additionally, debt services expenditures increased by \$190.44 million, due to the payment for the refunding of the 2015 GARVEE debt.

Other financing sources for the Highway Fund increased by \$598.5 million or 321% primarily due to the issuance of \$441.52 million of Series 2025 GARVEE and refunding bonds and the related premium on debt issued increase of \$27.12 million.

The following condensed statements show the Highway Trust Fund's resource flows at June 30, 2025 and 2024:

	Highway Trust Fund		
	2025	2024	Change
Revenues:			
Taxes	\$ 2,250,970,951	\$ 2,019,036,890	\$ 231,934,061
Fees, Licenses, and Fines	175,384,295	147,073,101	28,311,194
Other	72,072,587	54,819,753	17,252,834
Total Revenues	2,498,427,833	2,220,929,744	277,498,089
Expenditures:			
Salaries and Benefits	94,265,064	89,437,292	4,827,772
Contracted Personal Services	4,430,865	3,104,876	1,325,989
Supplies and Materials	5,338,576	3,869,759	1,468,817
Debt Service	122,319,852	121,507,497	812,355
Capital Outlay	1,704,451,371	1,860,544,256	(156,092,885)
Grants, State Aid, and Subsidies	19,587,897	13,214,643	6,373,254
Other Expenditures	27,144,314	60,963,467	(33,819,153)
Expenditures to Other State Agencies	408,357	906,120	(497,763)
Expenditures to Component Units	45,000,000	45,000,000	-
Total Expenditures	2,022,946,296	2,198,547,910	(175,601,614)
Excess Revenues Over Expenditures	475,481,537	22,381,834	453,099,703
Other Financing Sources (Uses)			
Special Indebtedness Bonds Issues	300,000,000	-	300,000,000
Premiums on Debt Issued	23,949,681	-	23,949,681
Sale of Capital Assets	144,701	839,358	(694,657)
Transfer Out	(237,899,125)	(131,209,138)	(106,689,987)
Transfers to Turnpike Authority	(57,696,994)	(122,719,442)	65,022,448
Total Other Financing Sources (Uses)	28,498,263	(253,089,222)	281,587,485
Net Change in Fund Balances	503,979,800	(230,707,388)	734,687,188
Fund Balances July 1	844,463,054	1,075,170,442	(230,707,388)
Fund Balances June 30	\$ 1,348,442,854	\$ 844,463,054	\$ 503,979,800

Highway Trust Fund revenues increased by 12% to \$2.50 billion for fiscal year 2025 primarily due to an increase of \$231.93 million in taxes along with other smaller factors. Sales and use tax increased by 55% or \$175.90 million due to Session Law 2022-74, Section 42.3.(a), which established a transfer of a percentage of sales and use tax to the Highway Trust Fund; the percentage transferred increased from 3.0% for fiscal year 2024 to 4.5% for fiscal year 2025 and thereafter. Additionally, highway use

taxes increased 4% or \$45.64 million, due to the continued increase in the number of transactions to title a motor vehicle. This was driven by increased vehicle purchases as a result of new residents moving to North Carolina who must title a vehicle in the State before registering the vehicle.

Expenditures for the Highway Trust Fund decreased by 8% to \$2.02 billion for fiscal year 2025 primarily due to a reduction in capital outlay expenditures for the STIP, including a reduction in land acquisitions and easements.

Other financing sources and uses increased significantly by \$281.59 million or 111%, primarily due to the issuance of \$300 million of limited obligation (Build NC) bonds and the related premium on debt issued increase of \$23.95 million.

Future Outlook

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

In September 2024, Hurricane Helene caused high winds and severe flooding in western North Carolina, resulting in loss of life and extensive damage to property throughout the region. More than 40% of the State's population live in one of the 39 counties declared official federal disaster assistance counties because of Hurricane Helene. The Department has identified approximately 9,400 sites where roads and bridges were damaged by Hurricane Helene. In its December 2024 report, the Office of State Budget and Management estimated the damage to transportation infrastructure at approximately \$10.3 billion. Of this total need, the Office of State Budget and Management projected the Department's highway and bridge system to require \$6 billion in repairs and replacements. In reaching this total cost estimate, the Office of State Budget and Management applied a cost inflation factor of 20% to the Department's initial appraisals to reflect prior experience of construction costs relative to estimates following major disasters. The Department expects federal funding to cover a significant majority of repair costs and estimates its share of the total cost to be \$991 million (the "Forecasted State Share") per the March 2026 Hurricane Helene Recovery Forecast. Changes in federal funding and net reimbursement rates, price changes related to tariffs, rates of inflation and/or contracts being awarded above or below project estimates could result in the Forecasted State Share being higher or lower. NC Session Law 2025-26 repurposed existing funds totaling \$164.2 million for the 2025-2026 fiscal year and directed the Department to use all future Credit Balance Funds for activities related to recovery from Hurricane Helene until recovery is completed. Absent a special appropriation of funds from the State and/or increased federal money, program cuts will be needed. It is expected that most of these cuts will come from maintenance programs.

A vast majority of the federal money will be received as reimbursement after the Department has incurred the cost. Once major repair and replacement projects are underway, the Department may require cash flow support while awaiting federal reimbursements, particularly if there are significant changes to start dates and/or duration for repair projects or the reimbursement timeline is longer

than the current forecast. Although the Highway Fund is the source of funds, the Highway Trust Fund has in the past, and could in the future make loans to the Highway Fund.

While federal funds are expected to be received from FHWA and FEMA, there is no guarantee that the federal government will provide the level of funding currently expected.

As of June 30, 2025, expenditures related to Hurricane Helene totaled \$909.2 million. Through the same date, the Department received federal funds related to the Hurricane Helene recovery of approximately \$182.1 million.

Proprietary Funds

Condensed Statement of Net Position

The following condensed balance sheet shows the NCTA's financial position as of June 30, 2025 and 2024:

North Carolina Turnpike Authority			
	2025	2024	Change
Current Assets	\$ 98,724,752	\$ 97,509,569	\$ 1,215,183
Restricted Assets	632,605,176	657,966,707	(25,361,531)
Other Noncurrent Assets	8,561,367	8,632,188	(70,821)
Capital Assets, Net of Depreciation	<u>3,246,998,028</u>	<u>3,054,702,659</u>	<u>192,295,369</u>
Total Assets	<u>3,986,889,323</u>	<u>3,818,811,123</u>	<u>168,078,200</u>
Deferred Outflows of Resources	<u>22,064,119</u>	<u>24,208,027</u>	<u>(2,143,908)</u>
Current Liabilities	308,474,685	235,458,486	73,016,199
Noncurrent Liabilities	<u>2,942,478,731</u>	<u>2,984,140,855</u>	<u>(41,662,124)</u>
Total Liabilities	<u>3,250,953,416</u>	<u>3,219,599,341</u>	<u>31,354,075</u>
Deferred Inflows of Resources	<u>32,623,676</u>	<u>35,119,358</u>	<u>(2,495,682)</u>
Net Investment in Capital Assets	928,142,590	746,189,608	181,952,982
Restricted for Debt Service	199,232,676	131,152,130	68,080,546
Restricted for Transportation	82,259,096	45,898,985	36,360,111
Unrestricted	<u>(484,258,012)</u>	<u>(334,940,272)</u>	<u>(149,317,740)</u>
Total Net Position	<u>\$ 725,376,350</u>	<u>\$ 588,300,451</u>	<u>\$ 137,075,899</u>

Restricted assets decreased in fiscal year 2025 primarily due to a decrease in restricted investments of \$63.0 million due to the use of bond proceeds in construction projects with no new debt issued in fiscal year 2025. Alternatively, restricted pooled cash increased by \$37.6 million due to increased usage of toll roads and a substantial increase in interest rates.

Capital assets increased by \$192.3 million in fiscal year 2025 primarily due to an increase of \$153.5 million in construction in progress and an increase in \$72.4 million in land both related to the Complete 540 project.

Current liabilities increased \$73.0 million in fiscal year 2025 primarily due to an increase in due to other funds for \$61.2 million, related to increased civil penalties from increased toll activities.

Noncurrent liabilities decreased \$41.7 million in fiscal year 2025 primarily due to decreases in bonds payable, related to principal payments on bonds payable for \$41.8 million and amortization of bonds payable premium for \$10.2 million.

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

The following condensed statement for the NCTA provides answers to the nature and source of changes in net position for the years ended June 30, 2025 and 2024:

	North Carolina Turnpike Authority		
	2025	2024	Change
Operating Revenues			
Charges for Services	\$ 139,652,683	\$ 111,481,581	\$ 28,171,102
Other Operating Revenues	38,380,300	17,683,724	20,696,576
Total Operating Revenues	<u>178,032,983</u>	<u>129,165,305</u>	<u>48,867,678</u>
Operating Expenses			
Personnel Services	5,243,531	4,713,513	530,018
Supplies and Materials	320,498	195,434	125,064
Contracted Personnel Services	13,419,308	12,967,625	451,683
Travel	68,208	81,992	(13,784)
Advertising	878,605	583,849	294,756
Utilities	451,896	358,126	93,770
Dues and Subscription Fees	49,496	51,003	(1,507)
Other Services	25,855,070	20,202,517	5,652,553
Costs of Goods Sold	739,098	1,238,743	(499,645)
Capital Outlay	26,901,766	34,082,428	(7,180,662)
Rental Expense	142,017	195,405	(53,388)
Depreciation	33,636,749	29,686,821	3,949,928
Total Operating Expenses	<u>107,706,242</u>	<u>104,357,456</u>	<u>3,348,786</u>
Operating Income	<u>70,326,741</u>	<u>24,807,849</u>	<u>45,518,892</u>
Nonoperating Revenue (Expenses) and Capital Grants	66,770,582	238,055,711	(171,285,129)
Change in Net Position	137,097,323	262,863,560	(125,766,237)
Net Position Beginning, July 1	588,300,451	325,436,891	262,863,560
Restatement	<u>(21,424)</u>	<u>-</u>	<u>(21,424)</u>
Net Position Ending, June 30	<u>\$ 725,376,350</u>	<u>\$ 588,300,451</u>	<u>\$ 137,075,899</u>

Operating revenues increased \$48.9 million in fiscal year 2025 primarily due to a \$28.2 million increase in toll revenues and a \$20.7 million increase in miscellaneous revenue related to increased tolls and fees for the I-77 Express Lanes North.

Nonoperating revenues (expenses) and capital grants decreased due to decreases in FHWA funding and transfers in. Capital grants decreased in fiscal year 2025 primarily due to a decrease of \$85.5 million FHWA funding due to the completion of C540 Phase 1. Transfers in include funds received from the Department for gap funding of debt service and funds for the FHWA State match. The amount received decreased by \$86.9 million primarily due to a decrease in project participation funds from the Department.

Future Outlook

NCTA, with its years of planning and deploying a cloud-based Back-office system (BOS), is now positioned to start implementing the vision of developing a toll-collection system platform. NCTA will adopt a modern API/Service Implementation, management, and integration approach using the Open API specification and microservices architecture to expose services to all integration points. The toll collection platform will leverage a gateway and API management solution to build and manage APIs and services. The implementation phase will require an iterative system development lifecycle with tools that support continuous integration and continuous deployment (CI/CD) with automated functional tests.

NCTA will continue to expand its retail transponder sale program and add License Plate Agency (LPA) locations closest to the new toll roads. Through these partnerships and using data analytics/dashboards, NCTA will continue to provide outstanding customer service and more convenient payment options to NC Quick Pass customers while increasing NCTA's toll collection efficiency.

In late 2025 and into 2026 NCTA with its partners Volvo USA, Mastercard, Red Hat and Microsoft will launch an In-Vehicle Payment pilot program, the first of its kind. The pilot will enable enrolled Volvo car owners to link their car's vehicle identification number to a payment method, allowing automatic payments to be processed as soon as the customer's car drives through a tolled section of roadway. This technology can be expanded to other vehicle original equipment manufacturers and other tolling agencies in the future. In-vehicle payment has the potential to change the way we experience several industries, such as fast food, car washes and parking. Together, Volvo Car USA, Mastercard and the NCTA are innovating the way drivers interact with vehicles and payment systems.



Financial Statements

**North Carolina Department of Transportation
Balance Sheet
Governmental Funds
June 30, 2025**

Exhibit A-1

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash, Cash Equivalents, and Pooled Cash (Note 2):			
Cash and Cash Equivalents	\$ 45,597,941	\$ -	\$ 45,597,941
Pooled Cash	1,696,350,870	1,001,389,289	2,697,740,159
Restricted Investments (Note 3)	301,565,653	382,295,816	683,861,469
Securities Lending Collateral	34,572,731	25,748,818	60,321,549
Receivables:			
Fuel Tax Receivable, Net (Note 4)	203,261,680	63,896,196	267,157,876
Accounts Receivable	41,269,240	9,023	41,278,263
Intergovernmental Receivables (Note 5)	114,196,398	3,957,849	118,154,247
Other Receivables	7,514,296	-	7,514,296
Inventories (Note 6)	117,432,120	-	117,432,120
Advances to Component Units (Note 15)	1,190,615	-	1,190,615
Notes Receivable	115,596	-	115,596
Securities Held in Trust (Sureties)	838,956	-	838,956
Due from Turnpike Authority	108,682,679	-	108,682,679
Due from General Fund	13,809,361	4,602,164	18,411,525
Advances to Turnpike Authority (Note 15)	-	35,206,533	35,206,533
	<u>2,686,398,136</u>	<u>1,517,105,688</u>	<u>4,203,503,824</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources	-	-	-
	<u>\$ 2,686,398,136</u>	<u>\$ 1,517,105,688</u>	<u>\$ 4,203,503,824</u>
Total Assets and Deferred Outflows of Resources			
LIABILITIES			
Accounts Payable and Accrued Liabilities:			
Accounts Payable (Note 9)	\$ 514,823,047	\$ 118,814,834	\$ 633,637,881
Accrued Payroll	17,145,045	-	17,145,045
Intergovernmental Payables (Note 5)	194,672,554	-	194,672,554
Obligations Under Securities Lending	34,572,731	25,748,818	60,321,549
Due to Component Units	1,378,492	-	1,378,492
Due to Internal Service Funds	5,816,228	-	5,816,228
Due to General Fund	9,588,843	-	9,588,843
Unearned Revenue	627,693,890	24,099,182	651,793,072
Funds Held for Others (Note 10)	30,934,173	-	30,934,173
	<u>1,436,625,003</u>	<u>168,662,834</u>	<u>1,605,287,837</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	3,506,440	-	3,506,440
PPP Arrangements (Note 8)	65,775,861	-	65,775,861
	<u>69,282,301</u>	<u>-</u>	<u>69,282,301</u>
Total Deferred Inflows of Resources			
Fund Balances (Note 13)			
Nonspendable	117,432,120	-	117,432,120
Restricted	305,210,101	382,295,816	687,505,917
Committed	757,848,611	966,147,038	1,723,995,649
	<u>1,180,490,832</u>	<u>1,348,442,854</u>	<u>2,528,933,686</u>
Total Fund Balances			
	<u>\$ 2,686,398,136</u>	<u>\$ 1,517,105,688</u>	<u>\$ 4,203,503,824</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances			

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

**North Carolina Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025**

Exhibit A-2

	Highway Fund	Highway Trust Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 2,174,738,118	\$ 2,250,970,951	\$ 4,425,709,069
Federal Funds	1,818,887,182	-	1,818,887,182
Local Funds	17,968,315	14,605,979	32,574,294
Contributions, Gifts, and Grants	4,315,392	4,667,179	8,982,571
Sales and Services	10,943,618	-	10,943,618
Fees, Licenses, and Fines	1,183,810,383	175,384,295	1,359,194,678
Rental and Lease Property	3,654,564	757,293	4,411,857
Investment Earnings	81,373,683	45,142,681	126,516,364
Interest Earnings on Loans	-	1,334,207	1,334,207
Revenues from Other State Agencies (Note 14)	505,486,796	-	505,486,796
Miscellaneous Revenue	28,065,639	5,565,248	33,630,887
Total Revenues	5,829,243,690	2,498,427,833	8,327,671,523
EXPENDITURES			
Salaries and Benefits	917,054,883	94,265,064	1,011,319,947
Contracted Personal Services	218,488,262	4,430,865	222,919,127
Supplies and Materials	376,148,644	5,338,576	381,487,220
Purchases for Resale	6,188,035	-	6,188,035
Travel	12,713,386	289,430	13,002,816
Communication	14,514,492	4,890	14,519,382
Utilities	17,662,129	1,498,699	19,160,828
Data Processing Services	41,565,673	592,428	42,158,101
Other Services	31,773,868	539,229	32,313,097
Claims and Benefits	1,292,322	-	1,292,322
Debt Service:			
Principal Retirement	281,684,926	72,930,000	354,614,926
Interest and Fees	50,161,559	49,015,736	99,177,295
Debt Issuance Costs	150,778	374,116	524,894
Other Fixed Charges	9,865,103	683,570	10,548,673
Capital Outlay	3,745,071,898	1,704,451,371	5,449,523,269
Grants, State Aid, and Subsidies	655,589,942	19,587,897	675,177,839
Scholarships	70,300	-	70,300
Insurance and Bonding	8,055,949	-	8,055,949
Other Expenditures	25,529,785	23,536,068	49,065,853
Expenditures to Other State Agencies (Note 14)	55,890,206	408,357	56,298,563
Expenditures to Component Units	133,747,561	45,000,000	178,747,561
Total Expenditures	6,603,219,701	2,022,946,296	8,626,165,997
Excess Revenues Over (Under) Expenditures	(773,976,011)	475,481,537	(298,494,474)
OTHER FINANCING SOURCES (USES)			
Special Indebtedness Issued	-	300,000,000	300,000,000
GARVEE Bonds Issued	275,750,000	-	275,750,000
Other Debt Issued	43,190,806	-	43,190,806
Proceeds of Refunding Debt	165,765,000	-	165,765,000
Premiums on Debt Issued	27,124,120	23,949,681	51,073,801
Sale of Capital Assets	8,536,975	144,701	8,681,676
Insurance Recoveries	17,448,732	-	17,448,732
Transfers In (Note 15)	237,899,125	-	237,899,125
Transfers Out (Note 15)	-	(237,899,125)	(237,899,125)
Transfers from Turnpike Authority (Note 15)	9,489,133	-	9,489,133
Transfers to Turnpike Authority (Note 15)	-	(57,696,994)	(57,696,994)
Total Other Financing Sources	785,203,891	28,498,263	813,702,154
Net Change in Fund Balances	11,227,880	503,979,800	515,207,680
Fund Balances, July 1, 2024	1,169,262,952	844,463,054	2,013,726,006
Fund Balances, June 30, 2025	<u>\$ 1,180,490,832</u>	<u>\$ 1,348,442,854</u>	<u>\$ 2,528,933,686</u>

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

**North Carolina Department of Transportation
Statement of Net Position
Proprietary Fund - North Carolina Turnpike Authority
June 30, 2025**

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

ASSETS

Current Assets:

Securities Lending Collateral	\$ 5,405,391
Accounts Receivable (Net of \$91,731,920 of Allowance for Doubtful Accounts)	84,608,069
Inventory	692,545
Intergovernmental Receivables	7,677,085
Prepaid Expenses	341,662
	<hr/>
Total Current Assets	98,724,752
	<hr/>

Noncurrent Assets:

Restricted Assets:

Cash and Cash Equivalents	115,860,663
Investments (Note 3)	516,744,513
Prepaid Insurance Costs	8,557,759
Net OPEB Asset	3,608

Capital Assets, Nondepreciable (Note 7):

Land and Permanent Easements	709,367,801
Construction in Progress	473,533,267

Capital Assets, Depreciable, Net of Depreciation (Note 7):

Highway Network	2,064,096,960
	<hr/>

Total Capital Assets, Net of Depreciation	3,246,998,028
	<hr/>

Total Noncurrent Assets	3,888,164,571
	<hr/>

Total Assets	3,986,889,323
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pension (Note 16)	1,168,011
Deferred Outflows Related to Other Postemployment Benefits (Note 17)	1,911,555
Unamortized Bond Refunding Charges	18,984,553
	<hr/>
Total Deferred Outflows of Resources	22,064,119
	<hr/>

North Carolina Department of Transportation
Statement of Net Position
Proprietary Fund - North Carolina Turnpike Authority
June 30, 2025

Exhibit B-1
Page 2 of 2

LIABILITIES

Current Liabilities:

Accounts Payable	27,343,096
Accrued Interest Payable	52,296,368
Compensated Absences (Note 11)	59,473
Obligations Under Securities Lending	5,405,391
Due to the State (NCDOT)	153,779,389
Bonds Payable, Net (Note 11)	45,609,000
Notes from Direct Borrowings (Note 11)	1,078,361
Intergovernmental Payables	2,549,910
Funds Held for Others	20,353,697
Total Current Liabilities	308,474,685

Noncurrent Liabilities:

Bonds Payable, Net (Note 11)	2,111,929,274
Note from Direct Borrowings (Note 11)	663,956,233
Advances from Other Funds (Note 15)	35,206,533
Accrued Interest Payable	125,026,762
Compensated Absences (Note 11)	526,753
Net OPEB Liability (Note 11)	3,946,812
Net Pension Liability (Note 11)	1,886,364
Total Noncurrent Liabilities	2,942,478,731

Total Liabilities	3,250,953,416
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension (Note 16)	5,576
Deferred Inflows on Refunding	32,011,636
Deferred Inflows Related to Other Postemployment Benefits (Note 17)	606,464
Total Deferred Inflows of Resources	32,623,676

Net Position

Net Investment in Capital Assets	928,142,590
Restricted for Debt Service	199,232,676
Restricted for Transportation	82,259,096
Unrestricted	(484,258,012)
Total Net Position	\$ 725,376,350

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

**North Carolina Department of Transportation
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2025**

Exhibit B-2

OPERATING REVENUES

Charges for Services	\$ 139,652,683
Other Operating Revenues	38,380,300
	<hr/>
Total Operating Revenues	178,032,983
	<hr/>

OPERATING EXPENSES

Personal Services	5,243,531
Supplies and Materials	320,498
Contracted Personnel Services	13,419,308
Travel	68,208
Advertising	878,605
Utilities	451,896
Dues and Subscription Fees	49,496
Other Services	25,855,070
Costs of Goods Sold	739,098
Capital Outlay	26,901,766
Rental Expense	142,017
Depreciation (Note 7)	33,636,749
	<hr/>
Total Operating Expenses	107,706,242
	<hr/>
Operating Income	70,326,741
	<hr/>

NONOPERATING REVENUES (EXPENSES)

Investment Earnings	34,064,534
Federal Interest Subsidy on Debt	1,051,477
Interest and Fees	(99,900,542)
Transfer In (Note 15)	57,696,994
Transfer Out (Note 15)	(9,809,478)
Miscellaneous	162,267
	<hr/>
Net Nonoperating Expenses	(16,734,748)
	<hr/>
Income Before Transfers and Capital Grants	53,591,993
	<hr/>
Capital Grants	83,505,330
	<hr/>
Increase in Net Position	137,097,323

NET POSITION

Net Position - July 1, 2024, as Restated (Note 21)	588,279,027
	<hr/>
Net Position - June 30, 2025	\$ 725,376,350
	<hr/> <hr/>

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

**North Carolina Department of Transportation
Statement of Cash Flows
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2025**

Exhibit B-3

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 139,488,434
Payments to Employees and Fringe Benefits	(4,757,640)
Payments to Vendors and Suppliers	(9,320,721)
Other Receipts	37,881,441
Other Payments	(615,621)
	<hr/>
Net Cash Flows Provided by Operating Activities	162,675,893
	<hr/>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Advances from Other Funds	1,334,207
	<hr/>
Cash Flows Provided by Noncapital Financing Activities	1,334,207
	<hr/>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(240,496,526)
Transfers from Other Funds	57,696,994
Federal Interest Subsidy on Debt	1,051,477
Capital Grants	83,478,092
Principal Payments	(42,515,726)
Interest Payments	(72,405,945)
Bond Issuance Costs	(268,452)
Transfers to Other Funds	(9,809,478)
Insurance Recoveries	161,066
	<hr/>
Net Cash Flows Used by Capital Financing and Related Financing Activities	(223,108,498)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	634,200,131
Purchase of Investments	(566,034,246)
Investment Earnings	28,552,765
	<hr/>
Net Cash Flows Provided by Investing Activities	96,718,650
	<hr/>
Net Increase in Cash and Cash Equivalents	37,620,252
Cash and Cash Equivalents - July 1, 2024	78,240,411
	<hr/>
Cash and Cash Equivalents - June 30, 2025	\$ 115,860,663
	<hr/> <hr/>

**North Carolina Department of Transportation
Statement of Cash Flows
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2025**

Exhibit B-3

Page 2 of 2

**RECONCILIATION OF OPERATING INCOME TO
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 70,326,741
Adjustments to Reconcile Operating Income to Net Cash Flows Provided by Operating Activities:	
Depreciation Expense	33,636,749
Nonoperating Miscellaneous and Other Expense	(596,116)
Management Fees	(615,621)
Changes in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(4,303,799)
Intergovernmental Receivables	660,720
Inventories	761,745
Net OPEB Asset	(3,608)
Deferred Outflows for Pensions	276,484
Deferred Outflows for OPEB	(319,277)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(2,495,303)
Due to Other Funds	61,244,331
Funds Held for Others	3,336,877
Unearned Revenue	305,464
Compensated Absences	58,925
Net OPEB Liability	939,603
Deferred Inflows for OPEB	(337,516)
Net Pension Liability	(181,665)
Deferred Inflows for Pension	(18,841)
Net Cash Provided by Operating Activities	<u>\$ 162,675,893</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ (29,485,633)
Change in Net OPEB Liability related to Noncapital Contributions	(1,201)
Change in Construction in Progress as a Result of Accrual Liabilities	13,525,211
Change in Securities Lending Collateral	(2,035,050)
Increase in Receivables Related to Nonoperating Income	27,238
Assets Acquired Through Assumption of a Liability	2,758,354

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

North Carolina Department of Transportation
Statement of Fiduciary Net Position
Fiduciary Fund - Vehicle Property Tax Collection Fund
Custodial Fund
June 30, 2025

Exhibit C-1

ASSETS

Cash and Cash Equivalents (Note 2)	\$ 125,884,101
Securities Lending Collateral	<u>2,891,384</u>
Total Assets	<u>128,775,485</u>

LIABILITIES

Intergovernmental Payables	125,559,446
Obligations Under Security Lending	<u>2,891,384</u>
Total Liabilities	<u>128,450,830</u>

NET POSITION

Restricted for Local Governments	<u><u>\$ 324,655</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**North Carolina Department of Transportation
Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Vehicle Property Tax Collection Fund
Custodial Fund
For the Fiscal Year Ended June 30, 2025**

Exhibit C-2

ADDITIONS

Property Tax Collections for Local Governments	\$ 1,386,022,336
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DEDUCTIONS

Property Tax Payments to Local Governments	1,385,989,569
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Net Increase in Fiduciary Net Position	32,767
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NET POSITION

Net Position - July 1, 2024	291,888
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Net Position - June 30, 2025	\$ 324,655
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The accompanying notes to the financial statements are an integral part of this statement.

North Carolina Department of Transportation
Statement of Net Position
Component Units
June 30, 2025

Exhibit D-1

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,721,728	\$ 8,133,137	\$ 11,854,865
Restricted Cash and Cash Equivalents	-	14,366,939	14,366,939
Short-Term Investments	27,334,703	-	27,334,703
Receivables	12,468,885	586,940	13,055,825
Inventories	991,882	-	991,882
Leases Receivable	1,978,372	1,073,886	3,052,258
Prepaid Items	3,490,863	-	3,490,863
Total Current Assets	<u>49,986,433</u>	<u>24,160,902</u>	<u>74,147,335</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	24,981	98,744,410	98,769,391
Accounts Receivable	-	1,649,427	1,649,427
Restricted Due from Primary Government	124,716	-	124,716
Restricted Due from State of North Carolina Component Units	-	10,000,000	10,000,000
Investments	39,475,225	-	39,475,225
Leases Receivable	23,828,417	5,154,233	28,982,650
Net Other Postemployment Benefits Asset	30,924	1,373	32,297
Restricted Investments	43,901,000	-	43,901,000
Capital Assets - Nondepreciable (Note 7)	110,342,648	159,642,106	269,984,754
Capital Assets - Depreciable, Net (Note 7)	519,062,477	107,292,514	626,354,991
Total Noncurrent Assets	<u>736,790,388</u>	<u>382,484,063</u>	<u>1,119,274,451</u>
Total Assets	<u>786,776,821</u>	<u>406,644,965</u>	<u>1,193,421,786</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	8,333,841	647,748	8,981,589
Deferred Outflows Related to Other Postemployment Benefits	10,363,238	1,148,740	11,511,978
Total Deferred Outflows of Resources	<u>18,697,079</u>	<u>1,796,488</u>	<u>20,493,567</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	9,149,238	20,390,897	29,540,135
Due to Primary Government	-	67,663	67,663
Due to State of North Carolina Component Units	-	412,357	412,357
Unearned Revenue	425,827	76,908	502,735
Interest Payable	690,919	5,580	696,499
Long-Term Liabilities - Current Portion (Note 11)	6,675,770	2,802,704	9,478,474
Total Current Liabilities	<u>16,941,754</u>	<u>23,756,109</u>	<u>40,697,863</u>
Noncurrent Liabilities:			
Due to State of North Carolina Component Unit	-	1,649,427	1,649,427
Long-Term Liabilities, Net (Note 11)	113,703,117	180,802,351	294,505,468
Total Noncurrent Liabilities	<u>113,703,117</u>	<u>182,451,778</u>	<u>296,154,895</u>
Total Liabilities	<u>130,644,871</u>	<u>206,207,887</u>	<u>336,852,758</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Refunding	116,766	-	116,766
Deferred Inflows for Leases	25,806,789	6,228,119	32,034,908
Deferred Inflows Related to Pensions	46,651	2,208	48,859
Deferred Inflows Related to Other Postemployment Benefits	3,593,005	357,911	3,950,916
Total Deferred Inflows of Resources	<u>29,563,211</u>	<u>6,588,238</u>	<u>36,151,449</u>
NET POSITION			
Net Investment in Capital Assets	554,808,319	134,858,312	689,666,631
Restricted:			
Expendable:			
Capital Projects	44,025,716	53,227,303	97,253,019
Debt Service	-	1,000,000	1,000,000
Other	-	1,848	1,848
Total Restricted-Expendable Net Position	<u>44,025,716</u>	<u>54,229,151</u>	<u>98,254,867</u>
Unrestricted	<u>46,431,793</u>	<u>6,557,865</u>	<u>52,989,658</u>
Total Net Position	<u>\$ 645,265,828</u>	<u>\$ 195,645,328</u>	<u>\$ 840,911,156</u>

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

North Carolina Department of Transportation
Statement of Revenues, Expenses, and Changes in Net Position
Component Units
For the Fiscal Year Ended June 30, 2025

Exhibit D-2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
OPERATING REVENUES			
Sales and Services	\$ 67,306,787	\$ 864,343	\$ 68,171,130
Lease Contracts	-	340,925	340,925
Lease Income	4,731,942	2,401,920	7,133,862
Total Operating Revenues	<u>72,038,729</u>	<u>3,607,188</u>	<u>75,645,917</u>
OPERATING EXPENSES			
Salaries and Benefits	30,309,591	2,432,450	32,742,041
Supplies and Services	3,438,949	1,723,944	5,162,893
Services	19,179,901	-	19,179,901
Insurance and Bonding	3,442,417	-	3,442,417
Utilities	-	203,100	203,100
Capital Asset Impairment Loss	132,161	-	132,161
Depreciation/Amortization	21,667,107	7,805,594	29,472,701
Other Operating Expenses	202,792	-	202,792
Total Operating Expenses	<u>78,372,918</u>	<u>12,165,088</u>	<u>90,538,006</u>
Operating Loss	<u>(6,334,189)</u>	<u>(8,557,900)</u>	<u>(14,892,089)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income (Net of \$ 159,104 of Investment Expense for Ports)	5,156,904	3,792,976	8,949,880
Interest and Fees on Debt	(2,129,837)	(85,217)	(2,215,054)
Interest Earned on Leases	827,378	427,828	1,255,206
Grants, Aid, and Subsidies	-	(6,379,589)	(6,379,589)
State Operating Aid	-	862,833	862,833
Noncapital Contributions	8,259	6,244,117	6,252,376
Other Nonoperating Expenses	(44,641)	-	(44,641)
Net Nonoperating Revenues	<u>3,818,063</u>	<u>4,862,948</u>	<u>8,681,011</u>
Loss Before Other Revenues	<u>(2,516,126)</u>	<u>(3,694,952)</u>	<u>(6,211,078)</u>
State Capital Appropriations	45,000,000	-	45,000,000
Capital Contributions	8,698,777	18,841,828	27,540,605
Total Other Revenues	<u>53,698,777</u>	<u>18,841,828</u>	<u>72,540,605</u>
Increase in Net Position	51,182,651	15,146,876	66,329,527
NET POSITION			
Net Position - July 1, 2024, as Restated	<u>594,083,177</u>	<u>180,498,452</u>	<u>774,581,629</u>
Net Position - June 30, 2025	<u>\$ 645,265,828</u>	<u>\$ 195,645,328</u>	<u>\$ 840,911,156</u>

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

North Carolina Department of Transportation
Statement of Cash Flows
Component Units
For the Fiscal Year Ended June 30, 2025

Exhibit D-3
Page 1 of 2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from Customers	\$ 70,415,384	\$ 4,087,645	\$ 74,503,029
Payments to Employees and Fringe Benefits	(28,301,087)	(2,210,536)	(30,511,623)
Payments to Vendors and Suppliers	(24,336,756)	(4,778,603)	(29,115,359)
Other Receipts	14,744	-	14,744
Net Cash Provided (Used) by Operating Activities	<u>17,792,285</u>	<u>(2,901,494)</u>	<u>14,890,791</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Operating Aid	-	862,833	862,833
Noncapital Contributions	-	6,243,642	6,243,642
Grants, Aids, and Subsidies	-	(6,379,589)	(6,379,589)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>726,886</u>	<u>726,886</u>
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES			
Capital Appropriations	45,000,000	-	45,000,000
Capital Contributions	8,610,906	8,841,828	17,452,734
Proceeds from Sale of Capital Assets	40,026	-	40,026
Interest Earned on Leases	827,378	427,828	1,255,206
Proceeds from SCIF Advance	-	132,884,728	132,884,728
Acquisition and Construction of Capital Assets	(67,009,617)	(105,066,550)	(172,076,167)
Principal Paid on Capital Debt and Subscription Liabilities	(6,431,147)	(806,928)	(7,238,075)
Interest and Fees Paid on Capital Debt and Subscription Liabilities	(2,224,919)	(132,659)	(2,357,578)
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	<u>(21,187,373)</u>	<u>36,148,247</u>	<u>14,960,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales and Maturities of Investments	22,425,466	-	22,425,466
Investment Income	5,302,690	3,792,976	9,095,666
Purchase of Investments and Related Fees	(25,229,018)	-	(25,229,018)
Net Cash Provided by Investing Activities	<u>2,499,138</u>	<u>3,792,976</u>	<u>6,292,114</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(895,950)	37,766,615	36,870,665
Cash and Cash Equivalents - July 1, 2024	4,642,659	83,477,871	88,120,530
Cash and Cash Equivalents - June 30, 2025	<u>\$ 3,746,709</u>	<u>\$ 121,244,486</u>	<u>\$ 124,991,195</u>

North Carolina Department of Transportation
Statement of Cash Flows
Component Units
For the Fiscal Year Ended June 30, 2025

Exhibit D-3
Page 2 of 2

	North Carolina State Ports Authority	North Carolina Global TransPark Authority	Total Component Units
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (6,334,189)	\$ (8,557,900)	\$ (14,892,089)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation/Amortization Expense	21,667,107	7,805,594	29,472,701
Capital Asset Impairment	132,161	-	132,161
Other Nonoperating Income	14,744	-	14,744
Changes in Assets and Deferred Outflows of Resources:			
Receivables	(1,652,305)	668,593	(983,712)
Prepaid Items	(1,962,562)	-	(1,962,562)
Inventories	(304,959)	-	(304,959)
Net Other Postemployment Benefits Asset	(30,924)	(1,373)	(32,297)
Deferred Outflows Related to Pensions	2,417,910	(60,525)	2,357,385
Deferred Outflows Related to Other Postemployment Benefits	(4,059,238)	(463,658)	(4,522,896)
Changes in Liabilities and Deferred Inflows of Resources:			
Accounts Payable and Accrued Liabilities	5,113,637	(555,244)	4,558,393
Due to Primary Government	(1,016,108)	(1,883,904)	(2,900,012)
Due to State of North Carolina Component Units	-	(412,357)	(412,357)
Unearned Revenue	28,960	(188,136)	(159,176)
Workers' Compensation Liability	(191,166)	-	(191,166)
Net Pension Liability	(613,984)	168,243	(445,741)
Net Other Postemployment Benefits Liability	6,568,371	717,988	7,286,359
Compensated Absences	23,465	(36,667)	(13,202)
Deferred Inflows Related to Pensions	(74,357)	(2,062)	(76,419)
Deferred Inflows Related to Other Postemployment Benefits	(1,934,278)	(100,086)	(2,034,364)
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,792,285</u>	<u>\$ (2,901,494)</u>	<u>\$ 14,890,791</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Assets Acquired through the Assumption of a Liability	\$ 1,343,312	\$ 13,428,597	\$ 14,771,909
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(8,259)	(475)	(8,734)
Change in Fair Value of Investments	(121,239)	-	(121,239)
Loss on Disposal of Capital Asset	(67,392)	-	(67,392)
Increase in Receivables Related to Nonoperating/Other Revenues	87,871	10,000,000	10,087,871

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

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

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

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

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

Complete financial statements for the NCTA, which are included in the Department's financial statements, may be obtained from the Chief Financial Officer at the North Carolina Turnpike Authority, 2501 Aerial Center Parkway, Suite 200, Morrisville, NC 27560.

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

Discretely Presented Component Units:

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

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

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

Complete financial statements for the Department's component units may be obtained from the Office of the State Auditor, 325 North Salisbury Street, 20601 Mail Service Center, Raleigh, N.C. 27699-0600 or can be accessed from the Office of State Auditor website at <http://www.auditor.nc.gov/>.

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

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

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

- E. Cash and Cash Equivalents** - This classification includes undeposited receipts, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- F. Restricted Cash and Cash Equivalents** - For NCTA this classification includes funds received through toll revenue collections. The proceeds are to be used for debt service payments. The funds are held in the STIF. Ownership interest of the STIF is determined on a fair market valuation basis as of June 30, 2025, in accordance with the STIF operating procedures.
- G. Restricted Investments** - For the Highway Fund, this classification includes the unspent portions of Grant Anticipation Revenue Vehicle (GARVEE) bond proceeds. The GARVEE bond proceeds are invested in repurchase agreements valued at cost and US Treasury bills valued at market value. The proceeds are to be used to accelerate the construction and/or

preservation of identified strategic corridors as identified in the Transportation Improvement Program (TIP).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciable capital assets include the highway network (toll roads) and machinery and equipment. The assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is calculated using the straight-line method over the estimated useful life of 50 years for the highway network and 5 years for machinery and equipment. Capital assets are carried at cost less accumulated depreciation.

Subscription-Based Information Technology Arrangements right-to-use subscription assets that have a value or cost in excess of \$400,000 at the date of the agreement are capitalized in conformance with the North Carolina Office of the State Controller policy.

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

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

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

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

- N. Due to / from** - Activities between the Department's funds, State agencies and component units that are representative of lending/borrowing activities and/or outstanding balances related to services provided and used, reimbursements, and transfers are classified as amounts due from or due to other funds of the Department, State agencies, and Component Units. All amounts are considered collectible; accordingly, no allowance for doubtful accounts has been recorded.

- O. Unearned Revenue** - Unearned revenue represents amounts received on deposit related to private road maintenance contracts, economic development projects, and Transportation Improvement Programs that have contract funding agreements for which services have not been delivered.

- P. Long-Term Liabilities** - General long-term liabilities for governmental funds are not recognized in the governmental funds until they become due. Consequently, general long-term liabilities not yet due are not reported on the face of the financial statements. Long-term liabilities for NCTA are reported on the face of the NCTA's financial statements and disclosed in Note 11.

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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

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

Net Pension Liability - The net pension liability for NCTA represents the NCTA's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the NCTA's portion of the

collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 16 of the Department's Notes to the Financial Statements for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

Net OPEB Liability - The net OPEB liability represents the NCTA proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the NCTA portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefits Fund. See Note 17 for further information regarding the Department's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to OPEB.

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

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

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

Sick leave is earned monthly 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). Sick leave liability has been recorded for NCTA based on sick leave taken compared to sick leave earned, using the LIFO method.

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

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

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

R. Fund Balance/Net Position

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

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

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

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

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

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

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

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

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

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

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

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

T. Revenues and Expenses – The NCTA classifies its revenue and expenses as operating and nonoperating in the accompanying statements of revenues, expenses, and changes in net position. Operating expenses generally result from providing services and producing and delivering goods in connection with the NCTA's principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating revenues include activity from the toll roads that were open for operations during the fiscal year ended June 30, 2025. These revenues include toll revenues, processing fees, and other charges arising from the toll roads.

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

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

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

Note 2 - Deposits

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

At June 30, 2025, the governmental funds' Balance Sheet reported cash and cash equivalents of \$2,743,338,100.

The NCTA's Statement of Net Position reported cash and cash equivalents of \$115,860,663 at June 30, 2025.

The Vehicle Property Tax Collection Fund's Statement of Fiduciary Net Position reported cash and cash equivalents of \$125,884,101 at June 30, 2025.

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

Note 3 - Restricted Investments and Fair Value Measurements

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

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

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

To the extent available, the Department's investments are recorded at fair value as of June 30, 2025, except for asset-backed securities, repurchase agreements and certain money market mutual funds, which are reported at cost. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- | | |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly. |
| Level 3 | Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment. |

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

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

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

The Department’s governmental funds Grant Anticipation Revenue Vehicle (GARVEE) bond and Build NC bond proceeds were invested as follows as of the year ended June 30, 2025:

Type of Investment	Valuation Measurement Method	Investment Maturities (in Years)		
		Fair Value	Less Than 1 Year	1 - 5 Years
U.S. Treasuries (GARVEE & Build NC)	Fair Value - Level 1	\$ 615,605,454	\$ 615,605,454	\$ -
Repurchase Agreements (Build NC)	Cost	66,916,980	66,916,980	-
NC STIF	Fair Value	1,339,035	1,339,035	-
Total Restricted Investments		\$ 683,861,469	\$ 683,861,469	\$ -

The NCTA’s revenue bond proceeds were invested as follows as of the year ended June 30, 2025:

Type of Investment	Valuation Measurement	Investment Maturities (in Years)		
		Fair Value	Less Than 1 Year	1-5 Years
U.S. Treasuries	Fair Value - Level 1	\$ 185,639,086	\$ 110,799,635	\$ 74,839,451
U.S. Agencies	Fair Value - Level 1	41,461,272	2,254,083	39,207,189
Commercial Paper	Fair Value - Level 2	1,498,014	1,498,014	-
Money Market Mutual Funds	Amortized cost	288,146,141	288,146,141	-
Total Restricted Investments		\$ 516,744,513	\$ 402,697,873	\$ 114,046,640

As of June 30, 2025, included in the Money Market Mutual Fund totals as stated above, \$288,146,141 is invested in the First American Funds – Government Series, Class Z. The First American Funds - Government Series, Class Z is an SEC-registered money market mutual fund. The fund seeks to provide maximum current income and daily liquidity by purchasing U.S. government securities and repurchase agreements collateralized by such obligations. The fund seeks to preserve the value of the investment at \$1.00 per share and is rated AAAM by Standard & Poor’s, AAAmf by Moody’s and AAAMmf by Fitch. In addition, the fund maintains a weighted average maturity of 60 days or less.

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

Note 4 - Receivables

Fuel tax receivables for the Department's governmental funds at June 30, 2025 were as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Fuel Tax Receivable		
Fuel Tax Receivable	\$ 221,432,290	\$ 63,896,196
Allowance for Uncollectible Amounts	(18,170,609)	-
Fuel Tax Receivable, Net	<u>\$ 203,261,681</u>	<u>\$ 63,896,196</u>

Note 5 - Intergovernmental Receivables and Payables

Intergovernmental receivables and payables for the governmental funds at June 30, 2025, were as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Intergovernmental Receivables		
Participation from Federal Government	\$ 106,525,477	\$ -
Participation from Local Government	7,670,921	3,957,849
Total Intergovernmental Receivables	<u>\$ 114,196,398</u>	<u>\$ 3,957,849</u>
Intergovernmental Payables		
Local Governments:		
Due to Counties for Triangle Transit Authority	\$ 5,748,155	\$ -
Due to Counties for Piedmont Authority Transportation Fee	43,830	-
Due to Municipalities under Powell Bill (G.S. 136-41.1 - 136-41.4)	185,617,133	-
Due to Local Governments for Aviation Programs	39,058	-
Other	3,224,378	-
Total Intergovernmental Payables	<u>\$ 194,672,554</u>	<u>\$ -</u>

Note 6 - Inventories

Inventories for the Highway Fund at June 30, 2025 were as follows:

	<u>Amount</u>
Inventories	
Central Stores	\$ 160,657
Janitorial Supplies	284,655
Motor Fuel & Lubricants	6,830,086
Motor Vehicles Parts	16,980,117
Office Supplies	200,163
Postage	641,400
Purchase for Resale	1,822,795
Repair & Maintenance Supplies	86,324,913
Tires & Tubes	3,158,367
Other	1,028,967
Total Inventories	<u>\$ 117,432,120</u>

Note 7 - Capital Assets

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

A. Proprietary Fund – North Carolina Turnpike Authority (NCTA)

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

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 636,972,582	\$ 72,395,219	\$ -	\$ 709,367,801
Construction in Progress	1,148,139,380	153,536,898	828,143,011	473,533,267
Total Capital Assets, Nondepreciable	1,785,111,962	225,932,117	828,143,011	1,182,901,068
Capital Assets, Depreciable:				
NC Toll Road System	1,534,468,822	828,143,011	-	2,362,611,833
Machinery and Equipment	32,606	-	-	32,606
Total Capital Assets, Depreciable	1,534,501,428	828,143,011	-	2,362,644,439
Less Accumulated Depreciation for:				
NC Toll Road System	264,878,124	33,636,749	-	298,514,873
Machinery and Equipment	32,606	-	-	32,606
Total Accumulated Depreciation	264,910,730	33,636,749	-	298,547,479
Total Capital Assets, Depreciable, Net	1,269,590,698	794,506,262	-	2,064,096,960
Capital Assets, Net	\$ 3,054,702,660	\$ 1,020,438,379	\$ 828,143,011	\$ 3,246,998,028

B. Discretely Presented Component Units

1. North Carolina State Ports Authority

A summary of changes in the Ports Authority's 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 Ports Authority recorded an impairment loss of \$132,161 due to the obsolescence of certain assets.

2. North Carolina Global TransPark Authority

A summary of changes in the Global TransPark Authority's 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	\$ 21,017,780	\$ -	\$ -	\$ 21,017,780
Intangible Assets	1,546,370	-	-	1,546,370
Construction in Progress	18,705,560	118,372,396	-	137,077,956
Total Capital Assets, Nondepreciable	41,269,710	118,372,396	-	159,642,106
Capital Assets, Depreciable:				
Buildings	153,946,080	-	-	153,946,080
Machinery and Equipment	1,794,706	122,751	454,339	1,463,118
Landing Fields and Grounds	70,287,869	-	-	70,287,869
Total Capital Assets, Depreciable	226,028,655	122,751	454,339	225,697,067
Less Accumulated Depreciation/Amortization for:				
Buildings	70,732,589	5,291,802	-	76,024,391
Machinery and Equipment	1,631,774	37,634	454,339	1,215,069
Landing Fields and Grounds	38,688,935	2,476,158	-	41,165,093
Total Accumulated Depreciation/Amortization	111,053,298	7,805,594	454,339	118,404,553
Total Capital Assets, Depreciable, Net	114,975,357	(7,682,843)	-	107,292,514
Capital Assets, Net	\$ 156,245,067	\$ 110,689,553	\$ -	\$ 266,934,620

Note 8 - Public-Private Partnerships Arrangements

In June 2014, the Department entered into a public-private partnership (PPP) arrangement with I-77 Mobility Partners, LLC (MP, LLC) to design, build, finance, and operate the I-77 High Occupancy Toll (HOT) Lanes Project. During fiscal year 2020, improvements were completed along approximately 26 miles of the I-77 corridor, in Mecklenburg and Iredell Counties. This included the conversion of HOV (high occupancy vehicle) lanes to express lanes or high occupancy toll (HOT) lanes and the construction of new HOT lanes and two major interchanges. Under the arrangement, Mobility Partners, LLC, will operate the express lanes for 50 years and have the exclusive right to impose tolls and incidental charges to express lane users. NC DOT maintains title to the real property underlying the I-77 toll lanes. At fiscal year-end, the Department’s governmental fund financial statements reported \$65,775,861 of PPP-related deferred inflow of resources and recognized \$1,478,109 in revenue related to the PPP arrangement. PPP-related capital assets are not reported in the governmental fund financial statements.

Note 9 - Accounts Payable

Accounts payable for the Department’s governmental funds at June 30, 2025 were as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Accounts Payable	\$ 497,453,345	\$ 115,516,943
Due to Employees	127,865	3,955
Accrued Sales Tax	290,644	-
Contract Retainage and Anticipated Liquidated Damages	-	-
	<u>16,951,193</u>	<u>3,293,936</u>
Total Accounts Payable	<u>\$ 514,823,047</u>	<u>\$ 118,814,834</u>

Note 10 - Funds Held for Others

The following is a summary of funds held for others by the Highway Fund for the year ended June 30, 2025:

	<u>Amount</u>
Funds Held for Others	
Debt Set-Off Trust Account	\$ 57,541
Miscellaneous Funds Held for Others	623,473
International Registration Plan-Motor Carriers	4,804,793
Mortgage Loan Escrow	(50,811)
Performance Bonds	17,827,383
Permits-Prepaid	2,262,018
Securities Deposits	10,000
Title Bonds	1,610
DMV Deposits/Security Bonds	<u>5,398,166</u>
Total Funds Held for Others	<u>\$ 30,934,173</u>

Note 11 - Long-Term Liabilities

A. Governmental Fund Long-Term Debt and Related Disclosures

The Department issues bonds and enters into other financing arrangements to fund transportation-related projects. Although long-term debt is not reported in the governmental fund financial statements, information related to outstanding debt and related commitments is disclosed below.

- 1. Terms of Debt Agreements** – The outstanding GARVEE Bonds in the amount of \$1,044,580,000 contain provisions that following an event of default, moneys held in the Construction Fund shall be transferred to the Bond Payment Fund. The remedies available to the trustee and the owners of the bonds upon an event of default on the bonds or under the indenture do not include the right to declare all amounts immediately due and payable.

The outstanding Build NC Bonds in the amount of \$1,283,860,000 contains provisions that upon the happening and continuance of any event of default, then and in every case the Trustee may, and upon the written request of the owners of not less than 25% in aggregate principal amount of the bonds then outstanding will, by a notice in writing to the State, declare the principal of all the bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the bonds or the trust indenture to the contrary notwithstanding.

The outstanding notes from direct borrowings of \$18,123,226 for the Roadway Lighting Loan contain the following provisions: Upon the occurrence of any event of default, the Lender may, without any further demand or notice, exercise any one or more of the following remedies: declare the entire amount of the principal component of the installment payments and the accrued and unpaid interest component to the date of declaration to be immediately due and payable; exercise all remedies available at law or in equity or under the Security Agreement, including sale of the project, and apply the proceeds of any such sale or other disposition toward the principal component and accrued and unpaid interest due; direct the Acquisition Fund Custodian to apply all amounts in the acquisition fund to the payment of the payments due; and subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the State or the Department of the applicable covenants of the agreement or to recover for the breach thereof.

2. **Outstanding Governmental Fund Long-Term Debt** – Long-term debt applicable to governmental funds as of June 30, 2025 consists of the following:

GARVEE Bonds:

<u>Purpose</u>	<u>Series</u>	<u>Coupon Rate/Ranges</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2025</u>	<u>Principal Outstanding June 30, 2025</u>
GARVEE Refunding Bonds	2025	5.00%	3/2040	\$ 441,515,000	\$ -	\$ 441,515,000
GARVEE Bonds	2021	2.0% - 5.0%	3/2036	252,595,000	55,345,000	197,250,000
GARVEE Bonds	2019	5.00%	3/2034	600,000,000	194,185,000	405,815,000
GARVEE Bonds	2015	5.00%	5/2025	264,930,000	264,930,000	-
Total GARVEE Bonds (principal only)				\$ 1,559,040,000	\$ 514,460,000	\$ 1,044,580,000

Future principal and interest requirements for GARVEE bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 97,165,000	\$ 46,174,556	\$ 143,339,556
2027	97,065,000	46,283,350	143,348,350
2028	101,915,000	41,430,100	143,345,100
2029	107,005,000	36,334,350	143,339,350
2030	112,360,000	30,984,100	143,344,100
2031 - 2035	391,115,000	84,380,050	475,495,050
2036 - 2040	137,955,000	18,363,850	156,318,850
Total	\$ 1,044,580,000	\$ 303,950,356	\$ 1,348,530,356

Build NC Bonds:

<u>Purpose</u>	<u>Series</u>	<u>Coupon Rate/Ranges</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2025</u>	<u>Principal Outstanding June 30, 2025</u>
Build NC Bonds	2025	4.0% - 5.0%	5/2040	\$ 300,000,000	\$ -	\$ 300,000,000
Build NC Bonds	2022	3.5% - 5.0%	5/2037	300,000,000	44,800,000	255,200,000
Build NC Bonds	2020	2.0% - 5.0%	5/2035	700,000,000	175,225,000	524,775,000
Build NC Bonds	2019	4.0% - 5.0%	5/2034	300,000,000	96,115,000	203,885,000
Total Build NC Bonds (principal only)				\$ 1,600,000,000	\$ 316,140,000	\$ 1,283,860,000

Future principal and interest requirements for Build NC bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 90,670,000	\$ 59,380,663	\$ 150,050,663
2027	94,995,000	55,051,675	150,046,675
2028	99,745,000	50,301,925	150,046,925
2029	104,730,000	45,314,675	150,044,675
2030	109,970,000	40,078,175	150,048,175
2031 - 2035	605,380,000	116,681,875	722,061,875
2036 - 2040	178,370,000	21,456,950	199,826,950
Total	\$ 1,283,860,000	\$ 388,265,938	\$ 1,672,125,938

The Energy Savings note requires principal payments commencing February 15, 2015, with a final maturity of August 15, 2029. The note bears interest at a fixed rate of 2.41% per annum. No payment of principal or interest on the Energy Savings note was required to be made during the period of August 9, 2013, through November 15, 2014. Payments of interest commenced on November 15, 2014. Future principal and interest payments are based on the total amount drawn on the note and the interest rate in effect when payment terms were established as of November 15, 2014. As of June 30, 2025, the cumulative principal paid on the note totaled \$4,715,841.

Future principal and interest requirements for the Energy Savings note are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 512,892	\$ 43,203	\$ 556,095
2027	523,834	30,770	554,604
2028	535,008	18,071	553,079
2029	345,401	6,305	351,706
2030	70,752	425	71,177
Total	\$ 1,987,887	\$ 98,774	\$ 2,086,661

The Roadway Lighting note requires principal payments commencing February 1, 2019, with a final maturity of February 1, 2033. The note bears interest at a fixed rate of 2.104% per annum. No payment of principal on the Roadway Lighting note was required to be made during the period of August 1, 2017, through February 1, 2019. Payments of interest commenced on August 1, 2017. As of June 30, 2025, the cumulative principal paid on the note totaled \$14,180,186.

Future principal and interest requirements for the Roadway Lighting note are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 2,368,820	\$ 362,747	\$ 2,731,567
2027	2,441,974	312,366	2,754,340
2028	2,517,454	260,364	2,777,818
2029	2,395,358	207,344	2,602,702
2030	2,263,933	158,966	2,422,899
2031-2035	6,135,687	186,250	6,321,937
Total	\$ 18,123,226	\$ 1,488,037	\$ 19,611,263

- Bond Defeasance** – On May 22, 2025, the Department issued Series 2025 Grant Anticipation Revenue Vehicle (GARVEE) and refunding bonds with an interest rate of 5.00%. The bonds were issued for a current refunding of \$165,765,000 of outstanding Series 2015 GARVEE refunding bonds with an interest rate of 5.00%. The refunding was undertaken to refund the outstanding principal amount of the Series 2015 GARVEE Bonds, to pay the cost of issuance for the Series 2025 Bonds, and to finance the construction of qualified Federal-aid transportation projects. The refunding is estimated to result in total savings of \$7,352,406 over the next five years and resulted in an economic gain of \$6,735,506.

4. **Pledged Revenues – Highway Fund:** The State has pledged future federal transportation revenues to repay GARVEE bonds with a principal balance of \$1,044,580,000 as of June 30, 2025. These bonds were issued in June 2019, September 2021, and May 2025. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue or that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$1,348,530,356 with final payments extending through fiscal year 2040. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$119,994,252 and \$1,721,772,810, respectively.

5. **Pollution Remediation Obligations** – The Department has several equipment yards across the State with old underground fuel storage tanks. State law requires leaks from tanks to be assessed for remediation. The Department of Environmental Quality (DEQ) assigns a health risk-based score to each incident. Incidents with a site score over set criteria are identified as high priority sites and are required to be remediated. At year end, the Department had 18 high priority sites. For sites under the set criteria, cleanup is optional. Currently, the Department is not working on low priority sites.

Based on evaluations performed in accordance with generally accepted accounting principles, the estimated total cost to remediate these sites is approximately \$6,454,005. The estimate was developed using the expected cash flow technique and is subject changes in the cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.

B. Proprietary Fund – North Carolina Turnpike Authority (NCTA)

1. Changes in Long-Term Liabilities – A summary of changes in the NCTA’s long-term liabilities for the year ended June 30, 2025 is presented as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 2,060,470,568	\$ -	\$ 41,806,000	\$ 2,018,664,568	\$ 45,609,000
Deferred Amounts: For Issuance Premiums	149,044,752	-	10,171,046	138,873,706	-
Total Bonds Payable, Net	2,209,515,320	-	51,977,046	2,157,538,274	45,609,000
Notes from Direct Borrowings	665,744,320	-	709,726	665,034,594	1,078,361
Total Long-Term Debt	2,875,259,640	-	52,686,772	2,822,572,868	46,687,361
Other Long-Term Liabilities					
Employee Benefits					
Compensated Absences	527,301	320,897	261,972	586,226	59,473
Net Pension Liability ¹	2,068,029	-	181,665	1,886,364	-
Net Other Postemployment Benefits Liability ²	3,008,410	941,242	2,840	3,946,812	-
Total Other Long-Term Liabilities	5,603,740	1,262,139	446,477	6,419,402	59,473
Total Long-Term Liabilities, Net	\$ 2,880,863,380	\$1,262,139	\$ 53,133,249	\$ 2,828,992,270	\$ 46,746,834

¹Additional information regarding the net pension liability is included in Note 16.

²Additional information regarding the net other postemployment benefits liability is included in Note 17.

Total interest cost on indebtedness was \$99,900,542 for the year ended June 30, 2025.

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

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

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

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

3. Federal Interest Cash Subsidy – The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B as “Build America Bonds” for the purpose of the American Recovery and Reinvestment Tax Act of 2009

(Recovery Act). In adherence with the Recovery Act, the NCTA receives cash subsidy payments from the United States Treasury Department equal to 35% of the interest payable. As part of the 2025 Federal budget, the payments received during the year ended June 30, 2025, were reduced by 5.7%. Cash subsidy payments totaled \$1,051,477 for the year ended June 30, 2025.

4. Outstanding Long-Term Debt – Long-term debt for the NCTA as of June 30, 2025 consists of the following:

	Amount
Revenue Bonds	
Revenue bonds payable, Series 2009B, Capital Appreciation Triangle Expressway Revenue Bonds in the amount of \$35,173,109, issued July 29, 2009, with interest ranging from 6.74% to 7.10%, compounding semi-annually, and principal payments beginning January 2030, due in fall January 2038.	\$ 35,173,109
Revenue bonds payable, Series 2016, Monroe Expressway Toll Revenue Bonds in the amount of \$137,051,904, issued January 31, 2017, with a coupon rate of 5.00%, and principal payments beginning July 2023; final maturity July 2054, net of an unamortized premium of \$5,133,500 as of June 2025 .	141,045,404
Revenue bonds payable, Series 2017, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$171,510,000, issued March 30, 2017, with coupon rate of 3.125% and 5.00%, and principal payments beginning January 2018; final maturity January 2039, net of an unamortized premium of \$8,880,640 as of June 30, 2025.	140,765,640
Revenue bonds payable, Series 2018A, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$150,125,000, issued May 10, 2018, with an average coupon rate of 4.00%, and principal payments beginning January 2019; final maturity January 2039, net of unamortized premium of \$4,233,203 as of June 30,2025.	154,358,203
Revenue bonds payable, Series 2018B, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$161,759,000, issued December 31, 2018, with an average coupon rate of 2.82%, and principal payments beginning January 2020; final maturity January 2032.	107,510,000
Revenue bonds payable, Series 2018T, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$396,420,000, issued December 12, 2018, with an average coupon rate of 4.61%, and principal payments beginning January 2020; final maturity January 2041, net of unamortized premium of \$17,980,991 as of June 30, 2025.	403,900,991
Revenue bonds payable, Series 2019, Triangle Expressway System Appropriation Revenue Refunding Bonds (Capital Appreciation Bonds) in the amount \$115,979,250, issued December 17, 2019, interest will accrete and be paid upon maturity, and principal payments beginning January 2040, final maturity January 2049.	115,979,250
Revenue bonds payable, Series 2019, Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$370,975,000, issued December 17, 2019, with coupon rates ranging from 3.00% to 5.00%, and principal payments beginning January 2042; final maturity January 2055, net of unamortized premium of \$46,163,384 as of June 30, 2025.	417,138,384
Revenue bonds payable, Series 2021, Monroe Expressway System State Appropriation Revenue Refunding Bonds in the amount of \$73,985,000, issued April 6, 2021, with a coupon rate of 5.00%, and principal payments beginning July 2022; final maturity July 2041, net of unamortized premium of 16,252,974 as of June 30, 2025.	84,857,974
State Appropriation Revenue Refunding Bonds in the amount of \$176,220,000, issued April 8, 2024, with a coupon rate of 5.00%, and principal payments beginning January 2025; final maturity June 2041, net of an unamortized premium of \$21,788,152 as of June 30, 2025.	198,008,152
Revenue bonds payable, Series 2024A, Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$304,575,000, issued January 30, 2024, with a coupon rate of 5.00%, and principal payments beginning January 2053; final maturity January 2058, net of an unamortized premium of \$18,440,862 as of June 30, 2025.	323,015,862
Revenue bonds payable, Series 2024B, Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$35,785,305, issued January 30, 2024, with coupon rates ranging from 4.88% to 4.96%, and principal payments beginning January 2050; final maturity January 2053.	35,785,305
Total Bonds, Net	\$ 2,157,538,274

Notes to the Financial Statements

Revenue bonds payable maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 45,609,000	\$ 83,880,763	\$ 129,489,763
2027	49,788,359	82,181,826	131,970,185
2028	53,690,064	80,140,641	133,830,705
2029	54,634,936	78,035,758	132,670,694
2030	57,984,984	79,174,266	137,159,250
2031 - 2035	318,833,378	426,711,414	745,544,792
2036 - 2040	427,778,483	369,199,430	796,977,913
2041 - 2045	265,714,309	256,899,460	522,613,769
2046 - 2050	265,125,297	220,683,203	485,808,500
2051 - 2055	263,625,758	167,951,192	431,576,950
2056 - 2060	215,880,000	22,120,250	238,000,250
	<u>2,018,664,568</u>	<u>1,866,978,203</u>	<u>3,885,642,771</u>
Issuance Premiums	138,873,706	-	138,873,706
Total	<u>\$ 2,157,538,274</u>	<u>\$ 1,866,978,203</u>	<u>\$ 4,024,516,477</u>

Notes from Direct Borrowings:

	<u>Amount</u>
Monroe Expressway TIFIA note payable for an amount not to exceed \$166,500,000, opened on January 31, 2017, bearing interest of 3.08% per annum, with interest payments beginning July 2021, principal payments beginning January 2024, and final maturity July 2053.	\$ 165,572,614
C540 TIFIA note payable for an amount not to exceed \$499,461,980, opened on January 17, 2023, bearing interest of 1.83% per annum, with interest payments beginning July 2023, principal payments beginning January 2029, and final maturity in January 2058.	<u>499,461,980</u>
Total Notes from Direct Borrowings	<u>\$ 665,034,594</u>

On January 31, 2017, the NCTA signed an agreement with the United States Department of Transportation for a Monroe Expressway TIFIA note payable of up to \$166,500,000. In January 2019 and September 2019, NCTA drew down \$120,000,000 and \$46,500,00, respectively, on this note, which is being used to pay certain costs, including land acquisition, design, construction, and equipping of the Monroe Expressway Project. The note payable requires debt service payments commencing January 1, 2021, with a final maturity of July 1, 2053. No payment of principal or interest on the Monroe Expressway note was required to be made during the period of January 1, 2019, through January 1, 2021. The amounts of principal and interest to be paid are calculated based on the total amount drawn down on the note and amount of accrued interest outstanding as of July 1, 2021. Accrued interest on the loan agreement was \$14,531,405 as of June 30, 2025.

On August 5, 2021, the NCTA signed an agreement with the United States Department of Transportation for a 540 Phase 1 Project TIFIA note payable of up to \$499,461,980. In January 2023, NCTA drew down \$499,461,980 on this note to refund the C540 BAN. The note payable requires debt service payments commencing January 1, 2026, with the final

maturity of January 1, 2058. No payment of principal or interest on the C540 note payable was required to be made during the period of January 1, 2022 through July 1, 2023. The amounts of principal and interest to be paid are calculated based on the total amount drawn on the note and amount of accrued interest outstanding as of January 1, 2026. Accrued interest on the loan agreement was \$22,817,900 as of June 30, 2025.

On January 30, 2024, the NCTA signed an agreement with the United States Department of Transportation for a Complete 540 Phase 2 Project TIFIA note payable for up to \$417,193,471. This note was procured to fund construction and construction related activities for the Complete 540 Phase 2 project, an extension to the Triangle Expressway System adding approximately 10 miles from I-40 to the existing I-540/I-87/U.S. 64/U.S. 264 interchange in Knightdale. As of June 30, 2025, the note has not been drawn on yet. The amounts of principal and interest to be paid are calculated based on the total amount drawn on the note and amount of accrued interest outstanding.

The TIFIA note payable maturities are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,078,361	\$ 8,055,673	\$ 9,134,034
2027	1,307,494	10,444,195	11,751,689
2028	1,457,961	12,064,838	13,522,799
2029	1,902,925	14,631,586	16,534,511
2030	2,456,850	15,336,347	17,793,197
2031 - 2035	16,408,938	75,762,648	92,171,586
2036 - 2040	27,156,308	73,502,659	100,658,967
2041 - 2045	182,073,054	74,558,370	256,631,424
2046 - 2050	234,880,985	53,915,781	288,796,766
2051 - 2055	135,560,755	24,627,846	160,188,601
2056 - 2060	60,750,963	6,226,001	66,976,964
Total	\$ 665,034,594	\$ 369,125,944	\$ 1,034,160,538

5. **Pledged Revenues** – NCTA issues revenue bonds to provide financing for extension, expansion, and improvement projects within the Turnpike System. The Department has pledged, as security for revenue bonds issued by NCTA, future toll customer revenues, federal interest subsidy payments, and investment income to repay revenue bonds, of which \$2,157,538,274 is currently outstanding. The bonds are payable solely from net revenues and are payable through fiscal year 2059. The Bond Order contains certain provisions that could result in the acceleration of maturities of revenue bonds if certain events of default occur and are not quickly resolved.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles, a portion of which opened in September 2024. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018.

The total principal and interest remaining to be paid on the bonds is \$4,024,516,477. For the year ended June 30, 2025, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$123,791,469 and \$138,586,252, respectively. Current outstanding revenue bond issues are all public sales revenue bonds.

C. Discretely Presented Component Unit

1. North Carolina State Ports Authority

A. Changes in Long-Term Liabilities – A summary of changes in the Ports Authority’s 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

B. 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 Ports Authority’s revenue bonds payable are governed by a trust agreement with U.S Bank National Association as trustee. This trustee agreement requires that the Ports 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 Ports Authority fails to pay principal, interest, or premium on any bonds when due and payable, (2) the Ports Authority fails to pay, appeal, or have discharged within 120 days any judgements in excess of \$500,000, (3) the Ports Authority becomes insolvent or the subject of insolvency or similar proceedings, (4) a court of competent jurisdiction assumes custody or control of the Ports Authority and such custody is not terminated within 90 days, or (5) the Ports 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 Ports 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 Ports 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 Ports 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 Ports 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 Ports 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 Ports Authority. As additional security for these bonds the Ports Authority executed and delivered a deed of trust on the site of the NC International Terminal project to secure the Ports 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 Ports 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 Ports 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 Ports Authority fails to pay, within 10 days following the due date thereof, any payment or other amount required, (2) the Ports 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 Ports 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 Ports 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 Ports Authority may not take on any additional lien or encumbrance against the financed equipment, (2) the Ports Authority must adhere to terms, conditions and covenants made in other trust agreements, and (3) the Ports 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.

C. Outstanding Long-Term Debt – Long-term debt for the Ports Authority as of June 30, 2025 consists of the following:

Revenue Bonds Payable:

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

Notes from Direct Borrowings:

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.	2.26%	04/2033	\$ 62,850,845	\$ 35,238,344

The annual requirements to pay principal and interest on 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.

2. North Carolina Global TransPark Authority

A. **Changes in Long-Term Liabilities** – A summary of changes in the Global TransPark Authority’s 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					
Notes from Direct Borrowings	\$ 6,919,541	\$ -	\$ 806,928	\$ 6,112,613	\$ 2,783,904
Total Long-Term Debt	6,919,541	-	806,928	6,112,613	2,783,904
Other Long-Term Liabilities					
Due to Primary Government - SCIF Advance	42,115,272	132,884,728	-	175,000,000	-
Employee Benefits					
Compensated Absences	220,092	-	36,667	183,425	18,800
Net Pension Liability	578,518	168,243	-	746,761	-
Net Other Postemployment Benefits Liability	844,743	717,513	-	1,562,256	-
Total Other Long-Term Liabilities	43,758,625	133,770,484	36,667	177,492,442	18,800
Total Long-Term Liabilities	\$ 50,678,166	\$ 133,770,484	\$ 843,595	\$ 183,605,055	\$ 2,802,704

B. **Terms of Debt Agreements** – The Global TransPark Authority’s debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Notes from Direct Borrowings - The Global TransPark Authority has pledged land known as GTP-3 and GTP-5 as security for the notes from direct borrowing to First Citizens Bank. Upon the occurrence of any event of default, the First Citizens Bank may, without any further demand or notice, declare the unpaid principal plus any accrued and unpaid interest to be due and payable immediately. The GTP-7 facility and land upon which the facility is located is security for the notes from direct borrowing to Southern Bank. The notes are secured by land and facilities with a carrying value of \$3,660,642.

C. **Outstanding Long-Term Debt** – Long-term debt for the Global TransPark Authority as of June 30, 2025 consists of the following:

Notes from Direct Borrowings:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2025
Facility Construction	Southern Bank	3.75%	05/28/2027	\$ 3,159,207	\$ 620,184
GTP 1 - Renovation	NC DOT	0.00%	07/01/2029	4,440,615	1,190,615
Facility Construction - Jetstream	First Citizen Bank	3.50%	11/01/2025	2,500,000	2,063,732
Facility Construction - Jetstream	NC DOT Division of Aviation	0.00%	06/30/2039	2,000,000	1,500,000
North Cargo Upfits - Draken	GTP Foundation	3.00%	12/31/2033	1,000,000	738,082
Total Notes from Direct Borrowings				\$ 13,099,822	\$ 6,112,613

Notes to the Financial Statements

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

Fiscal Year	Notes from Direct Borrowings	
	Principal	Interest
2026	\$ 2,783,904	\$ 69,187
2027	758,919	31,177
2028	433,096	16,238
2029	435,624	13,710
2030	378,843	11,106
2031-2035	822,227	17,196
2036-2040	500,000	-
Total Requirements	\$ 6,112,613	\$ 158,614

D. Due to Primary Government – SCIF Advance – The North Carolina General Assembly awarded the Global TransPark Authority \$350 million in SCIF funding. On December 11, 2024, Session Law 2024-57 revised guidance on SCIF funding related to the C-130 project. The Global TransPark Authority is required to repay SCIF through installments starting in fiscal year 2027. As of June 30, 2025, the Global TransPark Authority received \$175 million in SCIF funding for the C-130 project. The annual requirements to repay SCIF are as follows:

Fiscal Year	Due to Primary Government - SCIF Advance	
	Amount	
2027	\$	1,000,000
2028		1,000,000
2029		1,000,000
2030		1,000,000
2031-2035		19,000,000
2036-2040		75,000,000
2041-2045		75,000,000
Thereafter		2,000,000
Total Requirements	\$	175,000,000

Note 12 - Leases and Subscription-Based Information Technology Arrangements

A. Lessee Arrangements - The Department has lease agreements for the right to use land, equipment, and buildings from external parties. The leases expire at various dates, and some have renewal options. In accordance with the modified accrual basis of accounting, lease-related assets and liabilities are not reporting in the governmental funds. Instead, expenditures are recognized as lease payments become due and payable.

The Department’s lessee arrangements at June 30, 2025 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease June 30, 2025	Lease Terms In Years	Interest Rate
Lessee:				
Right-to-Use Leased Land	4	\$ 2,075,845	1 - 3	3.25%
Right-to-Use Leased Machinery and Equipment	1	66,743	2 - 4	3.25%
Right-to-Use Leased Buildings	91	31,615,455	1 -17	3.25%
Total	96	\$ 33,758,043		

B. Subscription-Based Information Technology Arrangements (SBITAs) - The Department enters SBITAs for the right to use information technology software and cloud computing arrangements from external parties. The SBITAs expire at various dates, and some have renewal options. In accordance with the modified accrual basis of accounting, subscription assets and liabilities are not reporting in the governmental funds. Instead, expenditures are recognized as lease payments become due and payable.

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

SBITA	Number of SBITAs	SBITA June 30, 2025	SBITA Terms and Conditions	Interest Rate
Right-to-Use Subscription Assets	24	\$ 39,169,658	1 -7	4.75%

C. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs as of June 30, 2025, were as follows:

Fiscal Year	Annual Requirements			
	Lease		SBITA	
	Principal	Interest	Principal	Interest
2026	\$ 6,517,673	\$ 1,371,674	\$ 17,403,868	\$ 2,737,634
2027	4,422,630	923,398	13,204,803	1,577,067
2028	3,874,561	790,808	8,291,041	755,963
2029	3,399,491	672,908	269,946	41,134
2030	2,909,761	550,111	-	-
2031 - 2035	8,527,287	1,810,359	-	-
2036 - 2040	2,387,909	506,953	-	-
2041 - 2045	1,586,521	336,818	-	-
2046 - 2050	132,210	28,068	-	-
Total Requirements	\$ 33,758,043	\$ 6,991,097	\$ 39,169,658	\$ 5,111,798

Note 13 - Fund Balance

The details of the fund balance classifications for the governmental fund at June 30, 2025 are as follows:

	<u>Highway Fund</u>	<u>Highway Trust Fund</u>
Fund Balance:		
Nonspendable:		
Inventories	\$ 117,432,120	\$ -
Restricted For:		
Transportation	3,644,448	-
Highway Construction/Preservation	301,565,653	202,758,220
Debt Services	-	179,537,596
Committed to:		
Transportation	106,420,316	966,147,038
Highway Construction/Preservation	276,293,729	-
Highway Maintenance	375,134,566	-
Total Fund Balances	<u>\$ 1,180,490,832</u>	<u>\$ 1,348,442,854</u>

Note 14 - Revenues and Expenditures From/To Other State Agencies

The Department’s governmental funds revenues and expenditures from/to other state agencies by entity and purpose at June 30, 2025 are as follows:

Revenues from Other State Agencies

Highway Fund:

	<u>Purpose</u>	<u>Amount</u>
Department of Public Safety	FEMA Reimbursement	\$ 95,964,819
Department of Public Safety	MCSAP Grants	25,574,752
Transportation Reserve Fund	General Maintenance of State Maintained Roads	100,000,000
Economic Development Project Reserve Fund	Randolph County Economic Development Project (Toyota Plant)	150,000,000
Governor’s Emergency Education Relief	School Bus Traffic Grant	629,358
General Fund State Fiscal Recovery Fund	DMV Saturday Hours	427,218
General Fund State Capital & Infrastructure Fund	Maintenance & Repair and Facility Overhaul-Global TransPark	132,884,728
North Carolina A & T University	Shared Employee Salary Reimbursement	5,921
Total Highway Fund Revenues from Other State Agencies		\$ 505,486,796

Expenditures to Other State Agencies

Highway Fund:

	<u>Purpose</u>	<u>Amount</u>
Community Colleges	Specialty License Plate Revenue	\$ 4,140
Department of Administration	Historically Underutilized Business Development Program	413,700
Department of Administration	Human Capital Management IT Project	500,000
Department of Adult Correction	Lincoln Correctional Center Water Line Project	120,000
Department of Agriculture and Consumer Services	Specialty License Plate Revenue	124,228
Department of Agriculture and Consumer Services	G.S.119-18: Gas Inspection Tax	6,441,974
Department of Agriculture and Consumer Services	Visitor Centers	135,000
Department of Commerce	Appalachian Regional Commission Assessment	98,474
Department of Environmental Quality	Specialty License Plate Revenue	9,910
Department of Environmental Quality	Shallow Draft Navigation Channel Dredging and Lake Maintenance	18,802,775
Department of Health and Human Services	Specialty License Plate Revenue	14,175
Department of Health and Human Services	Breathalyzer Training	739,447
Department of Insurance	State Fire Protection Plan	158,000
Department of Natural and Cultural Resources	Historical Markers	100,000
Department of Public Safety	Specialty License Plate Revenue	152,328
Department of Public Safety	State Highway Patrol Motor Carrier and Safety Grant	15,592,111
Department of Public Safety	Flood Mitigation Study	32,250
Department of Revenue	Fuel Tax Compliance	1,668,499
Department of Revenue	International Registration	156,334
Department of Revenue	Motor Fuel Tax Division	3,103,139
Department of Revenue	HB1779 Tax & Tag Program	2,289,306
Office of the State Controllor	Shared Services	627,818
Statewide General Fund	General Fund Inspection Fees	1,225,071
Statewide General Fund	Specialty License Plate Revenue	2,030
Wildlife Resources Commission	Non-Game Aquatic Species Fund	150,000
Wildlife Resources Commission	Specialty License Plate Revenue	89,434
Wildlife Resources Commission	Wildlife Commission Resources Refund	3,140,063
Total Highway Fund Expenditures to Other State Agencies		\$ 55,890,206

Highway Trust Fund:

	<u>Purpose</u>	<u>Amount</u>
Statewide General Fund	General Fund Inspection Fees	\$ 408,357
Total Highway Trust Fund Expenditures to Other State Agencies		\$ 408,357

Note 15 - Interfund Balances and Transfers

A. Interfund Balances

Advances To Component Units

Advances to component units from the Highway Fund at June 30, 2025 were as follows:

Advances To Components Units	
North Carolina Global TransPark Authority	<u>\$ 1,190,615</u>

The current portions of the advances are presented as part of the Highway Fund’s accounts receivable balance. The current portion of advances to Global TransPark Authority was \$250,000 as of June 30, 2025.

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

Advances To Other Funds

The following is a summary of changes in the advances from the Highway Trust Fund to NCTA as of June 30, 2025:

<u>July 1, 2024</u>	<u>Additions</u>	<u>June 30, 2025</u>
<u>\$ 33,872,326</u>	<u>\$ 1,334,207</u>	<u>\$ 35,206,533</u>

Pursuant to North Carolina General Statute 136-176(b), operation and project development costs for the NCTA are eligible for funding from the Highway Trust Fund administration funds. These funds are considered an Advance from the State (NCDOT) and are to be repaid from toll revenue as soon as possible. Beginning January 1, 2014, one year after the NCTA began collecting tolls on the completed Triangle Expressway project, the NCTA began accruing interest on the unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer’s average annual yield (4.63% as of June 30, 2025) on its investment of Highway Trust Fund funds pursuant to North Carolina General Statute 147-6.1. The NCTA accrued \$1,334,207 of interest for the year ended June 30, 2025.

B. Interfund Transfers

Transfers in/out of other funds for the fiscal year ended June 30, 2025 consisted of the following:

Transfers Out	Transfers In			
	State of NC General Fund	Highway Fund	NCTA	Total
Highway Tust Fund	\$ -	\$ 237,899,125	\$ 57,696,994	\$ 295,596,119
NCTA	320,345	9,489,133	-	9,809,478
Total	\$ 320,345	\$ 247,388,258	\$ 57,696,994	\$ 305,405,597

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

North Carolina General Assembly Session Law 2013-183 amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the NCTA to pay debt service or related financing expenses on revenue bonds or notes issued for the following road construction projects: Triangle Expressway and Monroe Expressway. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and \$57,696,994 was transferred to the NCTA during the fiscal year.

The Department also had intrafund transfers within the Highway Fund for fiscal year ended June 30, 2025, in the amount of \$18,535,448, which has been eliminated on the governmental fund financial statements. These transfers primarily consist of transfers for special license plates revenues and funds for economic development projects, which the Department transfer to the fund authorized to account for the expenditures.

Note 16 - Retirement Plans

A. Cost-Sharing, Multiple-Employer, Defined Benefit Plan

Pension contributions to cost-sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period. Because the governmental funds are reported using the current financial resources measurement focus, long-term pension liabilities (including the net pension liability) and related deferred outflows of resources and deferred inflows of resources are not reported in the governmental fund financial statements. The Department’s proprietary fund (NCTA), which is reported using the economic resources measurement focus, reports its net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense.

Plan Administration: The State of North Carolina administers the Teachers’ and State Employees’ Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer,

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

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

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

employer contribution to be recommended to the North Carolina General Assembly. The Department's contractually required contribution rate for the year ended June 30, 2025 was 16.79% of the payroll covered. During the fiscal year ended June 30, 2025, the Department's governmental funds recognized total employer pension contributions of \$105,536,441 as expenditures, which are included in salaries and benefits in the governmental fund financial statements. In addition, the NCTA contributed \$513,826 to the pension plan. Plan members' contributions to the pension plan were \$37,897,654.

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, 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 the 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, the 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 – Proprietary Fund: At June 30, 2025, NCTA reported a liability of \$1,886,364 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. NCTA's proportion of the net pension liability was based on a projection of the present value of future salaries for NCTA relative to the present value of future salaries for all participating employers, actuarially determined. As of June 30, 2024, NCTA's proportion was 0.01%, which is the same as its proportion measured as of June 30, 2024.

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 study 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 weighing 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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 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 NCTA's net pension liability at June 30, 2024 calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.50%)
\$ 3,685,993	\$ 1,886,364	\$ 455,272

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, NCTA recognized pension expense \$639,999. At June 30, 2025, NCTA reported deferred outflows of resources and deferred inflows of resources related to TSERS were from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 169,994	\$ 5,576
Changes of Assumptions	311,052	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	119,182	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	53,957	-
Contributions Subsequent to the Measurement Date	513,826	-
Total	\$ 1,168,011.00	\$ 5,576.00

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 Balance of Deferred Outflows of Resources and
Deferred Inflows of Resources That will be
Recognized in Pension Expense**

Year Ending June 30,	Amount
2026	\$ 242,931
2027	447,019
2028	(8,044)
2029	(33,297)
Total	\$ 648,609

B. Single Employer, Defined Contribution Plan

Special Separation Allowance

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

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

There is no statewide administration of the SSA. The SSA is not administered through a trust and therefore no assets are accumulated. Funds for this allowance are appropriated annually in the Department's budget. For the fiscal year ended June 30, 2025, the Department paid \$1,157,510 for 68 retired law enforcement officers for this benefit.

Note 17 - Other Postemployment Benefits

Other postemployment benefit contributions to cost sharing plans are recognized as expenditures in the period to which the payment relates, even if the payment is not due until the subsequent period. Because the governmental funds are reported using the modified accrual basis of accounting and the current financial resources measurement focus, long term other

postemployment benefit (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense are not reported in the governmental fund financial statements. The Department's proprietary fund (NCTA), which is reported using the economic resources measurement focus, reports its proportionate share of long term OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense.

The Department participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 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 benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 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 established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 18. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully insured claims include cost sharing from covered members with the remaining balance paid by the fully insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: For employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future

retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), the CJRS, or the 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 General Assembly in the Appropriations Bill. The Department's contractually required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. During the fiscal year ended June 30, 2025, the Department's governmental funds recognized contributions of \$43,927,755 to the RHBF as expenditures, which are included in the salaries and benefits in the governmental fund financial statements. In addition, NCTA contributed \$223,011 to the RHBF.

In fiscal year 2023, the State Health Plan (the Plan) transferred \$35.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was a nonemployer contributing entity contribution and was allocated among the RHBF employers. For the fiscal year ended June 30, 2025, the contribution allocated to the Department was \$272,905. Of this amount, the NCTA funds contributed \$1,201.

2. Disability Income

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees'

ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employee ORP.

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

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the General Assembly and coincide with the State's fiscal year. The

Department's contractually required contribution rate for the year ended June 30, 2025 was 0.13% of the covered payroll. During the fiscal year ended June 30, 2025, the Department's governmental funds recognized contributions of \$816,968 to DIPNC as expenditures, which are included in salaries and benefits in the governmental fund financial statements. In addition, the NCTA contributed \$4,148 to the DIPNC.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, NCTA reported a liability of \$3,946,812 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. NCTA's proportion of the net OPEB liability was based on the present value of future salaries for the NCTA relative to the present value of future salaries for all participating employers, actuarially determined. As of June 30, 2024, the NCTA's proportion was 0.01%, which is the same as its proportion measured as of June 30, 2023.

Disability Income Plan of North Carolina: At June 30, 2025, NCTA reported an asset of \$3,608 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. NCTA's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the NCTA relative to the projected present value of future salaries for all participating employers, actuarially determined. As of June 30, 2024, NCTA's proportion was 0.01%, which is the same as its proportion measured as of June 30, 2023.

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.

Notes to the Financial Statements

	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, law enforcement officer) and health status (i.e., disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 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 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 investing 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 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 NCTA’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 \$	4,695,688	\$ 3,946,812	\$ 2,355,239
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC \$	(2,437)	\$ (3,608)	\$ (4,779)

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 \$	4,695,688	\$ 3,946,812	\$ 2,355,239

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, NCTA recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ 511,377
DIPNC	1,783
Total OPEB Expense	\$ 513,160

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025, NCTA’s deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 32,169	\$ 1,455	\$ 33,624
Changes of Assumptions	946,554	54	946,608
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	15,817	2,753	18,570
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	684,021	1,573	685,594
Contributions Subsequent to the Measurement Date	<u>223,011</u>	<u>4,148</u>	<u>227,159</u>
Total	<u>\$ 1,901,572</u>	<u>\$ 9,983</u>	<u>\$ 1,911,555</u>

**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	\$ -	\$ 4,150.00	\$ 4,150.00
Changes of Assumptions	514,584.00	1,681.00	516,265.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>83,741.00</u>	<u>2,308.00</u>	<u>86,049.00</u>
Total	<u>\$ 598,325.00</u>	<u>\$ 8,139.00</u>	<u>\$ 606,464.00</u>

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	\$ 289,424	\$ (1,498)
2027	261,924	(1,077)
2028	328,440	253
2029	<u>200,448</u>	<u>18</u>
Total	<u>\$ 1,080,236</u>	<u>\$ (2,304)</u>

Note 18 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

Department employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 17, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to Department employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Department for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 17, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The Department is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lighting coverage is provided at no cost to the Department for operations supported by the State's General Fund. Other operations not

supported by the State's General Fund are charged for the fire and lighting coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, the Department has chosen a higher deductible of \$60,000 for a reduction in premium.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the Office of the Fire Marshall 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 Department pays premiums to the North Carolina Department of Insurance for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$5,000,000 in the aggregate per fiscal year via contract with private insurance companies. The Department pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

Note 19 - Conduit Debt Obligations, Commitments and Contingencies

A. Conduit Debt Obligations

The Department is authorized by General Statute 136-18(39) and General Statute 136-18(39a) to enter into private partnership agreements to finance by tolls and other financing methods the cost of constructing transportation infrastructures. Such an agreement was entered into on June 26, 2014, with I-77 Mobility Partners LLC (Mobility Partners) to design, build, finance

and operate the I-77 High Occupancy Toll (HOT) Lanes Project. In May 2015, the Department, as a conduit issuer, issued \$100 million of tax-exempt senior Private Activity Revenue Bonds (PABs) on behalf of Mobility Partners, and provided additional direct funds of \$116.2 million. The PABs are not an obligation of the Department or the State. The bonds are payable from payments received by the Mobility Partners, and the Department has committed to maintaining the tax-exempt status of the bonds. As of June 30, 2025, the outstanding principal of the PABs was \$99.4 million.

B. Pending Litigation and Claims

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

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

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

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

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

C. Federal Grants

The Department receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Under the terms of the grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures. Any disallowance as a result of questioned costs could become a liability of the Department. As of June 30, 2025, the Department is unable to estimate what liabilities may result from such audits.

D. Highway Construction

The Department has placed a deposit in court of \$446.0 million for potential liability to property owners for contested right-of-way acquisition costs in condemnation proceedings. The Department may also be liable for an additional \$146.9 million for the year ending June 30, 2025 in these proceedings. The Department had no outstanding verified contractor's claims.

In September 2024, Hurricane Helene caused high winds and severe flooding in western North Carolina, resulting in loss of life and extensive damage to property throughout the region. As a result of the damages sustained from Hurricane Helene, the Department identified approximately 9,400 sites where roads and bridges were affected. The Office of State Budget and Management estimated total infrastructure restoration costs at approximately \$10.3 billion, with the forecasted Department share, net of anticipated federal reimbursements, is estimated to be \$991 million per the March 2026 Helene Recovery forecast.

As of June 30, 2025, expenditures incurred related to Hurricane Helene recovery activities totaled approximately \$909.2 million, while federal reimbursements amounted to approximately \$182.1 million. Additional reimbursements are anticipated from the Federal Highway Administration (FHWA) and the Federal Emergency Management Agency (FEMA); however, the timing and amount of such reimbursements cannot be reasonably determined at this time.

E. Construction and Other Commitments

The Department has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. At June 30, 2025, the Department had commitments of \$7.6 billion for construction of highway infrastructure. Of this amount, \$4.7 billion relates to the Highway Fund, \$2.3 billion relates to the Highway Trust Fund, and \$617.8 million relates to NCTA.

Note 20 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2025, the State 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 21 - Net Position Restatement

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

	<u>Amount</u>
July 1, 2024 Net Position as Previously Reported	\$ 588,300,451
Restatement:	
Restate Compensated Absences Liability - Implementation of GASB Statement No. 101	<u>(21,424)</u>
July 1, 2024 Net Position as Restated	<u>\$ 588,279,027</u>

Note 22 - Subsequent Event

The Federal Motor Carrier Safety Administration (FMCSA) under the direction of the United States Department of Transportation, conducted a nationwide non-domiciled CDL audit. On January 8, 2026, the results for North Carolina were released and found that 54% of non-domiciled commercial driver's licenses (CDLs) were issued illegally. This finding could result in a loss of federal funding if corrective action is not taken.



Required Supplementary Information

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

Schedule E-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,886,364	\$ 2,068,029	\$ 1,711,885	\$ 511,918	\$ 1,270,095
Covered Payroll	\$ 2,709,707	\$ 2,232,626	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	69.62%	92.63%	75.24%	24.63%	76.63%
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	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 879,694	\$ 729,749	\$ 483,101	\$ 557,948	\$ 225,156
Covered Payroll	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099	\$ 899,061	\$ 882,095
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	56.44%	58.33%	47.36%	62.06%	25.53%
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 year ended June 30.

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

Schedule E-2

Teachers' and State Employees' Retirement System	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 513,826	\$ 477,992	\$ 355,636	\$ 374,320	\$ 307,137
Contributions in Relation to the Contractually Determined Contribution	<u>513,826</u>	<u>477,992</u>	<u>355,636</u>	<u>374,320</u>	<u>307,137</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,190,425	\$ 2,709,707	\$ 2,232,626	\$ 2,275,139	\$ 2,078,055
Contributions as a Percentage of Covered Payroll	16.11%	17.64%	15.93%	16.45%	14.78%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 214,982	\$ 191,568	\$ 132,103	\$ 101,322	\$ 74,249
Contributions in Relation to the Contractually Determined Contribution	<u>214,982</u>	<u>191,568</u>	<u>132,103</u>	<u>101,322</u>	<u>74,249</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099	\$ 899,061
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.56%	9.93%	8.26%

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

**North Carolina Department of Transportation
Notes to Required Supplementary Information
Schedule of the Employer Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 2025**

Changes of Benefit Terms:

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	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 Employer 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 16 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 Department of Transportation
Required Supplementary Information
Schedule of the Proportionate Share of Net OPEB Liability or Asset
Cost-Sharing, Multiple Employer, Defined Benefit OPEB Plans
Proprietary Fund - North Carolina Turnpike Authority
Last Eight Fiscal Years***

Schedule E-3
Page 1 of 2

Retiree Health Benefit Fund	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportionate Share Percentage of Collective Net OPEB Liability	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate Share of Collective Net OPEB Liability	\$3,946,812	\$3,005,570	\$2,447,581	\$2,951,039	\$2,521,627
Covered Payroll	\$2,709,707	\$2,232,626	\$2,275,139	\$2,078,055	\$1,657,530
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	145.65%	134.62%	107.58%	142.01%	152.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Proportionate Share Percentage of Collective Net OPEB Liability	0.01%	0.01%	0.01%		
Proportionate Share of Collective Net OPEB Liability	\$2,354,514	\$1,794,683	\$1,745,360		
Covered Payroll	\$1,558,727	\$1,250,977	\$1,020,099		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	151.05%	143.46%	171.10%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%		

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

Schedule E-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)	0.01%	0.01%	0.01%	0.01%	0.01%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (3,608)	\$ 2,840	\$ 2,951	\$ (1,530)	\$ (4,406)
Covered Payroll	\$2,709,707	\$2,232,626	\$2,275,139	\$2,078,055	\$1,657,530
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.13%	0.13%	0.13%	0.07%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.01%	0.01%	0.01%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (3,044)	\$ (1,897)	\$ (1,897)		
Covered Payroll	\$1,558,727	\$1,250,977	\$1,020,099		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.20%	0.15%	0.19%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	113.00%	108.47%	116.23%		

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

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

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

**Schedule E-4
Page 1 of 2**

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 223,011	\$ 176,727	\$ 140,986	\$ 143,741	\$ 138,814
Contributions in Relation to the Contractually Determined Contribution	\$ 223,011	\$ 176,727	\$ 140,986	\$ 143,741	\$ 138,814
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$3,190,425	\$2,709,707	\$2,232,626	\$2,275,139	\$2,078,055
Contributions as a Percentage of Covered Payroll	6.99%	6.52%	6.31%	6.32%	6.68%
	2020	2019	2018		
Contractually Required Contribution	\$ 107,242	\$ 97,732	\$ 78,436		
Contributions in Relation to the Contractually Determined Contribution	\$ 107,242	\$ 97,732	\$ 78,436		
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -		
Covered Payroll	\$1,657,530	\$1,558,727	\$1,250,977		
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.27%		

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

**Schedule E-4
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 4,148	\$ 2,723	\$ 2,046	\$ 2,057	\$ 1,870
Contributions in Relation to the Contractually Determined Contribution	\$ 4,148	\$ 2,723	\$ 2,046	\$ 2,057	\$ 1,870
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$3,190,425	\$2,709,707	\$2,232,626	\$2,275,139	\$2,078,055
Contributions as a Percentage of Covered Payroll	0.13%	0.10%	0.09%	0.09%	0.09%
	2020	2019	2018		
Contractually Required Contribution	\$ 1,658	\$ 2,182	\$ 2,182		
Contributions in Relation to the Contractually Determined Contribution	\$ 1,658	\$ 2,182	\$ 2,182		
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -		
Covered Payroll	\$1,657,530	\$1,558,727	\$1,250,977		
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.09%		

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 Department of Transportation
Notes to Required Supplementary Information
Schedule of Employer Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Proprietary Fund - North Carolina Turnpike Authority
For the Fiscal Year Ended June 30, 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 Employer 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 Employer 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 17 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* .



Other Supplementary Information

North Carolina Department of Transportation
 Schedule of Expenditures by Division (Cash Basis)
 Total Governmental Funds
 For the Fiscal Year Ended June 30, 2025

Schedule F-1

	Division of Motor Vehicles (1)	Division of Transit (2)	Division of Highways and Technical Services (3)	Fourteen Highway Division Offices (4)	Other Divisions (5)	Total
EXPENDITURES						
Salaries and Benefits	\$ 119,444,386	\$ 53,520,469	\$ 253,127,767	\$ 523,983,387	\$ 67,068,150	\$ 1,017,144,159
Contracted Personal Services	27,509,662	8,306,197	12,524,197	17,429,321	158,457,274	224,226,651
Supplies and Materials	3,754,723	13,077,042	81,095,303	268,641,593	11,278,760	377,847,421
Purchases for Resale	5,582,345	-	4,097	404	152	5,586,998
Travel	3,541,737	579,023	2,571,771	5,421,656	952,200	13,066,387
Communication	1,772,466	321,446	2,800,462	3,053,724	6,596,180	14,544,278
Utilities	644,321	832,858	3,677,044	14,059,288	(52,683)	19,160,828
Data Processing Services	974,435	354,581	1,124,337	189,353	21,834,391	24,477,097
Other Services	6,483,909	2,051,198	14,631,414	3,182,610	10,276,338	36,625,469
Claims and Benefits	1,084,477	-	-	207,845	-	1,292,322
Debt Service:						
Principal Retirement	2,466,125	383,687	2,283,978	773,114	345,262,083	351,168,987
Interest and Fees	1,745,243	63,203	408,265	139,170	96,750,774	99,106,655
Debt Issuance Costs	-	-	-	-	524,894	524,894
Other Fixed Charges	1,267,697	104,794	3,210,215	383,025	5,672,106	10,637,837
Capital Outlay	3,482,025	97,024,780	520,982,504	4,613,880,072	98,248,368	5,333,617,749
Grants, State Aid, and Subsidies	(930,020)	394,011,463	97,808,226	30,577,779	212,619,287	734,086,735
Scholarships	-	-	70,300	-	-	70,300
Insurance and Bonding	68,198	215,065	6,808,985	3,914	965,314	8,061,476
Other Expenditures	9,663,664	5,247,737	21,109,161	23,813,686	177,106,439	236,940,687
Expenditures to Other State Agencies	(4,017,049)	-	884,045	-	138,113,695	134,980,691
Expenditures to Component Units	-	-	-	-	178,747,561	178,747,561
Total Expenditures:	184,538,344	576,093,543	1,025,122,071	5,505,739,941	1,530,421,283	8,821,915,182
OTHER FINANCING USES						
Transfers out	5,440	-	120,000	-	49,385,231	49,510,671
Transfers to Turnpike Authority	-	-	-	-	48,207,861	48,207,861
Total Other Financing Uses:	5,440	-	120,000	-	97,593,092	97,718,532
Total Expenditures and Other Financing Uses	\$ 184,543,784	\$ 576,093,543	\$ 1,025,242,071	\$ 5,505,739,941	\$ 1,628,014,375	8,919,633,714
					Net Reconciling Accruals and Adjustments:	2,128,402
					Total Expenditures and Other Financing Uses (GAAP Basis) June 30:	\$ 8,921,762,116

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

Exhibit A-2:	
Total Expenditures	\$ 8,626,165,997
Transfers Out	237,899,125
Transfers to Turnpike Authority	57,696,994
Total Expenditures and Other Financing (GAAP Basis) June 30	\$ 8,921,762,116

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

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Division of Motor Vehicles
For the Fiscal Year Ended June 30, 2025

Schedule F-2

	DMV Commissioner's Office	DMV Driver Licensing	DMV Field Services	DMV Hearing	DMV Processing Services	License and Theft Bureau	Motor Vehicle Exhaust Emissions	Total
EXPENDITURES								
Salaries and Benefits	\$ 17,910,298	\$ 44,843,999	\$ 26,788,618	\$ 1,410,495	\$ 7,138,455	\$ 16,509,566	\$ 4,842,955	\$ 119,444,386
Contracted Personal Services	1,511,105	2,675,132	22,546,555	986	177,430	291,143	307,311	27,509,662
Supplies and Materials	309,854	(397,574)	766,683	16,551	51,374	2,913,636	94,199	3,754,723
Purchases for Resale	5,946	-	5,114,089	-	-	233,459	228,851	5,582,345
Travel	716,726	988,702	37,078	62,314	17,459	1,654,432	65,026	3,541,737
Communication	426,840	357,290	521,118	16,680	105,530	128,824	216,184	1,772,466
Utilities	260,423	307,458	52,983	-	580	18,297	4,580	644,321
Data Processing Services	117,383	502,356	64,302	184,037	1,920	98,871	5,566	974,435
Other Services	83,360	70,179	6,293,675	-	3,730	21,636	11,329	6,483,909
Claims and Benefits	31,480	-	-	-	-	701,092	351,905	1,084,477
Debt Service:								
Principal Retirement	817,621	1,337,101	200,555	-	-	38,070	72,778	2,466,125
Interest and Fees	1,421,663	227,887	72,313	-	-	4,010	19,370	1,745,243
Other Fixed Charges	68,589	637,400	143,514	-	2,522	74,034	341,638	1,267,697
Capital Outlay	512,789	2,592,809	69,522	-	989	172,031	133,885	3,482,025
Grants, State Aid, and Subsidies	(1,004,688)	-	95,580	-	(20,912)	-	-	(930,020)
Insurance and Bonding	20,215	4,991	41,529	-	-	874	589	68,198
Other Expenditures	172,764	9,037,769	125,407	-	351,205	(5,386)	(18,095)	9,663,664
Expenditures to Other State Agencies	-	-	73,070	-	-	(4,090,119)	-	(4,017,049)
Total Expenditures:	<u>23,382,368</u>	<u>63,185,499</u>	<u>63,006,591</u>	<u>1,691,063</u>	<u>7,830,282</u>	<u>18,764,470</u>	<u>6,678,071</u>	<u>184,538,344</u>
OTHER FINANCING USES								
Transfers out	-	-	5,440	-	-	-	-	5,440
Total Other Financing Uses:	-	-	5,440	-	-	-	-	5,440
Total Expenditures and Other Financing Uses	<u>\$ 23,382,368</u>	<u>\$ 63,185,499</u>	<u>\$ 63,012,031</u>	<u>\$ 1,691,063</u>	<u>\$ 7,830,282</u>	<u>\$ 18,764,470</u>	<u>\$ 6,678,071</u>	<u>\$ 184,543,784</u>

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Division of Transit
For the Fiscal Year Ended June 30, 2025

Schedule F-3

	Aviation	Ferry	Integrated Mobility	Rail	Total
EXPENDITURES					
Salaries and Benefits	\$ 3,244,232	\$ 39,242,054	\$ 4,082,037	\$ 6,952,146	\$ 53,520,469
Contracted Personal Services	868,059	874,177	142,762	6,421,199	8,306,197
Supplies and Materials	136,468	8,774,632	212,507	3,953,435	13,077,042
Travel	69,764	383,232	81,713	44,314	579,023
Communication	31,534	117,691	11,628	160,593	321,446
Utilities	45,489	509,941	-	277,428	832,858
Data Processing Services	53,769	14,988	272,439	13,385	354,581
Other Services	42,414	1,287,018	62,604	659,162	2,051,198
Debt Service:					
Principal Retirement	137,024	-	-	246,663	383,687
Interest and Fees	36,730	(95)	-	26,568	63,203
Other Fixed Charges	43,506	37,703	8,314	15,271	104,794
Capital Outlay	6,100,907	3,126,844	11,029,738	76,767,291	97,024,780
Grants, State Aid, and Subsidies	205,101,892	-	187,892,392	1,017,179	394,011,463
Insurance and Bonding	14,905	200,160	-	-	215,065
Other Expenditures	2,681,743	421,549	1,916,787	227,658	5,247,737
Total Expenditures:	<u>218,608,436</u>	<u>54,989,894</u>	<u>205,712,921</u>	<u>96,782,292</u>	<u>576,093,543</u>
OTHER FINANCING USES	-	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 218,608,436</u>	<u>\$ 54,989,894</u>	<u>\$ 205,712,921</u>	<u>\$ 96,782,292</u>	<u>\$ 576,093,543</u>

North Carolina Department of Transportation
 Schedule of Expenditures by Division (Cash Basis)
 Division of Highways and Technical Services
 For the Fiscal Year Ended June 30, 2025

Schedule F-4

	Administration	Equipment	Highway Design	Other Division of Highways and Technical Service Divisions	Technical Services	Total
EXPENDITURES						
Salaries and Benefits	\$ 2,734,798	\$ 71,678,794	\$ 21,957,915	\$ 120,130,783	\$ 36,625,477	\$ 253,127,767
Contracted Personal Services	43,575	1,847,249	107,547	10,272,887	252,939	12,524,197
Supplies and Materials	25,415	29,999,138	121,761	19,336,720	31,612,269	81,095,303
Purchases for Resale	-	3,890	-	207	-	4,097
Travel	55,035	215,471	182,264	1,934,446	184,555	2,571,771
Communication	21,261	1,773,451	66,228	814,826	124,696	2,800,462
Utilities	-	1,510,670	5,424	2,092,532	68,418	3,677,044
Data Processing Services	1,923	11,422	24,598	335,230	751,164	1,124,337
Other Services	10,490	4,771,289	39,753	9,497,401	312,481	14,631,414
Debt Service:						
Principal Retirement	-	-	165,764	1,783,527	334,687	2,283,978
Interest and Fees	-	-	51,228	292,707	64,330	408,265
Other Fixed Charges	62,959	592,845	12,004	2,399,753	142,654	3,210,215
Capital Outlay	788,848	54,019,431	49,632,189	321,654,329	94,887,707	520,982,504
Grants, State Aid, and Subsidies	-	-	547,047	21,648,432	75,612,747	97,808,226
Scholarships	-	-	-	70,300	-	70,300
Insurance and Bonding	-	4,779,380	-	2,025,842	3,763	6,808,985
Other Expenditures	-	310,942	(54,273)	1,707,699	19,144,793	21,109,161
Expenditures to Other State Agencies	-	-	-	413,700	470,345	884,045
Total Expenditures:	<u>3,744,304</u>	<u>171,513,972</u>	<u>72,859,449</u>	<u>516,411,321</u>	<u>260,593,025</u>	<u>1,025,122,071</u>
OTHER FINANCING USES						
Transfers out	-	-	-	120,000	-	120,000
Total Other Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total Expenditures and Other Financing Uses	<u>\$ 3,744,304</u>	<u>\$ 171,513,972</u>	<u>\$ 72,859,449</u>	<u>\$ 516,531,321</u>	<u>\$ 260,593,025</u>	<u>\$ 1,025,242,071</u>

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Fourteen Highway Division Offices
For the Fiscal Year Ended June 30, 2025

Schedule F-5
Page 1 of 2

	Division 1	Division 2	Division 3	Division 4	Division 5	Division 6	Division 7	Division 8
EXPENDITURES								
Salaries and Benefits	\$ 35,292,099	\$ 30,844,958	\$ 33,367,065	\$ 37,696,874	\$ 38,613,690	\$ 38,454,249	\$ 34,500,003	\$ 36,684,017
Contracted Personal Services	860,521	759,381	768,454	2,280,655	662,643	1,064,302	637,146	568,006
Supplies and Materials	8,428,152	14,091,201	11,593,808	8,099,215	8,394,847	9,486,866	5,500,917	11,945,424
Purchases for Resale	-	404	-	-	-	-	-	-
Travel	203,473	159,896	182,754	227,715	239,068	317,302	184,704	303,972
Communication	181,623	217,073	146,206	234,387	189,620	203,689	215,315	173,990
Utilities	455,080	492,438	935,925	1,175,185	2,083,142	966,818	1,564,835	635,412
Data Processing Services	10,616	9,304	18,253	12,820	16,173	13,584	18,639	11,094
Other Services	50,129	1,321,037	492,890	1,129,068	211,443	478,840	(3,618,677)	205,581
Claims and Benefits	-	-	-	-	-	-	-	-
Debt Service:								
Principal Retirement	67,662	65,477	63,769	82,939	102,102	-	45,935	50,441
Interest and Fees	24,724	43,279	12,400	7,255	10,290	-	3,624	2,753
Other Fixed Charges	22,072	22,738	14,821	24,470	65,571	20,567	22,209	5,839
Capital Outlay	257,537,770	235,616,707	206,683,972	218,487,339	361,576,916	540,999,804	250,013,433	273,501,940
Grants, State Aid, and Subsidies	-	1,279,372	834,608	780,439	8,421,739	2,413,211	7,801,214	2,155,404
Insurance and Bonding	-	-	424	-	2,349	-	1,141	-
Other Expenditures	2,382,594	1,696,322	692,925	1,337,891	932,493	973,069	2,008,095	1,366,788
Total Expenditures:	305,516,515	286,619,587	255,808,274	271,576,252	421,522,086	595,392,301	298,898,533	327,610,661
OTHER FINANCING USES	-	-	-	-	-	-	-	-
Total Expenditures and Other Financing Uses	\$ 305,516,515	\$ 286,619,587	\$ 255,808,274	\$ 271,576,252	\$ 421,522,086	\$ 595,392,301	\$ 298,898,533	\$ 327,610,661

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Fourteen Highway Division Offices
For the Fiscal Year Ended June 30, 2025

Schedule F-5
Page 2 of 2

	Division 9	Division 10	Division 11	Division 12	Division 13	Division 14	Total
EXPENDITURES							
Salaries and Benefits	\$ 33,478,384	\$ 36,888,927	\$ 38,212,687	\$ 29,103,668	\$ 52,309,477	\$ 48,537,289	\$ 523,983,387
Contracted Personal Services	1,291,855	2,480,528	1,294,168	1,357,224	2,512,434	892,004	17,429,321
Supplies and Materials	12,269,339	7,145,403	51,321,367	6,805,305	81,650,374	31,909,375	268,641,593
Purchases for Resale	-	-	-	-	-	-	404
Travel	175,037	337,764	280,251	200,643	982,848	1,626,229	5,421,656
Communication	245,950	316,167	214,010	114,712	244,260	356,722	3,053,724
Utilities	866,943	1,632,326	498,746	1,125,435	919,778	707,225	14,059,288
Data Processing Services	27,656	8,311	12,031	7,590	14,341	8,941	189,353
Other Services	651,083	564,601	520,424	234,974	519,200	422,017	3,182,610
Claims and Benefits	-	-	-	-	207,845	-	207,845
Debt Service:							
Principal Retirement	35,534	-	19,740	189,626	-	49,889	773,114
Interest and Fees	2,823	-	1,731	18,255	-	12,036	139,170
Other Fixed Charges	49,463	24,816	11,158	18,395	20,016	60,890	383,025
Capital Outlay	301,352,653	297,066,464	293,044,348	253,364,880	623,278,535	501,355,311	4,613,880,072
Grants, State Aid, and Subsidies	1,708,099	2,678,833	84,018	1,520,413	728,658	171,771	30,577,779
Insurance and Bonding	-	-	-	-	-	-	3,914
Other Expenditures	2,606,470	687,895	2,088,130	731,404	3,889,765	2,419,845	23,813,686
Total Expenditures:	<u>354,761,289</u>	<u>349,832,035</u>	<u>387,602,809</u>	<u>294,792,524</u>	<u>767,277,531</u>	<u>588,529,544</u>	<u>5,505,739,941</u>
OTHER FINANCING USES	-	-	-	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 354,761,289</u>	<u>\$ 349,832,035</u>	<u>\$ 387,602,809</u>	<u>\$ 294,792,524</u>	<u>\$ 767,277,531</u>	<u>\$ 588,529,544</u>	<u>\$ 5,505,739,941</u>

North Carolina Department of Transportation
Schedule of Expenditures by Division (Cash Basis)
Other Divisions
For the Fiscal Year Ended June 30, 2025

Schedule F-6

	Financial Management	Information Technology	Orders	Other	Other Agency Transfers, Reserves, and Debt Service	Strategic Planning	Total
EXPENDITURES							
Salaries and Benefits	\$ 11,726,710	\$ 8,052	\$ 15,398,712	\$ 36,923,446	\$ -	\$ 3,011,230	\$ 67,068,150
Contracted Personal Services	34,518	36,781,673	114,363,595	3,418,156	2,978,021	881,311	158,457,274
Supplies and Materials	34,175	317,908	10,625,398	274,750	(455)	26,984	11,278,760
Purchases for Resale	-	-	152	-	-	-	152
Travel	18,294	347,522	4,987	509,708	(1,814)	73,503	952,200
Communication	17,457	6,455,172	15,390	100,659	-	7,502	6,596,180
Utilities	519	-	(53,545)	343	-	-	(52,683)
Data Processing Services	3,687	1,511,364	19,922,456	(55,383)	307,944	144,323	21,834,391
Other Services	49,815	137,623	7,017,302	3,045,722	-	25,876	10,276,338
Debt Service:							
Principal Retirement	-	26,677,262	(324)	199,221	318,385,924	-	345,262,083
Interest and Fees	-	4,005,591	318,346	20,822	92,406,015	-	96,750,774
Debt Issuance Costs	-	-	369,910	-	154,984	-	524,894
Other Fixed Charges	10,868	2,759,429	2,373,130	298,449	1,187	229,043	5,672,106
Capital Outlay	1,740,109	6,385,024	72,674,713	17,254,156	31,151	163,215	98,248,368
Grants, State Aid, and Subsidies	754,071	-	3,739,406	16,595,828	191,529,982	-	212,619,287
Insurance and Bonding	927,731	-	27,760	2,071	7,752	-	965,314
Other Expenditures	1,507,570	(4,769,489)	(4,439,220)	13,056,926	171,314,178	436,474	177,106,439
Expenditures to Other State Agencies	98,474	1,656,425	12,471,701	-	123,887,095	-	138,113,695
Expenditures to Component Units	-	-	862,833	-	177,884,728	-	178,747,561
Total Expenditures:	16,923,998	82,273,556	255,692,702	91,644,874	1,078,886,692	4,999,461	1,530,421,283
OTHER FINANCING USES							
Transfers out	-	-	6,095,719	-	43,289,512	-	49,385,231
Transfers to Turnpike Authority	-	-	(792,139)	-	49,000,000	-	48,207,861
Total Other Financing Uses:	-	-	5,303,580	-	92,289,512	-	97,593,092
Total Expenditures and Other Financing Uses	\$ 16,923,998	\$ 82,273,556	\$ 260,996,282	\$ 91,644,874	\$ 1,171,176,204	\$ 4,999,461	\$ 1,628,014,375

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Year Ended June 30, 2025**

Account Title	Account Description
Air Cargo Authority	Transfer to the Global TransPark Authority for general operating expenses (<i>General Statute 63A-3</i>).
Airports Program	Expenditures related to the planning, engineering, and general administration necessary for the operation of the State Aid to Airports Program and the Federal State Block Grant Program disbursed to local governments for airport development needs. Funds are used for airport improvements for the safety and efficiency of the statewide network of airports; educational programs to conduct airport planning, land acquisition, and airport construction and maintenance; and many other missions included in Chapter 63 of <i>General Statutes</i> .
Aviation Administration	Expenditures related to the administrative budget for the Aviation Division. The Division of Aviation develops, maintains, and promotes a safe and effective statewide aviation system. The division manages and provides oversight for grants to local communities and airport sponsors for aviation improvements associated with the State Aid to Airports program and the Federal State Block Grant program. A key focus of the division is identifying aviation system safety deficiencies and implementing programs to address the problems. The division provides technical assistance to the private sector along with local, federal, and state agencies to improve air services throughout the state and conducts safety and education programs statewide for pilots, schools, and the public. Division aircraft provide photogrammetry and aerial survey services for the department and other governmental agencies, and air transportation services in support of all state agencies.
Bridge Preservation	Expenditures to employ cost effective solutions to maximize bridge life and lower lifetime cost.
Bridge Program	Expenditures related to bridge improvements on structurally deficient and functionally obsolete bridges.
Capital Improvements	Expenditures related to the management of the design and construction administration of new construction, renovation or large-scale maintenance projects whether performed by internal staff or outside designers.
Capital Improvements HTF	Expenditures related to maintenance and construction programs for major repairs, renovations or replacement of facilities that fail to meet safety standards or that are obsolete for current or future use under Session Law 2003-284.
Central Administration	Expenditures related to administrative support and operations for DOT.
CO Internal Orders	Controlling Orders (CO) are cost collectors for expenses that will be allocated across multiple cost centers and/or projects. Examples include specific administrative and field costs; labor variance; stockpiled and rebuilt inventory; special allocation, temporary, and orders sharing cost to a specific set of Work Breakdown Structure (WBS) numbers.
Construction Primary HTF	Expenditures related to the construction or improvements on US and NC routes outside of incorporated municipalities.
Construction Statewide Secondary HTF	Expenditures for the construction or improvement on Secondary Roads (SR) outside of incorporated municipalities.
Contingency	Expenditures related to rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.
Contract Resurfacing	Expenditures related to the placement of thin asphalt overlays or surface treatments by contract on paved state primary and secondary system routes to restore serviceability and prevent deterioration of the pavement surface.
Debt Service - Build NC Bonds	Principal and interest for debt service related to Build NC bonds.
Debt Services - GARVEE bonds	Principal payments for Grant Anticipation Revenue Vehicle (GARVEE) bonds.
Department of Revenue - Gas Tax	Expenditures related to the administration, collection, and enforcement of the motor fuel tax laws of the State of North Carolina.
Department of Agriculture - Gas Inspection Services	Expenditures related to enforcing quality standards for motor gasoline and diesel fuel, heating fuel (kerosene and fuel oil), and motor oil.

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Year Ended June 30, 2025**

Account Title	Account Description
Department of Revenue - IRP Auditors	Expenditures related to audit services for the International Registration Plan (IRP).
Division of Highway Administration	Expenditures related to administrative support and operations for the Chief Engineer and Deputy Chief Engineer's office.
Division of Motor Vehicles (DMV)	Expenditures related to the Commissioner's Office, Field Services, Processing Services, and License and Theft for DMV.
Division Small Urban Construction	Expenditures related to small construction projects recommended by the member of the Board of Transportation representing the Division to be served by the project, in consultation with the Division Engineer, and approved by the Board of Transportation. Funds are equally allocated among the 14 Divisions.
DOT Plant Maintenance Orders	Plant Maintenance orders are used to collect the cost of maintaining and fueling DOT fleet equipment, rented equipment, and outside agency equipment (reimbursable to DOT).
ECO Enhancement Program	Ecological Enhancement Program (EEP) expenditures related to wetland mitigation.
Economic Development	Expenditures related to highway projects, aviation projects at publicly owned airports, and rail or marine public access projects that contribute to economic growth and development by attracting new businesses, new industries, or expanding existing businesses or industries that increase employment opportunity.
Facility Maintenance Orders	Facilities Maintenance (FM) orders are used to track and distribute the cost of maintaining DOT facilities. FM orders are created for specific projects or specific facility assets.
FEMA	Expenditures of Federal Emergency Management Administration (FEMA) funds for the repair, restoration, reconstruction, and/or replacement of infrastructure on non-Federal Aid routes or facilities damaged and/or destroyed in the event of an emergency, catastrophe, or major disaster.
Ferry Operations	Expenditures related to the ferry services provided to the traveling public and citizens of North Carolina in coastal North Carolina.
FHWA Construction	Expenditures from Federal Highway Administration (FHWA) for different federal programs such as Surface Transportation, National Highway System, Congestion Mitigation, and Bridge Program.
FHWA State Match HTF	State matching funds for Federal Highway Administration (FHWA) funded projects.
Field Operations	Expenditures related to administrative and technical assistance to various Departmental Units and the 14 Highway Divisions for the structure management program and the secondary roads program.
General Maintenance Reserve	Expenditures related to routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, bridge repair, machining, stabilization, and rest area operations on the state primary and secondary systems, including all interstate, US, and NC designated highways, as well as paved and unpaved routes carrying the Secondary Road (SR) designation
Governor's Highway Safety	Expenditures related to federal and state programs administered by the Governor's Highway Safety Program (GHSP). Examples of programs include Click It or Ticket, bicycle safety programs, safety grants to local and state law enforcement programs, and grants to support the statistical analysis necessary to target funding to areas of critical need.
Health and Human Services - Chemical Test	Expenditures related to the breathalyzer program in the Department of Health and Human Services (DHHS), Public Health Division.
Integrated Mobility Division	Expenditures related to the operation of the Integrated Mobility Division.

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Year Ended June 30, 2025**

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

North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Descriptions of Accounts
For the Fiscal Year Ended June 30, 2025

Account Title	Account Description
Rail Administration	Expenditures related to the administrative budget for the Rail Division program. The purpose of this fund is to develop, administer and operate programs that improve industry and public safety, partner with industry and economic development entities to create jobs, attract investment and increase rail freight movements; partner with short line and Class I railroads to retain jobs in small urban and rural areas, and increase use of intercity passenger rail service opportunities.
Rail Equipment Overhaul	Expenditures to fund the overhaul and improvement of rail equipment.
Railroad Program	Expenditures for the operational support of programs administered by the Rail Division. Programs include operation of the Carolinian and the Piedmont train service, the Freight Rail & Rail Crossing Safety Improvement Program, rail crossing safety and track capacity and velocity improvements, and environmental and planning associated with the development of high-performing passenger rail service throughout North Carolina, Virginia, and the Southeast.
Reserves	Expenditures of reserve funds for costs such as legislative increases, retirement increases, hospital/medical, etc.
Roadside Environmental	Expenditures related to vegetation management, mowing, litter prevention & removal, beautification efforts, rest areas, and guardrail replacements.
ROW Air Space	Right of Way (ROW) orders are used to capture the expense and receipt of property sales for assets that were federally funded. This money is reserved for Title 23 uses.
Secondary Construction	Expenditures related to paving unpaved roads on the secondary road system.
Secondary Construction - HTF	Expenditures related to paving and improving the state's 4,500 miles of unpaved secondary roads that serve the motoring public and provide modernization improvements to the paved secondary road system.
Spot Safety	Expenditures related to the design and construction of cost-effective safety improvements on the state highway system. Examples of projects include installation or improvement of traffic signals, improving roadway geometrics and channelization, installing guardrail, adding rumble strips, and constructing turn lanes.
State Aid to Municipalities	Expenditures related to the Powell Bill allocation to municipalities.
State Ethics Commission	Transfer of funds from the Highway Fund to the State Ethics Commission to support a Paralegal position for the implementation of Session Law 2013-156.
State Fire Protection Grant Fund	Payments of any necessary fire insurance claims up to the \$60,000 deductible for NC DOT-owned capital facilities.
Strategic Transportation Initiative	NCDOT Strategic Prioritization Fund created under Session Law 2013-183. Funds will be distributed 40% to Statewide Strategic Mobility Projects, 30% to Regional Impact Projects, and 30% to Division Need Projects.
Transfer to Highway Fund - Visitor Centers	Transfer of funds from the Highway Trust Fund to the Highway Fund for the Visitor Centers.
Transfer to Ports Authority	The Highway Trust Fund appropriation to the NC State Ports Authority.
Transfer to Turnpike Authority	Transfer to the North Carolina Turnpike Authority from the Highway Trust Fund for debt service or related financing costs and expenses on revenue bonds or notes issued by the Turnpike Authority.
Transportation Mobility & Safety Division Orders	Expenditures related to the planning, design, implementation, investigation, and evaluation of engineering strategies on highway safety, traffic operations, signing and delineation, Intelligent Transportation Systems (ITS), work zone traffic control and congestion management; and the permitting of oversized and overweight vehicles.
Urban Loops - HTF	Expenditures related to the expansion of transportation options to improve safety and relieve traffic congestion in urban areas through the construction of specific, new urban routes to improve economic development and air quality while serving the motoring public.

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

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Fund
For the Fiscal Year Ended June 30, 2025**

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

CURRENT ACCOUNTS

Central Administration	\$ 137,529,041
Division of Highway Administration	2,717,443
Division of Motor Vehicles	172,161,481
Operations Administration	25,711,375
Rail Division Administration	707,707
Aviation Division Admin	4,085,663
Integrated Mobility Division Admin	602,840
Field Operations	(147,879,082)
Reserve for Other Agencies:	
Department of Agriculture - Gas Inspection Services	6,441,974
Department of Revenue - Gas Tax	5,404,518
Health and Human Services - Chemical Test	739,447
Air Cargo Authority	862,833
State Fire Protection Grant Fund	158,000
Department of Revenue - IRP Auditors	156,334
OSC - Best Shared Services	627,818
State Ethics Commission	87,702
OSBM - Oversight Manager	141,896
Reserves	56,846,273
Internal Orders:	
CO Internal Orders	(82,095,244)
DOT Plant Maintenance Orders	(1,107,611)
ECO Enhancement Program	32,850
ROW Air Space	(4,577,509)
Facility Maintenance Orders	(7,103)
Transportation Mobility & Safety Division Orders	10,705
Debt Services - GARVEE	76,885,000
Performance Energy Debt	362,410
	<hr/>
Total Current Accounts	256,606,761
	<hr/>

ENCUMBRANCE ACCOUNTS

Primary Construction	22,421,763
Secondary Construction	10,131,529
Spot Safety	11,973,321
Contingency	19,253,244
General Maintenance Reserve	1,116,839,340

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Fund
For the Fiscal Year Ended June 30, 2025**

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

Contract Resurfacing	469,923,080
Ferry Operations	63,568,921
Capital Improvements	10,426,636
FHWA Construction	1,883,575,987
Governor's Highway Safety	19,620,909
Railroad Program	45,792,983
Airports Program	202,533,633
Integrated Mobility Division	158,420,447
OSHA Program	313,094
Non-System Street	19,422,873
Motor Carrier Safety	1,305,942
FEMA	618,694,466
State Aid to Municipalities	186,132,867
Division Small Urban Construction	23,280
Economic Development	88,778,615
Bridge Program	321,375,729
Pavement Preservation	72,195,619
Bridge Preservation	74,660,291
Roadside Environmental	115,514,962
Mobility Modernization	31,142,953
Rail Equipment Overhaul	1,702,704
	<hr/>
Total Encumbrance Accounts	5,565,745,188
	<hr/>
Total Expenditures and Other Financing Uses June 30	5,822,351,949
	<hr/>
Net Reconciling Accruals and Adjustments	780,867,752
	<hr/>
Total Expenditures and Other Financing Uses (GAAP basis) June 30:	<u>\$ 6,603,219,701</u>
Exhibit A-2:	
Total Expenditures	\$ 6,603,219,701
Other Financing Uses	-
	<hr/>
Total Expenditures and Other Financing Uses (GAAP basis) June 30	<u>\$ 6,603,219,701</u>

**North Carolina Department of Transportation
Schedule of Expenditures By Purpose
Governmental Funds - Highway Trust Fund
For the Fiscal Year Ended June 30, 2025**

Schedule G-2

CURRENT ACCOUNTS

Program Administration	\$ 39,239,388
Debt Service - Build NC Bonds	121,436,775
Transfer to Turnpike Authority	49,000,000
Transfer to Highway Fund - Visitor Centers	640,000
Transfer to Ports Authority	45,000,000
	<hr/>
Total Current Accounts	255,316,163
	<hr/>

ENCUMBRANCE ACCOUNTS

Strategic Transportation Initiative	2,043,707,147
Intrastate - HTF	(1,979,470)
Secondary Construction - HTF	3,795,399
Urban Loops - HTF	(58,603)
Construction Primary HTF	6,116
Construction Statewide Secondary HTF	85,068
Railroad Program HTF	124,511
FHWA State Match HTF	10,579,832
Capital Improvements HTF	12,868
NC Mobility Fund	(9)
	<hr/>

Total Encumbrance Accounts 2,056,272,859

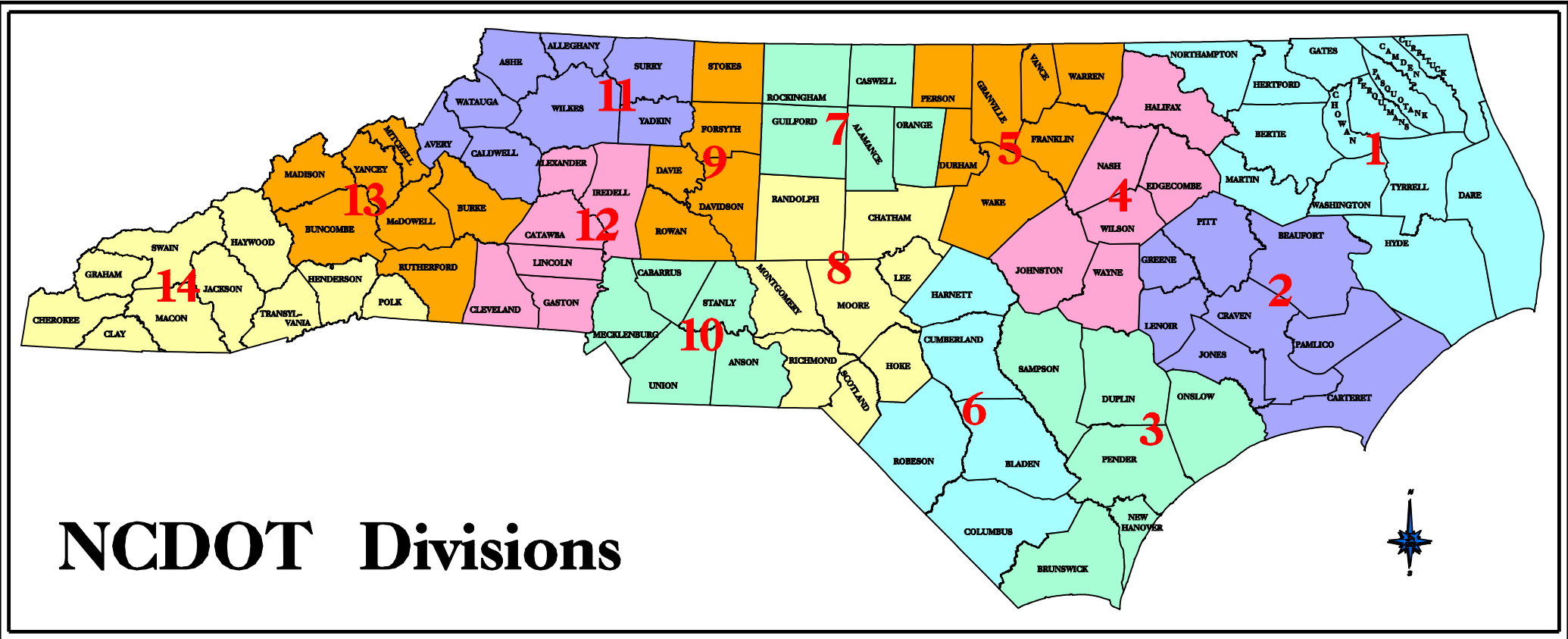
Total Expenditures and Other Financing Uses June 30 2,311,589,022

Net Reconciling Accruals and Adjustments 6,953,393

Total Expenditures and Other Financing Uses (GAAP basis) June 30:
\$ 2,318,542,415

Exhibit A-2:

Total Expenditures	\$ 2,022,946,296
Transfers Out	237,899,125
Transfers to Turnpike Authority	57,696,994
	<hr/>
Total Expenditures and Other Financing Uses (GAAP basis) June 30	<u><u>\$ 2,318,542,415</u></u>



NCDOT Divisions

**North Carolina Department of Transportation
 Schedule of Project Expenditures
 Counties By Division
 For the Fiscal Year Ended June 30, 2025**

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

**North Carolina Department of Transportation
 Schedule of Project Expenditures
 Descriptions of Project Expenditure Categories
 For the Fiscal Year Ended June 30, 2025**

Expenditure Category	Category Description
Aviation	Expenditures related to improving the safety and efficiency of the statewide network of airports, educational programs, conducting airport planning, land acquisition, and airport construction and maintenance, Unmanned Aircraft System (UAS) responsibilities, and many other missions included in Chapter 63 of NCGS.
Bicycle and Pedestrian (TIP)	Expenditures related to the development of comprehensive, safe and accessible pedestrian and bicycle transportation networks. Primary responsibilities include: administration of statewide bicycle and pedestrian education, enforcement, and data collection programs; development of policies and design guidelines for bicycle and pedestrian facilities; oversight of grant-funded bicycle and pedestrian planning studies; and coordination with the Division of Highways to incorporate appropriate bicycle and pedestrian accommodations in roadway improvements.
Bike / Ped (Hwy Funds)	Expenditures related to state funded projects/studies such as the Paved Trails Feasibility Study for Bicycle/Pedestrian improvements.
Bridge (Maintenance)	Expenditures related to the maintenance of bridges; Used in conjunction with the General Maintenance Reserve (GMR) projects.
Bridge Preservation	Expenditures to employ cost effective solutions to maximize bridge life and lower lifetime cost.
Bridge Program	Expenditures related to bridge improvements on structurally deficient and functionally obsolete bridges.
Congestion Mitigation	Expenditures related to the federal Congestion Mitigation and Air Quality (CMAQ) program designed to improve traffic flow, air quality and incident and emergency response.
Disaster	NC Emergency Management - FEMA - Expenditures related to the repair, restoration, reconstruction, and/or replacement of infrastructure on non-Federal Aid routes or facilities damaged and/or destroyed in the event of an emergency, catastrophe, or major disaster.
Disaster Relief (SB356)	Expenditures related to Hurricane Dorian including debris removal and the repair of highway infrastructure damage, the living shoreline projects, the expansion of the Flood Inundation Mapping Alert Network for Transportation and the Flood Risk and Vulnerability Assessment on the Strategic Highway Corridor System.
Economic Development	Included in the Mobility Modernization Program to promote economic growth and development. Projects include improving drives or access to industrial parks, installing turn lanes, etc.
Enhancement (Local)	Transportation enhancement activity. The term "transportation enhancement activity" means, with respect to any project or the area to be served by the project, any of the following activities as the activities relate to surface transportation: facilities for pedestrians and bicycles, safety and educational activities for pedestrians and bicyclists, Acquisition of scenic easements and scenic or historic sites, Scenic or historic highway programs, Landscaping and other scenic beautification, Historic preservation, Rehabilitation and operation of historic transportation buildings, structures, or facilities, Inventory, control, and removal of outdoor advertising, Archaeological planning and research, Environmental mitigation, Establishment of transportation museums.
Federal Bridge	Expenditures related to federal bridge program for replacement or rehabilitation of eligible structurally deficient bridges.
Ferry	Expenditures related to the operation of the three ferry districts, ferry dredging operations, the ferry shipyard, and the ferry maintenance program.
Ferry - Marine and Infrastructure	Expenditures related to marine, shoreside and in-water infrastructure including ramps, gantries, bulkheads, piling clusters, spoil sites and buildings.
Freeway / Interstate Maintenance	Expenditures related to interstate maintenance; Used in conjunction with the General Maintenance Reserve (GMR) projects.
Governor's Highway Safety Program (GHSP)	Expenditures related to the planning and executing of the comprehensive highway safety program for North Carolina that addresses behavioral issues related to traffic safety. This fund is the administrative budget for the Governor's Highway Safety Program, funded 50% from Highway Funds and 50% with Federal funds.

**North Carolina Department of Transportation
 Schedule of Project Expenditures
 Descriptions of Project Expenditure Categories
 For the Fiscal Year Ended June 30, 2025**

Expenditure Category	Category Description
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	Expenditures related to projects funded by GARVEE bonds.
Guard Rail	Expenditures related to guardrail repair; Used in conjunction with the General Maintenance Reserve (GMR) projects.
Hazard Elimination	Expenditures related to the federal program to eliminate hazards at railroad crossings.
High Impact / Low Cost	Included in Mobility Modernization Program. Expenditures for immediate need construction projects related to intersection improvement, minor widening projects, and operational improvements.
Industrial / Public Access	Included in Mobility Modernization Program. Expenditures for access and public service roads to industrial developments, public schools, institutes of higher learning, hospitals, volunteer fire departments and state supported recreational facilities.
Integrated Mobility Division	Expenditures related to the administration of Federal and state grant funding to sub recipients for planning, administration, capital improvements and operations and maintenance needs; the development and implementation policies and procedures related to state sponsored funding programs; and monitoring the use of federal and state financial assistance.
Interstate	Expenditures related to TIP projects that are located on existing or Congressionally designated future Interstate routes.
Local Construction	<p>Local Construction expenditures include projects for Spot Safety, Contingency, Public Access and Small Urban Construction.</p> <p>The purpose of the Spot Safety program is to reduce crashes and injuries in North Carolina through the design and construction of cost-effective safety improvements on the state highway system. Examples of projects include installation or improvement of traffic signals, improving roadway geometrics and channelization, installing guardrail, adding rumble strips, and constructing turn lanes.</p> <p>The Contingency Fund may be used for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.</p> <p>This program is funded by the Access and Public Service Roads Fund, which may be used to construct roads to new industrial facilities and public facilities such as office and medical complexes, pave entrance aprons at volunteer fire departments and rescue squads, and to construct driveways and parking areas for school buses at public schools.</p> <p>The Small Urban Construction Fund was established to fund Division small construction projects recommended by the member of the Board of Transportation representing the Division that the project is being constructed in consultation with the Division Engineer and approved by the Board of Transportation. Funds are equally allocated among the 14 Divisions.</p>
Metropolitan Planning Organization (MPO)/ Rural Planning Organization (RPO)	Expenditures related to travel and transportation issues and needs in metropolitan areas and rural areas.
Miscellaneous Grant	Projects that do not fit under the normal categories of the Federal Highway Administration (FHWA) funding and may receive special funding (and sometimes special obligational limitation) for project completion.
Mitigation	Expenditures related to federal programs for replacement of loss of wetlands or natural habitat area and for abatement of highway traffic noise impacts.
Municipal Bridge	Expenditures related to the Municipal Bridge Program which provides federal aid funds for bridges that are located on municipal streets and are not part of the state highway system. Bridge projects are funded using 80% Federal-Aid funds with 20% matching Municipal funds required.

**North Carolina Department of Transportation
Schedule of Project Expenditures
Descriptions of Project Expenditure Categories
For the Fiscal Year Ended June 30, 2025**

Expenditure Category	Category Description
Non-Budgeted Agreements	Expenditures related to projects that are not funded. Examples include projects that collect costs and are billed for reimbursement (Example – fuel billing).
Not Assigned (N/A)	Expenditures related to a miscellaneous set of projects that do not fall under a specific project subtype. (Examples - Capital Improvements, Motor Carrier Safety program, Powell Bill)
Other (Statewide)	Expenditures funded with Maintenance dollars but for items that are statewide activities. Examples include inmate labor, state parks maintenance, historical markers, beaver control, etc.
Passenger Rail	Expenditures related to planning, operation and maintenance of rail services and systems to carry passengers.
Pavement Preservation	Expenditures related to the following preservation activities or treatments for asphalt pavement structures: (1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals; (2) Microsurfacing; (3) Profile milling not covered by resurfacing; (4) Asphalt rejuvenators; (5) Open graded asphalt friction course; (6) Overlays less than 1,000 feet in length; (7) Diamond grinding; (8) Joint sealing; (9) Dowel bar retrofit; (10) Partial-depth or full-depth repairs and reclamations; (11) Ultra-thin white topping; and (12) Thin lift and sand asphalt overlays.
Rail	Rail Division Expenditures related to the development, administration, and operation of programs that improve industry and public safety; partnering with industry and economic development entities to create jobs; attracting investment and increasing rail freight movements; partnering with short line and Class I railroads to retain jobs in small urban and rural areas; and increasing use of intercity passenger rail service opportunities.
Rail Equipment Overhaul	Expenditures related to the overhaul and improvement of rail equipment.
Rail Safety	Expenditures related to a) safety oversight, outreach and inspections of rail equipment, track, signals and practices and b) design and construction of improvements at highway/rail grade crossings to improve their condition or safety.
Resurfacing	Contract Resurfacing - Expenditures related to the placement of thin asphalt overlays or surface treatments by contract on paved state primary and secondary system routes to restore serviceability and prevent deterioration of the pavement surface.
Roadside Environmental	Expenditures related to vegetation management, mowing, litter prevention & removal, beautification efforts, rest areas, and guardrail replacements.
Roadside Environmental-Rest Area	Roadside Environmental Unit - Expenditures related to the maintenance and capital improvements of 60 statewide rest areas.
Roadside Environmental-Scenic	Roadside Environmental Unit - Expenditures related to the management of special programs to preserve and beautify the natural and human environment along North Carolina's highway system.
Rural	Expenditures related to TIP projects that are non-Interstate and located outside a census defined urbanized area.
Safety and Loss	Safety - Expenditures related to the professional and technical support to prevent injury, illness, fatalities and accidents to department employees through policy development, training and auditing.
Secondary Road Construction	Expenditures related to paving unpaved roads on the secondary road system.
Small Construction	Included in Mobility Modernization Program. Expenditures for immediate need construction projects such as pedestrian crosswalks, shoulder repair and signal installation.
Snow and Ice	Expenditures related to the production and application of brine and other anti-icing materials in advance of inclement weather. Also includes mobilization, removal of ice or snow from a roadway, bridge, drainage inlet or channel, removal of fallen trees and limbs from travel lanes as a result of snow or ice, and installation, maintenance, or removal of snow fences. Also includes purchase of snow & Ice equipment such as snow plows, spreaders, and brine tanks & applicators as well as the cost of equipment calibration and 'dry runs'.
Spot Mobility	Included in Mobility Modernization Program. Expenditures for safety and mobility projects that reduce congestion and vehicular delay times.

**North Carolina Department of Transportation
 Schedule of Project Expenditures
 Descriptions of Project Expenditure Categories
 For the Fiscal Year Ended June 30, 2025**

Expenditure Category	Category Description
Standing Maintenance	Includes projects for Primary and Secondary Maintenance. The purpose of Primary Maintenance is to provide funding for routine highway and bridge maintenance activities such as patching, mowing, snow removal, signing, pavement marking, rest area operations, and bridge repair on the state primary system comprised of all Interstate, US, and NC designated highways.
State Bridge	Expenditures related to state funded Transportation Improvement Projects (TIP) for replacement or rehabilitation of eligible structurally deficient bridges.
State Planning and Research (SPR)	Engineering and economic surveys and investigations, planning of future highway programs and local public transportation systems, Development and implementation of management system, Studies of the economy, safety, and convenience of surface transportation systems, Study, research, and training on the engineering standards and construction materials for transportation systems, and Research, development, and technology transfer activities necessary in connection with the planning, design, construction, management, and maintenance of highway, public transportation, and intermodal transportation systems.
Strategic Transportation Investments (STI) Non-Highway Project	Expenditures related to STI projects for Rail, Aviation and Public Transportation Division (PTD).
System Preservation	Expenditures related to highway maintenance activities that preserve and extend the life of infrastructure assets, including pavements, bridges, and traffic control devices.
Traffic (Maintenance)	Expenditures related to traffic signal maintenance; Used in conjunction with the General Maintenance Reserve (GMR) projects.
Turnpike	Expenditures related to TIP projects that are also considered toll projects and are partially funded with toll revenues.
Urban	Expenditures related to TIP projects that are non-Interstate and located within a census defined urbanized area.

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
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 For the Fiscal Year Ended June 30, 2025

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EXPENDITURES	Summary of Divisions	
	Project Count	Current Year Expenditures SFY 2025 ¹
Aviation	32	\$ 202,533,620
Bicycle and Pedestrian	206	39,464,907
Bike / Ped	10	840,759
Bridge (Maintenance)	13	161,199
Bridge Preservation	27	80,158,296
Bridge Program	302	315,451,367
Congestion Mitigation	33	44,132,706
Disaster	45	931,879,740
Disaster Relief (SB356)	2	295,251
Economic Development	9	4,152,084
Enhancement (Local)	5	3,381,007
Federal Bridge	140	304,034,851
Ferry	1	4,391
Ferry – Marine and Infrastructure	1	5,274
Freeway / Interstate Maintenance	3	6,736
Governor’s Highway Safety Program (GHSP)	16	19,620,909
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	5	43,817,900
Guard Rail	7	168,207
Hazard Elimination	85	105,563,021
High Impact / Low Cost	87	8,587,326
Industrial / Public Access	13	766,772
Integrated Mobility Division	154	157,792,492
Interstate	138	890,726,688
Local Construction	434	51,890,863
Metropolitan Planning Organization / Rural Planning Organization	1	306,010
Miscellaneous Grant	2	75,433
Mitigation	16	25,587,778
Municipal Bridge	5	2,173,148
Non-Budgeted Agreements	1	2,688,979
Not Assigned	88	236,142,755
Other (Statewide)	161	145,485,842
Passenger Rail	7	5,838,953
Pavement Preservation	61	99,513,133
Rail	77	37,763,433
Rail Equipment Overhaul	2	1,702,704
Rail Safety	20	19,433,537
Resurfacing	90	467,758,538
Roadside Environmental	21	153,917,626
Roadside Environmental - Rest Area	1	6,116
Roadside Environmental - Scenic	40	3,286,095
Rural	213	879,997,558
Safety and Loss	24	4,772,813
Secondary Road Construction	25	18,248,470
Small Construction	17	3,076,828
Snow and Ice	31	110,466,721
Spot Mobility	79	13,491,534
Standing Maintenance	55	843,492,608
State Bridge	21	26,096,579
State Planning and Research (SPR)	30	40,609,384
Strategic Transportation Investments (STI) Non-Highway Project	91	80,693,095
System Preservation	1	2,693,310
Traffic (Maintenance)	14	4,011,791
Turnpike Construction	1	20,826
Urban	502	1,187,230,084
		\$ 7,622,018,047

¹ Total current year expenditures SFY 2025 agrees to total encumbrance accounts for Highway Fund and Highway Trust Fund on Schedule G-1 and G-2.

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
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	Division 1		Division 2		Division 3	
	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025
EXPENDITURES						
Aviation	2	\$ 17,568,664	2	\$ 16,448,745	2	\$ 10,968,265
Bicycle and Pedestrian	2	422,801	6	770,147	16	1,471,668
Bike / Ped	-	-	-	-	1	136,610
Bridge (Maintenance)	1	3,328	1	3,720	1	34,220
Bridge Preservation	1	4,157,780	2	2,818,188	2	2,813,007
Bridge Program	6	6,123,866	16	23,242,435	22	23,092,184
Congestion Mitigation	-	-	-	-	1	101,430
Disaster	2	343,819	1	64,251	3	8,053,927
Disaster Relief (SB356)	-	-	-	-	1	1,409
Economic Development	-	-	-	-	-	-
Enhancement (Local)	-	-	-	-	-	-
Federal Bridge	7	114,085,815	10	9,272,707	10	12,553,441
Ferry	1	4,391	-	-	-	-
Ferry – Marine and Infrastructure	-	-	-	-	-	-
Freeway / Interstate Maintenance	-	-	-	-	-	-
Governor's Highway Safety Program (GHSP)	1	47,738	2	166,490	1	134,755
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	-	-	1	37,124,576	1	3,794,548
Guard Rail	-	-	1	1,651	-	-
Hazard Elimination	5	4,550,455	5	12,112,774	6	3,541,040
High Impact / Low Cost	3	201,207	3	1,468,557	7	383,007
Industrial / Public Access	1	34,481	1	25,000	-	-
Integrated Mobility Division	5	3,815,811	7	5,445,653	8	6,354,256
Interstate	2	144,816	2	872,725	4	12,764,935
Local Construction	14	1,619,220	21	1,894,440	68	3,425,443
Metropolitan Planning Organization / Rural Planning Organization	-	-	-	-	-	-
Miscellaneous Grant	1	41,874	-	-	-	-
Mitigation	1	790,417	1	89,396	1	88,815
Municipal Bridge	-	-	-	-	-	-
Non-Budgeted Agreements	-	-	-	-	-	-
Not Assigned	8	2,585,801	3	619,862	3	2,343,236
Other (Statewide)	7	4,637,066	8	782,281	6	730,122
Passenger Rail	-	-	-	-	1	2,137,258
Pavement Preservation	4	2,994,655	5	10,062,207	5	3,670,759
Rail	1	3,269,603	1	324,193	4	1,110,004
Rail Equipment Overhaul	-	-	-	-	-	-
Rail Safety	-	-	1	226	-	-
Resurfacing	9	45,553,145	6	33,449,599	6	41,433,804
Roadside Environmental	2	14,221,058	1	9,992,144	2	11,221,085
Roadside Environmental - Rest Area	-	-	-	-	-	-
Roadside Environmental - Scenic	3	400,726	2	299,208	2	154,301
Rural	26	80,889,466	17	53,155,818	11	79,896,588
Safety and Loss	1	4,286	1	5,521	2	9,053
Secondary Road Construction	1	19,553	1	373,749	1	1,510,761
Small Construction	1	134,034	2	279,945	3	58,290
Snow and Ice	2	3,876,843	2	3,070,316	2	2,210,810
Spot Mobility	1	16,127	2	51,802	6	471,932
Standing Maintenance	4	56,399,504	5	52,618,503	4	63,491,959
State Bridge	-	-	2	287,328	2	181,617
State Planning and Research (SPR)	-	-	-	-	1	22,392
Strategic Transportation Investments (STI) Non-Highway Project	4	2,157,998	1	3,618	7	3,464,056
System Preservation	-	-	1	2,693,310	-	-
Traffic (Maintenance)	1	16,142	1	151,456	1	1,348,550
Turnpike Construction	-	-	-	-	-	-
Urban	2	1,742,381	18	86,052,137	43	40,873,821
		<u>\$ 372,874,871</u>		<u>\$ 366,094,678</u>		<u>\$ 346,053,358</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
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 For the Fiscal Year Ended June 30, 2025

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	Division 4		Division 5		Division 6	
	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025
EXPENDITURES						
Aviation	2	\$ 5,325,080	2	\$ 35,223,729	2	\$ 10,571,949
Bicycle and Pedestrian	7	1,279,444	31	11,145,994	9	5,036,176
Bike / Ped	1	58,487	1	129,767	-	-
Bridge (Maintenance)	1	781	1	18,047	1	2,289
Bridge Preservation	2	2,891,930	2	11,389,950	2	3,718,033
Bridge Program	25	15,962,788	21	19,541,150	9	6,755,779
Congestion Mitigation	1	396	7	8,001,744	-	-
Disaster	4	24,448	1	88,850	4	4,614,851
Disaster Relief (SB356)	-	-	-	-	-	-
Economic Development	2	417,486	1	20,753	-	-
Enhancement (Local)	-	-	-	-	1	1,760,882
Federal Bridge	5	1,744,716	10	7,543,102	7	1,822,178
Ferry	-	-	-	-	-	-
Ferry – Marine and Infrastructure	-	-	-	-	-	-
Freeway / Interstate Maintenance	-	-	1	781	-	-
Governor’s Highway Safety Program (GHSP)	1	83,928	1	190,933	1	107,973
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	-	-	1	419,455	-	-
Guard Rail	1	2,442	1	64,759	1	11,036
Hazard Elimination	10	23,452,444	6	7,090,677	5	15,317,551
High Impact / Low Cost	7	495,233	8	907,723	6	270,181
Industrial / Public Access	1	26,088	-	-	1	25,000
Integrated Mobility Division	10	8,249,824	13	18,274,379	7	3,760,572
Interstate	17	51,583,429	24	59,586,369	14	294,969,352
Local Construction	45	3,365,825	23	838,835	34	1,603,746
Metropolitan Planning Organization / Rural Planning Organization	-	-	-	-	-	-
Miscellaneous Grant	-	-	1	33,559	-	-
Mitigation	1	60,828	1	93,575	1	56,818
Municipal Bridge	-	-	-	-	-	-
Non-Budgeted Agreements	-	-	-	-	-	-
Not Assigned	5	2,093,498	8	4,025,269	4	7,671,443
Other (Statewide)	7	1,247,699	7	3,563,875	8	513,165
Passenger Rail	-	-	-	-	-	-
Pavement Preservation	4	6,251,514	5	5,053,104	4	10,604,393
Rail	3	306,972	10	10,046,489	1	1,246,626
Rail Equipment Overhaul	-	-	-	-	-	-
Rail Safety	2	16,874	2	1,995,496	1	7,391
Resurfacing	5	40,466,734	6	38,120,832	5	30,832,183
Roadside Environmental	2	16,994,770	1	8,505,162	2	12,900,416
Roadside Environmental - Rest Area	-	-	-	-	-	-
Roadside Environmental - Scenic	3	459,311	3	214,811	3	180,031
Rural	11	8,315,755	10	6,585,663	12	72,629,658
Safety and Loss	1	13,676	2	208,978	2	2,212,097
Secondary Road Construction	1	405,406	5	748,788	1	719,530
Small Construction	1	9,045	1	39,661	2	270,444
Snow and Ice	2	6,125,283	2	11,893,510	2	3,922,614
Spot Mobility	6	1,293,079	28	5,553,289	3	124,432
Standing Maintenance	4	61,821,527	4	81,482,415	4	54,085,992
State Bridge	2	3,642,934	1	69,721	1	4,423,864
State Planning and Research (SPR)	-	-	2	51,713	2	40,992
Strategic Transportation Investments (STI) Non-Highway Project	5	1,264,432	22	31,135,960	5	2,758,937
System Preservation	-	-	-	-	-	-
Traffic (Maintenance)	1	94,045	1	364,715	1	84,927
Turnpike Construction	-	-	1	20,826	-	-
Urban	36	59,581,118	92	206,197,293	27	145,005,531
		<u>\$ 325,429,269</u>		<u>\$ 596,481,701</u>		<u>\$ 700,639,032</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
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	Division 7		Division 8		Division 9	
	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025
EXPENDITURES						
Aviation	2	\$ 25,109,464	2	\$ 4,311,292	2	\$ 8,167,051
Bicycle and Pedestrian	19	891,578	16	464,826	18	236,271
Bike / Ped	1	55,962	1	15,552	-	-
Bridge (Maintenance)	1	10,394	1	1,548	-	-
Bridge Preservation	2	2,657,168	2	6,128,640	1	3,046,033
Bridge Program	41	47,892,063	6	7,253,121	24	19,654,960
Congestion Mitigation	3	1,765,168	-	-	3	132,119
Disaster	-	-	-	-	3	4,300,460
Disaster Relief (SB356)	-	-	-	-	-	-
Economic Development	1	454,043	1	215,472	1	618,000
Enhancement (Local)	2	1,618,250	-	-	1	748
Federal Bridge	9	5,093,908	1	3,964	9	7,001,012
Ferry	-	-	-	-	-	-
Ferry – Marine and Infrastructure	-	-	-	-	-	-
Freeway / Interstate Maintenance	-	-	1	127	-	-
Governor's Highway Safety Program (GHSP)	1	184,868	1	19,351	1	38,035
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	-	-	-	-	1	2,254,365
Guard Rail	1	9,501	1	662	-	-
Hazard Elimination	4	496,953	6	905,294	5	3,693,693
High Impact / Low Cost	5	361,445	12	528,453	10	508,885
Industrial / Public Access	1	25,000	1	25,000	-	-
Integrated Mobility Division	13	17,674,971	8	6,235,564	9	5,896,313
Interstate	12	87,644,834	4	2,575,526	7	21,210,891
Local Construction	39	4,557,847	18	25,461,603	26	1,411,142
Metropolitan Planning Organization / Rural Planning Organization	-	-	-	-	-	-
Miscellaneous Grant	-	-	-	-	-	-
Mitigation	1	(202,358)	1	50,283	1	56,969
Municipal Bridge	-	-	-	-	1	11,629
Non-Budgeted Agreements	-	-	-	-	-	-
Not Assigned	5	2,693,085	3	7,587,317	3	59,897
Other (Statewide)	5	760,944	6	2,033,953	7	1,240,186
Passenger Rail	-	-	-	-	-	-
Pavement Preservation	3	4,656,858	5	4,437,032	2	7,223,355
Rail	2	485,747	1	6,158,368	3	659,105
Rail Equipment Overhaul	-	-	-	-	-	-
Rail Safety	3	2,449,223	-	-	3	1,144,214
Resurfacing	7	30,449,998	5	34,306,266	6	30,303,899
Roadside Environmental	1	13,401,020	1	11,107,369	1	7,373,281
Roadside Environmental - Rest Area	-	-	-	-	-	-
Roadside Environmental - Scenic	2	141,773	2	35,450	2	175,642
Rural	7	16,183,743	23	148,133,412	11	42,693,734
Safety and Loss	2	5,542	2	29,654	1	5,184
Secondary Road Construction	1	574,022	2	2,463,427	2	456,043
Small Construction	1	1,919,911	-	-	1	34,182
Snow and Ice	3	9,842,784	2	3,231,832	2	7,008,927
Spot Mobility	6	2,139,473	3	228,301	2	42,761
Standing Maintenance	4	52,731,157	4	60,548,298	3	54,892,361
State Bridge	-	-	2	138,559	1	341,950
State Planning and Research (SPR)	-	-	-	-	1	29,662
Strategic Transportation Investments (STI) Non-Highway Project	9	9,087,650	6	2,326,916	7	1,832,680
System Preservation	-	-	-	-	-	-
Traffic (Maintenance)	1	202,410	1	72,928	1	101,535
Turnpike Construction	-	-	-	-	-	-
Urban	40	63,927,298	23	68,659,646	35	201,140,768
		<u>\$ 407,953,697</u>		<u>\$ 405,695,006</u>		<u>\$ 434,997,942</u>

North Carolina Department of Transportation
 Schedule of Project Expenditures - Summary
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	Division 10		Division 11		Division 12	
	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025
EXPENDITURES						
Aviation	2	\$ 42,117,807	2	\$ 3,256,946	2	\$ 2,609,288
Bicycle and Pedestrian	30	1,661,317	3	125,503	17	4,289,238
Bike / Ped	1	80,178	1	85,582	1	141,751
Bridge (Maintenance)	1	9,712	1	18,089	1	53,851
Bridge Preservation	2	3,886,449	2	2,255,147	2	2,638,397
Bridge Program	13	17,819,860	26	36,343,867	29	18,462,807
Congestion Mitigation	3	6,712,181	-	-	8	1,539,351
Disaster	3	724,146	3	192,476,636	5	5,464,753
Disaster Relief (SB356)	-	-	-	-	-	-
Economic Development	1	1,436	-	-	-	-
Enhancement (Local)	-	-	1	1,127	-	-
Federal Bridge	8	6,968,472	33	7,086,814	6	3,796,416
Ferry	-	-	-	-	-	-
Ferry – Marine and Infrastructure	-	-	-	-	-	-
Freeway / Interstate Maintenance	1	5,828	-	-	-	-
Governor’s Highway Safety Program (GHSP)	1	131,579	-	-	1	75,475
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	-	-	-	-	-	-
Guard Rail	-	-	-	-	-	-
Hazard Elimination	7	18,580,415	4	388,683	7	2,628,864
High Impact / Low Cost	11	789,988	2	162,139	2	991,684
Industrial / Public Access	1	104,350	1	25,000	-	-
Integrated Mobility Division	14	16,958,767	9	7,531,443	12	6,540,131
Interstate	22	110,159,164	3	30,234	11	36,115,389
Local Construction	38	1,479,626	7	567,918	31	2,003,167
Metropolitan Planning Organization / Rural Planning Organization	-	-	-	-	1	306,010
Miscellaneous Grant	-	-	-	-	-	-
Mitigation	1	90,525	1	70,183	1	75,678
Municipal Bridge	1	17,061	-	-	-	-
Non-Budgeted Agreements	-	-	1	2,688,979	-	-
Not Assigned	2	1,583,480	4	1,487,997	7	8,166,585
Other (Statewide)	6	875,992	5	680,971	4	317,500
Passenger Rail	3	3,138,661	-	-	-	-
Pavement Preservation	5	7,111,532	5	6,179,590	4	10,487,636
Rail	7	(931,345)	1	700,698	6	1,730,673
Rail Equipment Overhaul	-	-	-	-	-	-
Rail Safety	3	524,897	-	-	2	88,230
Resurfacing	6	34,570,691	5	29,914,259	7	26,994,762
Roadside Environmental	1	8,548,945	2	9,019,089	1	8,868,214
Roadside Environmental - Rest Area	-	-	-	-	-	-
Roadside Environmental - Scenic	3	206,158	1	74,347	3	180,701
Rural	10	24,949,082	25	30,811,136	14	123,503,307
Safety and Loss	1	3,462	1	3,482	1	5,399
Secondary Road Construction	1	340,270	2	5,514,533	1	396,188
Small Construction	2	32,858	1	53,787	1	289
Snow and Ice	2	6,237,627	3	18,448,341	2	3,508,306
Spot Mobility	4	323,359	-	-	5	158,684
Standing Maintenance	3	66,387,955	3	43,596,066	3	50,157,847
State Bridge	3	758,666	3	129,057	2	862,743
State Planning and Research (SPR)	-	-	2	32,952	3	16,200
Strategic Transportation Investments (STI) Non-Highway Project	10	19,377,928	3	91,804	3	4,314,727
System Preservation	-	-	-	-	-	-
Traffic (Maintenance)	1	198,508	1	31,576	1	130,712
Turnpike Construction	-	-	-	-	-	-
Urban	76	121,669,017	11	45,726,067	45	38,428,535
		<u>\$ 524,206,604</u>		<u>\$ 445,610,042</u>		<u>\$ 366,049,488</u>

North Carolina Department of Transportation
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	Division 13		Division 14		Division Statewide	
	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025	Project Count	Current Year Expenditures SFY 2025
EXPENDITURES						
Aviation	2	\$ 8,829,054	2	\$ 512,182	4	\$ 11,514,104
Bicycle and Pedestrian	16	2,293,977	14	8,836,837	2	539,130
Bike / Ped	1	49,236	1	87,634	-	-
Bridge (Maintenance)	1	1,370	1	3,850	-	-
Bridge Preservation	2	2,377,744	2	5,524,424	1	23,855,406
Bridge Program	29	27,260,015	34	44,161,564	1	1,884,908
Congestion Mitigation	-	-	-	-	7	25,880,317
Disaster	4	462,372,292	5	227,818,660	7	25,532,647
Disaster Relief (SB356)	-	-	-	-	1	293,842
Economic Development	2	2,424,894	-	-	-	-
Enhancement (Local)	-	-	-	-	-	-
Federal Bridge	9	13,437,794	14	84,832,270	2	28,792,242
Ferry	-	-	-	-	-	-
Ferry – Marine and Infrastructure	-	-	-	-	1	5,274
Freeway / Interstate Maintenance	-	-	-	-	-	-
Governor’s Highway Safety Program (GHSP)	1	94,043	1	11,788	2	18,333,953
Grant Anticipation Revenue Vehicle (GARVEE) Bonds	1	224,956	-	-	-	-
Guard Rail	-	-	1	78,156	-	-
Hazard Elimination	5	1,753,205	5	5,729,200	5	5,321,773
High Impact / Low Cost	7	1,230,083	4	288,741	-	-
Industrial / Public Access	2	75,087	3	401,766	-	-
Integrated Mobility Division	11	5,514,357	9	3,575,766	19	41,964,685
Interstate	10	164,215,522	6	48,853,502	-	-
Local Construction	31	904,775	34	2,423,213	5	334,063
Metropolitan Planning Organization / Rural Planning Organization	-	-	-	-	-	-
Miscellaneous Grant	-	-	-	-	-	-
Mitigation	1	160,492	1	138,758	2	23,967,399
Municipal Bridge	-	-	2	101,201	1	2,043,257
Non-Budgeted Agreements	-	-	-	-	-	-
Not Assigned	7	990,329	6	1,680,256	20	192,554,700
Other (Statewide)	7	3,902,261	5	1,837,672	73	122,362,155
Passenger Rail	-	-	-	-	3	563,034
Pavement Preservation	6	16,945,533	4	3,834,965	-	-
Rail	2	134,038	2	204,724	33	12,317,538
Rail Equipment Overhaul	-	-	-	-	2	1,702,704
Rail Safety	-	-	-	-	3	13,206,986
Resurfacing	4	20,123,865	7	21,997,306	6	9,241,195
Roadside Environmental	1	8,816,648	2	10,776,543	1	2,171,882
Roadside Environmental - Rest Area	-	-	-	-	1	6,116
Roadside Environmental - Scenic	2	49,253	3	170,530	6	543,853
Rural	8	23,687,753	25	139,975,542	3	28,586,901
Safety and Loss	2	100,920	2	29,115	3	2,136,444
Secondary Road Construction	1	285	4	4,520,737	1	205,178
Small Construction	-	-	1	244,382	-	-
Snow and Ice	2	10,202,177	2	10,478,374	1	10,408,977
Spot Mobility	7	1,366,959	3	901,456	3	819,880
Standing Maintenance	3	41,322,907	4	38,948,517	3	65,007,600
State Bridge	1	37,401	-	-	1	15,222,739
State Planning and Research (SPR)	1	57,970	2	37,977	16	40,319,526
Strategic Transportation Investments (STI) Non-Highway Project	2	1,181,211	4	183,200	3	1,511,978
System Preservation	-	-	-	-	-	-
Traffic (Maintenance)	1	2,906	1	1,211,381	-	-
Turnpike Construction	-	-	-	-	-	-
Urban	25	61,567,039	27	37,459,408	2	9,200,025
		<u>\$ 883,708,351</u>		<u>\$ 707,871,597</u>		<u>\$ 738,352,411</u>



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*

Daniel Johnson, Secretary
North Carolina Department of Transportation
Raleigh, 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 each major governmental fund, the majority proprietary fund, the fiduciary fund, and the aggregate discretely presented component units of the North Carolina Department of Transportation (Department) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 26, 2026. Our report includes a reference to other auditors who audited the financial statements of the North Carolina Turnpike Authority, North Carolina State Ports Authority, and North Carolina Global TransPark Authority, as described in our report on the Department's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

As discussed in Note 1, the financial statements of the North Carolina Department of Transportation are intended to present the financial position, changes in financial position, and, where applicable, cash flows of only that portion of each fund that is attributable to the transactions of the North Carolina Department of Transportation. They do not purport to, and do not, present fairly the financial position of the State of North Carolina as of June 30, 2025, the changes in its financial position, or where applicable its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Boliek
State Auditor

Raleigh, North Carolina

June 26, 2026

Ordering Information

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This audit required 1,720 hours at an approximate cost of \$266,600.