

Annual Comprehensive
Financial Report
2021

Fiscal Years ended June 30, 2021 and 2020



North Carolina Turnpike Authority

An Enterprise Fund of the North Carolina Department of Transportation



Annual Comprehensive

Financial Report

Fiscal Years ended June 30, 2021 and 2020

Prepared by
The Finance Department
of the North Carolina Turnpike Authority

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Mission Statement

The North Carolina Turnpike Authority is committed to delivering innovative transportation solutions on behalf of local planning organizations, providing drivers more choices for their commute.



STATE OF NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

J. ERIC BOYETTE
SECRETARY

October 29, 2021

Citizens of North Carolina

On behalf of the North Carolina Turnpike Authority (“NCTA” or “Authority”), we are pleased to submit this Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. The Finance Department has prepared this annual report in accordance with generally accepted accounting principles (GAAP) in the United States. Responsibility for both the accuracy of the data and the completeness and fairness of this presentation, including all disclosures, rests solely with the Authority.

AUTHORITY’S PROFILE AND OPERATION

In October 2002, legislation was passed authorizing the creation of the North Carolina Turnpike Authority with the purpose to study, design, plan, construct, own, finance and operate a system of toll roads, bridges, and/or tunnels supplementing the traditional non-toll transportation system serving the citizens of North Carolina. By action of the North Carolina General Assembly, effective July 27, 2009, the Turnpike Authority became a part of the North Carolina Department of Transportation (NCDOT), a public agency of the State of North Carolina. The Turnpike Authority serves as a business unit of NCDOT and currently has two operational projects: the Triangle Expressway in the Raleigh area, and the Monroe Expressway in the Charlotte area. The Turnpike Authority operates with a project-level financial structure. NCTA projects are financed as individual systems, and revenues are subject to North Carolina General Statute §136-89.188(a), which states that revenues derived from a Turnpike Project shall be used only for costs associated with the project from which the revenue was derived or a contiguous toll facility. FY 2021 senior debt service coverage ratios for the Triangle Expressway and Monroe Expressway were 1.49x and 3.91x, respectively, exceeding the 1.30x coverage requirement from the Trust Agreement for each facility.

The Authority is required by the Trust Agreement for each Expressway to adopt annual budgets. The budgets are prepared on the accrual basis of accounting; therefore, revenues are recognized when they are earned and expenditures are recognized when the liability is incurred. The annual budgets are approved by the Executive Director of the Authority. Budgets are controlled at the department level and the objective of the budgetary controls is to ensure compliance with the provisions of the Trust Agreements.

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TURNPIKE AUTHORITY
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RALEIGH, NC 27699-1578

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Customer Service: 1-877-368-4968

Website: ncdot.gov

Location:
1 SOUTH WILMINGTON STREET
RALEIGH, NC 27601

The Triangle Expressway System Amended and Restated Trust Agreement dated December 1, 2019, Section 705, states that for each fiscal year, the Authority shall adopt an Annual Budget as well as a Capital Improvements Budget pursuant to the Authority's bylaws, rules, and regulations for the Triangle Expressway System. The Authority shall file copies of its Annual Budget promptly upon availability with the Trustee along with calculations for any required deposits into the Operations and Maintenance Expense Fund, Operating Reserve Fund, and Renewal and Replacement Fund pursuant to Section 503(k), (l), and (m).

The Monroe Expressway System Trust Agreement dated December 1, 2016, Section 705 states that for each fiscal year, the Authority shall adopt an Annual Budget as well as a Capital Improvements Budget pursuant to the Authority's bylaws, rules, and regulations for the Monroe Expressway System. Pursuant to Section 705(i) expense estimates and requirements shall be based on a report of the General Engineering Consultant. The Authority shall file copies of its Annual Budget promptly upon availability with the Trustee and TIFIA Lender along with calculations for any required deposits into the Operations and Maintenance Expense Fund, Operating Reserve Fund, and Renewal and Replacement Fund pursuant to Section 503(i), (j), and (k).

ECONOMIC FACTORS

During FY 2021, the State of North Carolina (State) and the Authority continued to rebound from the effects of the pandemic. Per the North Carolina Department of Commerce, the State's unemployment rate decreased from 7.5% in FY 2020 to 4.6% in FY 2021. Per the Economic Development Partnership of North Carolina, there were significant planned investment announcements in the counties served by both expressways in FY 2021. The Triangle Expressway is located in Wake and Durham counties with planned investment announcements of \$2.6 billion and 5.2 thousand jobs, and \$.9 billion and 2.6 thousand jobs, respectively. The Monroe Expressway is located in Mecklenburg and Union counties with planned investment announcements of \$1.1 billion and 6.1 thousand jobs, and \$.005 billion and 34 jobs, respectively.

For the Triangle Expressway, FY 2021 toll transactions and toll revenue increased but remained below pre-pandemic levels primarily due to continued governmental orders being issued throughout the year and employees working remotely. As a result of these trends, the majority of the impact has been seen on passenger car toll transactions, which showed a decline in 2021 of 13.7% from pre-pandemic levels. For the Monroe Expressway, toll transactions increased 6.9% overall and toll revenue increased 2.3% as compared to FY 2020; however, toll transactions and toll revenue remained below pre-pandemic projections of 17.0% and 28.6%, respectively.

In FY 2021, over 26,000 new NC Quick Pass accounts were opened and over .8 million new Bill by Mail customers were established. NCTA continues its responsibility to oversee NC Quick Pass account management, billing, and customer service for the I-77 Express Lanes.

MAJOR INITIATIVES

In FY 2021, NCTA continued construction of two new projects. Construction of the I-485 Express Lanes began in August 2019 and will add one express lane in each direction for approximately 17 miles along I-485 from I-77 to U.S. 74. The NCDOT is currently reviewing claims by the contractor that could impact the opening schedule of all, or a portion, of the project. In November 2019, NCTA broke ground on construction of Phase 1 of the Complete 540 project, which will extend the existing Triangle Expressway from N.C. 55 Bypass to I-40. Complete 540 is expected to open to traffic in 2023. NCTA is committed to proactively working with the public and communities near the projects and implemented a robust public outreach program.

The Turnpike Authority had four projects under development in FY 2021 in the State Transportation Improvement Program (STIP), which designated the scheduling and funding of construction for transportation projects in the State of North Carolina for FY 2020 – FY 2029. These projects included the proposed Complete 540 Phase 2 project (STIP Project R-2829), the proposed I-77 Express Lanes South project (STIP Project I-5718), the two proposed express lanes projects on the U.S. 74 corridor (STIP Project U-6103 and STIP Project U-2509) and the proposed Mid-Currituck Bridge (STIP Project R-2576).

Safety and the use of innovation and technology remained a priority to the Turnpike Authority during FY 2021. NCTA maintained partnerships with the North Carolina State Highway Patrol and NCDOT's Incident Management Assistance Patrol (IMAP). NCTA continued the Wrong-Way Vehicle Detection pilot program and plans to install upgraded pavement markings, on its facilities in FY 2022, that look normal to drivers when traveling in the correct direction but illuminate with messages or symbols in bright red to drivers traveling in the wrong direction.

FINANCIAL STATEMENT PRESENTATION AND INTERNAL CONTROL

Management of the Authority is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the assets of the Authority are protected from loss, theft or misuse, and that adequate accounting records are maintained to allow for the preparation of financial statements in conformity with GAAP. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the resulting benefits; and (2) the analysis of costs and benefits requires estimates and judgments by management.

To the best of our knowledge and belief, the information provided to the external auditors regarding the annual audit and contained in this Annual Report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included. The Authority's external auditors, Cherry Bekaert LLP, an independent audit firm, have completed their examination and have concluded that in their opinion, the comparative financial statements for the years ended June 30, 2021 and 2020 present fairly, in all material aspects, the financial position of the Authority as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP. Their report is included in the financial section of this report. The financial section also includes Management's Discussion and Analysis (MD&A) which provides an overview and brief analysis of the basic financial statements. Readers are encouraged to review this information.

AWARDS AND ACKNOWLEDGEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive financial annual report for the year ended December 31, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

We appreciate our Board of Directors for providing leadership as the Authority delivers transportation solutions for its customers. We also wish to thank Authority staff and the Finance teams for their contributions to the production of this report.

Sincerely,



James J. Eden
Executive Director



David Roy
Chief Financial Officer



Government Finance Officers Association

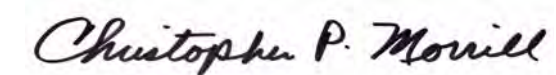
Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Carolina Turnpike Authority

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

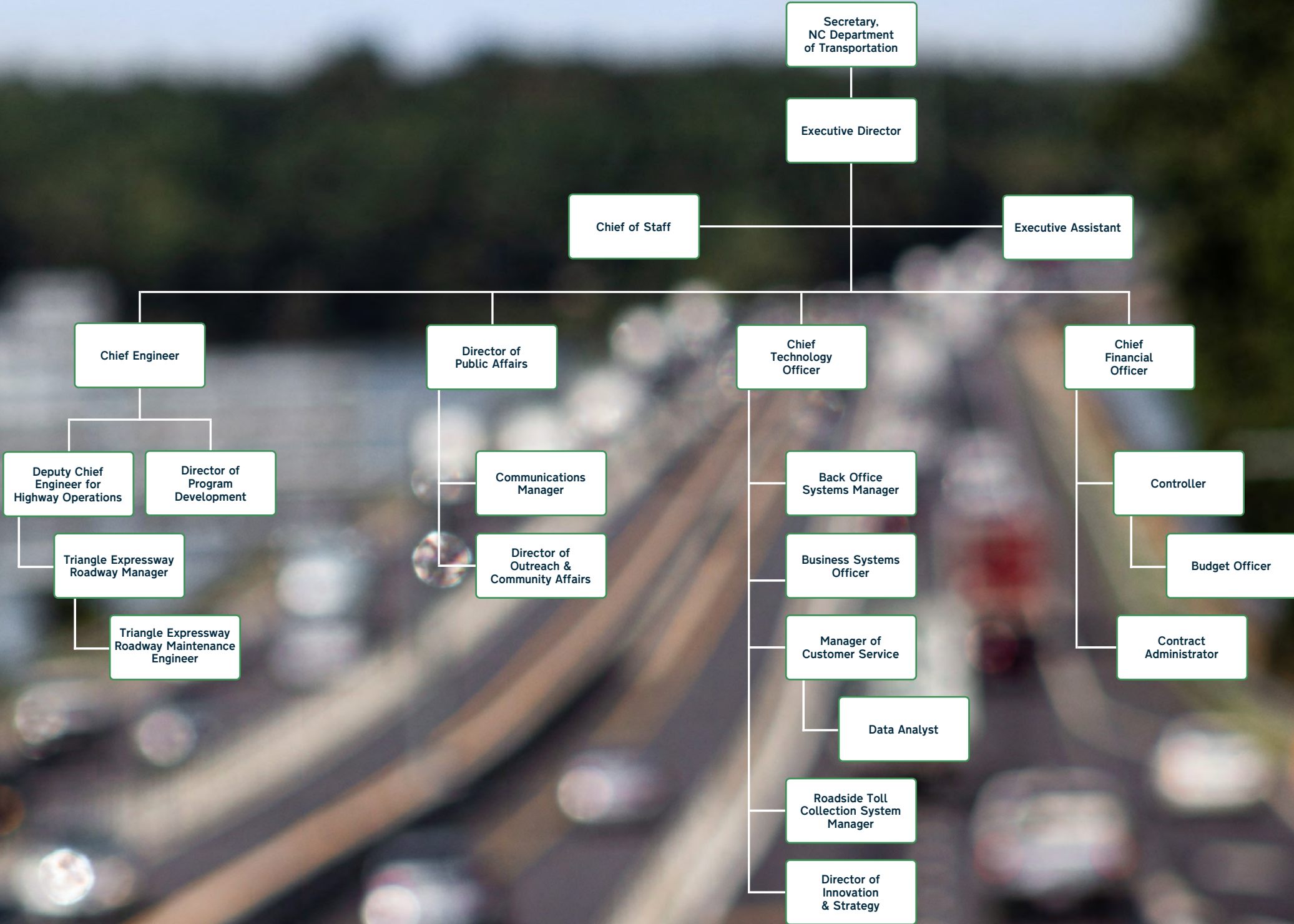


Executive Director/CEO

The North Carolina Turnpike Authority

In October 2002, legislation was passed authorizing the creation of the North Carolina Turnpike Authority with the purpose to study, design, plan, construct, own, finance and operate a system of toll roads, bridges, and/or tunnels supplementing the traditional non-toll transportation system serving the citizens of North Carolina (N.C.G.S. §136-89.182). By action of the North Carolina General Assembly, effective July 27, 2009, the Turnpike Authority became a part of the North Carolina Department of Transportation, a public agency of the State of North Carolina.

Organizational Chart as of June 30, 2021



Board of Directors

The Turnpike Authority is governed by a nine-member Board of Directors consisting of four members appointed by the General Assembly of North Carolina (two members appointed by the President Pro-Tempore of the Senate and two members appointed by the Speaker of the House of Representatives), four members appointed by the Governor of the State, and the North Carolina Secretary of Transportation. The Chair of the Board is selected by the Turnpike Authority Board. J. Eric Boyette, the NCDOT Secretary of Transportation, currently serves as the Chair of the Turnpike Authority Board.

Board Authority

On July 23, 2010, the following powers were delegated by the North Carolina Secretary of Transportation to the Turnpike Authority Board of Directors:

- Fix, revise, charge, and collect tolls and fees for the use of Turnpike Projects pursuant to N.C.G.S. §136-89.183 (a)(5);
- Issue bonds or notes of the Turnpike Authority pursuant to N.C.G.S. §136-89.183(a)(6);
- Invest the proceeds of bonds or notes of the Turnpike Authority that are pending disbursement or other idle funds of the Turnpike Authority in any investment authorized by N.C.G.S. §159-30 pursuant to N.C.G.S. §136-89.183 (6a); and,
- Exercise such additional powers as shall be necessary for the financing of Turnpike Projects through compliance with the associated bond documentation, including complying with any arbitrage, rebate or other federal tax filings and providing for secondary market disclosure; provided any such additional power may be subjected to conditions, including the involvement and participation of other portions of the North Carolina Department of Transportation, which are stated within the bond documentation and executed by the Secretary.

Members of the Board

as of June 30, 2021



J. Eric Boyette
Chairman



Perry Safran
Vice Chairman



Robert D. Teer Jr.
Secretary & Treasurer



Scott Aman



Mary N. Clayton



Sam Hunt IV



Montell W. Irvin



**Charles 'Chuck'
L. Travis III**



James 'Jim' Walker

Turnpike Authority Projects

3



Open to Traffic

- Monroe Expressway
- I-77 Express Lanes North
- Triangle Expressway

2



Under Construction

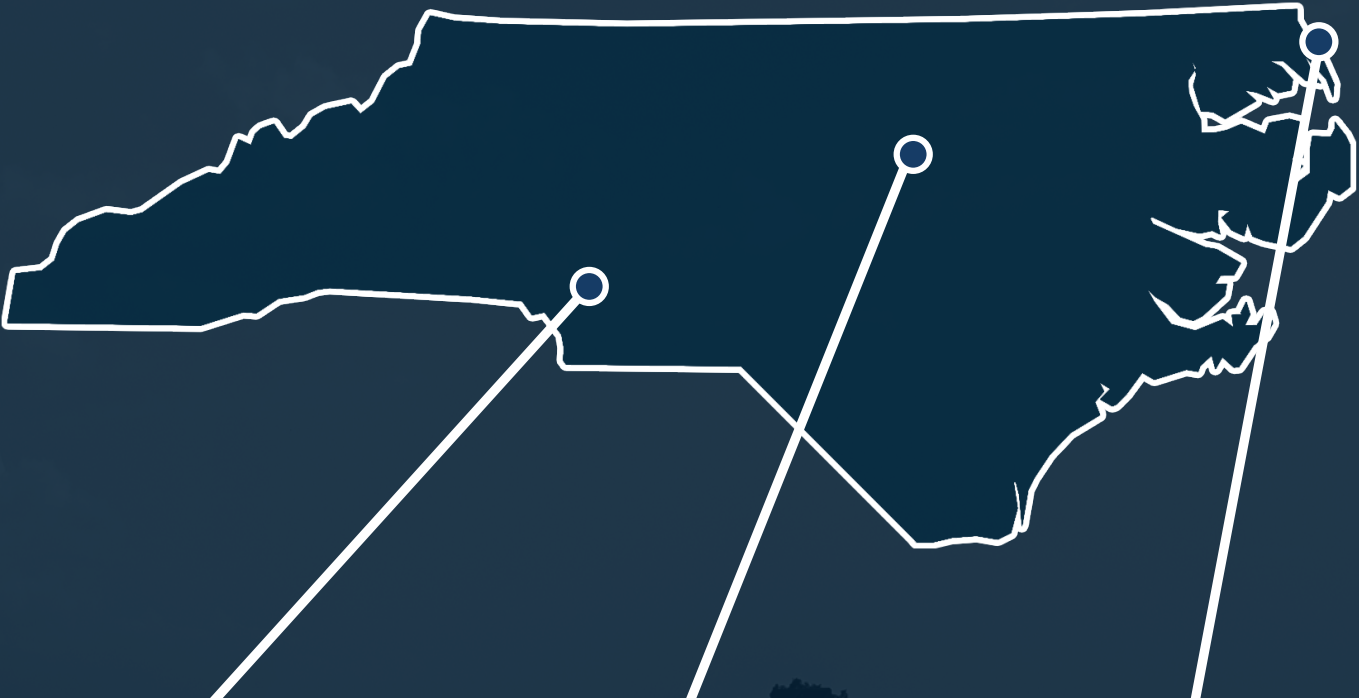
- I-485 Express Lanes
- Complete 540 Phase 1

4



Under Development

- U.S. 74 Express Lanes
- I-77 Express Lanes South
- Complete 540 Phase 2
- Mid-Currituck Bridge



| Charlotte Area | Raleigh Area | Outer Banks |
|---|---|--|
| <ul style="list-style-type: none"> Monroe Expressway I-77 Express Lanes North I-485 Express Lanes U.S. 74 Express Lanes I-77 Express Lanes South | <ul style="list-style-type: none"> Triangle Expressway Complete 540 Phase 1 Complete 540 Phase 2 | <ul style="list-style-type: none"> Mid-Currituck Bridge |
| <p>Project status as of June 30, 2021</p> <ul style="list-style-type: none"> Open to Traffic Under Construction Under Development | | |

Projects Open to Traffic



Triangle Expressway

The Triangle Expressway is a six-lane, 18.8-mile All-Electronic Toll (AET) facility, extending from the interchange of I-40 and N.C. 147 in the north, to N.C. 55 Bypass in the south, to partially complete the “Outer Loop” around the greater Raleigh area. The Triangle Expressway opened in phases between 2011 and 2013, with the final phase opening to toll traffic on January 2, 2013.

The Triangle Expressway has earned several major engineering awards, including: the American Council of Engineering Companies (ACEC) Grand Award for Engineering Excellence in Transportation, as well as the ACEC People’s Choice Award in 2012, the Southeastern Association of State Highway and Transportation Officials (SASHTO) Best Use of Innovation in the Southeastern Region Award in 2013 and the American Concrete Pavement Association (ACPA) Gold Award for Excellence in Concrete Pavement in 2014.



Monroe Expressway

The Monroe Expressway is a four-lane, 19.8-mile, AET facility that extends from U.S. 74 near I-485 in eastern Mecklenburg County to U.S. 74 between the towns of Wingate and Marshville in Union County. The Monroe Expressway reached substantial completion and opened to toll traffic on November 27, 2018.



I-77 Express Lanes North

The I-77 Express Lanes North project (“I-77 Express Lanes”) is a public-private partnership between NCDOT and I-77 Mobility Partners, LLC and is the first P3 toll project in the State of North Carolina. The I-77 Express Lanes North project is approximately 26 miles long between the I-77 and I-277 junction in Charlotte and N.C. 150 in Mooresville. The Turnpike Authority is responsible for account management, billing, and customer service for the express lanes. The northern 13 miles of the express lanes opened in June 2019, and the remaining lanes opened in late 2019.

Projects Under Construction



Complete 540 Phase 1

The Complete 540 project is a greenfield project in the greater Raleigh area in North Carolina, that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1 will extend the existing Triangle Expressway approximately 17.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh. Unlimited Notice to Proceed was issued for three Design-Build Contracts on September 26, 2019. Design, right-of-way acquisition, utility relocations and construction are well underway for all three contracts. As of June 30, 2021, the design for Phase 1 was approximately 90% complete, 554 right of way parcels (~86%) had been acquired or had entered the condemnation process, and construction was approximately 20% complete. Phase 1 is currently expected to open to traffic in 2023.

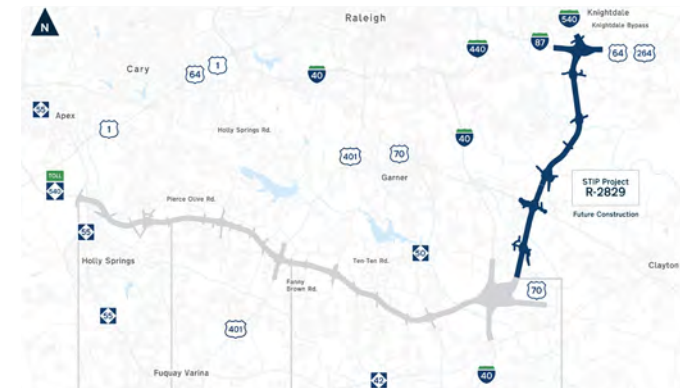


I-485 Express Lanes

The I-485 Express Lanes will add one express lane in each direction for approximately 17 miles between I-77 and U.S. 74 in southern Charlotte. The project will also extend the outside general-purpose lane in each direction from Rea Road to N.C. 16 (Providence Road). Construction on the project began in August 2019. The NCDOT is currently reviewing claims by the contractor that could impact the opening schedule of all, or a portion, of the project.

Projects Under Development

The State Transportation Improvement Program (STIP) designates the scheduling and funding of construction for transportation projects in the state of North Carolina. The current STIP is for FY 2020 to FY 2029 with the first six years (2020 to 2025) referred to as the delivery STIP and the latter four years (2026 to 2029) as the developmental STIP. The following Turnpike Authority projects under development are listed in either the delivery STIP or developmental STIP.



Complete 540 Phase 2

The proposed Complete 540 Phase 2 project (STIP Project R-2829) will extend the Triangle Expressway System from I-40 to the U.S. 64 / U.S. 264 Bypass (I-87) in Knightdale, completing the “Outer Loop” around the greater Raleigh area.



I-77 Express Lanes South

The proposed I-77 Express Lanes South project (STIP Project I-5718) will construct 11 miles of express lanes from I-277 / N.C. 16 (Brookshire Freeway) in Charlotte to the South Carolina state line.



U.S. 74 Express Lanes

Local planning organizations have identified Independence Boulevard (U.S. 74) as a corridor needing improvements to maintain and enhance current and future mobility in the region. There are currently two proposed express lanes projects being studied on the U.S. 74 corridor. STIP Project U-6103 involves adding express lanes in the median of U.S. 74 between I-277 and Idlewild Road for approximately five miles. STIP Project U-2509 involves widening and adding express lanes and other improvements between Idlewild Road in Charlotte to I-485 in Matthews, for approximately 6.3 miles.

Mid-Currituck Bridge

The proposed Mid-Currituck Bridge (STIP Project R-2576) is a seven-mile project in Currituck County between U.S. 158 on the mainland and N.C. 12 on the Outer Banks. There will be a two-lane bridge spanning the Currituck Sound connecting the Currituck County mainland with its Outer Banks as well as a two-lane bridge spanning Maple Swamp on the Currituck County mainland connecting Aydlett to U.S. 158.

NC Quick Pass[®]

The NC Quick Pass (NCQP) program continued to see impacts from the COVID-19 pandemic in FY 2021. Traffic volumes across all projects slowly increased throughout the year as stay-at-home restrictions were lifted and businesses began transitioning back into the office. During the second half of the fiscal year, NCTA saw higher growth on the Monroe Expressway, with traffic volumes nearing levels seen prior to the pandemic and even surpassing FY 2020 traffic levels.


In FY 2021, NC Quick Pass distributed over 163,800 transponders, opened more than 26,000 accounts and had over 801,000 new Bill by Mail (BBM) customers. NC Quick Pass also celebrated the distribution of its one-millionth transponder.

As the NC Quick Pass program slowly began a return to normalcy, leadership continued to assess safety protocols to ensure the safety of employees and customers. The call center remained open throughout the fiscal year at a reduced capacity in order to maintain social distancing. The Charlotte and Monroe walk-in centers reopened to customers on August 10, 2020, while the Morrisville location reopened on April 19, 2021.

On October 27, 2020, invoice escalation recommenced and the assessment of processing fees and civil penalties on past due Bill by Mail invoices resumed. Vehicle registration holds for past due accounts were reinstated on November 17, 2020. Third party collection efforts remained suspended through the remainder of FY 2021.

Fiscal Year 2021 Highlights

Over
163,800
Transponders Sold

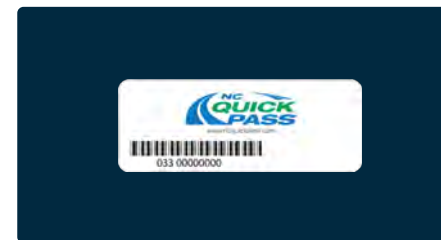
 In FY 2021, NCQP distributed its one millionth transponder.

Over
26,000
NC Quick Pass
Accounts Established

Over
801,000
New BBM Customers
(First Time Users)

Over
4.17M
Invoices Mailed & Emailed

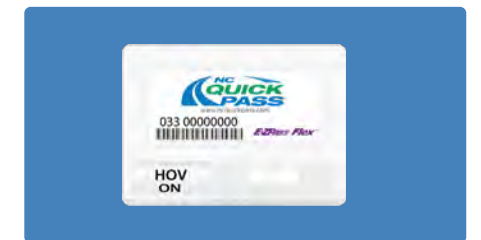
As directed by North Carolina General Statute § 136-89.193(b) and Section 3.1 of Session Law 2016-90, the NCTA and the NCDOT report that there were no one-time toll facility users who were charged more than \$50 in processing fees imposed under G.S. 136-89.215 and civil penalties under G.S. 136-89.216.



NC Quick Pass
62% of transponders sold



NC Quick Pass E-ZPass
30% of transponders sold



NC Quick Pass E-ZPass Flex
7% of transponders sold

All other transponders account for 1% of total.

Safety

Highway Patrol

One of the primary missions of the North Carolina State Highway Patrol (“Highway Patrol”) is to ensure safe, efficient transportation on North Carolina streets and highways. The Turnpike Authority has troopers from Troop C patrolling the Triangle Expressway and troopers from Troop H patrolling the Monroe Expressway.

Wrong-Way Vehicle Detection Program

When opened to toll traffic in 2013, the Triangle Expressway was one of the most innovative roadways of its time. The all-electronic tolling technology used to collect tolls also includes a Reverse Vehicle Notification system that alerts operators in the Traffic Management Center (TMC) if a car travels under a toll gantry in the wrong direction. In addition to the legacy system, four different Wrong-Way Vehicle (WWV) technology systems have since been installed as part of a pilot research program on the Triangle Expressway to alert drivers they are traveling in the wrong direction. WWVs are automatically detected and captured on video, and alerts are sent to TMC operators and select managers and supervisors. Electronic signs and beacons are activated immediately to alert the driver that they are traveling in the wrong direction.

WWV technology systems at some interchanges on the Monroe Expressway in Union County will see upgraded pavement markings that look normal to drivers when traveling in the correct direction but illuminate with messages or symbols in bright red to drivers traveling in the wrong direction. Quickly notifying the driver is the safest and most effective way of preventing a wrong-way driver incident. These same upgraded pavement markings are scheduled to be installed on the Triangle Expressway as part of a maintenance resurfacing project during Fiscal Year 2022. NCTA continues to search for advanced technologies such as these to provide the safest facilities possible for customers.

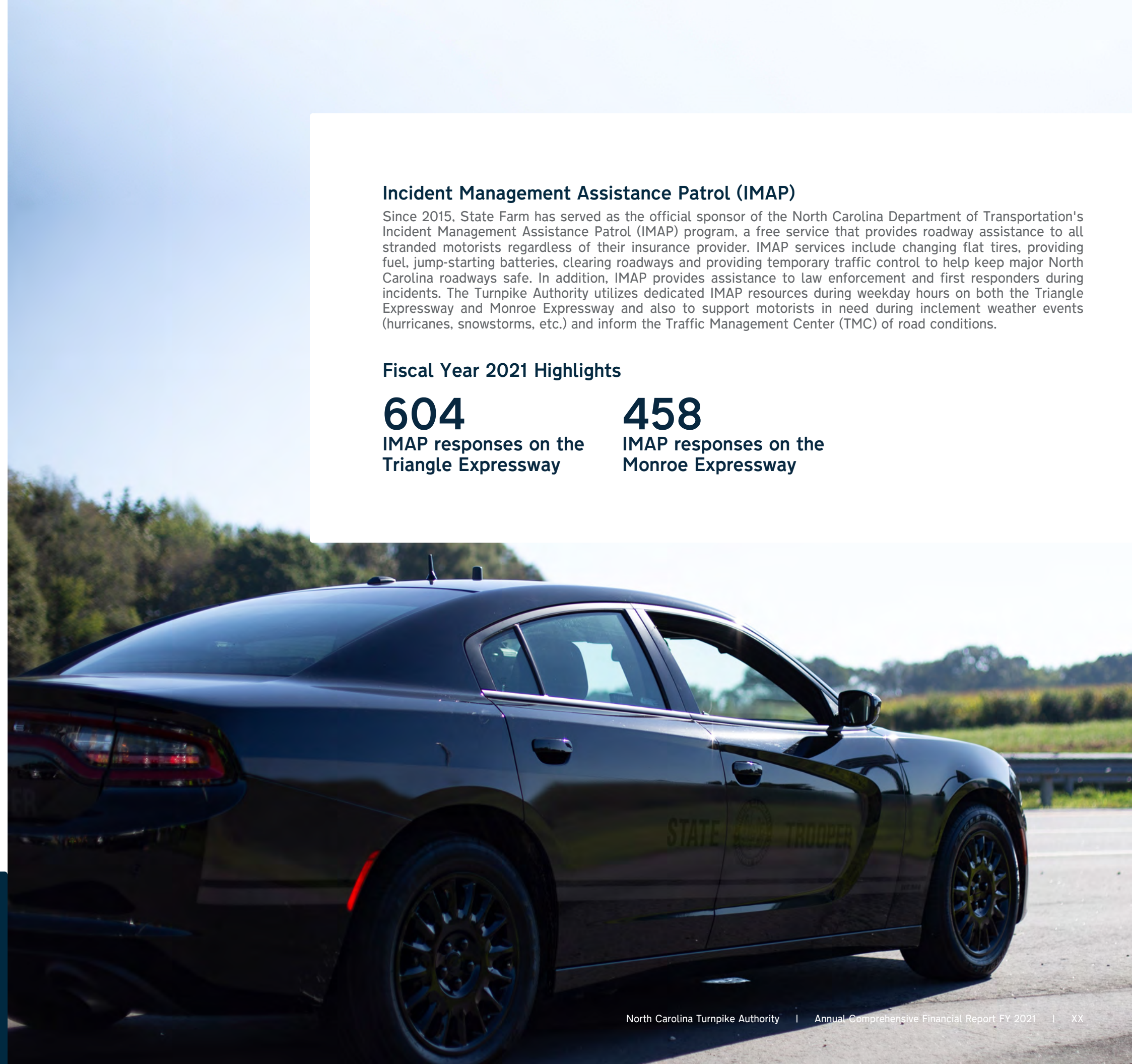
Incident Management Assistance Patrol (IMAP)

Since 2015, State Farm has served as the official sponsor of the North Carolina Department of Transportation's Incident Management Assistance Patrol (IMAP) program, a free service that provides roadway assistance to all stranded motorists regardless of their insurance provider. IMAP services include changing flat tires, providing fuel, jump-starting batteries, clearing roadways and providing temporary traffic control to help keep major North Carolina roadways safe. In addition, IMAP provides assistance to law enforcement and first responders during incidents. The Turnpike Authority utilizes dedicated IMAP resources during weekday hours on both the Triangle Expressway and Monroe Expressway and also to support motorists in need during inclement weather events (hurricanes, snowstorms, etc.) and inform the Traffic Management Center (TMC) of road conditions.

Fiscal Year 2021 Highlights

604
IMAP responses on the
Triangle Expressway

458
IMAP responses on the
Monroe Expressway



Technology

NCTA continues to enhance its toll collection system to provide advanced technology operations focusing on data-driven decisions and identifying efficiencies in toll collection with a NCTA driven platform that acquires service providers to improve the customer experience. NCTA continues to innovate and transform the tolling industry through its investments in new technologies and services. Throughout the COVID-19 pandemic, NCTA continued to invest in both roadside and back office systems to maintain service to drivers and NC Quick Pass customers.

NCTA is transitioning to a new toll collection system platform, which will allow multiple vendors the ability to provide services and products to better maintain revenue services and identify further efficiencies. As a part of the transition, NCTA is re-balancing its portfolio to acquire specialized expertise to commence a change management program and select service firms that will support NCTA's IT planning and implementation. The platform will include a new automated audit hub that uses data streams to analyze data from the toll collection system to audit, detect and resolve any anomalies and improve data analytics and reporting.

Mobile Payment Tolling

NCTA is currently testing several programs for alternative payment options for NC Quick Pass customers. In 2020, NCTA implemented various pilot programs that offer mobile based payment options for customers. Customers can use Go Toll, a mobile application, to pay tolls on the Triangle Expressway and Monroe Expressway. NCTA implemented this pilot program to better determine how customers adapt to changes in technology, business rules or business policies. The results will be reviewed and analyzed to develop a strategic plan for the program wide roll outs involving multiple parties that are currently scheduled in 2022.

In addition, NCTA joined PaybyCar, an E-ZPass pilot program that provides touchless, mobile payment options for transponder customers with a smartphone. PaybyCar allows customers with a registered NC Quick Pass transponder and a smartphone to pay for gas at eligible gas stations in North Carolina. When a customer drives up to an eligible gas station, PayByCar automatically recognizes the transponder and smartphone. The smartphone receives a text, the customer then responds with the gas pump number and the pump gets turned on for the customer to gas up and drive away with an e-receipt. This pilot program will help NCTA determine the best way to connect to multimodal solutions to continue to provide more payment options and choices for customers.



Looking Ahead

NCTA will continue to modernize the toll collection system platform to better accommodate future statewide toll facilities with a more centralized system and support approach. The installation of the new toll equipment on Triangle Expressway is expected to be completed in 2021, and soon after, NCTA will begin preparations for the installation of the Complete 540 roadside system equipment. In 2022, NCTA will continue proof of concept testing for mobile payment providers to increase payment options for customers.

NCTA will continue to explore new e-commerce technologies through customer service partnerships. Through these partnerships, NCTA hopes to continue to provide outstanding customer service and more convenient payment options to NC Quick Pass customers while also increasing NCTA's toll collection efficiency.

Public Affairs

Fiscal Year 2021 was another unprecedented year for the Turnpike Authority – the public affairs department was no exception. Working remotely well into the next year, the team developed innovative ways to continue to serve NCQP customers and ensure the highest level of involvement in the community with safety and efficiency in mind.

COVID-19 was a major communication priority for the department in FY 2021. Many of NCTA's initiatives included impacts to customers such as the reopening of the Charlotte and Monroe customer service centers, the reintroduction of fee escalations, and the resumption of DMV holds and collections.

In FY 2021, NCTA prioritized the health and safety of customers and employees, which resulted in a significant reduction in marketing and outreach activities. To build on the success of previous years' marketing exposure and brand development, NCTA issued a first-of-its-kind marketing and communications Request For Proposal. In FY 2022, a firm will be selected, whose responsibilities will be to support and enhance the communications efforts of NCTA projects and NCQP marketing initiatives.

Fiscal Year 2021 Highlights

176 Mentions by News Outlets

20 National & International Panels/ Speaking Engagements

34 Outreach Events

Complete 540

NCTA has continued to work vigorously to communicate with the public regarding construction activities for the Complete 540 project. This fiscal year the team met with more than 34 community organizations, homeowner associations, and elected officials to provide updates on construction and progress along the project.

New tools have been developed including, an interactive visualization of the eastern portion of Complete 540 - Phase 1 from east of U.S. 401 to I-40. It was designed and developed by WSP.

FY 2021 statistics for Complete 540 outreach are shown below.

34 Outreach Events

21 Nextdoor Posts

702 Email Inquiries

372 Hotline Phone Calls

NC Quick Pass

In February of 2021, when public health circumstances allowed, NCTA began marketing select activities. NCQP again became a major sponsor at all Charlotte Knights and Holly Springs Salamanders baseball games. Also, this year NCQP launched two new advertisements highlighting the time saving benefits of the Triangle Expressway.

4.6M Total ncquickpass.com page views

Looking Ahead

FY 2022 will be an exciting year for the NCQP program and NCTA projects. NCTA anticipates a significant communications effort focusing on the transition to a new customer experience surrounding a new website and application. FY 2022 will also include the selection of a marketing firm, through the NCTA marketing and communications RFP process, to give the team access to the highest-level technology and new ways to highlight the benefits of NCQP and NCTA projects.

Financial Section

Fiscal Year 2021 Highlights

\$39.1M

**Triangle Expressway
Actual Revenue**

\$21.0M

**Monroe Expressway
Actual Revenue**

Report of Independent Auditor

To the Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Turnpike Authority (“NCTA”), a major enterprise fund of the state of North Carolina, and a business unit of the North Carolina Department of Transportation (“NCDOT”) as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the NCTA’s basic financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”); this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NCTA’s preparation and fair presentation of the financial statements 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 NCTA’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NCTA as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. GAAP.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the NCTA and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the NCTA. The Introductory section, the Schedule of Revenues and Expenditures – Modified Cash Basis – Non-GAAP and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues and Expenditures – Modified Cash Basis – Non-GAAP is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the NCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is solely 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 the effectiveness of NCTA's 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 NCTA's internal control over financial reporting and compliance.

Chemy Bekaert LLP

Raleigh, North Carolina
October 29, 2021

Management's Discussion and Analysis ("MD&A") provides an overview of the North Carolina Turnpike Authority's ("NCTA" or "Turnpike Authority") activities during the Fiscal Years ("FY") ended June 30, 2021, 2020, and 2019. The MD&A also includes condensed financial information comparing the current year to the prior years.

Overview of the Financial Statements

The Turnpike Authority is a public agency of the State of North Carolina located within the Department of Transportation ("NCDOT" or "Department") and is a major enterprise fund of the State. As such, NCTA is included in the State of North Carolina's Comprehensive Annual Financial Report. The accompanying statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to represent NCTA's financial position separate from the State of North Carolina.

Included in this report are the statements of net position as of June 30, 2021 and 2020, the statements of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020, and the statements of cash flows for the years ended June 30, 2021 and 2020. **These statements represent all financial activity of the Turnpike Authority at the fund level, therefore they are not an accurate representation of the financial position of individual Turnpike Authority projects (project specific schedules of revenues and expenditures are on page 56).** These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements of net position present assets and deferred outflows of resources less liabilities and deferred inflows of resources, thus presenting NCTA's financial position at the end of the fiscal year, while the statements of revenues, expenses, and changes in net position present information showing how NCTA's net position changed during the fiscal year.

The North Carolina Turnpike Authority

History

In October 2002, legislation was passed authorizing the creation of the Turnpike Authority with the purpose to study, design, plan, construct, promote, own, finance and operate a system of toll roads, bridges, and/or tunnels supplementing the traditional non-toll transportation system serving the citizens of North Carolina (N.C.G.S. §136-89.182). Financial activity for the Turnpike Authority started in late Fiscal Year 2004. By action of the North Carolina General Assembly, effective July 27, 2009, the Turnpike Authority became a part of NCDOT.

Legislation was passed in 2013 creating the Strategic Mobility Formula, a new way to fund and prioritize transportation projects to ensure they provide the maximum benefit to the State of North Carolina (House Bill 817). This law also included changes to the annual appropriations ("GAP funds") dedicated to Turnpike Authority projects; the annual appropriation of \$49 million remains for the Triangle Expressway (\$25 million) and Monroe Expressway (\$24 million) projects.

The Turnpike Authority operates with a project-level financial structure. NCTA projects are financed as individual systems, and revenues are subject to N.C.G.S. §136-89.188(a) which states, "Revenues derived from a Turnpike Project authorized under this Article shall be used only for the following costs associated with the project from which the revenue was derived or a contiguous toll facility:

- 1 Authority administration costs.
- 2 Development, right-of-way acquisition, design, construction, expansion, operation, maintenance, reconstruction, rehabilitation, and replacement costs.
- 3 Debt service on the Authority's revenue bonds or related purposes such as the establishment of debt service reserve funds.
- 4 Debt service, debt service reserve funds, and other financing costs related to any of the following:
 - a. A financing undertaken by a private entity under a partnership agreement with the entity for the Project.
 - b. Private activity bonds issued under law related to the Project.
 - c. Any federal or State loan, line of credit, or loan guarantee relating to the Project.
- 5 A return on investment of any private entity under a partnership agreement with the entity for the Project.
- 6 Any other uses granted to a private entity under a partnership agreement with the entity for the Project."

To maintain the mandated project-level financial structure, the Turnpike Authority must have separate operating and capital budgets for each Turnpike Project.

Toll Rate Policy

On September 17, 2008, the Turnpike Authority Board of Directors adopted a toll rate policy (the "Toll Rate Policy"), which provides guidelines pursuant to which the Turnpike Authority shall establish and adjust toll rate schedules for its projects. Pursuant to the Toll Rate Policy, the Turnpike Authority is required to hire a Traffic Consultant to prepare a Traffic and Revenue Study for each of its projects and forecast the projected traffic and toll revenue to be generated. After receipt of such Traffic and Revenue Study, the Toll Rate Policy directs the Turnpike Authority Board of Directors to adopt a toll rate schedule that forecasts revenues on the project that are at least the same level as the revenue set forth in the Traffic and Revenue report.

Under the Toll Rate Policy, an increase in the toll rates is required each year unless the Turnpike Authority provides to the Trustee (1) a resolution of the Turnpike Authority's Board directing that the toll rates will not be increased or will be increased in a lesser amount than assumed in the Traffic and Revenue Study; (2) a certificate of an officer of the Turnpike Authority to the effect that NCTA is in compliance with all applicable rate covenants in the Trust Agreement and all other documents for the Bonds issued to finance its projects; and (3) a report of the Traffic Consultant showing that for each succeeding fiscal year through the final maturity date for all indebtedness issued to finance the project, the forecasted revenues in each such fiscal year would be such that one dollar of additional senior lien indebtedness could be issued by the Turnpike Authority in compliance with the requirements of the additional debt limitations set forth in the documents related to all bonds issued to finance the project.

The Turnpike Authority Board of Directors has adopted toll rate schedules for both the Triangle Expressway and Monroe Expressway projects based on their respective Traffic and Revenue Studies. The toll rate schedules for each facility provide the toll rates for every year through the final maturity date for all indebtedness issued to finance each project. Toll rates on both facilities increase each January 1 based on the approved toll rate schedules. In Calendar Years (CY) 2020 and 2021, the average cost per mile for customers on the Triangle Expressway in a Class 1 (two-axle) vehicle paying with a transponder was \$0.19. In CY 2020, the average cost per mile for customers on the Monroe Expressway in a Class 1 (two-axle) vehicle paying with a transponder was \$0.14, and in CY 2021, the average cost per mile increased to \$0.15.

COVID-19 Pandemic

During FY 2021, the State of North Carolina (State) and the Authority continued to rebound from the effects of the pandemic. For the Triangle Expressway, toll transactions and toll revenue increased but remained below pre-pandemic levels primarily due to continued governmental orders being issued throughout the year and employees working remotely. As a result of these trends, the majority of the impact has been seen on passenger car toll transactions, which showed a decline in 2021 of 13.7% from pre-pandemic levels. For the Monroe Expressway, toll transactions increased 6.9% overall and toll revenue increased 2.3% as compared to FY 2020; however, toll transactions and toll revenue remained below pre-pandemic projections of 17.0% and 28.6%, respectively.

Financial Highlights & Analysis

Turnpike Authority Fund

Budgeted Administrative Activities for fiscal years 2021 and 2020 were limited to salaries, personnel, Board members' per-diem, travel, and other general operating expenditures, while project-related costs were funded by state-appropriated, Federal Highway Administration ("FHWA"), or project-specific financings. Funding for administrative expenses is reviewed and advanced as needed from the Highway Trust Fund. Interest began to accrue on the advance on January 1, 2014.

- The Turnpike Authority's total assets increased \$493.1 million to \$3.2 billion.
- The Turnpike Authority's total capital assets increased \$192.0 million to \$2.3 billion.

Triangle Expressway

The Triangle Expressway is North Carolina's first modern toll road, and is approximately 18.8 miles of new highway construction, extending from the interchange of I-40 and N.C. 147 on the north end, to N.C. 55 Bypass in the south, to partially complete the "Outer Loop" around the greater Raleigh area. The final phase opened to toll traffic on January 2, 2013. In April 2017, the Veridea Parkway interchange, previously named Old Holly Springs-Apex Road, opened to traffic. The Veridea Parkway Interchange is located between the U.S. 1 interchange and the N.C. 55 Bypass interchange on the southern end of the Triangle Expressway and provides a direct local link between the Triangle Expressway and Veridea Parkway/Old Holly Springs-Apex Road. The Veridea Parkway Interchange was paid for in part with proceeds of the 2009 toll revenue bonds. A second interchange, the Morrisville Parkway Interchange, opened to traffic in February 2020. Toll revenues from both the Veridea Parkway Interchange and Morrisville Parkway Interchange are or will be included in Receipts and Revenues of the Triangle Expressway System.

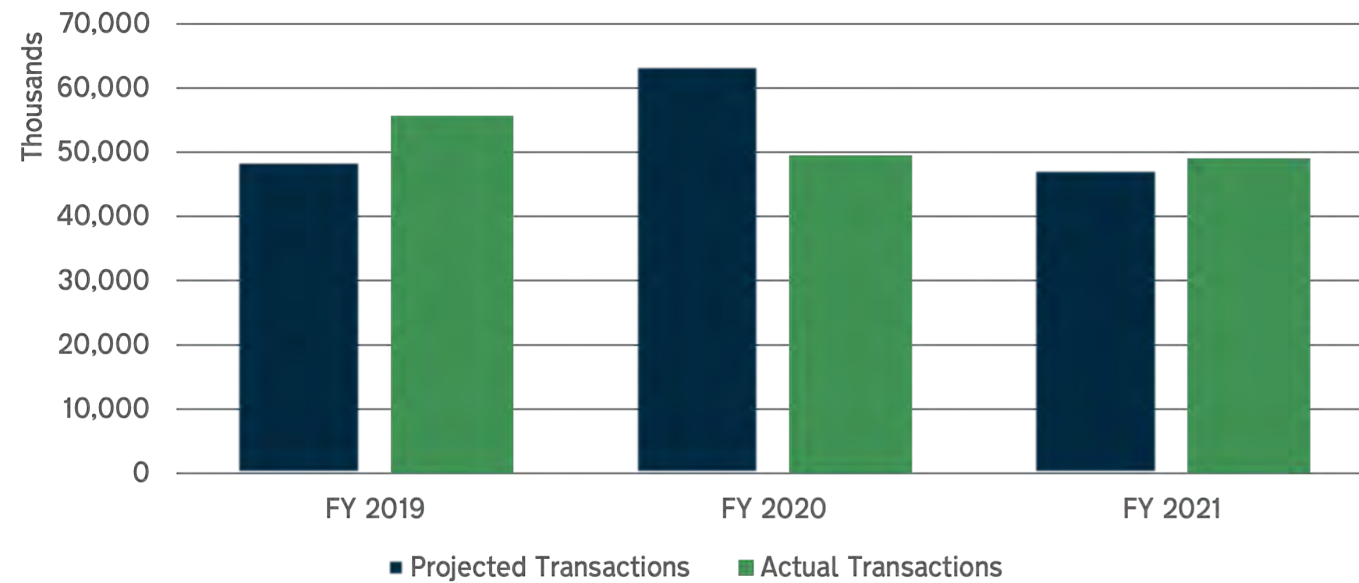
Fiscal Year 2021 Highlights

- Transactions decreased 0.9% to 49.1 million in FY 2021 from FY 2020 yet exceeded updated T&R projections by 3.8%, which account for impacts from the COVID-19 pandemic.
- Actual revenue decreased 26.0% to \$39.1 million in FY 2021 from FY 2020 yet exceeded updated T&R projections by 3.7%, which account for impacts from the COVID-19 pandemic.
- Operating expenses for the Triangle Expressway decreased by 31.5% to \$13.9 million in FY 2021 which was 35.7% under budget.
- In October 2020, the Turnpike Authority issued Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes, Series 2020 to be paid off with a single draw on the outstanding TIFIA Loan. The issuance resulted in nearly \$12.5 million of net present value savings.

Transactions & Revenue

The Triangle Expressway serves as a commuter facility in the Raleigh area, and has experienced significant impacts due to the COVID-19 pandemic. Transaction and revenue projections were updated for FY 2021 to include impacts from the COVID-19 pandemic. While total traffic on the facility decreased in FY 2021 from FY 2020, transactions and actual revenue exceeded the updated projections. FY 2020 projections for the facility were based on the upgraded certified Traffic and Revenue Study prepared by CDM Smith in 2019. Through FY 2019, transactions and revenue exceeded the original 2009 projections by 12% and 30%, respectively. The table below shows the number of toll transactions on the Triangle Expressway in fiscal years 2019, 2020 and 2021.

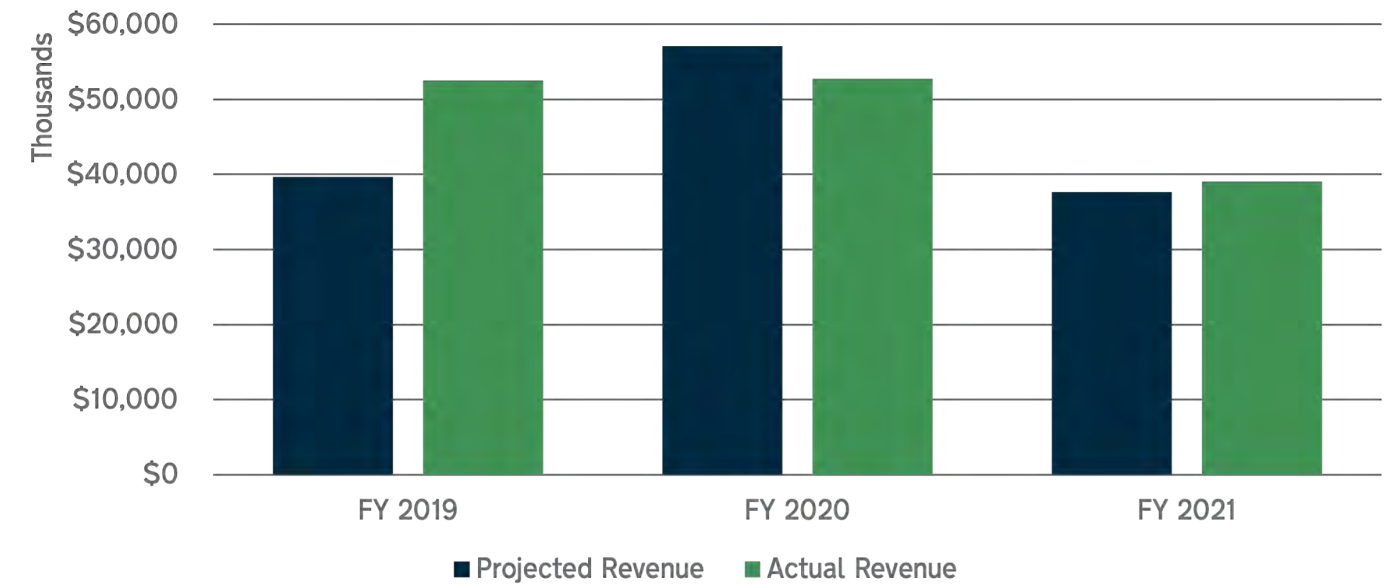
| | FY 2019 | FY 2020 | FY 2021 |
|---|------------|------------|------------|
| Projected Transactions | 48,466,000 | 63,399,000 | 47,260,000 |
| Actual Transactions | 55,711,406 | 49,528,840 | 49,068,668 |
| Actual to Projected (%) | 115% | 78% | 104% |
| Actual Transactions YOY Increase (Decrease) (%) | 8.7% | (11.1%) | (0.9%) |



The table below shows the amount of actual revenue earned on the Triangle Expressway in fiscal years 2019, 2020 and 2021. FY 2021 operating revenue on the Triangle Expressway totaled nearly \$36.3 million. Actual revenue is on a cash basis and is inclusive of toll revenue as well as revenue from the following:

- Processing Fees
- Credit Card Equity Fees
- Actual Damages
- Interest Earnings
- Non-Sufficient Funds Fees

| | FY 2019 | FY 2020 | FY 2021 |
|---|--------------|--------------|--------------|
| Projected Revenue | \$39,705,000 | \$57,086,000 | \$37,695,000 |
| Actual Revenue | \$52,551,254 | \$52,790,367 | \$39,078,585 |
| Actual to Projected (%) | 132% | 92% | 104% |
| Actual Revenue YOY Increase (Decrease) (%) | 7.4% | 0.5% | (26.0%) |



| | FY 2019 | FY 2020 | FY 2021 |
|---|---------|---------|---------|
| Toll Revenue as a % of Total Actual Revenue | 91.6% | 88.5% | 92.7% |

Toll Revenue as a percent of Total Actual Revenue is calculated by dividing the total toll revenue by actual revenue for each fiscal year.

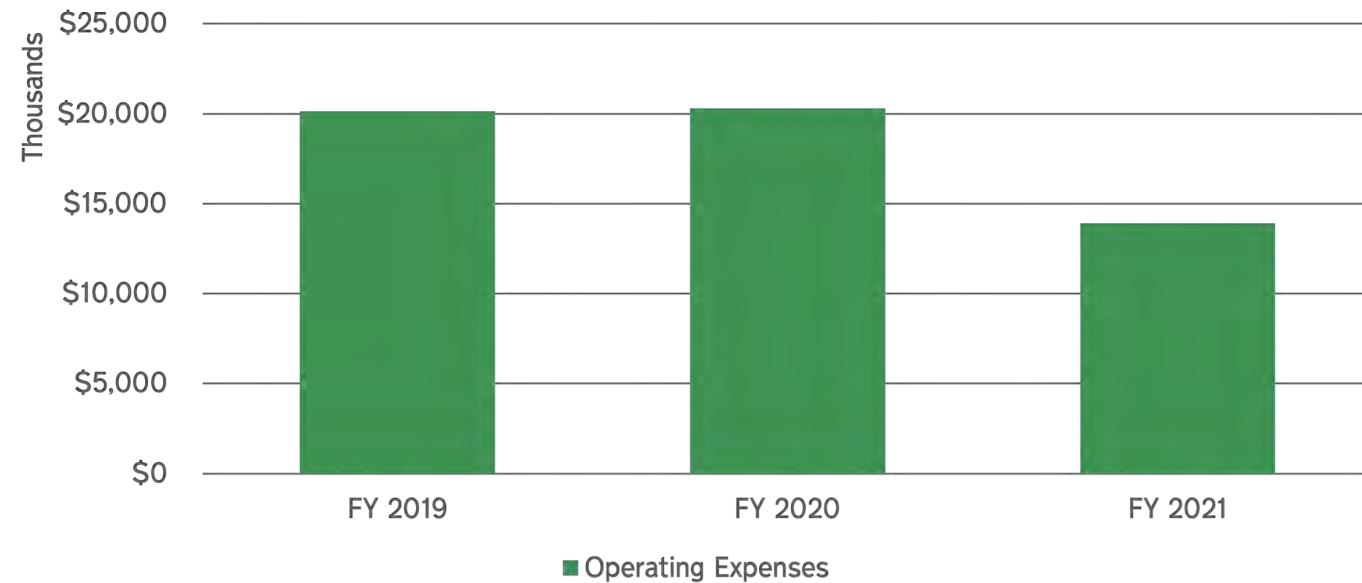
Operating Expenses

Operating Expenses for the Triangle Expressway are shown on a cash basis and are broken down by the following groups:

- NCDOT Labor & Professional Services
- NCDOT System Charges
- Roadway Maintenance
- Service and Safety Patrols
- Toll Operations and Customer Service
- Marketing and Communications
- Administrative

Below is a breakdown of the actual operating expenses for the Triangle Expressway for fiscal years 2019, 2020 and 2021.

| | FY 2019 | FY 2020 | FY 2021 |
|-----------------|--------------|--------------|--------------|
| Actual Expenses | \$20,128,589 | \$20,279,418 | \$13,899,836 |



Monroe Expressway

The Monroe Expressway is an All-Electronic Toll (AET) facility that is 19.8-miles of new highway construction that extends from U.S. 74 at I-485 in eastern Mecklenburg County to U.S. 74 between the towns of Wingate and Marshville in Union County. The expressway improves mobility and capacity within the project study area by providing a highway for the U.S. 74 corridor that allows for high-speed regional travel. The Monroe Expressway opened to traffic on November 27, 2018.

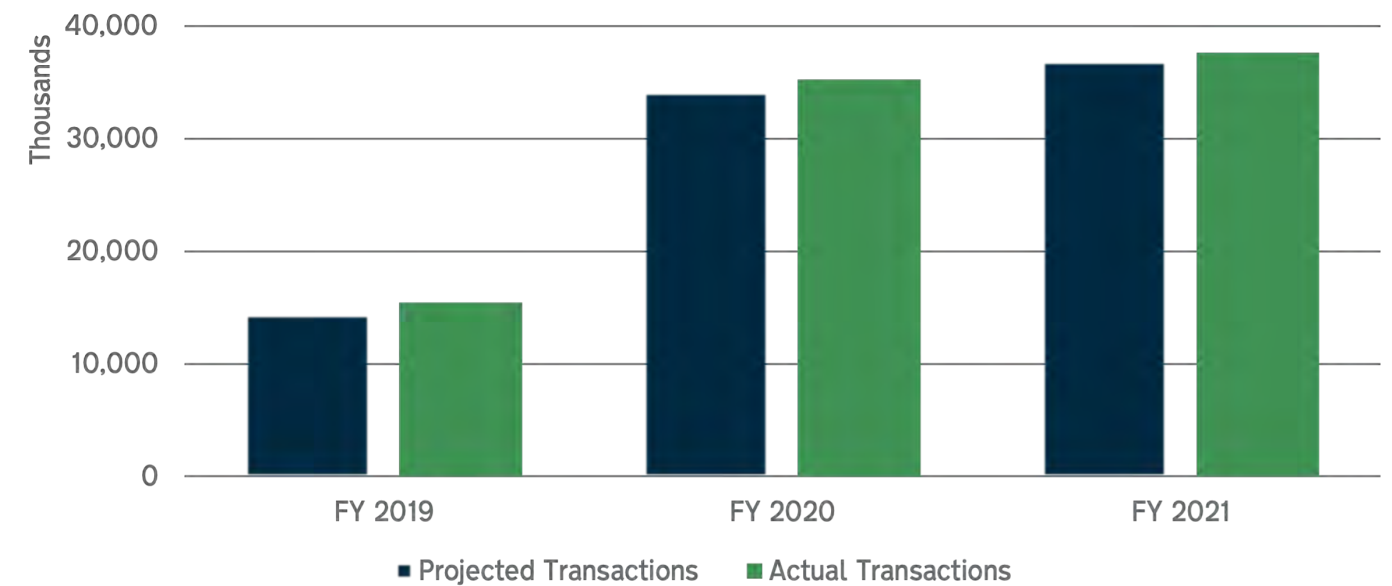
Fiscal Year 2021 Highlights

- Transactions increased 6.9% to 37.7 million in FY 2021 from FY 2020 and exceeded updated T&R projections by 2.3%, which accounts for impacts from the COVID-19 pandemic.
- Actual revenue decreased 1.8% to \$21.0 million in FY 2021 from FY 2020 and met updated T&R projections, which accounts for impacts from the COVID-19 pandemic.
- Operating expenses for the Monroe Expressway totaled \$11.2 million in FY 2021 which was 20.5% under budget.
- In April 2021, the Turnpike Authority issued Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery) to refund the outstanding Series 2011 bonds. The issuance resulted in nearly \$29.3 million of net present value savings.

Transactions & Revenue

The Monroe Expressway has seen steady transaction growth in Fiscal Year 2021. Below is a table that shows the number of toll transactions compared to projections. For FY 2019 and FY 2020, projections are from the original 2016 investment grade Traffic and Revenue Report prepared by CDM Smith. For FY 2021, projections were updated by CDM Smith to account for impacts due to the COVID-19 pandemic. FY 2021 transactions exceeded the updated projections by 2.3%.

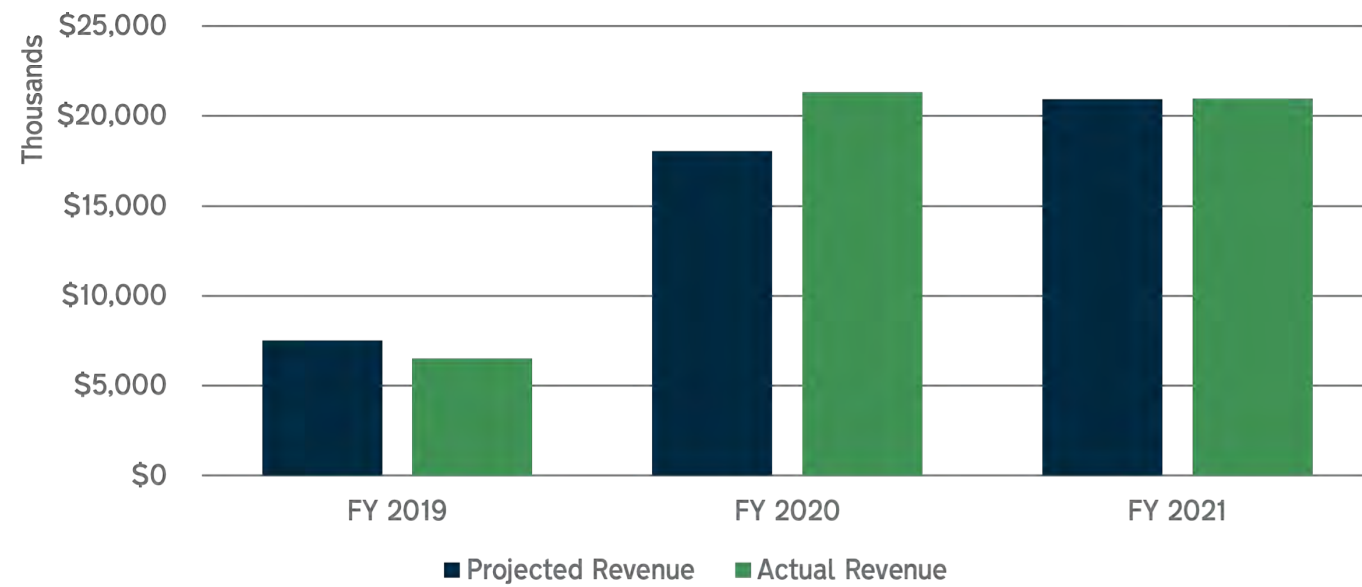
| | FY 2019 | FY 2020 | FY 2021 |
|-------------------------|------------|------------|------------|
| Projected Transactions | 14,324,000 | 34,082,000 | 36,830,000 |
| Actual Transactions | 15,465,670 | 35,240,510 | 37,661,856 |
| Actual to Projected (%) | 108% | 103% | 102% |



The table below shows the actual revenue received on the Monroe Expressway in fiscal years 2019, 2020 and 2021. FY 2021 operating revenue on the Monroe Expressway totaled nearly \$22.4 million. Actual revenue is on a cash basis and is inclusive of toll revenue as well as revenue from the following:

- Processing Fees
- Credit Card Equity Fees
- Actual Damages
- Interest Earnings
- Non-Sufficient Funds Fees

| | FY 2019 | FY 2020 | FY 2021 |
|-------------------------|-------------|--------------|--------------|
| Projected Revenue | \$7,519,000 | \$18,055,000 | \$20,940,000 |
| Actual Revenue | \$6,516,170 | \$21,335,260 | \$20,950,428 |
| Actual to Projected (%) | 87% | 118% | 100% |



| | FY 2019 | FY 2020 | FY 2021 |
|---|---------|---------|---------|
| Toll Revenue as a % of Total Actual Revenue | 90.1% | 88.7% | 92.4% |

Toll Revenue as a percent of Total Actual Revenue is calculated by dividing the total toll revenue by Actual revenue for each fiscal year.

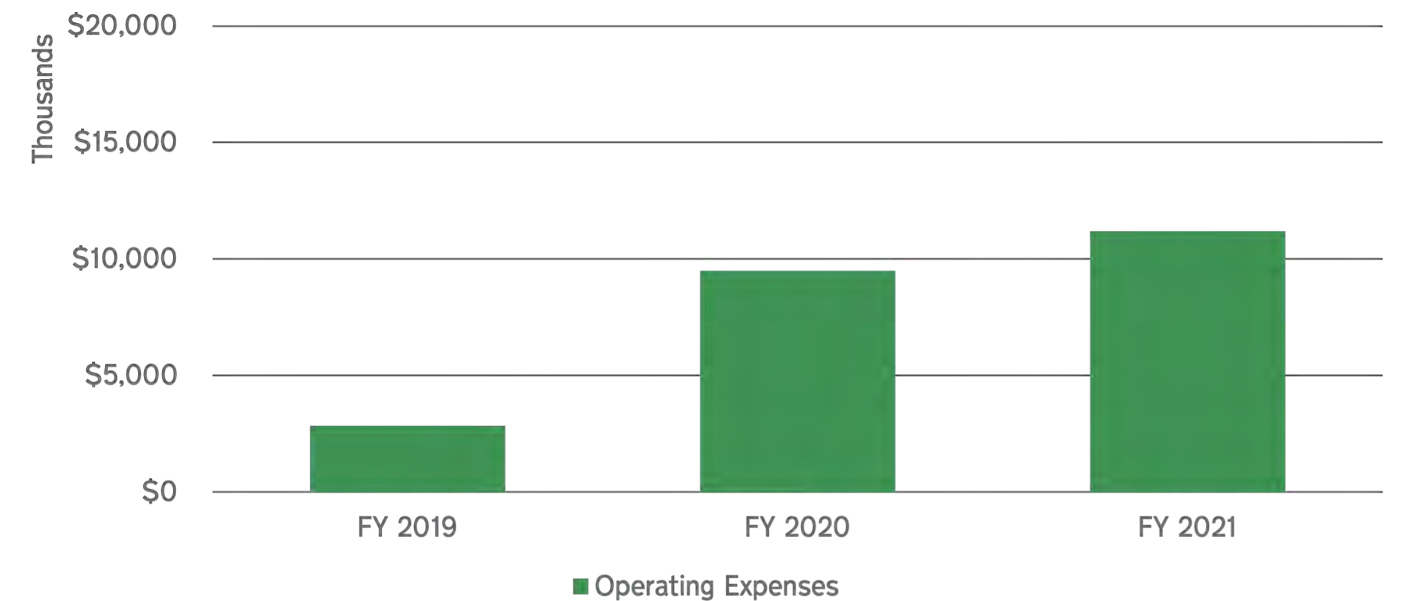
Operating Expenses

Operating Expenses for the Monroe Expressway are shown on a cash basis and are broken down by the following groups:

- NCDOT Labor & Professional Services
- Service and Safety Patrols
- Administrative
- NCDOT System Charges
- Toll Operations and Customer Service
- Roadway Maintenance
- Marketing and Communications

Below is a breakdown of the actual operating expenses for the Monroe Expressway for fiscal years 2019, 2020 and 2021.

| | FY 2019 | FY 2020 | FY 2021 |
|-----------------|-------------|-------------|--------------|
| Actual Expenses | \$2,843,312 | \$9,502,204 | \$11,204,940 |



New Debt Issuances

Triangle Expressway

In October 2020, NCTA closed on \$499,460,000 of Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes (BANs) pursuant to Article 6H of Chapter 136 and Article 5 of Chapter 159 of the North Carolina General Statutes to fund the construction of the Complete 540 Phase 1 project which is an extension of the existing Triangle Expressway. The BANs will be paid off with a single draw on the outstanding TIFIA Loan. The issuance of the BANs resulted in net present value savings of nearly \$12.5 million.

Monroe Expressway

In April 2021, NCTA closed on \$73,985,000 of Monroe Expressway System State Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery) to refund Series 2011 Bonds maturing 2022 through 2041 for debt service savings. The issuance resulted in net present value savings of nearly \$29.3 million.



Debt Outstanding as of June 30, 2021

Triangle Expressway

| Series | Outstanding Par | Maturity |
|--|-----------------|----------|
| Appropriation Revenue Refunding Bonds, Series 2018A | \$150,125,000 | 1/1/2039 |
| Appropriation Revenue Refunding Bonds, Series 2018B | \$160,244,000 | 1/1/2032 |
| Appropriation Revenue Bonds, Series 2019 | \$121,716,250 | 1/1/2049 |
| Senior Lien Revenue Bonds, Series 2009B | \$80,202,773 | 1/1/2038 |
| Senior Lien Revenue Refunding Bonds, Series 2017 | \$180,730,000 | 1/1/2039 |
| Senior Lien Revenue Refunding Bonds, Series 2018 | \$398,450,000 | 1/1/2041 |
| Senior Lien Revenue Bonds, Series 2019 | \$370,975,000 | 1/1/2055 |
| Senior Lien Revenue Bond Anticipation Notes, Series 2020 | \$499,460,000 | 2/1/2024 |
| TIFIA Loan | - | 1/1/2058 |

Monroe Expressway

| Series | Outstanding Par | Final Maturity |
|---|-----------------|----------------|
| Appropriation Revenue Bonds, Series 2010A | \$233,920,000 | 1/1/2041 |
| Appropriation Revenue Bonds, Series 2011 | \$9,845,000 | 7/1/2021 |
| Appropriation Revenue Refunding Bonds, Series 2021 (Forward Delivery) | \$73,985,000 | 7/1/2041 |
| Toll Revenue Bonds, Series 2016A | \$119,455,000 | 7/1/2054 |
| Toll Revenue Bonds, Series 2016C | \$21,615,883 | 7/1/2041 |
| TIFIA Loan | \$166,500,000 | 7/1/2053 |

Fund Balances as of June 30, 2021

Triangle Expressway

| Fund | Balance |
|---------------------------------------|-------------|
| State Appropriation Revenue | \$- |
| Revenue | - |
| Operations & Maintenance Expense Fund | 3,541,898 |
| Operating Reserve Fund | 5,120,492 |
| Renewal & Replacement Fund | 21,800,550 |
| Project Fund | 406,013,045 |
| Restricted General Reserve | 1,271,130 |
| Unrestricted General Reserve | 48,522,581 |

Monroe Expressway

| Fund | Balance |
|---------------------------------------|------------|
| State Appropriation Revenue | \$- |
| State Appropriation Reserve | 4,304,676 |
| Revenue | - |
| Senior Lien Debt Service Reserve Fund | 12,111,775 |
| Operations & Maintenance Expense Fund | 2,453,886 |
| Operating Reserve Fund | 3,762,754 |
| Renewal & Replacement Fund | 7,573,772 |
| TIFIA Debt Service Reserve Fund | 11,817,460 |
| Ramp-up Reserve Fund | 53,325,137 |
| Unpledged Reserve | 26,205,324 |

Net Position

Net position represents the residual interest in the Turnpike Authority's assets after all liabilities are deducted. For reporting purposes, they are divided into three categories: net investment in capital assets; restricted; and unrestricted.

Condensed Statements of Net Position

| | 2021 | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|
| Current Assets | \$ 25,166,160 | \$ 41,308,016 | \$ 30,438,032 |
| Restricted Assets, Prepaid Insurance Costs, and Net OPEB Asset | 838,438,968 | 521,185,051 | 300,628,739 |
| Capital Assets | 2,344,984,535 | 2,152,996,506 | 1,850,085,869 |
| Total Assets | <u>3,208,589,663</u> | <u>2,715,489,573</u> | <u>2,181,152,640</u> |
| Deferred Outflows of Resources | <u>26,012,892</u> | <u>28,075,110</u> | <u>30,349,747</u> |
| Current Liabilities | 175,066,624 | 129,235,712 | 117,186,988 |
| Noncurrent Liabilities | 2,769,481,262 | 2,260,855,861 | 1,692,373,834 |
| Total Liabilities | <u>2,944,497,886</u> | <u>2,390,091,573</u> | <u>1,809,560,822</u> |
| Deferred Inflows of Resources | 7,522,839 | 1,076,752 | 1,147,919 |
| Net Investment in Capital Assets | 432,495,273 | 433,327,378 | 484,796,526 |
| Restricted: | | | |
| Debt service | 234,520,949 | 160,747,742 | 108,390,160 |
| Transportation | 16,343,650 | 14,461,311 | 177,264 |
| Unrestricted | (400,828,042) | (256,137,029) | (192,568,407) |
| Net Position | <u>\$ 282,531,830</u> | <u>\$ 352,399,402</u> | <u>\$ 400,795,543</u> |

NCTA has reclassified certain net position amounts in the schedule above in order to be consistent with the current period presentation. These reclassifications had no effect on net position, total assets, or total liabilities.

Current Assets

Current assets decreased in fiscal year 2021 primarily due to a change in accounting estimate for bad debt expense from the direct write-off method to the allowance method resulting in a one-time \$17.7 million adjustment. Current assets increased in fiscal year 2020 primarily due to an increase of \$5.3 million in the securities lending collateral participation balances and an increase of \$7.7 million in accounts receivable due to increased operating revenues. For additional information regarding NCTA's current assets, please see Note 1 in the financial statements on page 26.

Restricted Assets and Prepaid Insurance Costs

The increases in fiscal years 2021 and 2020 were primarily due to an increase in restricted investments for the Triangle Expressway's Complete 540 project of \$312.5 million from the issuance of the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020; and \$203.0 million from the sale of bonds for the Triangle Expressway Senior Lien Revenue Bonds, Series 2019, and Appropriation Revenue Bonds, Series 2019, respectively. For additional information regarding NCTA's restricted assets, please Note 1, Note 2, and Note 3 in the financial statements on pages 26, 29 and 30.

Capital Assets

Capital Assets, Non-Depreciable

The increases in fiscal years 2021 and 2020 were due to the continued progress on the Complete 540 project with an increase for right-of-way (ROW) acquisition of \$74.5 million and \$167.9 million, respectively; and an increase for construction in progress of \$147.2 million and \$164.7 million, respectively. For additional information regarding NCTA's capital assets, please see Note 1 and Note 4 in the financial statements on pages 26 and 31.

Capital Assets, Depreciable, Net

The decrease of \$29.7 million in each fiscal year of 2021 and 2020 was due to the current year depreciation expense on the Triangle Expressway and Monroe Expressway projects. For additional information regarding NCTA's capital assets, please see Note 1 and Note 4 in the financial statements on pages 26 and 31.

Current Liabilities

Current liabilities include accounts payable, current portion of interest payable, obligations under securities lending, current portion of revenue bonds payable, and other current liabilities. In fiscal year 2021, current liabilities increased \$45.8 million due to several factors. Due to other funds increased \$31.7 million for ROW acquisition expenditures for the Complete 540 project. Revenue bonds payable increased primarily due to an \$8.4 million principal payment accrual for the Monroe Expressway Appropriation Revenue Bonds, Series 2010A. The last factor in fiscal year 2021 was due to a \$12.5 million interest payment accrual for the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020. In fiscal year 2020, current liabilities increased \$12.0 million primarily due to an interest payment accrual for the Triangle Expressway Senior Lien Revenue Bonds, Series 2019 for \$9.2 million. For additional information regarding NCTA's current liabilities, please Note 1 and Note 5 in the financial statements on pages 26, 27 and 32.

Noncurrent Liabilities

Noncurrent liabilities include revenue bonds payable, notes payable, funds advanced to the Turnpike Authority from the Highway Trust Fund to cover the Turnpike Authority's administrative expenditures, and the noncurrent portion of accrued vacation and interest payable. The increase in fiscal year 2021 was primarily due to an increase in bonds payable of \$501.4 million from the issuance of the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020 for the Complete 540 project. The increase in fiscal year 2020 was primarily due to an increase in bonds payable of \$507.2 million for the sale of bonds for the Complete 540 project: Triangle Expressway Senior Lien Revenue Bonds, Series 2019, and Appropriation Revenue Bonds, Series 2019; and an increase in notes payable of \$46.5 million for a final TIFIA draw to pay certain costs, including land acquisition, design, construction, and equipping for the Monroe Expressway. For additional information regarding NCTA's noncurrent liabilities, please see Note 1, Note 7, Note 10, and Note 11 in the financial statements on pages 26, 32, 40 and 44.

Net Position and Revenues, Expenses, and Changes in Net Position

For fiscal years 2021, 2020, and 2019, the Turnpike Authority ended with positive net position.

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

| | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Operating Revenues: | | | |
| Charges for Services | \$ 49,792,367 | \$ 77,198,285 | \$ 63,987,343 |
| Other Operating Revenues | 7,392,967 | 5,414,494 | 1,168,045 |
| Total Operating Revenues | <u>57,185,334</u> | <u>82,612,779</u> | <u>65,155,388</u> |
| Operating Expenses: | | | |
| Personnel Services | 3,386,775 | 2,737,896 | 1,643,267 |
| Supplies and Materials | 240,546 | 277,129 | 69,797 |
| Contracted Personnel Services | 8,476,261 | 11,918,251 | 7,433,640 |
| Travel | 3,685 | 44,426 | 67,195 |
| Advertising | 95,823 | 419,473 | 574,499 |
| Utilities | 269,838 | 268,708 | 275,971 |
| Dues and Subscription Fees | 39,063 | 37,467 | 11,500 |
| Other Services | 18,835,990 | 15,467,390 | 5,316,704 |
| Cost of Goods Sold | 701,395 | 1,045,709 | 810,119 |
| Capital Outlay | 40,356,587 | 39,173,940 | 27,542,825 |
| Rental Expense | 168,893 | 205,073 | 176,432 |
| Depreciation | 29,683,523 | 29,683,523 | 24,035,020 |
| Total Operating Expenses | <u>102,258,379</u> | <u>101,278,985</u> | <u>67,956,969</u> |
| Operating Loss | <u>(45,073,045)</u> | <u>(18,666,206)</u> | <u>(2,801,581)</u> |
| Nonoperating Revenue (Expenses) and Capital Grants | (60,825,193) | (68,871,441) | (24,802,957) |
| Transfers In | 49,921,668 | 185,396,233 | 78,336,789 |
| Transfers Out | <u>(13,891,002)</u> | <u>(146,254,726)</u> | <u>-</u> |
| Change in Net Position | (69,867,572) | (48,396,140) | 50,732,251 |
| Net Position Beginning, July 1 | 352,399,402 | 400,795,542 | 350,063,291 |
| Net Position Ending, June 30 | <u>\$ 282,531,830</u> | <u>\$ 352,399,402</u> | <u>\$ 400,795,542</u> |

NCTA has reclassified certain operating expense amounts in the schedule above in order to be consistent with the current period presentation. These reclassifications had no effect on operating income (loss) or net position.

Operating Revenues

Operating revenues are revenues derived from the business operations of the Turnpike Authority. These include toll revenues, fees, and sales revenue from the sale of transponders. The decrease in fiscal year 2021 was primarily due to a decrease of \$24.2 million in toll revenues. The decrease in toll revenues is primarily due to a change in accounting estimate for bad debt expense from the direct write-off method to the allowance method resulting in a one-time \$17.7 million adjustment. The remaining decrease of \$6.5 million is primarily due to a decrease of 18.4% in toll receipts for the Triangle Expressway from decreased traffic levels as a result of COVID-19. The increase of \$17.5 million in fiscal year 2020 was primarily due to toll revenue and late payment fees. An increase of \$8.8 million in toll revenue is primarily due to a full year of operations on the Monroe Expressway. An increase of \$4.6 million in late payment fees is primarily due to reduced payments from customers. For additional information regarding NCTA's operating revenues, please Note 1 and Note 9 in the financial statements on pages 27 and 38.

Operating Expenses

Operating expenses are expenses used to acquire or produce goods and services to carry out the mission of the Turnpike Authority. In fiscal year 2021, operating expenses increased an insignificant amount of \$1.0 million. In fiscal year 2020, operating expenses increased \$33.3 million due to several factors. Capital outlay increased primarily due to the Monroe Expressway being fully operational and open to traffic, and expenditures of \$14.3 million no longer capitalized as construction in progress. Other services increased primarily due to the Authority receiving full standard overhead allocation expenditures from NCDOT of \$8.6 million, which were partial previously. The last factor in fiscal year 2020 was due to increased depreciation expense of \$5.6 million due to the Monroe Expressway being fully operational and open to traffic. For additional information regarding NCTA's operating expenses, please Note 1, Note 6, Note 10, and Note 11 in the financial statements on pages 27, 32, 40 and 44.

Nonoperating and Other Revenue/Expenses

Nonoperating revenues/expenses are revenues received or expenses incurred for which goods and services are not provided or received. They include capital grants, investment income, and debt service expense. In fiscal year 2021, non-operating revenues and expenses increased \$10.0 million primarily due to a decrease in investment income of \$4.0 million due to lower interest rates, and an increase in debt service expense of \$6.4 million primarily due to new debt issuance of Senior Lien Revenue Bond Anticipation Notes, Series 2020 for the Triangle Expressway. Capital grants are the funds received from the Federal Highway Administration ("FHWA") and NCDOT for their participation in the initial construction of toll highways and in preliminary studies to determine the feasibility of a toll facility. Capital grants increased in fiscal year 2021 primarily due to a \$22.0 million FHWA reimbursement related to the Complete 540 project. In fiscal year 2020, non-operating revenues and expenses increased \$20.0 million primarily due to an increase in debt service expense of \$9.2 million for the Triangle Expressway Senior Lien Revenue Bonds, Series 2019, and \$8.7 million for the Triangle Expressway Appropriation Revenue Bonds, Series 2019. In fiscal year 2020, capital grants decreased \$24.0 million primarily due to the sale of bonds for the Complete 540 project instead of FHWA participation. For additional information regarding NCTA's nonoperating and other revenue/expenses, please see Note 1 in the financial statements on page 27.

Transfers In

Transfers in include funds received from NCDOT for gap funding of debt service and funds for the FHWA State match. The amount of funds received for gap funding of debt service remained unchanged at \$49.0 million in fiscal years 2021 and 2020. The amount of State match decreased \$121.8 million in fiscal year 2021 due to decreased expenditures on the Complete 540 project and the Mid-Currituck Bridge. The amount of State match increased \$103.9 million in fiscal year 2020 due to increased expenditures on the Complete 540 project and the Mid-Currituck Bridge. For additional information regarding NCTA's transfers in, please see Note 1 in the financial statements on page 28.

Transfers Out

Transfers out include funds disbursed to reimburse NCDOT for project participation incurred with proceeds from the sale of bonds for the Complete 540 project. The reimbursement decreased \$132.4 million in fiscal year 2021 due to no new debt issuances for the Complete 540 project. The reimbursement increased \$146.3 million in fiscal year 2020 due to new debt issuances for the Complete 540 project. For additional information regarding NCTA's transfers out, please see Note 1 in the financial statements on page 28.

Requests for Information

Additional information may be found on the Turnpike Authority's [Investor Information website](#). Any request for information about this report should be sent to the Controller at the North Carolina Turnpike Authority, 1 South Wilmington Street, Raleigh, NC 27601.

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Securities Lending Collateral | \$ 8,059 | \$ 6,282,003 |
| Accounts Receivable, net | 19,769,989 | 30,877,659 |
| Inventory | 402,226 | 1,104,845 |
| Intergovernmental Receivable | 4,985,886 | 3,043,509 |
| Total Current Assets | <u>25,166,160</u> | <u>41,308,016</u> |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 34,368,144 | 29,308,754 |
| Investments | 799,238,142 | 486,754,317 |
| Total Restricted Assets | <u>833,606,286</u> | <u>516,063,071</u> |
| Net OPEB Asset | 4,406 | 3,044 |
| Prepaid Insurance Costs | 4,828,276 | 5,121,980 |
| Capital Assets, Nondepreciable: | | |
| Land and Permanent Easements | 536,638,906 | 462,163,750 |
| Construction in Progress | 449,709,309 | 302,512,913 |
| Capital Assets, Depreciable, Net of Depreciation: | | |
| Highway Network | 1,358,636,320 | 1,388,319,843 |
| Total Capital Assets, Net of Depreciation | <u>2,344,984,535</u> | <u>2,152,996,506</u> |
| Total Noncurrent Assets | <u>3,183,423,503</u> | <u>2,674,184,601</u> |
| Total Assets | <u>3,208,589,663</u> | <u>2,715,492,617</u> |
| Deferred Outflows of Resources: | | |
| Pension | 785,734 | 549,363 |
| Other Post Employment Benefits | 1,687,799 | 1,315,265 |
| Unamortized Bond Refunding Charges | 23,539,359 | 26,210,482 |
| Total Deferred Outflows of Resources | <u>26,012,892</u> | <u>28,075,110</u> |

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

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 18,121,485 | 20,176,511 |
| Accrued Interest Payable | 49,781,038 | 40,690,048 |
| Accrued Vacation | 37,934 | 18,762 |
| Obligations under Securities Lending | 8,059 | 6,282,003 |
| Due to Other Funds | 54,076,364 | 20,566,790 |
| Bonds Payable, Net | 42,122,000 | 29,860,000 |
| Intergovernmental Payables | 1,725,864 | 3,307,365 |
| Funds Held for Others | 9,193,880 | 8,334,233 |
| Total Current Liabilities | <u>175,066,624</u> | <u>129,235,712</u> |
| Noncurrent Liabilities: | | |
| Bonds Payable, Net | 2,503,105,404 | 2,010,063,445 |
| Note Payable | 166,500,000 | 166,500,000 |
| Advances from Other Funds | 30,354,625 | 29,853,536 |
| Accrued Interest Payable | 65,383,887 | 50,914,844 |
| Accrued Vacation | 345,624 | 289,828 |
| Net OPEB Liability | 2,521,627 | 2,354,514 |
| Net Pension Liability | 1,270,095 | 879,694 |
| Total Noncurrent Liabilities | <u>2,769,481,262</u> | <u>2,260,855,861</u> |
| Total Liabilities | <u>2,944,547,886</u> | <u>2,390,091,573</u> |
| Deferred Inflows of Resources: | | |
| Pension | - | 9,171 |
| Deferred gain on refunding | 6,200,970 | - |
| Other Post Employment Benefits | 1,321,869 | 1,067,581 |
| Total Deferred Inflows of Resources | <u>7,522,839</u> | <u>1,076,752</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 432,495,273 | 433,327,378 |
| Restricted: | | |
| Debt Service | 234,520,949 | 160,747,742 |
| Transportation | 16,343,650 | 14,461,311 |
| Unrestricted | (400,828,042) | (256,137,029) |
| Total Net Position | <u>\$ 282,531,830</u> | <u>\$ 352,399,402</u> |

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

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Revenues: | | |
| Operating Revenues: | | |
| Charges for Services | \$ 49,792,367 | \$ 77,198,285 |
| Other Operating Revenues | 7,392,967 | 5,414,494 |
| Total Operating Revenues | <u>57,185,334</u> | <u>82,612,779</u> |
| Expenses: | | |
| Operating Expenses: | | |
| Personnel Services | 3,386,775 | 2,737,896 |
| Supplies and Materials | 240,546 | 277,129 |
| Contracted Personnel Services | 8,476,261 | 11,918,251 |
| Travel | 3,685 | 44,426 |
| Advertising | 95,823 | 419,473 |
| Utilities | 269,838 | 268,708 |
| Dues and Subscription Fees | 39,063 | 37,467 |
| Other Services | 18,835,990 | 15,467,390 |
| Cost of Goods Sold | 701,395 | 1,045,709 |
| Capital Outlay | 40,356,587 | 39,173,940 |
| Rental Expense | 168,893 | 205,073 |
| Depreciation | 29,683,523 | 29,683,523 |
| Total Operating Expenses | <u>102,258,379</u> | <u>101,278,985</u> |
| Operating Loss | <u>(45,073,045)</u> | <u>(18,666,206)</u> |
| Nonoperating Revenues (Expenses): | | |
| Investment Earnings | 4,495,446 | 8,475,207 |
| Federal Interest Subsidy on Debt | 4,146,800 | 4,323,823 |
| Interest and Fees | (91,553,583) | (85,089,436) |
| Miscellaneous | 695,330 | 101,782 |
| Total Nonoperating Expenses | <u>(82,216,007)</u> | <u>(72,188,624)</u> |
| Loss Before Transfers and Capital Grants | (127,289,052) | (90,854,830) |
| Capital Grants | 21,390,814 | 3,317,183 |
| Transfers In | 49,921,668 | 185,396,233 |
| Transfers Out | <u>(13,891,002)</u> | <u>(146,254,726)</u> |
| Decrease in Net Position | (69,867,572) | (48,396,140) |
| Net Position, Beginning | 352,399,402 | 400,795,542 |
| Net Position, Ending | <u>\$ 282,531,830</u> | <u>\$ 352,399,402</u> |

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

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from Customers | \$ 60,538,150 | \$ 71,669,808 |
| Payments to Employees and Fringe Benefits | (3,056,036) | (2,486,250) |
| Payments to Vendors and Suppliers | (37,661,691) | (78,265,984) |
| Other Receipts | 5,903,096 | 5,545,749 |
| Other Payments | <u>(1,205,337)</u> | <u>(2,769,480)</u> |
| Net Cash Flows from Operating Activities | <u>24,518,182</u> | <u>(6,306,157)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Advances from Other Funds | 501,089 | 1,135,084 |
| Net Cash Flows from Noncapital Financing Activities | <u>501,089</u> | <u>1,135,084</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and Construction of Capital Assets | (223,330,222) | (331,392,876) |
| Transfers from Other Funds | 49,921,668 | 185,396,233 |
| Federal Interest Subsidy on Debt | 4,146,800 | 4,323,823 |
| Capital Grants | 21,481,613 | 4,507,345 |
| Principal Payments | (124,865,000) | (26,210,000) |
| Interest Payments | (85,957,428) | (65,047,629) |
| Proceeds from Capital Debt | 661,762,060 | 590,785,099 |
| Payment to Bond Escrow Agent | (1,234,103) | - |
| Bond Issuance Costs | (652,640) | (437,166) |
| Transfers to Other Funds | (13,891,002) | (146,254,726) |
| Insurance Recoveries | 652,135 | 101,781 |
| Net Cash Flows from Capital and Related Financing Activities | <u>288,033,881</u> | <u>215,771,884</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from Sale and Maturities of Investments | 809,693,065 | 952,884,878 |
| Purchase of Investments | (1,121,120,728) | (1,156,968,588) |
| Investment Earnings | 3,433,901 | 9,426,890 |
| Net Cash Flows from Investing Activities | <u>(307,993,762)</u> | <u>(194,656,820)</u> |
| Net Change in Cash and Cash Equivalents | 5,059,390 | 15,943,991 |
| Cash and Cash Equivalents, Beginning of Year | 29,308,754 | 13,364,763 |
| Cash and Cash Equivalents, End of Year | <u>\$ 34,368,144</u> | <u>\$ 29,308,754</u> |

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

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|----------------------|-----------------------|
| Reconciliation of Operating Loss to Net Cash | | |
| Flows From Operating Activities: | | |
| Operating Loss | \$ (45,073,045) | \$ (18,666,206) |
| Adjustments to Reconcile Operating Loss to | | |
| Net Cash Flows from Operating Activities: | | |
| Operating Activities: | | |
| Depreciation Expense | 29,683,523 | 29,683,523 |
| Nonoperating miscellaneous and other expense | (614,828) | - |
| Management Fees | (1,205,337) | (2,769,480) |
| Changes in Assets and Deferred Outflow: | | |
| Accounts Receivable | 11,107,672 | (7,702,880) |
| Intergovernmental Receivables | (1,889,248) | 378,252 |
| Due from Other Funds | (143,928) | 227,886 |
| Inventory | 702,620 | 330,147 |
| Prepaid Items | - | (1,848,255) |
| Net OPEB Asset | (1,362) | (1,147) |
| Deferred Outflows for Pensions | (236,371) | 2,453 |
| Deferred Outflows for OPEB | (372,534) | (451,310) |
| Changes in Liabilities and Deferred Inflows: | | |
| Accounts Payable | (2,685,800) | (2,691,745) |
| Due to Other Funds | 31,727,472 | (6,557,405) |
| Funds Held for Others | 859,647 | 2,025,591 |
| Due to Fiduciary | 1,782,102 | 1,358,840 |
| Unearned Revenue | - | (325,000) |
| Compensated Absences | 74,968 | 61,970 |
| Net OPEB Liability | 167,113 | 559,831 |
| Deferred Inflows for OPEB | 254,288 | (59,227) |
| Net Pension Liability | 390,401 | 149,945 |
| Deferred Inflows for Pensions | (9,171) | (11,940) |
| Net Cash Flows from Operating Activities | <u>\$ 24,518,182</u> | <u>\$ (6,306,157)</u> |
| Noncash Investing, Capital, and Financing Activities: | | |
| Change in Fair Value of Investments | \$ (3,645,802) | \$ (9,765,210) |
| Change in Land as a Result of Accounts Payable | - | 4,428,891 |
| Change in Construction in Progress as a Result of | | |
| Accrued Liabilities | 13,042,675 | 10,873,800 |
| Change in Securities Lending Collateral | (6,273,944) | 5,293,551 |
| Increase in Receivables Related to Nonoperating | | |
| Income | 2 | - |
| Assets acquired through assumption of a liability | 1,681,339 | - |

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies

Organization and Purpose – The North Carolina Turnpike Authority (“NCTA”) was established by G.S. 136 Article 6H on October 3, 2002. Effective July 27, 2009, the North Carolina General Assembly adopted Session Law 2009-343, transferring the NCTA to the North Carolina Department of Transportation (“NCDOT”) to conserve expenditures and improve efficiency. The NCTA is a business unit of the NCDOT and is subject to and under the direct supervision of the Secretary of Transportation. The NCTA is presented as a major enterprise fund in the State of North Carolina. Currently, the NCTA is authorized to construct, operate, and maintain up to 11 turnpike projects in the State.

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 (“U.S. 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 NCTA is a business unit of the NCDOT. The NCTA is an integral part of the State of North Carolina’s *Annual Comprehensive Financial Report* (“ACFR”). These financial statements for the NCTA are separate and apart from those of the State of North Carolina and NCDOT and do not present the financial position of the State or NCDOT, or changes in their financial position and cash flows. The NCTA is governed by a nine-member Board of Directors; two members are appointed by the Senate Pro Tempore and two by the Speaker of the House. The remaining five are appointed by the Governor and include the Secretary of Transportation.

Basis of Presentation – The accompanying financial statements are presented in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (“GASB”). The full scope of the NCTA’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting – The financial statements of the NCTA have been prepared using the “economic resources” 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

State Treasurer’s Securities Lending Collateral – While the NCTA does not directly engage in securities lending transactions, it deposits certain funds with the State Treasurer (“Treasurer”) in the short-term investment fund (“NC STIF”), which participates in securities lending activities. Based on the State Treasurer’s allocation of these transactions, the NCTA 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 NCTA’s allocable share of these assets and liabilities is based on the NCTA’s year-end deposit balance per the State Treasurer’s records.

Based on the authority provided in General Statute 147-69.3(e), the Treasurer lends securities from its investment pools to broker-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. The Treasurer’s custodian lent U.S. government and agency securities, Federal Nation Mortgage Association Securities, corporate bonds, and notes for collateral. The Treasurer’s custodian is permitted to receive cash, U.S. government and agency securities, or irrevocable letters of credit as collateral for the securities lent.

The collateral is initially pledged at 102% of the market value of the securities lent and additional collateral is required if its value falls to less than 100% of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially, all security loans can be terminated on demand by either the Treasurer or the borrower.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

Additional details on the Treasurer's securities lending program are included in the State of North Carolina ACFR. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's ("NC OSC") Internet home page <http://www.ncosc.net/> and clicking on "Public Information" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Receivables – Accounts receivable consist of uncollected toll revenues and intergovernmental receivables consist of 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 expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied.

Allowance for Doubtful Accounts – Starting in fiscal year 2021, NCTA determines the allowance for doubtful accounts for the uncollectible portion of toll revenues based on historical collections. As of June 30, 2021, NCTA's allowance for doubtful accounts totaled \$17,659,954. Uncollectible accounts receivable were written off during 2020 using the direct write-off method.

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

Restricted Cash and Cash Equivalents – This classification includes funds received through toll revenue collections. The proceeds are to be used for debt service payment. The funds are held in the NC STIF. Ownership interest of the NC STIF is determined on a fair market valuation basis as of June 30, 2021 and 2020, in accordance with the NC STIF operating procedures.

Restricted Investments – This classification includes revenue and funds received from the State of North Carolina to be used solely for the construction of the Triangle Expressway and the Monroe Expressway. See Note 3 for further information on restricted investments.

Prepaid Insurance Costs – Prepaid insurance costs consist of 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.

Capital Assets, Nondepreciable – Capital assets, nondepreciable 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 service expenditures that are charged to specific projects. These costs will be transferred to depreciable asset categories when projects are complete.

Capital Assets, Depreciable – Capital assets, depreciable are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Assets that have a value or cost in excess of \$5,000 at the date of acquisition and have an expected useful life of two or more years are capitalized. This definition conforms to the policy of the North Carolina Office of State Controller.

Depreciation is calculated using the straight-line method over the estimated useful life of 50 years for the highway network. Capital assets are carried at cost less accumulated depreciation.

Noncurrent Liabilities – Noncurrent liabilities include the advances from other funds, bonds payable, a note payable, accrued interest, accrued vacation, net pension liability, and net OPEB liability that will not be paid within the next fiscal year.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

Accrued Vacation – The NCTA's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee as of 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, accrued vacation includes 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 conversion to sick leave. When classifying accrued vacation into current and noncurrent, leave is considered taken using a last-in, first-out method.

Net Position – The NCTA's net position is classified as follows:

Net Investment in Capital Assets – This represents the NCTA's total investment in capital assets, net of the corresponding related debt.

Restricted – This represents funds received through toll revenue collections and other deposits that are to be used for debt service payments and reserves. These funds are held in the NC STIF and other investments (see Notes 2 and 3).

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized until then. The NCTA has items that meet this criterion which include pension related deferrals, other postemployment benefits ("OPEB") related deferrals, and deferrals related to debt refundings that took place in the current year and in prior years. The statements of net position also report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized until then. The NCTA has two items that meets this criterion which include pension and OPEB related deferrals.

Revenue and Expense Recognition – 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 non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Nonoperating expenses mainly relate to interest expense and the amortization of premiums and discounts of long-term debt.

Operating revenues include activity from the toll roads that were open for operations during the fiscal years ended June 30, 2021 and 2020. These revenues include toll revenues, processing fees, and other charges arising from the toll roads.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of operations and summary of significant accounting policies (continued)

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenue from nonexchange transactions represents funds received from the FHWA and NCDOT. Revenues from FHWA are classified as Capital Grants and are considered nonoperating, along with investment income and transfers in from the NCDOT, since these are related to investing, capital, or non-capital financing activities.

Transfers In/Out – House Bill 817 [Session Law 2013-183] amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to the NCTA to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Connector/Bypass. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and approximately \$50,000,000 was transferred to the NCTA. Transfers totaling approximately \$922,000 were made from the Highway Trust Fund to the NCTA as a result of state match for expenditures on the Complete 540 Project and the Mid-Currituck Bridge. A transfer from NCTA of approximately \$13,900,000 was made to the Highway Fund as repayment for project participation incurred with proceeds from the sale of bonds for the Complete 540 Project.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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 the 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.

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. The NCTA's employer contributions are recognized when due and the 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.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Deposits

As of June 30, 2021 and 2020, respectively, \$34,368,144 and \$29,308,754 shown on the statements of net position as restricted cash and cash equivalents represent the NCTA's equity position in the State Treasurer's NC STIF. The NC STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity 1.3 years as of June 30, 2021 and 2020.

Ownership interest of the NC STIF is determined on a fair market valuation basis as of June 30, 2021 and 2020, in accordance with the NC STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

The NCTA's fair market value share of the NC STIF was determined based on Level 2 inputs in accordance with U.S. GAAP. At 2021 and 2020, \$34,368,144 and \$29,308,754, respectively, are classified as restricted. These amounts represent cash collected from toll revenues that is restricted for payments on bonds. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's NC STIF) are included in the State of North Carolina's ACFR. An electronic version of this report is available by accessing the NC OSC's Internet home page <http://www.ncosc.net/> and clicking on "Public Information" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Note 3—Restricted investments

The NCTA's policy for eligible investments are governed by North Carolina General Statute 147-77 and bond covenants that, in general, allow funds to be invested in obligations of the United States or United States government sponsored enterprises, 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, and commingled investment pools.

Fair Value Measurements – U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels of inputs that may be used to measure fair value is as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical assets and are given the highest priority;

Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets; and

Level 3 – Inputs consist of unobservable inputs and are given the lowest priority.

Concentrations of Credit Risk – A diversified portfolio is managed by the NCTA, 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 NCTA'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.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3—Restricted investments (continued)

Interest Rate Risk – Interest rate risk represents the risk governments are exposed to as a result of changes in interest rates 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 NCTA’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 NCTA 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.

The NCTA’s revenue bond proceeds were invested as follows as of June 30:

| Type of Investment | Valuation Measurement Method | 2021 | | |
|---------------------------|------------------------------|-----------------------|----------------------------------|-----------------------|
| | | Fair Value | Investment Maturities (in Years) | |
| | | | Less Than 1 Year | 1 – 5 Years |
| NC STIF | Fair Value - Level 2 | \$ 687,218,648 | \$ - | \$ 687,218,648 |
| Money Market Mutual Funds | Cost | 112,019,494 | 112,021,473 | - |
| | | <u>\$ 799,238,142</u> | <u>\$ 112,021,473</u> | <u>\$ 687,218,648</u> |

| Type of Investment | Valuation Measurement Method | 2020 | | |
|---------------------------|------------------------------|-----------------------|----------------------------------|-----------------------|
| | | Fair Value | Investment Maturities (in Years) | |
| | | | Less Than 1 Year | 1 – 5 Years |
| U.S. Treasuries | Fair Value - Level 1 | \$ 44,116,830 | \$ 39,577,720 | \$ 4,539,110 |
| U.S. Government Agencies | Fair Value - Level 2 | 19,640,311 | - | 19,640,311 |
| NC STIF | Fair Value - Level 2 | 258,380,265 | - | 258,380,265 |
| Commercial Paper | Fair Value - Level 2 | 11,491,156 | 11,491,156 | - |
| Money Market Mutual Funds | Cost | 153,125,755 | 153,125,755 | - |
| | | <u>\$ 486,754,317</u> | <u>\$ 204,194,631</u> | <u>\$ 282,559,686</u> |

As of June 30, 2021 and 2020, included in the Money Market Mutual Funds totals as stated above, \$112,019,494 and \$153,125,752, respectively, were invested in the PFM Funds – Prime Series, Institutional Class. The PFM Funds – Prime Series is an SEC-registered money market mutual fund. The fund invests in obligations of the United States government and its agencies, high quality debt obligations of U.S. companies, and obligations of financial institutions. The fund seeks to maintain a constant \$1 net asset value and is rated “AAAm” by Standard & Poor’s. In addition, the fund maintains a weighted average maturity of 60 days or less.

In addition to NCTA revenue bond proceeds, additional debt was incurred by the State of North Carolina. Investment of the proceeds of such debt is governed by North Carolina General Statute §147-69.1 and bond covenants that, in general, allow funds to be invested in obligations of the United States or United States government sponsored enterprises, 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, and commingled investment pools.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Capital assets

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

| | July 1, 2020 | Additions | Disposals | Transfers | June 30, 2021 |
|--|-------------------------|-----------------------|--------------------|-------------|-------------------------|
| Capital Assets, Nondepreciable | | | | | |
| Land and Permanent Easements | \$ 462,163,750 | \$ 74,492,000 | \$ (16,844) | \$ - | \$ 536,638,906 |
| Construction in Progress | 302,512,913 | 147,196,396 | - | - | 449,709,309 |
| Total Capital Assets, Nondepreciable | <u>764,676,663</u> | <u>221,688,396</u> | <u>(16,844)</u> | <u>-</u> | <u>986,348,215</u> |
| Capital Assets, Depreciable | | | | | |
| Highway Network | 1,534,468,821 | - | - | - | 1,534,468,821 |
| Machinery and Equipment | 25,289 | - | - | - | 25,289 |
| Total Capital Assets, Depreciable | <u>1,534,494,110</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,534,494,110</u> |
| Less Accumulated Depreciation for: | | | | | |
| Highway Network | 146,148,978 | 29,683,523 | - | - | 175,832,501 |
| Machinery and Equipment | 25,289 | - | - | - | 25,289 |
| Total Accumulated Depreciation | <u>146,174,267</u> | <u>29,683,523</u> | <u>-</u> | <u>-</u> | <u>175,857,790</u> |
| Total Capital Assets, Depreciable, Net of Depreciation | <u>1,388,319,843</u> | <u>(29,683,523)</u> | <u>-</u> | <u>-</u> | <u>1,358,636,320</u> |
| Capital Assets, Net of Depreciation | <u>\$ 2,152,996,506</u> | <u>\$ 192,004,873</u> | <u>\$ (16,844)</u> | <u>\$ -</u> | <u>\$ 2,344,984,535</u> |

A summary of changes in capital assets for the year ended June 30, 2020 is presented as follows:

| | July 1, 2019 | Additions | Disposals | Transfers | June 30, 2020 |
|--|-------------------------|-----------------------|--------------------|-------------------|-------------------------|
| Capital Assets, Nondepreciable | | | | | |
| Land and Permanent Easements | \$ 294,273,916 | \$ 167,923,132 | \$ (33,298) | \$ - | \$ 462,163,750 |
| Construction in Progress | 137,808,586 | 164,704,327 | - | - | 302,512,913 |
| Total Capital Assets, Nondepreciable | <u>432,082,502</u> | <u>332,627,459</u> | <u>(33,298)</u> | <u>-</u> | <u>764,676,663</u> |
| Capital Assets, Depreciable | | | | | |
| Highway Network | 1,534,468,821 | - | - | - | 1,534,468,821 |
| Machinery and Equipment | 32,606 | - | (7,317) | - | 25,289 |
| Total Capital Assets, Depreciable | <u>1,534,501,427</u> | <u>-</u> | <u>(7,317)</u> | <u>-</u> | <u>1,534,494,110</u> |
| Less Accumulated Depreciation for: | | | | | |
| Highway Network | 116,464,370 | 29,683,523 | - | 1,085 | 146,148,978 |
| Machinery and Equipment | 33,691 | - | (8,402) | - | 25,289 |
| Total Accumulated Depreciation | <u>116,498,061</u> | <u>29,683,523</u> | <u>(8,402)</u> | <u>1,085</u> | <u>146,174,267</u> |
| Total Capital Assets, Depreciable, Net of Depreciation | <u>1,418,003,366</u> | <u>(29,683,523)</u> | <u>1,085</u> | <u>(1,085)</u> | <u>1,388,319,843</u> |
| Capital Assets, Net of Depreciation | <u>\$ 1,850,085,868</u> | <u>\$ 302,943,936</u> | <u>\$ (32,213)</u> | <u>\$ (1,085)</u> | <u>\$ 2,152,996,506</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Advances from other funds

The following is a summary of changes in the NCTA's Advances from Other Funds as of June 30, 2021:

| | July 1, 2020 | Additions | June 30, 2021 |
|---------------------------|---------------|------------|---------------|
| Advances from Other Funds | \$ 29,853,535 | \$ 501,090 | \$ 30,354,625 |

The following is a summary of changes in the NCTA's Advances from Other Funds as of June 30, 2020:

| | July 1, 2019 | Additions | June 30, 2020 |
|---------------------------|---------------|--------------|---------------|
| Advances from Other Funds | \$ 28,718,451 | \$ 1,135,084 | \$ 29,853,535 |

Pursuant to G.S. 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 Other Funds 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 (0.5% as of June 30, 2021) on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. The NCTA accrued \$312,833 and \$537,929 of interest for the years ended June 30, 2021 and 2020, respectively.

Note 6—Rent expense

During the year ended June 30, 2014, the NCTA entered into short-term equipment rental agreements for road maintenance equipment with the North Carolina Department of Transportation. Rental expense relating to these agreements during the years ended June 30, 2021 and 2020 was \$168,893 and \$205,073, respectively.

Note 7—Long-term debt

Long-term debt as of June 30 consists of the following:

| Revenue Bonds: | 2021 | 2020 |
|--|---------------|---------------|
| Revenue bonds payable, Series 2009B Capital Appreciation Triangle Expressway Revenue Bonds in the amount of \$35,173,000, issued July 29, 2009, with interest ranging from 6.74% to 7.10% compounding semi-annually, with principal payments beginning January 2030, due in full January 2038. | \$ 35,173,109 | \$ 35,173,109 |
| Revenue bonds payable, Series 2009B Triangle Expressway State Appropriation Revenue Bonds in the amount of \$352,675,000 issued July 29, 2009, with coupon rates of 6.00% and 6.70%, with principal payments beginning January 2017. These revenue bonds payable were refunded in December 2018 except for \$20,210,000, which matured on January 1, 2021. | - | 10,275,000 |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Long-term debt (continued)

| Revenue Bonds: | 2021 | 2020 |
|--|----------------|----------------|
| Revenue bonds payable, Series 2010A Monroe Connector System State Appropriation Revenue Bonds in the amount of \$233,920,000, issued October 26, 2010, with coupon rates of 5.318% and 5.418%, with principal payments beginning January 2022, final maturity January 2041. | \$ 233,920,000 | \$ 233,920,000 |
| Revenue bonds payable, Series 2011 Monroe Connector System State Appropriation Revenue Bonds in the amount of \$214,505,000, issued November 30, 2011 with coupon rates of 4.25% and 5.00%. These revenue bonds payable were refunded in April 2021 except for \$9,845,000 which matures on July 1, 2021. | 9,845,000 | 123,618,386 |
| Revenue bonds payable, Series 2016 Monroe Expressway Toll Revenue Bonds in the amount of \$137,052,000, issued January 31, 2017, with a coupon rate of 5.00%, with principal payments beginning July 2023, final maturity July 2054, net of unamortized premium of \$6,291,885 as of June 30, 2020. | 143,343,789 | 143,580,109 |
| Revenue bonds payable, Series 2017 Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$200,515,000, issued March 30, 2017, with coupon rates of 3.125% and 5.00%, with principal payments beginning January 2018, final maturity January 2039, net of unamortized premium of \$16,739,553 as of June 30, 2021. | 197,469,553 | 207,324,397 |
| 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 average coupon rates of 4.00%, with principal payments beginning January 2019, final maturity January 2039, net of unamortized premium of \$5,761,926 as of June 30, 2021. | 155,886,926 | 156,270,076 |
| Revenue bonds payable, Series 2018B Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$161,759,000, issued December 31, 2018, with average coupon rates of 2.82%, with principal payments beginning January 2020, final maturity January 2032. | 160,244,000 | 161,019,000 |
| Revenue bonds payable, Series 2018T Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$401,155,000, issued December 12, 2018, with average coupon rates of 4.61%, with principal payments beginning January 2020, final maturity January 2041, net of unamortized premium of \$24,413,620 as of June 30, 2021. | 422,863,620 | 426,292,486 |
| Revenue bonds payable, Series 2019 Triangle Expressway System Appropriation Revenue Bonds (Capital Appreciation Bonds) in the amount of \$115,979,250, issued December 17, 2019, interest will accrete and be paid upon maturity, with principal payments beginning January 2040, final maturity January 2049. | 115,979,250 | 115,979,250 |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Long-term debt (continued)

| | <u>2021</u> | <u>2020</u> |
|--|-------------------------|-------------------------|
| Revenue Bonds: | | |
| Revenue bonds payable, Series 2019 Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$370,975,000, issued December 17, 2019, with coupon rates ranging from 3.00% to 5.00%, with principal payments beginning January 2042, final maturity January 2055, net of unamortized premium of \$50,012,132 as of June 30, 2021. | \$ 424,626,688 | \$ 426,471,632 |
| Revenue bonds payable, Series 2020 Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes in the amount of \$499,460,000, issued October 29, 2020, with a coupon rate of 5.00%, with all outstanding principal due upon final maturity February 2024, net of unamortized premium of \$50,012,132 as of June 30, 2021. | 549,472,131 | - |
| 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%, with principal payments beginning July 2022, final maturity July 2041, net of unamortized premium of \$22,418,338 as of June 30, 2021. | 96,403,338 | - |
| Total Bonds, Net | <u>\$ 2,545,227,404</u> | <u>\$ 2,039,923,445</u> |

Bonds payable maturities are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-------------------------|-------------------------|-------------------------|
| 2022 | \$ 42,122,000 | \$ 101,329,178 | \$ 143,451,178 |
| 2023 | 36,994,000 | 100,749,270 | 137,743,270 |
| 2024 | 541,462,000 | 101,281,039 | 642,743,039 |
| 2025 | 44,361,000 | 72,455,519 | 116,816,519 |
| 2026 | 47,579,000 | 70,556,308 | 118,135,308 |
| 2027-2031 | 289,715,630 | 325,871,619 | 615,587,249 |
| 2032-2036 | 331,562,054 | 372,163,258 | 703,725,312 |
| 2037-2041 | 446,649,965 | 258,736,011 | 705,385,976 |
| 2042-2046 | 234,101,614 | 170,882,792 | 404,984,406 |
| 2047-2051 | 228,521,000 | 95,714,500 | 324,235,500 |
| 2052-2056 | 122,870,000 | 12,724,750 | 135,594,750 |
| | 2,365,938,263 | 1,682,464,244 | 4,048,402,507 |
| Issuance Premiums | 179,289,141 | - | 179,289,141 |
| | <u>\$ 2,545,227,404</u> | <u>\$ 1,682,464,244</u> | <u>\$ 4,227,691,648</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Long-term debt (continued)

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| Note Payable: | | |
| 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 in July 2053. | \$ 166,500,000 | \$ 166,500,000 |

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, the NCTA drew down \$120,000,000 and \$46,500,000, 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 July 1, 2021, with a final maturity of July 1, 2053. No payment of principal or interest on the Monroe Expressway note payable is 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 on the note and amount of accrued interest outstanding as of July 1, 2021. Accrued interest on the loan agreement was \$11,952,295 and \$6,607,487 as of June 30, 2021 and 2020, respectively.

The Monroe Expressway TIFIA note payable maturities are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2022 | \$ - | \$ 2,247,345 | \$ 2,247,345 |
| 2023 | - | 3,029,031 | 3,029,031 |
| 2024 | 226,501 | 4,771,399 | 4,997,900 |
| 2025 | 728,591 | 5,623,189 | 6,351,780 |
| 2026 | 1,098,884 | 5,618,334 | 6,717,218 |
| 2027-2031 | 14,694,191 | 27,955,785 | 42,649,976 |
| 2032-2036 | 25,003,460 | 25,322,362 | 50,325,822 |
| 2037-2041 | 29,120,379 | 21,205,220 | 50,325,599 |
| 2042-2046 | 33,935,105 | 16,390,706 | 50,325,811 |
| 2047-2051 | 39,538,539 | 10,787,258 | 50,325,797 |
| 2052-2056 | 22,154,350 | 3,008,496 | 25,162,846 |
| | <u>\$ 166,500,000</u> | <u>\$ 125,959,125</u> | <u>\$ 292,459,125</u> |

Long-term liability activity for the year ended June 30, 2021 is as follows:

| | <u>July 1, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2021</u> | <u>Due Within One Year</u> |
|-----------------------------|-------------------------|-----------------------|-------------------------|-------------------------|----------------------------|
| Bonds Payable: | | | | | |
| Bonds | \$ 1,917,358,263 | \$ 573,445,000 | \$ (124,865,000) | \$ 2,365,938,263 | \$ 42,122,000 |
| Deferred Amounts: | | | | | |
| For Issuance Premiums | 122,565,182 | 88,317,060 | (31,593,101) | 179,289,141 | - |
| | 2,039,923,445 | 661,762,060 | (156,458,101) | 2,545,227,404 | 42,122,000 |
| Note Payable | 166,500,000 | - | - | 166,500,000 | - |
| Accrued Vacation | 308,590 | 190,855 | (115,887) | 383,558 | 37,934 |
| Net OPEB Liability | 2,354,514 | 167,113 | - | 2,521,627 | - |
| Net Pension Liability | 879,694 | 390,401 | - | 1,270,095 | - |
| Total Long-Term Debt | <u>\$ 2,209,966,243</u> | <u>\$ 662,510,429</u> | <u>\$ (156,573,988)</u> | <u>\$ 2,715,902,684</u> | <u>\$ 42,159,934</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Long-term debt (continued)

Long-term liability activity for the year ended June 30, 2020 is as follows:

| | July 1, 2019 | Additions | Reductions | June 30, 2020 | Due Within One Year |
|-----------------------------|-------------------------|-----------------------|------------------------|-------------------------|----------------------|
| Bonds Payable: | | | | | |
| Bonds | \$ 1,456,614,013 | \$ 486,954,250 | \$ (26,210,000) | \$ 1,917,358,263 | \$ 29,860,000 |
| Deferred Amounts: | | | | | |
| For Issuance Premiums | 72,420,014 | 57,330,848 | (7,185,680) | 122,565,182 | - |
| | 1,529,034,027 | 544,285,098 | (33,395,680) | 2,039,923,445 | 29,860,000 |
| Note Payable | 120,000,000 | 46,500,000 | - | 166,500,000 | - |
| Accrued Vacation | 246,620 | 187,706 | (125,736) | 308,590 | 18,762 |
| Net OPEB Liability | 1,794,683 | 559,831 | - | 2,354,514 | - |
| Net Pension Liability | 729,749 | 149,945 | - | 879,694 | - |
| Total Long-Term Debt | \$ 1,651,805,079 | \$ 591,682,580 | \$ (33,521,416) | \$ 2,209,966,243 | \$ 29,878,762 |

Total interest cost on indebtedness was \$109,467,460 and \$85,439,210 for the years ended June 30, 2021 and 2020, respectively.

In the Event of Default

The Trust Agreement for the North Carolina Turnpike Authority's outstanding senior lien revenue bonds for the Triangle Expressway System (\$614,353,109) 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 (\$310,369,000) and the Trust Agreement for the Monroe Connector System (\$243,765,000) 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 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.

Federal Interest Cash Subsidy

The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B and the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A as "Build America Bonds" for purposes of the *American Recovery and Reinvestment Tax Act of 2009* ("Recovery Act"). In adherence with the Recovery Act, the NCTA receives cash subsidy payments from the United States Treasury Department equal to 35% of the interest payable on the Series 2009B and 2010A State Appropriation Bonds. As part of the 2021 Federal Budget, the payments received during the year ended June 30, 2021 were reduced by 5.7%. As part of the 2020 Federal Budget, the payments received during the year ended June 30, 2020 were reduced by 5.9%. Cash subsidy payments totaled \$4,146,800 and \$4,323,823 for the years ended June 30, 2021 and 2020, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Long-term debt (continued)

Refundings

On May 10, 2018, the NCTA issued \$150,125,000 of appropriation revenue refunding bonds. These bonds were issued to refund, in advance of their maturity, certain of the NCTA's Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B, and to pay costs incurred in connection with the issuance of these bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statements of net position as of June 30, 2018. The reacquisition price exceeded the net carrying amount of the old debt by \$9,777,825. This amount is shown as a deferred outflow of resources and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by \$15,026,177 and resulted in an economic gain of \$10,933,562.

On November 20, 2018, the NCTA issued \$401,155,000 of appropriation revenue refunding bonds. These bonds were issued to refund, in advance of its maturity, the TriEx TIFIA note payable and accrued interest, and to pay costs incurred in connection with the issuance of these bonds. As a result, the refunded TriEx TIFIA note payable is considered to be defeased and the liability has been removed from the statements of net position as of June 30, 2019. The reacquisition price did not exceed the net carrying amount of the TriEx TIFIA note payable and accrued interest. This advance refunding was undertaken to reduce total debt service over the next 23 years by \$18,561,930 and will result in a present value economic gain of \$10,245,388.

On December 31, 2018, the NCTA issued \$161,759,000 of appropriation revenue refunding bonds. These bonds were issued to refund, in advance of their maturity, certain of the NCTA's Triangle Expressway System State Appropriation Revenue Bonds, Series 2009B, and to pay costs incurred in connection with the issuance of these bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statements of net position as of June 30, 2019. The reacquisition price exceeded the net carrying amount of the old debt by \$3,366,931. This amount is shown as a deferred inflow of resources and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$22,646,034 and resulted in an economic gain of \$18,854,944.

On April 6, 2021, the NCTA issued \$73,985,000 of appropriation revenue refunding bonds. These bonds were issued to refund, in advance of their maturity, certain of the NCTA's Monroe Connector System State Appropriation Revenue Bonds, Series 2011, and to pay costs incurred in connection with the issuance of these bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statements of net position as of June 30, 2021. The net carrying amount of the old debt exceeded the reacquisition price by \$6,299,050. This amount is shown as a deferred inflow of resources and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$33,453,351 and resulted in an economic gain of \$29,273,595.

Bond Covenants

The NCTA is subject to certain covenant requirements under the bond indentures related to outstanding debt. Compliance requirements under the covenants maintain that the NCTA will provide revenues of at least 130% and 110% of the long-term debt service requirement for senior lien indebtedness and parity debt, respectively, as it relates to the Triangle Expressway and Monroe Expressway. At June 30, 2021 and 2020, the rate covenant was met for both expressways.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8—Deferred inflows and outflows of resources – unamortized bond refunding gain and losses

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In additions, gains and losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. As of June 30, 2021 and 2020, the carrying values of the 2017 Triangle Expressway System senior Lien Turnpike Revenue Refunding Bonds and the 2018 Triangle Expressway System Appropriation Revenue Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$23,539,359 and \$26,210,482, respectively. As of June 30, 2021, the carrying value of the 2021 Monroe Expressway System State Appropriation Revenue Refunding Bonds has been adjusted for the gain from defeasance (net of amortization) of \$6,200,970.

This deferred outflow and inflow of resources is included as unamortized bond refunding charges and deferred gain on refunding, respectively, in the statements of net position.

Note 9—Pledged revenues

The NCTA has pledged, as security for revenue bonds, net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. In July 2009, the NCTA issued Triangle Expressway System State Annual Appropriation Revenue Bonds (\$352,675,000) and Triangle Expressway System Senior Lien Revenue Bonds (\$270,083,109). In October 2010, the NCTA issued Monroe Connector System State Annual Appropriation Revenue Bonds (\$233,920,000). In November 2011, the NCTA issued State Annual Appropriation Revenue Bonds (\$214,505,000). In January 2017, the NCTA issued Monroe Expressway Toll Revenue Bonds (\$137,051,904). In March 2017, the NCTA issued Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds (\$200,515,000). In May 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$150,125,000). In November 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$401,155,000). In December 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$161,759,000). In December 2019, the NCTA issued Triangle Expressway System Capital Appropriation Revenue Bonds (\$115,979,250) and Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds (\$370,975,000). In October 2020, the NCTA issued Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes (\$499,460,000). In April 2021, the NCTA issued Monroe Expressway System State Appropriation Revenue Refunding Bonds (\$96,403,338). For the Senior Lien Revenue Bonds, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway System. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The NCTA has elected to treat the State Annual Appropriation Revenue Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds. As part of the 2021 Federal Budget, the payments received during the year ended June 30, 2021 were reduced by 5.7%. As part of the 2020 Federal Budget, the payments received during the year ended June 30, 2020 were reduced by 5.9%.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that was fully opened in January 2013. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility to be built in Mecklenburg and Union counties that was fully opened in November 2018. The total principal and interest remaining to be paid on the bonds is \$4,227,691,648 payable through fiscal year 2056 (final maturity date). For the year ended June 30, 2021, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$115,817,428 and \$57,234,813, respectively. For year ended June 30, 2020, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$91,257,628 and \$90,567,508, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Retirement plans

Plan Description – The NCTA is a participating employer in the statewide Teachers’ and State Employees’ Retirement System (“TSERS”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institution), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provision to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer, the State Superintendent of Public Instruction, and the State Director of Human Resources, who serve as ex-officio members. The Teachers’ and State Employees’ Retirement System is included in the State of North Carolina’s ACFR. The State’s ACFR included financial statements and required supplementary information for TSERS. That Report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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 members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor’s Alternate Benefit for life or a return of the member’s contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions – Contribution provisions for TSERS are established by North Carolina General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. Required employer contribution rates for the years ended June 30, 2021, and 2020 were 14.78% and 12.97%, respectively, while employee contributions were 6% each year. The NCTA made 100% of its annual required contributions for the years ended June 30, 2021, 2020, and 2019. Contributions to the pension plan from the NCTA were \$309,209 and \$226,966 for the years ended June 30, 2021 and 2020, respectively.

Refunds of Contributions – Employees who have terminated service as a contributing member of TSERS may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions, or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – As of June 30, 2021, the NCTA reported a liability of \$1,270,095 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Retirement plans (continued)

The NCTA's proportion of the net pension liability was based on a projection of the NCTA's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. As of June 30, 2021 and 2020, the NCTA's proportion was 0.01% and the proportion did not change from the prior measurement date.

For the years ended June 30, 2021 and 2020, the NCTA recognized pension expense of \$467,420 and \$368,361, respectively. As of June 30, 2021, the NCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between actual and expected experience | \$ 69,989 | \$ - |
| Changes in assumptions | 43,040 | - |
| Net difference between projected and actual earnings on pension plan investments | 140,459 | - |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | 83,081 | - |
| Change in proportion | 139,956 | - |
| Contributions subsequent to the measurement date | 309,209 | - |
| | <u>\$ 785,734</u> | <u>\$ -</u> |

As of June 30, 2020, the NCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between actual and expected experience | \$ 73,585 | \$ 1,761 |
| Changes in assumptions | 93,735 | - |
| Net difference between projected and actual earnings on pension plan investments | 16,863 | - |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | 11,478 | 7,410 |
| Change in proportion | 126,736 | - |
| Contributions subsequent to the measurement date | 226,966 | - |
| | <u>\$ 549,363</u> | <u>\$ 9,171</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Retirement plans (continued)

As of June 30, 2021, the \$309,209 included as a component of deferred outflows of resources related to pensions resulting from NCTA contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30, | | |
|------------------------------|--|-------------------|
| 2022 | | \$ 186,700 |
| 2023 | | 144,049 |
| 2024 | | 103,933 |
| 2025 | | 41,843 |
| 2026 | | - |
| Total | | <u>\$ 476,525</u> |

Actuarial Assumptions – The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Salary increases | 3.50% to 8.10%, including inflation and productivity factor of 3.5% |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation are based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016. Future ad hoc COLA amounts are not considered to be substantively automatic and, are therefore, not included in the measurement.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Retirement plans (continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Real Rate of Return</u> |
|----------------------|--------------------------|----------------------------|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| | <u>100.0%</u> | |

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these 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 net pension liability.

Sensitivity of the NCTA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the NCTA's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the NCTA's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------|--------------------|
| | <u>(6.00%)</u> | <u>(7.00%)</u> | <u>(8.00%)</u> |
| NCTA's Proportionate Share of the Net Pension Liability | \$ 1,845,730 | \$ 1,270,095 | \$ 337,569 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Retirement plans (continued)

Deferred Compensation and Supplemental Retirement Income Plans – IRC Section 457 Plan – The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the "Plan"). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service due to death, disability, or retirement or financial hardships if approved by the Board of Trustees of the Plan.

The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the North Carolina Public Employee Deferred Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the NCTA. The voluntary contributions by employees amounted to \$52,404 and \$36,360 for the years ended June 30, 2021, and 2020, respectively.

IRC Section 401(k) Plan – All members of TSERS are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the NCTA. The voluntary contributions by employees amounted to \$43,399 and \$41,426 for the years ended June 30, 2021 and 2020, respectively.

Note 11—Other postemployment benefits

The NCTA participates in the Comprehensive Major Medical Plan (the "Medical Plan"), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS.

Retiree Health Benefit Fund

Plan Description – The Retiree Health Benefit Fund ("RHBF") has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. The RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who serve as ex-officio members. The 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 the RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then set 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 State Health Plan.

The financial statements and other required disclosures for the plan are presented in the state of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Other postemployment benefits (continued)

Benefits Provided – Plan benefits received by retired employees and disabled employees from the RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from the RHBF are long-term disability beneficiaries of the DIPNC and retirees of the 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 General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the 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 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 noncontributory premium.

Section 35.21(c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

The 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. The RHBF does not provide for automatic post-retirement benefit increases.

Contributions – By General Statute, accumulated contributions from employers to the RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to the RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the RHBF. However, the RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state – supports retired employees’ health benefits. Contribution rates to the 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. For the years ended June 30, 2021 and 2020, the NCTA contributed 6.68% and 6.47% of covered payroll which amounted to \$138,814 and \$107,242, respectively.

At June 30, 2021, the NCTA reported a liability of \$2,521,627 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The NCTA’s proportion of the net OPEB liability was based on a projection of the NCTA’s present value of future salary, actuarially determined. At June 30, 2021 and 2020, the NCTA’s proportion was 0.01%.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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Note 11—Other postemployment benefits (continued)

As of June 30, 2021, the \$139,751 of contributions subsequent to the measurement date reported as deferred outflows of resources will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Years Ending June 30,</u> | | |
|------------------------------|--|-------------------|
| 2022 | | \$ (50,189) |
| 2023 | | (49,912) |
| 2024 | | 130,883 |
| 2025 | | 155,293 |
| 2026 | | 38,146 |
| Total | | <u>\$ 224,221</u> |

Actuarial Assumptions – The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Inflation | 3.00% |
| Salary increases | 3.50% to 8.10%, including inflation and productivity factor of 3.50% |
| Healthcare cost trend rate – Medical | 5.00% to 6.50% |
| Healthcare cost trend rate – Prescription Drug | 5.00% to 9.50% |
| Healthcare cost trend rate – Administrative | 3.00% |

Discount Rate – The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. 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 of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Sensitivity of the NCTA’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the NCTA’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage point higher (3.21%) than the current discount rate:

| | <u>1% Decrease</u> <u>(1.21%)</u> | <u>Discount Rate</u> <u>(2.21%)</u> | <u>1% Increase</u> <u>(3.21%)</u> |
|--|--------------------------------------|--|--------------------------------------|
| NCTA’s Proportionate Share of the Net OPEB Liability | \$ 2,990,490 | \$ 2,521,627 | \$ 2,143,880 |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Other postemployment benefits (continued)

Sensitivity of the NCTA's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trend Rates – The following presents the NCTA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

| | 1% Decrease | 6.50% Medical, 9.50% Rx, 3.00% Administrative | 1% Increase |
|--|--------------|---|--------------|
| NCTA's Proportionate Share of the Net OPEB Liability | \$ 2,032,887 | \$ 2,521,627 | \$ 3,174,893 |

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Disability Income Plan of North Carolina

Plan Description – Short-term and long-term disability benefits are provided through the 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, and certain Local Education Agencies and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer, the State Superintendent, and the Director of the Office of the State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer, the State Superintendent, and the Director of the Office of State Human Resources who service as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided – Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as the employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee have five or more years on contributing membership services in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payment 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 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 service at any age.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Other postemployment benefits (continued)

Contributions – 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. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal years ended June 30, 2021 and 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. The NCTA's contributions to the plan were \$1,870 and \$1,658 for the years ended June 30, 2021 and 2020, respectively.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as another postemployment benefit.

OPEB Asset, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB – At June 30, 2021, the NCTA reported an asset of \$4,406 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The NCTA's proportion of the net OPEB asset was based on a projection of the NCTA's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the NCTA's proportion was 0.01%.

As of June 30, 2021, the \$1,883 of contributions subsequent to the measurement date reported as deferred outflows of resources will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending June 30, | |
|-----------------------|--------------|
| 2022 | \$ 548 |
| 2023 | 248 |
| 2024 | (56) |
| 2025 | 136 |
| 2026 | (217) |
| Thereafter | (583) |
| Total | <u>\$ 76</u> |

Actuarial Assumptions – The total OPEB asset in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Salary increases | 3.50% to 8.10%, including inflation and productivity factor of 3.50% |
| Investment rate of return | 3.75%, net of pension plan investment expense, including inflation |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Other postemployment benefits (continued)

Sensitivity of the NCTA's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate – The following presents the NCTA's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (2.75%) or 1-percentage point higher (4.75%) than the current discount rate:

| | 1% Decrease (2.75%) | Discount Rate (3.75%) | 1% Increase (4.75%) |
|--|------------------------|--------------------------|------------------------|
| NCTA's Proportionate Share of the Net OPEB Asset | \$ 3,805 | \$ 4,406 | \$ 4,989 |

Common Actuarial Assumptions for both OPEB Plans – The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The OPEB plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvement.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|-------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Opportunistic Fixed Income | 7.0% | 6.0% |
| Inflation Sensitive | 6.0% | 4.0% |
| | <u>100.0%</u> | |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Other postemployment benefits (continued)

Total OPEB Expense, OPEB Assets and Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

The following is information related to the proportionate share and OPEB expense as of June 30, 2021:

| | RHBF | DIPNC | Total |
|--|---------------------|-----------------|---------------------|
| OPEB expense | \$ 235,884 | \$ 3,308 | \$ 239,192 |
| OPEB liability (asset) | 2,521,627 | (4,406) | 2,517,221 |
| Proportionate share of net OPEB liability (asset) | 0.01% | 0.01% | |
| Deferred Outflows of Resources | | | |
| Difference between actual and expected experience | 2,284 | 3,192 | 5,476 |
| Changes in assumptions | 110,588 | 343 | 110,931 |
| Net difference between projected and actual earnings on OPEB plan investments | 5,312 | - | 5,312 |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | 237,135 | 1,318 | 238,453 |
| Change in proportion | 1,185,993 | - | 1,185,993 |
| Contributions subsequent to the measurement date | 139,751 | 1,883 | 141,634 |
| | <u>\$ 1,681,063</u> | <u>\$ 6,736</u> | <u>\$ 1,687,799</u> |
| Deferred Inflows of Resources | | | |
| Difference between actual and expected experience | \$ 98,649 | \$ - | \$ 98,649 |
| Changes in assumptions | 1,023,316 | 347 | 1,023,663 |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | 195,127 | 593 | 195,720 |
| Change in proportion | - | 3,091 | 3,091 |
| | <u>\$ 1,317,092</u> | <u>\$ 4,777</u> | <u>\$ 1,321,869</u> |

The following is information related to the proportionate share and OPEB expense as of June 30, 2020:

| | RHBF | DIPNC | Total |
|--|---------------------|-----------------|---------------------|
| OPEB expense | \$ 160,234 | \$ 3,018 | \$ 163,252 |
| OPEB liability (asset) | 2,354,514 | - | 2,354,514 |
| Proportionate share of net OPEB liability (asset) | 0.01% | 0.01% | |
| Deferred Outflows of Resources | | | |
| Difference between actual and expected experience | - | 3,110 | 3,110 |
| Changes in assumptions | 113,169 | 337 | 113,506 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,568 | 580 | 2,148 |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | - | 1,778 | 1,778 |
| Change in proportion | 1,079,752 | - | 1,079,752 |
| Contributions subsequent to the measurement date | 113,221 | 1,750 | 114,971 |
| | <u>\$ 1,307,710</u> | <u>\$ 7,555</u> | <u>\$ 1,315,265</u> |
| Deferred Inflows of Resources | | | |
| Difference between actual and expected experience | \$ 118,697 | \$ - | \$ 118,697 |
| Changes in assumptions | 707,870 | 312 | 708,182 |
| Change in proportion and differences between agency's contributions and proportionate share of contributions | 238,102 | - | 238,102 |
| Change in proportion | - | 2,600 | 2,600 |
| | <u>\$ 1,064,669</u> | <u>\$ 2,912</u> | <u>\$ 1,067,581</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 12—Risk management

The NCTA is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The NCTA carries insurance through the NCDOT for risks of loss. 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.

Tort claims of up to \$1,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the NCDOT directly to the insurer.

The State Property Fire Insurance Fund ("Fire Fund"), an internal service fund of the State, insures all state-owned buildings and contents for fire and various other property losses up to \$2,500 per occurrence. The Fire Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Losses covered by the Fire Fund are subject to a \$5 per occurrence deductible except for theft losses that carry a \$1 per occurrence deductible. 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.

State-owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first \$1,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$1,000 up to \$10,000. The liability limits for losses occurring in-state are \$1,000 per claimant and \$10,000 per occurrence. The NCDOT covers the cost of excess insurance and pays for those losses falling under the self-insured retention.

The NCTA is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000 per occurrence, with a \$75 deductible and 10% participation in each loss above the deductible. In addition, the NCDOT has a separate public employee dishonesty and faithful performance policy with a limit of \$1,000.

Employees and retirees are provided health care coverage by the Medical Plan, a component unit of the State. The Medical Plan is funded by employer and employee contributions and is administered by a third-party contractor.

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

Term life insurance of \$25,000 to \$50,000 is provided to eligible employees. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% of covered payroll for the current fiscal year.

Additional details on the state-administered risk management programs are disclosed in the State of North Carolina's ACFR. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Public Information" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 13—Commitments and contingencies

The NCTA has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments for engineering and design contracts were \$318,965,271 and \$453,590,357 as of June 30, 2021 and 2020, respectively.

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.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the continued spread of COVID-19, economic uncertainties have arisen that could negatively impact the NCTA's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Note 14—Subsequent events

In connection with the preparation of the financial statements and in accordance with U.S. GAAP, the NCTA considered for disclosure subsequent events that occurred after the statement of net position date of June 30, 2021 through October 29, 2021, which was the date the financial statements were available to be issued.

On August 1, 2021, the NCTA issued its Triangle Expressway System Revenue Bond, TIFIA Series 2021 in the principal amount of up to \$499,461,98. The TIFIA Series 2021 Bond is being issued to replace the NCTA's Triangle Expressway System Revenue Bond, TIFIA Series 2019.

NORTH CAROLINA TURNPIKE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

| Schedule of Proportionate Share of Net Pension Liability Teachers' and State Employees' Retirement System June 30, * | | | | | | | | |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| NCTA's proportion of the net pension liability (%) | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| NCTA's proportion of the net pension liability (\$) | \$ 1,270,095 | \$ 879,694 | \$ 729,749 | \$ 483,101 | \$ 557,948 | \$ 225,156 | \$ 69,460 | \$ 356,082 |
| NCTA's covered payroll | \$ 1,657,530 | \$ 1,558,727 | \$ 1,250,977 | \$ 1,020,099 | \$ 899,061 | \$ 882,095 | \$ 988,337 | \$ 988,337 |
| NCTA's proportionate share of the net pension liability as a percentage of its covered payroll | 76.6% | 56.4% | 58.3% | 47.4% | 62.1% | 25.5% | 7.0% | 36.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 85.98% | 87.56% | 87.61% | 89.51% | 87.32% | 94.64% | 98.24% | 98.24% |

| Schedule of Contributions Teachers' and State Employees' Retirement System June 30, * | | | | | | | | |
|---|----------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 3,307,137 | \$ 214,982 | \$ 191,568 | \$ 132,103 | \$ 101,322 | \$ 74,249 | \$ 86,087 | \$ 82,328 |
| Contributions in relation to the contractually required contribution | \$ (3,307,137) | \$ (214,982) | \$ (191,568) | \$ (132,103) | \$ (101,322) | \$ (74,249) | \$ (86,087) | \$ (82,328) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| NCTA's covered payroll | \$ 2,078,055 | \$ 1,657,530 | \$ 1,558,727 | \$ 1,250,977 | \$ 1,020,099 | \$ 899,061 | \$ 882,095 | \$ 988,337 |
| Contributions as a percentage of covered payroll | 14.8% | 13.0% | 12.3% | 10.6% | 9.9% | 8.3% | 9.8% | 8.3% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30. Information is not available for preceding years, to the extent 10 years of information is not presented.

Notes to Schedule

Valuation Date.

The total pension liability was determined by actuarial valuations as of December 31, 2019. The total pension liability was then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Methods and assumptions used to determine contribution rates.

- The Entry Age Normal actuarial cost method was used to determine liabilities and funding requirements.
- Change in discount rate from 7.20% to 7.00% as of December 31, 2019, with direct-rate smoothing of the change in the employer contributions rate over a three-year period.
- Salary increases are assumed to be 3.50%-8.10% which includes 3.5% inflation and productivity factor.
- Investment expected rate of return is 7.00% net of pension plan investment expense, including inflation.
- No cost-of-living adjustments granted.
- Mortality tables vary by age, gender, employee group, and health status. The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability – Teachers' and State Employees' Retirement System
- Schedule of Contributions – Teachers' and State Employees' Retirement System
- Schedule of Proportionate Share of Net OPEB Liability – Retiree Health Benefit Fund
- Schedule of Contributions– Retiree Health Benefit Fund
- Schedule of Proportionate Share of Net OPEB Asset – Disability Income Plan of North Carolina
- Schedule of Contributions – Disability Income Plan of North Carolina

NORTH CAROLINA TURNPIKE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFIT FUND

Schedule of Proportionate Share of Net OPEB Liability
Retiree Health Benefit Fund
June 30, *

| | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|
| NCTA's proportion of the net OPEB liability (%) | 0.01% | 0.01% | 0.01% | 0.01% |
| NCTA's proportion of the net OPEB liability (\$) | \$ 2,521,627 | \$ 2,354,514 | \$ 1,794,683 | \$ 1,745,360 |
| NCTA's covered payroll | \$ 1,657,530 | \$ 1,558,727 | \$ 1,250,977 | \$ 1,250,977 |
| NCTA's proportionate share of the net OPEB liability as a percentage of its covered payroll | 121.35% | 151.05% | 143.46% | 139.52% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.92% | 4.45% | 4.40% | 3.52% |

Schedule of Contributions
Retiree Health Benefit Fund
June 30, *

| | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 138,814 | \$ 107,242 | \$ 97,732 | \$ 78,436 |
| Contributions in relation to the contractually required contribution | (138,814) | (107,242) | (97,732) | (78,436) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| NCTA's covered payroll | \$ 1,657,530 | \$ 1,657,530 | \$ 1,558,727 | \$ 1,250,977 |
| Contributions as a percentage of covered payroll | 6.68% | 6.47% | 6.27% | 6.27% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30. Information is not available for preceding years, to the extent 10 years of information is not presented.

Notes to Schedule

Valuation date.

The total pension liability was determined by actuarial valuations as of December 31, 2019. The total pension liability was then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

Methods and assumptions used to determine contribution rates.

- The discount rate used to measure total OPEB liability for RHBF was 2.21%, mirroring the municipal bond rate. The rate is used on the Bond-Buyer 20-year General Obligation index as of June 30, 2020.
- Salary increases are assumed to be 3.50%-8.10%, which includes 3.5% inflation and productivity factor.
- Investment expected rate of return is 7.00% net of pension plan investment expense, including inflation.
- General inflation is assumed to be 3%.
- Mortality tables vary by age, gender, employee group, and health status. The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

NORTH CAROLINA TURNPIKE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DISABILITY INCOME PLAN OF NORTH CAROLINA

Schedule of Proportionate Share of Net OPEB Asset
Disability Income Plan of North Carolina
June 30, *

| | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|
| NCTA's proportion of the net OPEB asset (%) | 0.01% | 0.01% | 0.01% | 0.01% |
| NCTA's proportion of the net OPEB asset (\$) | \$ 4,406 | \$ 3,044 | \$ 1,897 | \$ 3,209 |
| NCTA's covered payroll | \$ 1,558,727 | \$ 1,558,727 | \$ 1,250,977 | \$ 1,250,977 |
| NCTA's proportionate share of the net OPEB asset as a percentage of its covered payroll | 0.21% | 0.20% | 0.15% | 0.26% |
| Plan fiduciary net position as a percentage of the total OPEB asset | 115.57% | 113.00% | 108.47% | 116.23% |

Schedule of Contributions
Disability Income Plan of North Carolina
June 30, *

| | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,870 | \$ 1,658 | \$ 2,182 | \$ 1,751 |
| Contributions in relation to the contractually required contribution | (1,870) | (1,658) | (2,182) | (1,751) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| NCTA's covered-employee payroll | \$ 1,558,727 | \$ 1,558,727 | \$ 1,558,727 | \$ 1,250,977 |
| Contributions as a percentage of covered payroll | 0.09% | 0.11% | 0.14% | 0.14% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30. Information is not available for preceding years, to the extent 10 years of information is not presented.

Notes to Schedule

Valuation date.

The total pension liability was determined by actuarial valuations as of December 31, 2019. The total pension liability was then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2019 valuations were based on an investigation of demographic and economic experience over the five-year period from January 1, 2010 to December 31, 2014.

Methods and assumptions used to determine contribution rates

- The discount rate used to measure total OPEB liability for DIPNC was 3.75%.
- The long-term expected real rate of return on plan investments was used on all periods for projecting benefit payments and determining the total liability.
- Salary increases are assumed to be 3.50%-8.10%, which includes 3.5% inflation and productivity factor.
- Investment expected rate of return is 3.75% net of pension plan investment expense, including inflation.
- General inflation is assumed to be 3%.
- Mortality tables vary by age, gender, employee group, and health status. The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

NORTH CAROLINA TURNPIKE AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES —
(MODIFIED CASH BASIS – NON GAAP)

YEAR ENDED JUNE 30, 2021

SUPPLEMENTARY INFORMATION

| | Triangle Expressway | Monroe Expressway |
|---|--------------------------------|------------------------------|
| Revenues: | | |
| Operating Revenue: | | |
| Charges for Services | \$ 36,320,187 | \$ 22,364,475 |
| Toll Receipts | 38,822,097 | 22,506,530 |
| Toll Bad Debt | (5,311,463) | (1,706,051) |
| Late Payment Fee | 2,610,078 | 1,510,353 |
| Electronic Transaction Fees | 140,646 | 52,437 |
| Liquid Damage Fee | 56,295 | - |
| Returned Check Fee | 2,535 | 1,206 |
| Total Operating Revenues | <u>36,320,187</u> | <u>22,364,475</u> |
| Expenditures: | | |
| Operating Expenditures: | | |
| Shared Operating Expenses | 8,311,126 | 5,538,633 |
| Personnel Services | 663,757 | 349,379 |
| Contracted Personnel Services | 515,581 | 384,707 |
| Supplies and Materials | 182,762 | 150,644 |
| Travel | 413 | (196) |
| Utilities | 170,293 | 46,771 |
| Other Services | 167,506 | 91,129 |
| Capital Outlay | 4,461,437 | 4,565,804 |
| Rental Expenditures | 23,022 | 87,031 |
| Renewal and Replacement Expenditures: | | |
| Shared Renewal and Replacement Expenditures | 151,599 | 187,932 |
| Personnel Services | 72,334 | (466) |
| Contracted Personnel Services | 1,500 | - |
| Supplies and Materials | 262,080 | (4) |
| Capital Outlay | 9,691,594 | 252 |
| Rental Expenditures | 47,661 | - |
| Construction Expenditures: | | |
| Shared Renewal and Replacement Expenditures | - | 393,077 |
| Personnel Services | 1,876,575 | 411,446 |
| Contracted Personnel Services | 998,970 | 3,054 |
| Supplies and Materials | 6,563,654 | 513,421 |
| Travel | 498 | 556 |
| Advertising | 38,086 | 342 |
| Utilities | - | 566 |
| Other Services | 7,125,955 | 34,212 |
| Capital Outlay | 136,601,475 | 11,893,017 |
| Right of Way | 77,661,126 | 3,721,229 |
| Rental Expenditures | 277,306 | 18,214 |
| Total Operating Expenditures | <u>255,866,310</u> | <u>28,390,750</u> |
| Operating Loss | <u>(219,546,123)</u> | <u>(6,026,275)</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES —
(MODIFIED CASH BASIS – NON GAAP) (CONTINUED)

YEAR ENDED JUNE 30, 2021

| | <u>Triangle Expressway</u> | <u>Monroe Expressway</u> |
|--|--------------------------------|------------------------------|
| Nonoperating Revenues (Expenditures): | | |
| Municipal Participation Reimbursement | \$ 681,718 | \$ - |
| Insurance Recoveries | 552,956 | 99,178 |
| Damage Claims Writeoffs | 140,853 | (7,443) |
| Liquidated Damages Collections | 56,295 | - |
| Sale of Land | 16,844 | - |
| Rental Income | 1,198 | - |
| Investment Earnings | 2,574,588 | 727,087 |
| Federal Interest Subsidy on Debt | 176,822 | 4,067,645 |
| Interest and Fees: | | |
| Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds) | (534,300) | - |
| Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2017 | (9,284,594) | - |
| Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A | (6,005,000) | - |
| Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B | (4,540,736) | - |
| Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2019 | (17,732,898) | - |
| Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes, Series 2020 | (4,300,906) | - |
| Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018 | (18,714,650) | - |
| Monroe Connector System State Annual Appropriation Revenue Bonds, Series 2010A, (Federally Taxable-Issuer Subsidy-Build America Bonds) | - | (12,297,007) |
| Monroe Connector System State Appropriation Revenue Bonds, Series 2011 | - | (5,403,350) |
| Monroe Expressway System TIFIA Loan, 2017 | - | (1,174,724) |
| Monroe Connector System Senior Lien Revenue Bonds, Series 2016 | - | (5,969,263) |

NORTH CAROLINA TURNPIKE AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES —
(MODIFIED CASH BASIS – NON GAAP) (CONTINUED)

YEAR ENDED JUNE 30, 2021

| | <u>Triangle Expressway</u> | <u>Monroe Expressway</u> |
|--|--------------------------------|------------------------------|
| Principal: | | |
| Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds) | \$ (10,275,000) | \$ - |
| Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds, Series 2017 | (7,615,000) | - |
| Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B | (775,000) | - |
| Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018 | (1,815,000) | - |
| Monroe Connector System State Appropriation Revenue Bonds, Series 2011 | | (9,380,000) |
| Total Nonoperating Expenditures | <u>(77,391,810)</u> | <u>(29,337,877)</u> |
| Loss before Transfers and Capital Grants | (296,937,933) | (35,364,152) |
| Capital Grants | 22,443,860 | - |
| Transfers In | 25,000,000 | 24,000,000 |
| Excess of Expenditures over Revenues | <u>\$ (249,494,073)</u> | <u>\$ (11,364,152)</u> |

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES —
(MODIFIED CASH BASIS – NON GAAP)

YEAR ENDED JUNE 30, 2021

Note 1—Basis of presentation

The Schedule of Revenues and Expenditures – Modified Cash Basis – Non-GAAP is shown on a modified cash basis. Operating revenues inclusive of Late Payment Fees, Electronic Transaction Fees, and Returned Check Fees are shown on a modified cash basis. These revenues are accounted for at the fund level and allocated across the NCTA's operational projects at the end of each month based on facility usage. Any accrued revenue inclusive of these fees has not yet been allocated to a specific project, therefore, it cannot be included in the project specific operating revenue amounts. All expenditures are shown on a cash basis.

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**Report of Independent Auditor 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***

To the Board of Directors
North Carolina Turnpike Authority
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Carolina Turnpike Authority (“NCTA”), a major enterprise fund of the State of North Carolina, and a business unit of the North Carolina Department of Transportation (“NCDOT”), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the NCTA’s basic financial statements as listed in the table of contents, and have issued our report thereon dated October 29, 2021.

The financial statements present only the NCTA and do not purport to and do not present fairly the financial position of the State of North Carolina or the NCDOT, as of June 30, 2021 and 2020, and the changes in their financial position and their cash flows for the years then ended in conformity 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 NCTA’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 NCTA’s internal control. Accordingly, we do not express an opinion on the effectiveness of the NCTA’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 NCTA’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet, important enough to merit attention by those charged with governance.

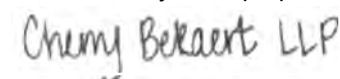
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCTA’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 NCTA’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 NCTA’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



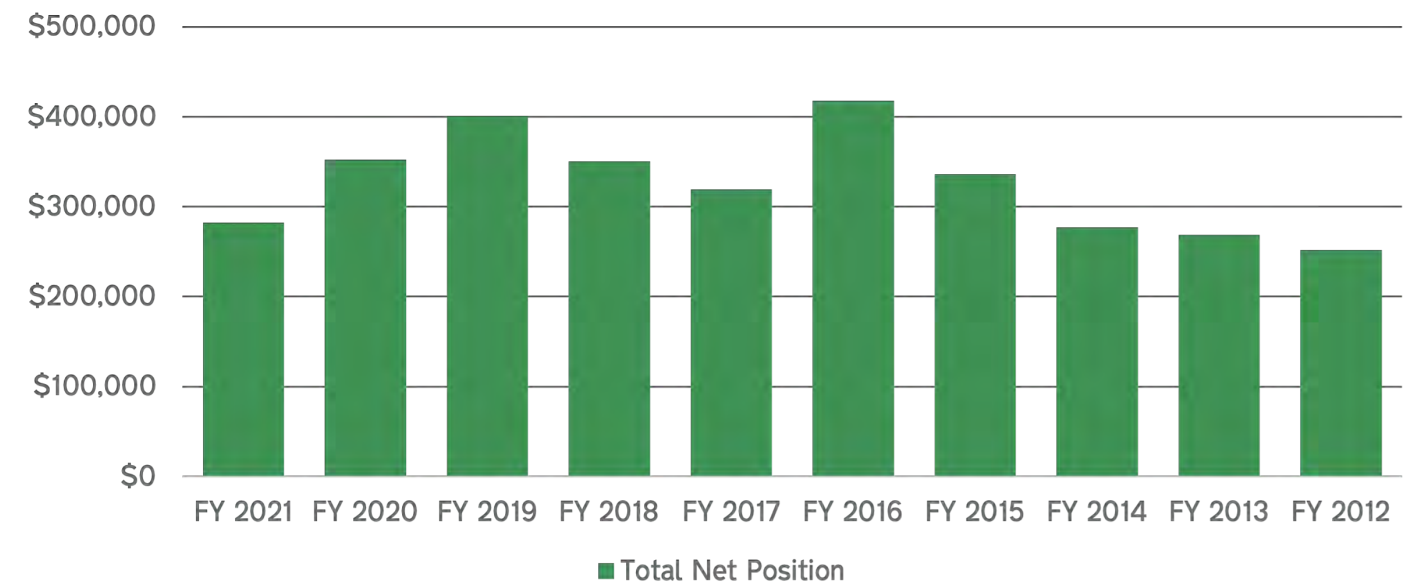
Raleigh, North Carolina
October 29, 2021

Statistical Section

Financial Trends

Net Position (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net Investment in Capital Assets | \$432,495 | \$433,327 | \$484,797 | \$529,512 | \$459,895 | \$584,359 | \$465,144 | \$383,233 | \$340,686 | \$327,909 |
| Restricted | 250,865 | 175,209 | 108,567 | 7,476 | 5,477 | 4,267 | 3,487 | 2,616 | 1,712 | - |
| Unrestricted | (400,828) | (256,137) | (192,568) | (186,924) | (146,334) | (170,889) | (132,672) | (109,079) | (73,973) | (76,272) |
| Total Net Position | \$282,532 | \$352,399 | \$400,796 | \$350,063 | \$319,038 | \$417,737 | \$335,960 | \$276,770 | \$268,425 | \$251,637 |



Statements of Revenues, Expenses, and Changes in Net Position

Turnpike Authority Fund (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues | | | | | | | | | | |
| Charges for Services | \$49,792 | \$77,198 | \$63,987 | \$48,999 | \$44,708 | \$38,473 | \$30,218 | \$24,326 | \$13,038 | \$496 |
| Other Operating Revenues | 7,393 | 5,414 | 1,168 | 648 | 812 | 675 | 491 | 399 | 462 | 169 |
| Total Operating Revenues | 57,185 | 82,613 | 65,155 | 49,648 | 45,520 | 39,148 | 30,709 | 24,725 | 13,500 | 665 |
| Operating Expenses | | | | | | | | | | |
| Personnel Services | 3,387 | 2,738 | 1,643 | 1,327 | 1,213 | 1,413 | 1,351 | 1,460 | 1,285 | 1,319 |
| Supplies & Materials | 241 | 277 | 70 | 73 | 281 | 73 | 86 | 150 | 124 | 245 |
| Contracted Personnel Services | 8,476 | 11,918 | 7,434 | 776 | 888 | 981 | 592 | 4,715 | 9,944 | 2,797 |
| Travel | 4 | 44 | 67 | 50 | 35 | 27 | 7 | 33 | 48 | 67 |
| Advertising | 96 | 419 | 574 | 124 | 49 | 104 | - | 41 | 0 | - |
| Utilities | 270 | 269 | 276 | 282 | 272 | 295 | 280 | 289 | 245 | 77 |
| Dues & Subscription Fees | 39 | 37 | 12 | 24 | 23 | 21 | 17 | 13 | 9 | 25 |
| Other Services | 18,836 | 15,467 | 5,317 | 3,814 | 4,965 | 3,121 | 4,746 | 2,363 | 1,608 | 2,039 |
| Costs of Goods Sold | 701 | 1,046 | 810 | 727 | 788 | 856 | 449 | 382 | 461 | 169 |
| Capital Outlay | 40,357 | 39,174 | 27,543 | 15,153 | 15,262 | 11,877 | 9,721 | 8,206 | 962 | 3,482 |
| Rental Expense | 169 | 205 | 176 | 108 | 66 | 88 | 191 | 142 | 113 | 107 |
| Depreciation | 29,684 | 29,684 | 24,035 | 16,130 | 16,130 | 16,130 | 16,130 | 16,130 | 9,931 | 1,870 |
| Total Operating Expenses | 102,258 | 101,279 | 67,957 | 38,588 | 39,972 | 34,986 | 33,569 | 33,924 | 24,732 | 12,197 |
| Operating Income (Loss) | (45,073) | (18,666) | (2,802) | 11,060 | 5,548 | 4,162 | (2,859) | (9,199) | (11,232) | (11,532) |
| Nonoperating Revenue (Expenses) & Capital Grants | | | | | | | | | | |
| Transfers In | 49,922 | 185,396 | 78,337 | 55,544 | 49,000 | 101,056 | 93,680 | 61,201 | 56,246 | 69,913 |
| Transfers Out | (13,891) | (146,255) | - | - | (97,604) | - | (239) | (14,817) | (3,740) | (2,746) |
| Transfer of GARVEE Bonds to NC Highway Fund | - | - | - | - | (159,205) | - | - | - | - | - |
| Change in Net Position | (69,868) | (48,396) | 50,732 | 33,041 | (98,699) | 81,777 | 59,470 | 8,346 | 16,788 | 80,017 |
| Net Position Beginning, July 1 | 352,399 | 400,796 | 350,063 | 319,038 | 417,737 | 335,960 | 276,770 | 268,425 | 251,637 | 190,340 |
| Net Position, Restatement (GASB 75) | - | - | - | (2,016) | - | - | - | - | - | - |
| Cumulative Effect of Change in Accounting Principle | - | - | - | - | - | - | (280) | - | - | - |
| Cumulative Effect of GASB 65 | - | - | - | - | - | - | - | - | - | (18,720) |
| Net Position Ending, June 30 | \$282,531 | \$352,399 | \$400,795 | \$350,063 | \$319,038 | \$417,737 | \$335,960 | \$276,770 | \$268,425 | \$251,637 |

Schedules of Revenues and Expenditures

Triangle Expressway (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 |
|---|----------------|----------------|---------------|---------------|
| Operating Revenues | | | | |
| Charges for Services | \$36,320 | \$51,951 | \$53,468 | \$49,142 |
| Other Operating Revenues | - | - | 8 | 418 |
| Total Operating Revenues | 36,320 | 51,951 | 53,476 | 49,561 |
| Operating Expenditures | | | | |
| Shared Operating Expenditures | 8,463 | 12,320 | 12,058 | - |
| Personnel Services | 2,613 | 2,942 | 721 | 697 |
| Supplies & Materials | 7,008 | 110 | 23 | 1,288 |
| Contracted Personnel Services | 1,516 | 701 | 287 | 346 |
| Travel | 1 | 19 | 8 | 3 |
| Advertising | 38 | 13 | 73 | 93 |
| Utilities | 170 | 172 | 200 | 243 |
| Dues & Subscription Fees | - | - | 1 | 24 |
| Other Services | 7,293 | 9,909 | 141 | 1,811 |
| Other Expenditures | - | 370 | 1,348 | 1,437 |
| Transponder Purchases | - | - | - | 448 |
| Right of Way | 77,661 | 162,486 | 325 | 6 |
| Capital Outlay | 150,755 | 170,510 | 11,399 | 15,128 |
| Rental Expenditures | 348 | 92 | 112 | 97 |
| Total Operating Expenditures | 255,866 | 359,644 | 26,694 | 21,621 |
| Operating Income (Loss) | (219,546) | (307,693) | 26,781 | 27,939 |
| Nonoperating Revenue (Expenditures) and Capital Grants | | | | |
| Capital Grants | 22,444 | - | - | - |
| Transfers In | 25,000 | 25,000 | 25,000 | 25,000 |
| Excess of Revenue Over (Under) Expenditures | \$(249,494) | \$(334,014) | \$593 | \$3,157 |

Schedules of Revenues and Expenditures (cont'd)

Monroe Expressway (in thousands)

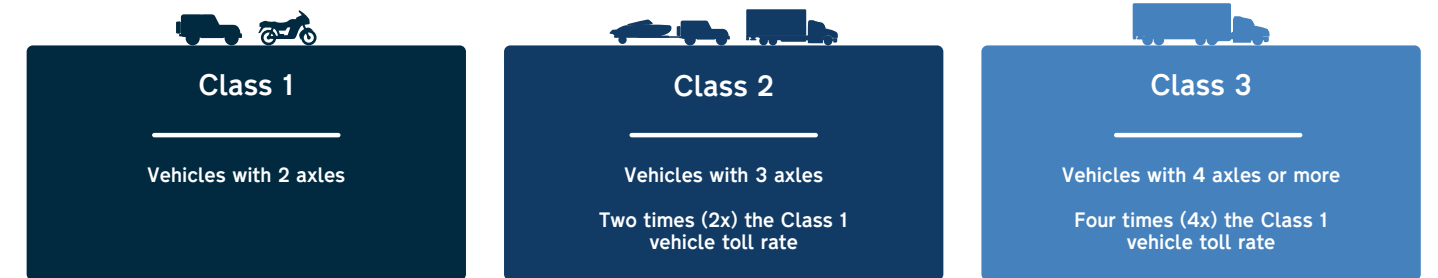
| | FY 2021 | FY 2020 | FY 2019 | FY 2018 |
|---|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues | | | | |
| Charges for Services | \$22,364 | \$22,866 | \$9,350 | \$- |
| Other Operating Revenues | - | - | 152 | - |
| Total Operating Revenues | 22,364 | 22,866 | 9,502 | - |
| Operating Expenditures | | | | |
| Shared Operating Expenditures | 6,120 | 5,850 | 2,792 | - |
| Personnel Services | 760 | 736 | 1,085 | 1,097 |
| Supplies & Materials | 664 | 126 | 34 | 9 |
| Contracted Personnel Services | 388 | 452 | 378 | 132 |
| Travel | 0 | 42 | 28 | 22 |
| Advertising | 0 | - | 384 | - |
| Utilities | 47 | 47 | 36 | 2 |
| Dues & Subscription Fees | - | - | - | - |
| Other Services | 125 | 650 | 29 | - |
| Other Expenditures | - | 95 | 65 | 717 |
| Transponder Purchases | - | - | - | - |
| Right of Way | 3,721 | 5,431 | 13,652 | 14,587 |
| Capital Outlay | 16,459 | 23,943 | 27,834 | 73,692 |
| Rental Expenditures | 105 | 126 | 78 | 10 |
| Total Operating Expenditures | 28,389 | 37,495 | 46,395 | 90,268 |
| Operating Income (Loss) | (6,025) | (14,629) | (36,893) | (90,268) |
| Nonoperating Revenue (Expenditures) and Capital Grants | | | | |
| Capital Grants | - | 76 | 112 | 115 |
| Transfers In | 24,000 | 24,000 | 24,000 | 24,000 |
| Excess of Revenue Over (Under) Expenditures | \$(11,363) | \$(18,719) | \$(40,016) | \$(93,600) |

Revenue Capacity

Historical Toll Rates

Historical toll rates for Electronic Toll Collection (ETC) and Bill by Mail (BBM) transactions on the Triangle Expressway and Monroe Expressway are shown below. ETC tolls are paid electronically with a transponder. These tolls are automatically deducted from a prepaid account. BBM tolls are an alternative payment option for customers without a transponder. Cameras at toll zones capture an image of the vehicle's license plate, and an invoice is mailed to the registered owner of the vehicle.

Vehicle Classifications



Triangle Expressway

| | | Class 1 | Class 2 | Class 3 |
|---------|-----|---------|---------|---------|
| CY 2021 | ETC | \$3.60 | \$7.20 | \$14.40 |
| | BBM | \$5.52 | \$11.04 | \$22.08 |
| CY 2020 | ETC | \$3.48 | \$6.96 | \$13.92 |
| | BBM | \$5.33 | \$10.66 | \$21.32 |
| CY 2019 | ETC | \$3.37 | \$6.74 | \$13.48 |
| | BBM | \$5.17 | \$10.34 | \$20.68 |
| CY 2018 | ETC | \$3.25 | \$6.50 | \$13.00 |
| | BBM | \$4.97 | \$9.94 | \$19.88 |
| CY 2017 | ETC | \$3.13 | \$6.26 | \$12.52 |
| | BBM | \$4.81 | \$9.62 | \$19.24 |
| CY 2016 | ETC | \$3.04 | \$6.08 | \$12.16 |
| | BBM | \$4.65 | \$9.30 | \$18.60 |
| CY 2015 | ETC | \$2.91 | \$5.82 | \$11.64 |
| | BBM | \$4.45 | \$8.90 | \$17.80 |
| CY 2014 | ETC | \$2.77 | \$5.54 | \$11.08 |
| | BBM | \$4.23 | \$8.46 | \$16.92 |
| CY 2013 | ETC | \$2.64 | \$5.28 | \$10.56 |
| | BBM | \$4.04 | \$8.08 | \$16.16 |

The Triangle Expressway was not fully open to traffic until FY 2013.

Full trip starting at N.C. 147 at I-40 to N.C. 55 Bypass in one direction.

Monroe Expressway

| | | Class 1 | Class 2 | Class 3 |
|---------|-----|---------|---------|---------|
| CY 2021 | ETC | \$2.66 | \$5.32 | \$10.64 |
| | BBM | \$4.10 | \$8.20 | \$16.40 |
| CY 2020 | ETC | \$2.60 | \$5.20 | \$10.40 |
| | BBM | \$4.01 | \$8.02 | \$16.04 |
| CY 2019 | ETC | \$2.54 | \$5.08 | \$10.16 |
| | BBM | \$3.92 | \$7.84 | \$15.68 |
| CY 2018 | ETC | \$2.54 | \$5.08 | \$10.16 |
| | BBM | \$3.92 | \$7.84 | \$15.68 |

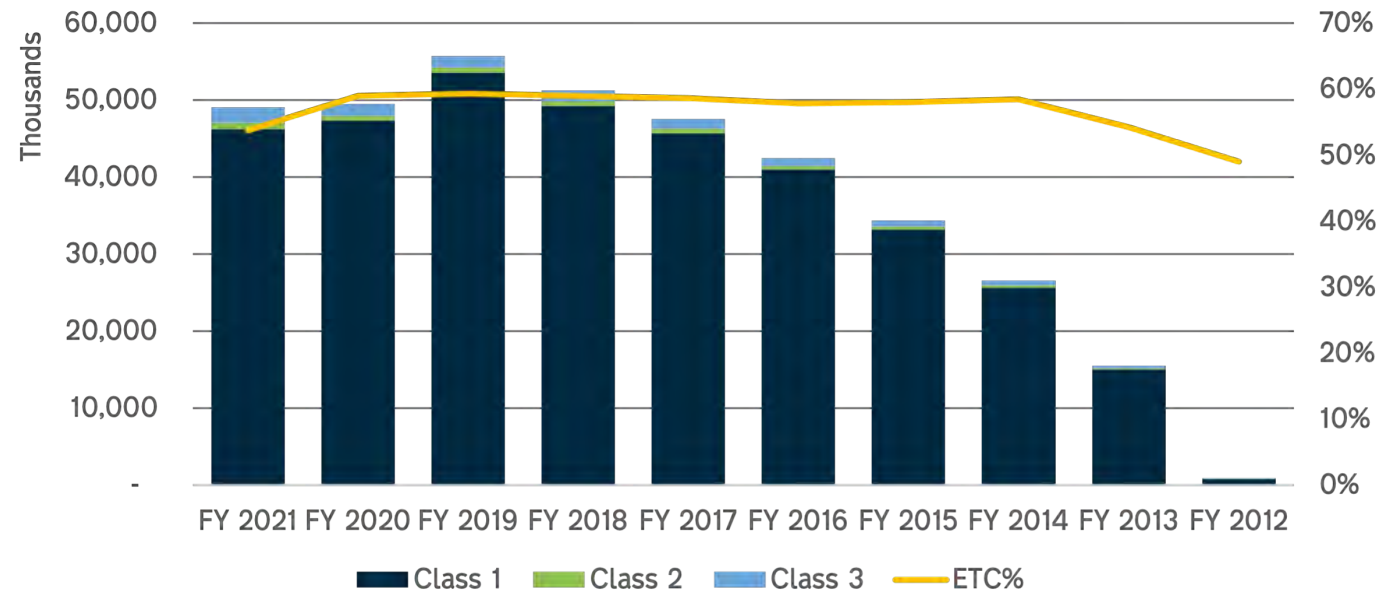
The Monroe Expressway was not fully open to traffic until FY 2019.

Full trip in one direction.

Toll Transactions by Vehicle Classification

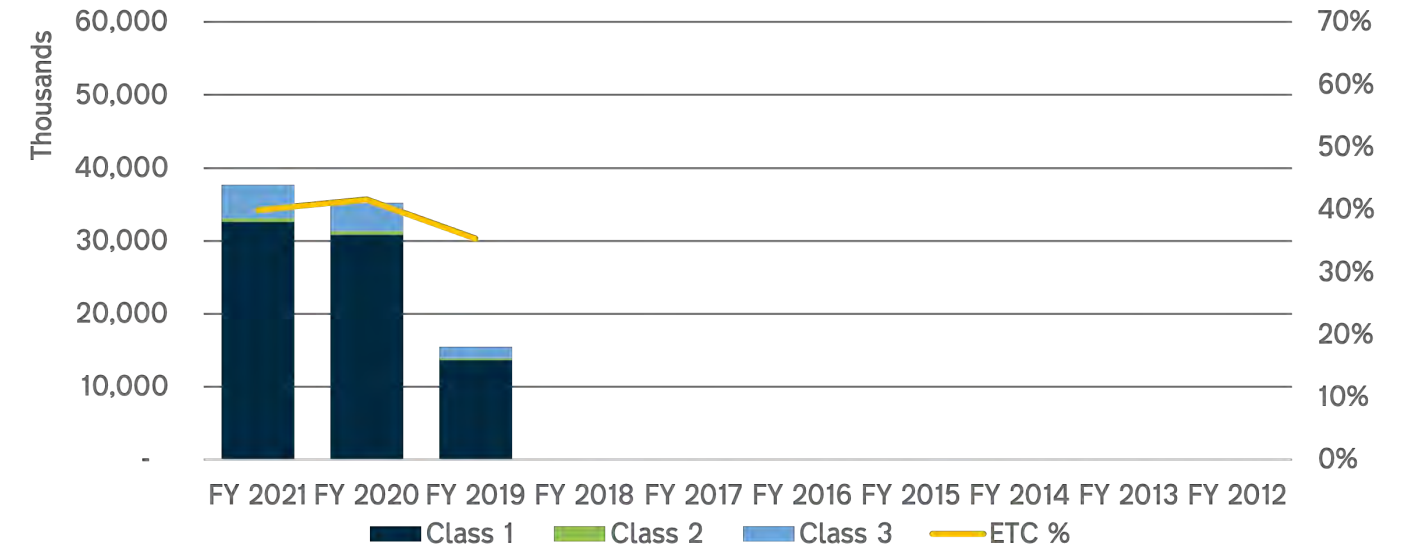
Triangle Expressway (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| Transactions | | | | | | | | | | |
| Class 1 | 46,262 | 47,377 | 53,601 | 49,311 | 45,687 | 40,995 | 33,227 | 25,634 | 15,071 | 822 |
| Class 2 | 809 | 633 | 665 | 609 | 612 | 494 | 390 | 320 | 156 | 4 |
| Class 3 | 1,998 | 1,520 | 1,445 | 1,316 | 1,215 | 985 | 728 | 582 | 292 | 7 |
| Total Transactions | 49,069 | 49,529 | 55,711 | 51,237 | 47,514 | 42,475 | 34,346 | 26,535 | 15,519 | 834 |
| ETC% | 53.8% | 59.0% | 59.4% | 59.0% | 58.6% | 57.8% | 58.0% | 58.4% | 54.2% | 49.0% |



Monroe Expressway (in thousands)

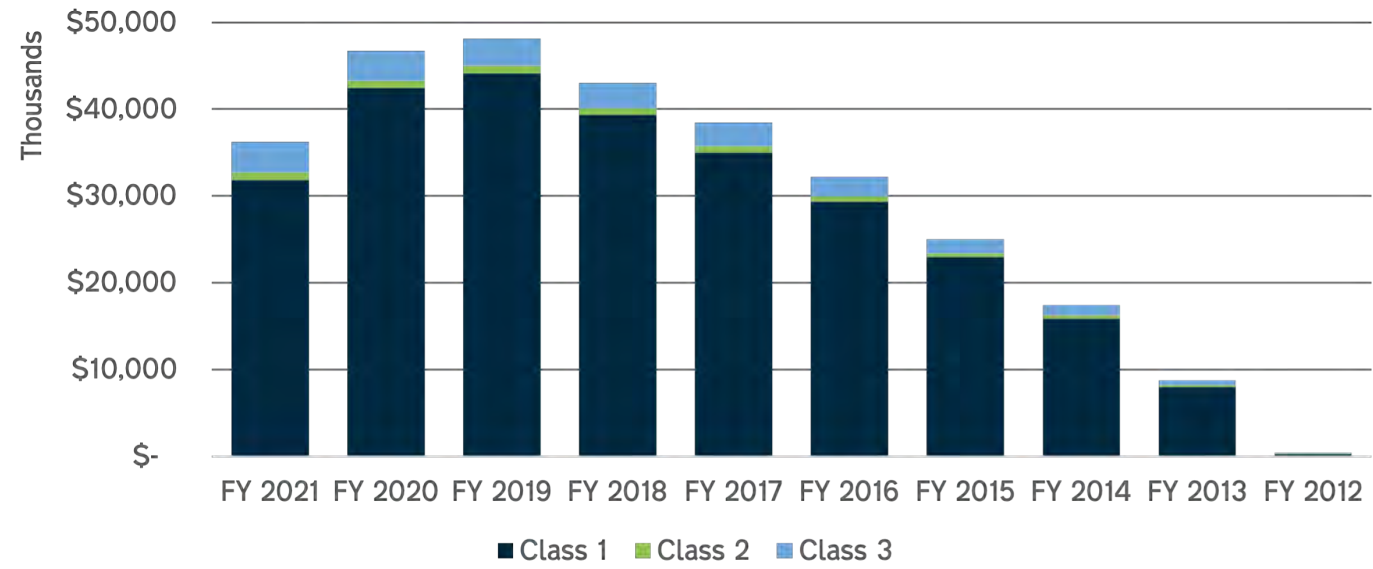
| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|---------------|---------------|---------------|----------|----------|----------|----------|----------|----------|----------|
| Transactions | | | | | | | | | | |
| Class 1 | 32,642 | 30,853 | 13,751 | - | - | - | - | - | - | - |
| Class 2 | 527 | 491 | 243 | - | - | - | - | - | - | - |
| Class 3 | 4,493 | 3,896 | 1,472 | - | - | - | - | - | - | - |
| Total Transactions | 37,662 | 35,241 | 15,466 | - | - | - | - | - | - | - |
| ETC% | 39.9% | 41.6% | 35.4% | - | - | - | - | - | - | - |



Toll Revenue by Vehicle Classification

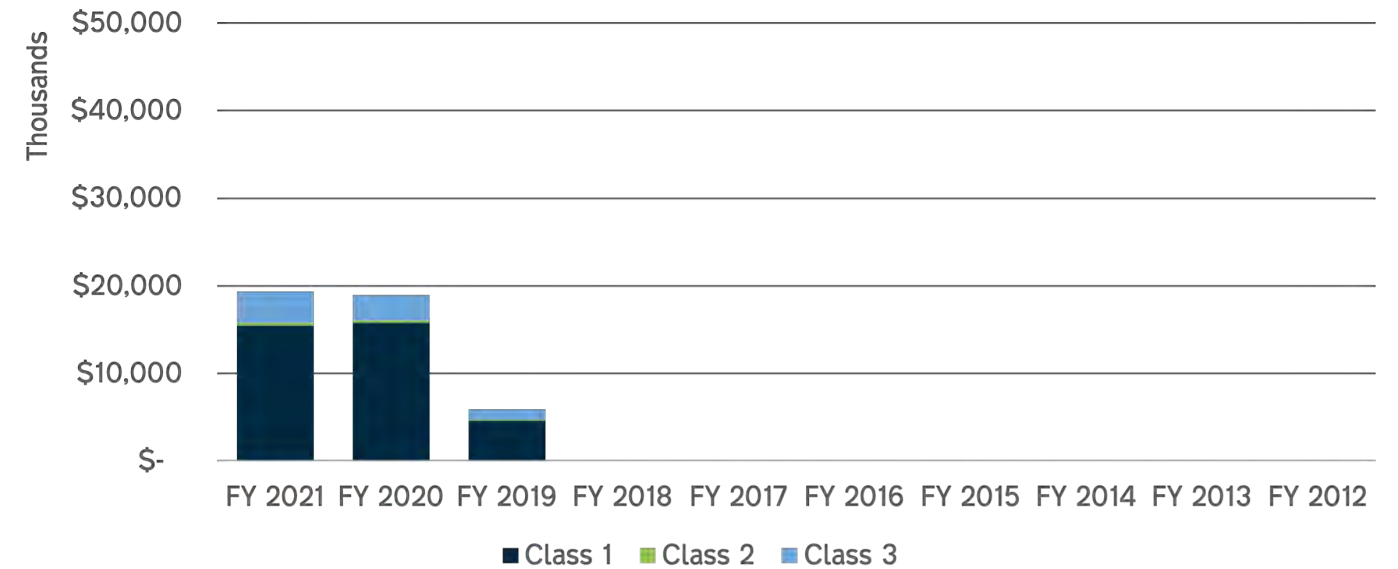
Triangle Expressway (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|--------------|
| Toll Revenue | | | | | | | | | | |
| Class 1 | \$31,869 | \$42,473 | \$44,169 | \$39,393 | \$35,036 | \$29,391 | \$22,966 | \$15,890 | \$8,031 | \$303 |
| Class 2 | 850 | 833 | 858 | 765 | 750 | 597 | 451 | 356 | 152 | 3 |
| Class 3 | 3,500 | 3,409 | 3,131 | 2,896 | 2,667 | 2,219 | 1,590 | 1,176 | 586 | 9 |
| Total Toll Revenue | \$36,218 | \$46,715 | \$48,158 | \$43,055 | \$38,453 | \$32,207 | \$25,007 | \$17,423 | \$8,770 | \$315 |



Monroe Expressway (in thousands)

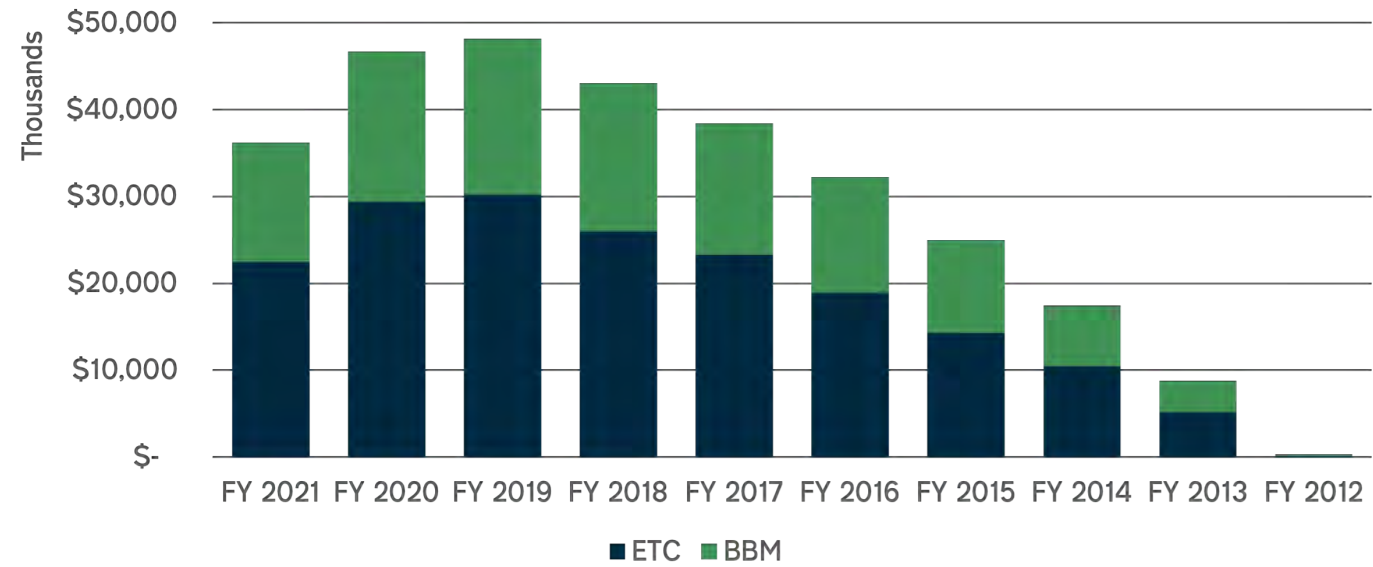
| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|-----------------|-----------------|----------------|----------|----------|----------|----------|----------|----------|----------|
| Toll Revenue | | | | | | | | | | |
| Class 1 | \$15,476 | \$15,799 | \$4,603 | - | - | - | - | - | - | - |
| Class 2 | 343 | 314 | 165 | - | - | - | - | - | - | - |
| Class 3 | 3,529 | 2,804 | 1,105 | - | - | - | - | - | - | - |
| Total Toll Revenue | \$19,349 | \$18,918 | \$5,874 | - | - | - | - | - | - | - |



Toll Revenue by Payment Method

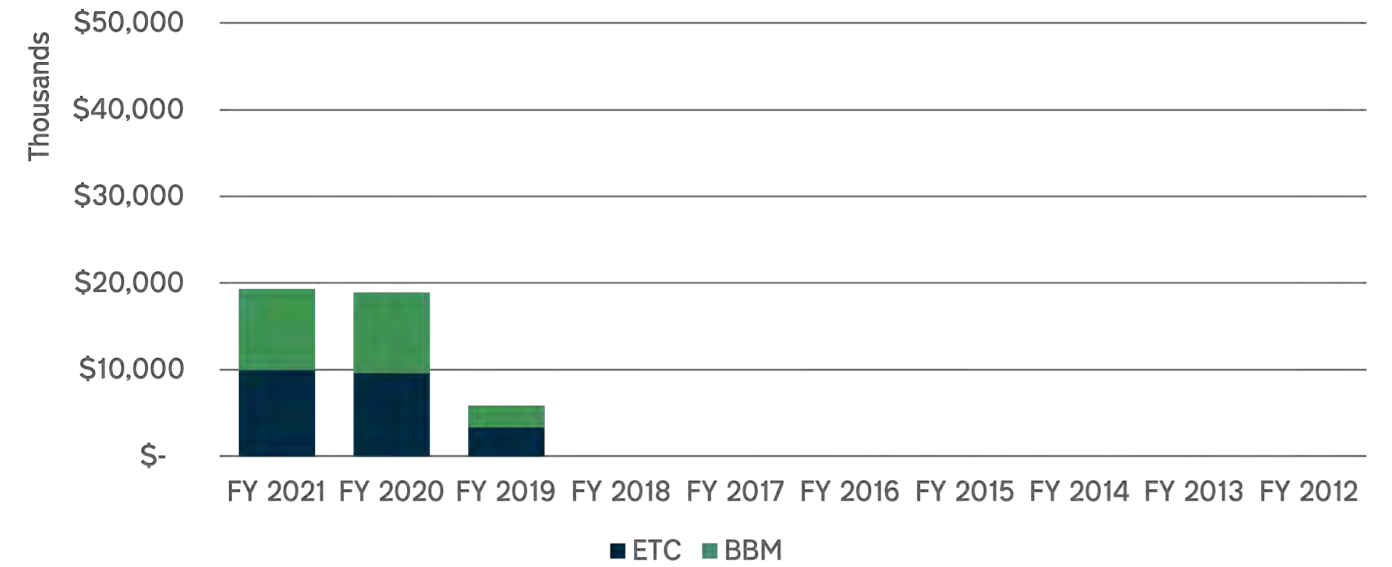
Triangle Expressway (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|--------------|
| Toll Revenue | | | | | | | | | | |
| ETC | \$22,477 | \$29,411 | \$30,212 | \$25,963 | \$23,281 | \$18,943 | \$14,381 | \$10,528 | \$5,198 | \$184 |
| BBM | 13,741 | 17,304 | 17,945 | 17,092 | 15,172 | 13,263 | 10,627 | 6,895 | 3,571 | 131 |
| Total Toll Revenue | \$36,218 | \$46,715 | \$48,158 | \$43,055 | \$38,453 | \$32,207 | \$25,007 | \$17,423 | \$8,770 | \$315 |



Monroe Expressway (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------------------------|-----------------|-----------------|----------------|----------|----------|----------|----------|----------|----------|----------|
| Toll Revenue | | | | | | | | | | |
| ETC | \$9,992 | \$9,676 | \$3,413 | - | - | - | - | - | - | - |
| BBM | 9,357 | 9,242 | 2,461 | - | - | - | - | - | - | - |
| Total Toll Revenue | \$19,349 | \$18,918 | \$5,874 | - | - | - | - | - | - | - |



Debt

Triangle Expressway (in thousands)

| Series | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|--|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue Bonds | | | | | | | | | | |
| Senior Lien Revenue Bonds, Series 2009A | \$ - | \$ - | \$ - | \$600 | \$600 | \$234,031 | \$233,965 | \$233,899 | \$233,833 | \$233,768 |
| Senior Lien Revenue Bonds, Series 2009B | 35,173 | 35,173 | 35,173 | 35,173 | 35,150 | 35,042 | 35,032 | 35,022 | 35,012 | 35,002 |
| Appropriation Revenue Bonds, Series 2009B | - | 10,275 | 20,210 | 190,930 | 348,808 | 352,137 | 352,097 | 352,057 | 352,017 | 351,976 |
| Senior Lien Revenue Refunding Bonds, Series 2017 | 197,470 | 207,324 | 215,317 | 220,974 | 226,527 | - | - | - | - | - |
| Appropriation Revenue Refunding Bonds, Series 2018A | 155,887 | 156,270 | 156,654 | 157,038 | - | - | - | - | - | - |
| Senior Lien Revenue Refunding Bonds, Series 2018 | 422,864 | 426,292 | 428,793 | - | - | - | - | - | - | - |
| Appropriation Revenue Refunding Bonds, Series 2018B | 160,244 | 161,019 | 161,759 | - | - | - | - | - | - | - |
| Senior Lien Revenue Bonds, Series 2019 | 424,627 | 426,472 | - | - | - | - | - | - | - | - |
| Appropriation Revenue Bonds, Series 2019 | 115,979 | 115,979 | - | - | - | - | - | - | - | - |
| Senior Lien Revenue Bond Anticipation Notes, Series 2020 | 549,472 | - | - | - | - | - | - | - | - | - |
| Note Payable | | | | | | | | | | |
| TIFIA Loan | - | - | - | 372,877 | 372,877 | 372,877 | 372,877 | 372,877 | 372,877 | 283,508 |
| Total Long-Term Debt as of June 30 | \$2,061,715 | \$1,538,805 | \$1,017,906 | \$977,592 | \$983,961 | \$994,087 | \$993,971 | \$993,855 | \$993,739 | \$904,254 |

| Debt Per | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|-----------------------------------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Center Lane Mile | \$109,666 | \$81,851 | \$54,144 | \$52,000 | \$52,338 | \$52,877 | \$52,871 | \$52,865 | \$52,858 | - |
| Lane Mile | 18,278 | 13,642 | 9,024 | 8,667 | 8,723 | 8,813 | 8,812 | 8,811 | 8,810 | - |
| \$ Operating Revenue ¹ | 56.76 | 29.62 | 19.03 | 19.72 | 21.62 | 25.39 | 32.37 | 40.20 | - | - |

| Debt Coverage Ratios | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Senior Lien | 1.49x | 1.60x | 2.35x | 4.05x | 4.34x | 3.85x | 3.22x | 2.72x | - | - |
| Junior Lien | 1.49x | 1.60x | 1.75x | 1.62x | 1.65x | 1.54x | 1.41x | 2.71x | - | - |

¹ Operating Revenue used in the debt ratio calculation is obtained from the debt coverage ratios in the table below.

Monroe Expressway (in thousands)

| Series | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue Bonds | | | | | | | | | | |
| Appropriation Revenue Bonds, Series 2010A | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 | \$233,920 |
| Appropriation Revenue Bonds, Series 2011 | 9,845 | 123,618 | 133,392 | 142,799 | 151,860 | 160,638 | 169,098 | 189,149 | 208,783 | 232,297 |
| Senior Lien Revenue Bonds, Series 2011 | - | - | - | - | - | 7,100 | 7,890 | 8,660 | 9,415 | 10,000 |
| GARVEE Bonds, Series 2011 | - | - | - | - | - | 153,259 | 154,782 | 156,288 | 157,778 | 159,251 |
| Senior Lien Revenue Bonds, Series 2016 | 143,344 | 143,580 | 143,816 | 144,051 | 144,287 | - | - | - | - | - |
| Appropriation Revenue Refunding Bonds, Series 2021 | 96,403 | - | - | - | - | - | - | - | - | - |
| Notes Payable | | | | | | | | | | |
| TIFIA Loan | 166,500 | 166,500 | 120,000 | - | - | - | - | - | - | - |
| Total Long-Term Debt as of June 30 | \$650,012 | \$667,618 | \$631,128 | \$520,770 | \$530,067 | \$554,917 | \$565,691 | \$588,017 | \$609,896 | \$635,467 |

| Debt Per | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|-----------------------------------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|
| Center Lane Mile | \$32,829 | \$33,718 | \$31,875 | - | - | - | - | - | - | - |
| Lane Mile | 8,207 | 8,430 | 7,969 | - | - | - | - | - | - | - |
| \$ Operating Revenue ² | 29.06 | 29.20 | - | - | - | - | - | - | - | - |

| Debt Coverage Ratios | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Senior Lien | 3.91x | 5.38x | - | - | - | - | - | - | - | - |
| Subordinate Lien | 2.81x | 5.38x | - | - | - | - | - | - | - | - |

² Operating Revenue used in the debt ratio calculation is obtained from the debt coverage ratios in the table below.

Demographic & Economic Information



State of North Carolina

| | Population ¹ | Personal Income (dollars, seasonally adjusted) ² | Per Capita Personal Income (dollars) ³ | Unemployment Rate |
|---------|-------------------------|---|---|-------------------|
| FY 2021 | 10,683,292 | \$561,597,700 | \$52,568 | 4.6% |
| FY 2020 | 10,582,777 | \$540,565,900 | \$51,080 | 7.5% |
| FY 2019 | 10,474,366 | \$499,245,900 | \$47,664 | 4.0% |
| FY 2018 | 10,367,111 | \$477,559,900 | \$46,065 | 3.9% |
| FY 2017 | 10,253,775 | \$453,270,000 | \$44,205 | 4.4% |
| FY 2016 | 10,139,081 | \$431,829,500 | \$42,591 | 5.0% |
| FY 2015 | 10,019,210 | \$417,614,400 | \$41,681 | 5.9% |
| FY 2014 | 9,921,666 | \$395,238,600 | \$39,836 | 6.4% |
| FY 2013 | 9,831,260 | \$374,544,500 | \$38,097 | 8.1% |
| FY 2012 | 9,737,970 | \$379,135,900 | \$38,934 | 9.3% |

¹ Mid-quarter population estimates by state are derived by BEA based on unpublished Census Bureau estimates of beginning-of-month population. Quarterly estimates for 2012-2021 reflect unpublished monthly population estimates available as of October 2021.

² Seasonally adjusted at annual rates. All dollar estimates are in current dollars (not adjusted for inflation). Calculations are performed on unrounded data.

³ Per capita personal income is total personal income divided by total quarterly population estimates.

Sources: US Bureau of Economic Analysis, SQINC1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income Table
US Bureau of Labor Statistics, Local Area Unemployment Statistics, Unemployment Rate: North Carolina

North Carolina's Ten Largest Private Employers

| Rank | 2021 | 2012 |
|------|----------------------------------|--|
| 1 | Wal-Mart Associates Inc. | Wal-Mart Associates Inc. |
| 2 | Food Lion | Duke University |
| 3 | Duke University | Charlotte Mecklenburg Hospital |
| 4 | Atrium Health | Food Lion |
| 5 | Wells Fargo Bank NA (A Corp) | Wells Fargo Bank NA (A Corp) |
| 6 | Amazon Fulfillment Services Inc | Department of Defense |
| 7 | Lowes Home Centers Inc | State of NC Department of Correction |
| 8 | Defense Ex Army Navy & Air Force | Wake County Public Schools |
| 9 | Dept of Public Safety | Bank of America NA |
| 10 | Harris Teeter | Charlotte-Mecklenburg Board of Education |

Source: NC Department of Commerce, Demand Driven Data Delivery (D4) System, Quarterly Census Employment and Wages, Largest [Private] Employers [by number of employees]

FY 2021 data is based on Q1 of 2021. Q2 data was not available at the time this report was prepared.

North Carolina Employment by Sector

| Industry Sector | FY 2021 | | | FY 2012 | | |
|--|--------------------|-----------------------|---------------------|--------------------|--------------------------|---------------------|
| | Average Employment | Total Wages | Average Weekly Wage | Average Employment | Total Wages | Average Weekly Wage |
| Agriculture, Forestry, Fishing and Hunting | 24,369 | \$232,516,396 | \$734.00 | 29,311 | \$852,239,702 | \$542.24 |
| Mining | 3,096 | \$56,152,870 | \$1,395.00 | 3,008 | \$138,107,516 | \$886.88 |
| Utilities | 15,536 | \$409,656,653 | \$2,028.00 | 13,589 | \$1,079,898,614 | \$1,363.93 |
| Construction | 233,253 | \$3,251,118,657 | \$1,072.00 | 173,176 | \$7,404,117,323 | \$803.48 |
| Manufacturing | 459,754 | \$7,540,903,093 | \$1,262.00 | 439,312 | \$23,270,599,728 | \$974.12 |
| Wholesale Trade | 185,593 | \$4,002,390,474 | \$1,659.00 | 171,674 | \$10,779,161,408 | \$1,145.35 |
| Retail Trade | 508,434 | \$4,192,558,637 | \$634.00 | 455,661 | \$11,537,698,604 | \$479.67 |
| Transportation and Warehousing | 195,697 | \$2,321,249,908 | \$912.00 | 126,501 | \$5,550,484,583 | \$820.48 |
| Information | 76,392 | \$2,154,864,430 | \$2,170.00 | 70,340 | \$4,710,145,255 | \$1,184.46 |
| Finance and Insurance | 201,564 | \$7,574,282,649 | \$2,891.00 | 148,607 | \$11,577,134,733 | \$1,289.31 |
| Real Estate and Rental and Leasing | 59,757 | \$868,808,500 | \$1,118.00 | 48,788 | \$1,988,690,647 | \$750.32 |
| Professional, Scientific, and Technical Services | 281,246 | \$6,479,983,470 | \$1,772.00 | 197,646 | \$13,793,532,887 | \$1,272.91 |
| Management of Companies and Enterprises | 76,818 | \$3,048,865,609 | \$3,053.00 | 80,556 | \$7,418,218,670 | \$1,520.67 |
| Administrative and Support and Waste Management and Remediation Services | 302,386 | \$3,196,128,256 | \$813.00 | 260,978 | \$8,320,714,027 | \$573.40 |
| Educational Services | 372,368 | \$4,692,356,722 | \$969.00 | 374,027 | \$14,750,613,852 | \$758.86 |
| Health Care and Social Assistance | 623,688 | \$8,383,772,721 | \$1,034.00 | 562,963 | \$24,784,593,272 | \$808.95 |
| Arts, Entertainment, and Recreation | 54,334 | \$521,805,070 | \$739.00 | 65,387 | \$1,806,701,597 | \$540.80 |
| Accommodation and Food Services | 368,587 | \$1,747,402,675 | \$365.00 | 362,190 | \$5,445,790,876 | \$289.05 |
| Other Services (except Public Administration) | 112,080 | \$1,101,809,100 | \$756.00 | 99,115 | \$2,852,055,428 | \$545.33 |
| Public Administration | 244,222 | \$3,207,850,407 | \$1,010.00 | 237,386 | \$10,308,242,177 | \$823.08 |
| Total of All Industries | 4,399,174 | 64,984,476,297 | \$1,319.30 | 3,920,215 | \$168,368,740,899 | \$868.66 |

Source: Department of Commerce, Demand Driven Data Delivery (D4) System, Quarterly Census Employment and Wages, Data Industry Sector (2 digit) and Data Total (000000)

FY 2021 data is based on Q1 of 2021. Q2 data was not available at the time this report was prepared.



Operating Information



Capital Assets (in thousands)

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Capital Assets, Nondepreciable | | | | | | | | | | |
| Land & Permanent Easements | \$536,639 | \$462,164 | \$294,274 | \$272,479 | \$258,835 | \$225,501 | \$174,891 | \$149,568 | \$144,959 | \$136,407 |
| Construction in Progress | 449,709 | 302,513 | 137,809 | 777,310 | 672,436 | 444,350 | 262,926 | 206,617 | 165,157 | 692,691 |
| Total Capital Assets, Nondepreciable | 986,348 | 764,677 | 432,083 | 1,049,788 | 931,271 | 669,851 | 437,818 | 356,186 | 310,116 | 829,098 |
| Capital Assets, Depreciable | | | | | | | | | | |
| Highway Network | 1,534,469 | 1,534,469 | 1,534,469 | 806,486 | 806,486 | 806,486 | 806,486 | 806,486 | 806,486 | 185,794 |
| Machinery & Equipment | 25 | 25 | 33 | 60 | 60 | 60 | 60 | 60 | 80 | 80 |
| Total Capital Assets, Depreciable | 1,534,494 | 1,534,494 | 1,534,501 | 806,546 | 806,546 | 806,546 | 806,546 | 806,546 | 806,566 | 185,875 |
| Less Accumulated Depreciation | | | | | | | | | | |
| Highway Network | 175,833 | 146,149 | 116,464 | 92,429 | 76,300 | 60,170 | 44,040 | 27,910 | 11,781 | 1,858 |
| Machinery & Equipment | 25 | 25 | 34 | 60 | 60 | 60 | 60 | 60 | 80 | 72 |
| Total Accumulated Depreciation | 175,858 | 146,174 | 116,498 | 92,489 | 76,360 | 60,230 | 44,100 | 27,971 | 11,861 | 1,930 |
| Total Capital Assets, Depreciable, Net of Depreciation | 1,358,636 | 1,388,320 | 1,418,003 | 714,057 | 730,186 | 746,316 | 762,446 | 778,576 | 794,705 | 183,945 |
| Total Capital Assets, Net of Depreciation | \$2,344,985 | \$2,152,997 | \$1,850,086 | \$1,763,845 | \$1,661,457 | \$1,416,167 | \$1,200,264 | \$1,134,761 | \$1,104,822 | \$1,013,043 |

NC Quick Pass Transponders Distributed

| FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 163,862 | 243,077 | 213,058 | 101,450 | 67,439 | 62,950 | 44,300 | 39,708 | 60,646 | 21,211 |

Maintenance Rating Program

The NCTA Maintenance Rating Program (MRP) was developed through a collaborative effort by NCTA managers, NCDOT maintenance staff, and consultants to monitor, manage, and proactively maintain NCTA's roadway assets. The roadway maintenance performance standards were created with the purpose of providing a clear and quantitative set of goals to ensure the facility meets customer expectations, as well as considerations unique to NCTA.

The rating process consists of quarterly inspections that are conducted during the months of February, May, August, and November to account for dynamic changes in assets during each season. A randomly selected sample of maintenance characteristics is evaluated each quarter according to performance standard threshold criteria. These quarterly inspection results are shared with managers and maintenance providers to identify areas requiring additional resources and to prioritize maintenance operations. The annual rating score represents the percentage of assets inspected during the four quarterly inspections that are meeting the condition standards. The NCTA's overall target rating score is 90.

Triangle Expressway

| CY 2020 | CY 2019 | CY 2018 | CY 2017 | CY 2016 | CY 2015 | CY 2014 | CY 2013 |
|---------|---------|---------|---------|---------|---------|---------|---------|
| 91.5 | 93.0 | 94.7 | 91.8 | 94.2 | 93.2 | 89.3 | 94.2 |

Monroe Expressway

| CY 2020 |
|---------|
| 94.6* |

*This rating is from the baseline inspection on the Monroe Expressway. Quarterly inspections as a part of the MRP began in CY 2021.

Keep North Carolina Moving

North Carolina Turnpike Authority

 ncdot.gov/turnpike  (919) 707-2700

