

North Carolina Turnpike Authority

A Business Unit of the North Carolina Department of Transportation

Comprehensive Annual

Financial Report

2020



Fiscal Year ended June 30, 2020

Prepared by
The Finance Department
of the North Carolina Turnpike Authority

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STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

J. ERIC BOYETTE
SECRETARY

October 30, 2020

J. Eric Boyette, Secretary
North Carolina Department of Transportation
1 S. Wilmington Street
Raleigh, North Carolina 27601

Dear Secretary Boyette:

The Finance Department of the North Carolina Turnpike Authority (“NCTA” or “Authority”) is pleased to submit the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The enclosed report reflects management’s representation of NCTA’s finances and serves to highlight the Authority’s achievements over the last fiscal year as well as our ongoing commitment to supporting North Carolina’s transportation system.

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 2020 senior debt service coverage ratios for the Triangle Expressway and Monroe Expressway were 1.60x and 5.38x, respectively, exceeding the 1.30x coverage requirement from the Trust Agreement for each facility.

In the first half of FY 2020, the Turnpike Authority continued to see strong growth on both the Triangle Expressway and Monroe Expressway. As a result of the COVID-19 pandemic in the second half of the fiscal year, NCTA saw reductions in traffic volumes, toll transactions and revenues on both the Triangle Expressway and Monroe Expressway. The overall extent of the pandemic and its impacts to the Authority’s operations and financial conditions are unknown and will depend on future developments, which at this time remain uncertain.

In FY 2020, NCTA began the 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

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miles along I-485 from I-77 to U.S. 74. The express lanes are expected to open to traffic in late 2022. 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 2020 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).

In FY 2020, over 96,500 new NC Quick Pass accounts were opened and over 1.12 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.

Safety and the use of innovation and technology remained a priority to the Turnpike Authority during FY 2020. 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 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established. Cherry Bekaert LLP, an independent audit firm, has issued an unmodified opinion on the North Carolina Turnpike Authority’s financial statements for the fiscal years ended June 30, 2020 and 2019. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A), immediately follows the independent auditors’ report and provides an introduction, overview and analysis of the basic financial statements. The MD&A should be read in conjunction with this letter of transmittal.

We thank you for your continued support as we work to carry out our mission of delivering innovative transportation solutions for the citizens of North Carolina.

Sincerely,

James J. Eden
Executive Director

David Roy
Director of Finance and Budget

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 (NC General Statute §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.

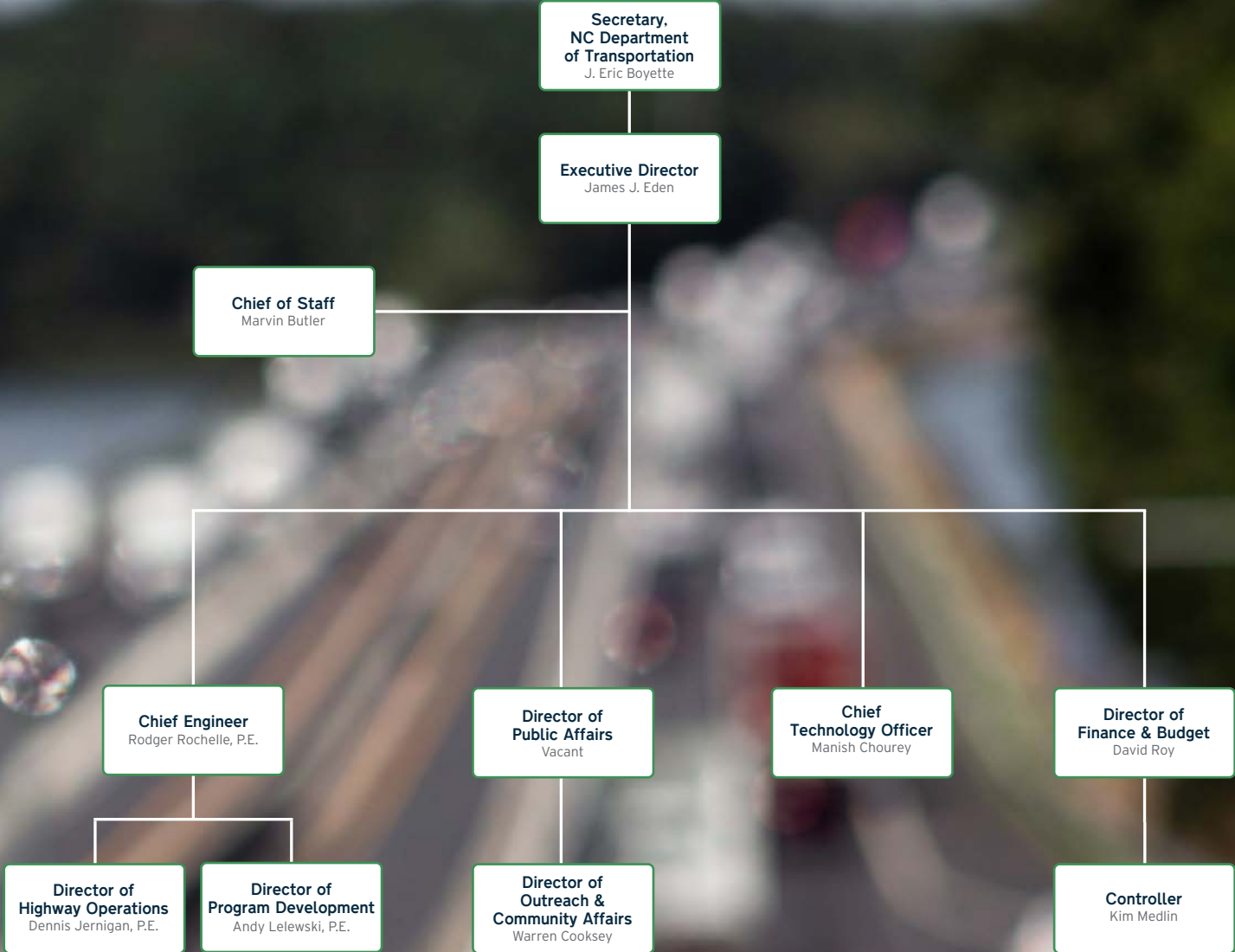
Mission Statement

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.

Five-Year Strategic Goals

- Deliver Transportation Solutions
- Respected Leader & Partner in Transportation Network
- Customer-Driven Organization
- Financially Sound Organization
- Highly Qualified & Engaged Team

Organizational Structure



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 NCGS §136-89.183 (a)(5);
- Issue bonds or notes of the Turnpike Authority pursuant to NCGS §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 NCGS §159-30 pursuant to NCGS §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



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

- Monroe Expressway
- I-77 Express Lanes North
- I-485 Express Lanes
- U.S. 74 Express Lanes
- I-77 Express Lanes South

Raleigh Area

- Triangle Expressway
- Complete 540 Phase 1
- Complete 540 Phase 2

Outer Banks

- Mid-Currituck Bridge

Project status as of June 30, 2020

- Open to Traffic
- Under Construction
- Under Development

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”) has been delivered as a concession agreement between NCDOT and I-77 Mobility Partners, LLC and is the first toll project in the state of North Carolina delivered via a public-private partnership (P3). The I-77 Express Lanes North project is approximately 26 miles long between the I-77 / I-277 junction in Charlotte and N.C. 150 in Mooresville. The Turnpike Authority is only responsible for account management, billing and customer service for the express lanes. The northernmost 13 miles of the express lanes opened to traffic in June 2019 and the remaining phase opened in November 2019.

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 (STIP Projects R-2721A, R-2721B and R-2828) 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 the 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, 2020, 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 expected to open to traffic in mid-2023.



I-485 Express Lanes

The I-485 Express Lanes (STIP Project I-5507) 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 and the I-485 Express Lanes are expected to open to traffic in late 2022.

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®

FY 2020 proved to be the most active year for NCTA's NC Quick Pass program to date despite the onset of the COVID-19 pandemic. Record highs were observed over multiple metrics and were most directly attributable to the continued ramp up of the Monroe Expressway and I-77 Express Lanes during the first half of the fiscal year, as well as the continued marketing efforts.

NC Quick Pass sold over 243,000 transponders, opened more than 96,500 accounts and had over 1.12 million new Bill by Mail (BBM) customers over the course of the fiscal year.

NC Quick Pass also celebrated the one-year anniversary of the openings of the Monroe and Charlotte customer service centers.

Even though the NC Quick Pass program saw increases in year-over-year metrics, the pandemic had a significant impact on the NC Quick Pass program. Leadership was quick to react with new protocols and safety improvements in response to COVID-19. To protect public health during the COVID-19 response, all three NC Quick Pass walk-in customer service centers were temporarily closed to the public on March 17 at 5 p.m. The call center remained open at reduced capacity in order to maintain social distancing. With decreased usage on the toll facilities, the call center experienced a reduction in call volumes and was able to maintain service levels with limited staff.

On March 30, third-party collection efforts and vehicle registration holds for past due accounts were suspended. Shortly thereafter, the assessment of all processing fees and civil penalties on Bill by Mail invoices were suspended. These suspensions remained in place through the end of FY 2020.

The walk-in customer services centers remained closed and the call center operated at reduced capacity through the remainder of FY 2020.

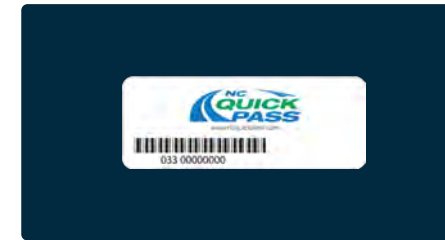


As directed by North Carolina General Statute § 136-89.193(b) and Section 3.1 of Session Law 2016-90, the NCTA and the NCDOT report that there were no one-time toll facility users who were charged more than \$50 in processing fees imposed under G.S. 136-89.215 and civil penalties under G.S. 136-89.216.

Over
243,000
Transponders Sold
14% YOY increase



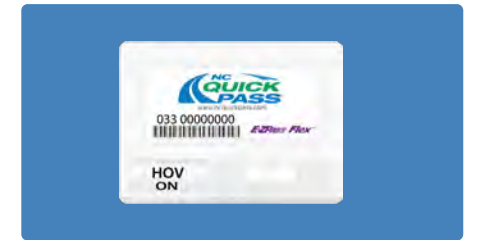
The month with the highest sales was July 2019 with over 32,000 transponders sold.



NC Quick Pass
62% of transponders sold



NC Quick Pass E-ZPass
27% of transponders sold



NC Quick Pass E-ZPass Flex
10% of transponders sold

All other transponders account for 2% of total.
The percentages do not add up to 100% due to rounding.

Over
96,500
NC Quick Pass Accounts Established
16% YOY increase



The month with the highest amount of accounts established was July 2019 with over 13,700 new NC Quick Pass account holders.

New Bill by Mail (BBM) customers are established with NC Quick Pass when invoices are generated for first-time users on an NC toll facility. Invoices are mailed to these customers via the NC Quick Pass BBM program.

Over
1.12M
New BBM Customers
33% YOY increase

Over
4.94M
Invoices Mailed & Emailed



The month with the highest number of first-time users was July 2019 with over 167,000 new BBM customers.

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. Each facility is patrolled two full shifts per day including one each during the morning and evening peak periods.

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 that are 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 2021. 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 2020 Highlights

829 IMAP responses on the Triangle Expressway

519 IMAP responses on the Monroe Expressway



Technology

The North Carolina Turnpike Authority (NCTA) transformed its approach in FY 2020 to evolve as a technology operations organization, focusing on data-driven decisions and to identifying efficiencies in toll collection methodologies.

NCTA continues to transform the tolling industry through investments in new technologies and services. In late FY 2020, NCTA's new customer service center operator took over responsibilities for the Authority's NC Quick Pass transponder program, based on a contract that is structured around outcomes and deliverables to meet high customer service standards. This is the first phase of a multi-phase modernization of NCTA's back office and customer experience technologies.

Regarding future phases, NCTA established a platform roadmap for a toll collection system that will be open to allow multiple vendors to provide services and products that help maintain revenue service and continue to identify toll collection efficiencies. As part of the roadmap, NCTA instituted a newly innovative cloud hub used to test new technologies, including an automated audit hub that uses data streams to analyze data from its toll collection system to audit, detect and resolve anomalies. NCTA also used its innovation hub to test new connected vehicle data services technologies.

Connected Vehicle Data Services

Regarding increased investments into making data-driven decisions, NCTA conducted a connected vehicle data services pilot project beginning in December 2019.

For the pilot, NCTA evaluated connected vehicle movement before and after the opening of the Morrisville Parkway interchange. The resulting data helped NCTA understand impacts to traffic movements and toll revenues due to changes to the toll system network. NCTA determined that several connected vehicles started using the new interchange as an alternate access point (trending similarly with general traffic data), and revenues were not negatively impacted.

Looking Ahead

NCTA is modernizing its toll collection system platform to better accommodate future statewide toll facilities with a more centralized system and support approach. In addition, NCTA is moving to multi-cloud platforms to provide flexibility with emerging and evolving technologies in multiple associated arenas (credit cards, geo-fencing and automotive, to name a few).

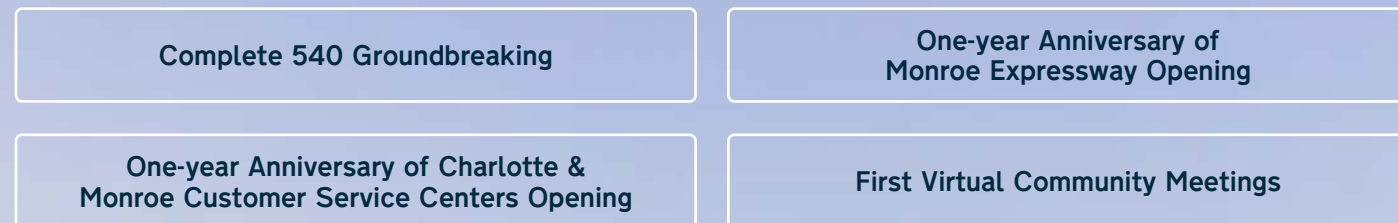
NCTA continues to look at new e-commerce technologies through customer service partnerships that will provide outstanding customer service and more convenient payment options to all NC Quick Pass customers while also increasing NCTA's toll collection efficiency.

Public Outreach & Marketing

Fiscal Year 2020 Statistics



Fiscal Year 2020 Highlights



NC Quick Pass

The North Carolina Turnpike Authority continues to implement innovative ways to reach customers and communities. FY 2020 celebrated the one-year anniversary of the opening of the Charlotte area customer service centers and the Monroe Expressway, and another NC Quick Pass marketing campaign. Many of the marketing and outreach plans scheduled for late FY 2020 were canceled or delayed because of the COVID-19 pandemic. Transponder sales, marketing campaign impressions and outreach numbers were significantly impacted by the outbreak of this virus.

5.4M
Total ncquickpass.com
page views
59% YOY increase

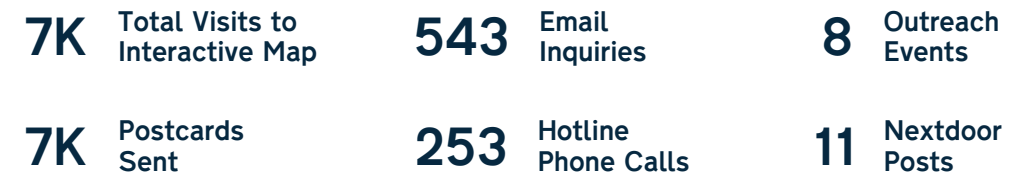
In FY 2020, NC Quick Pass launched a comprehensive marketing campaign in the Raleigh and Charlotte areas. The campaign included, radio, community events, digital advertising and social media outreach. The campaign ran at different capacities between November 2019 and February 2020, resulting in 44 million marketing campaign impressions and 103,000 marketing campaign clicks.

COVID-19 Impact
~20%
Total ncquickpass.com
monthly page views
compared to pre-covid visits

Public outreach included promoting the NC Quick Pass program to more than 112,000 people around the Charlotte and Raleigh region through participation in more than 26 community events during FY 2020.

Complete 540

Representatives from NCDOT, NCTA and surrounding communities gathered Wednesday, November 13, 2019 to break ground on the Complete 540 project. Construction will be completed in phases. The first phase will stretch from N.C. 55 Bypass to I-40, and the second will connect I-40 to the U.S. 64 / U.S. 264 Bypass (I-87). The project, once constructed, will complete the Outer Loop around the greater Raleigh area. NCTA remains committed to keeping the public in the know regarding construction activities for the Complete 540 project. An interactive map where users can see up to date construction activities happening on the project was launched in FY 2020. In-person meetings and presentations were put on hold when a stay-at-home order was issued in North Carolina due to the pandemic. NCTA researched and found new ways to reach neighbors during this time, which included hosting the first virtual community meeting. Statistics for Complete 540 outreach are shown below.



Throughout the life of construction, outreach will continue to include involvement with our community partners such as Regional Transportation Alliance, Capital Area Metropolitan Planning Organization and numerous municipalities.

Looking Ahead

As we continue to adapt to changes resulting from the impact of COVID-19, longstanding communications practices will change. FY 2021 will include a comprehensive marketing campaign around the anticipated launch of the new back office system and the NC Quick Pass program. Public outreach will continue around building awareness of the NC Quick Pass program and benefits of using the toll roads as well as outreach for projects under construction and under development.

Financial Section

Fiscal Year 2020 Highlights

\$52.8M

**Triangle Expressway
Actual Revenue**

\$21.3M

**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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

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 Schedule of Revenues and Expenditures – Modified Cash Basis – Non-GAAP is presented for purposes of additional analysis and is 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 22, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NCTA's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 22, 2020

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, 2020, 2019, and 2018. 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, 2020 and 2019, the statements of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, and the statements of cash flows for the years ended June 30, 2020 and 2019. **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 statements of revenues and expenses are on page 53).** 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. General Statute §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 North Carolina General Statute §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."

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 Year (CY) 2019, the average cost per mile for customers on the Triangle Expressway in a Class 1 (two-axle) vehicle paying with a transponder was \$0.18 and in CY 2020, the average cost per mile increased to \$0.19. In CY 2019, 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 2020, the average cost per mile remained at \$0.14.

COVID-19 Pandemic

In December 2019, a highly contagious strain of coronavirus that causes mild to severe respiratory illness ("COVID-19") emerged in Wuhan, China. While initially the outbreak was concentrated in China, it has spread to numerous other countries. Infections have been reported globally, including in the United States, and its effects have been declared a pandemic by the World Health Organization. The pandemic has altered the behavior of businesses and people in a manner that is having negative effects on national, regional and local economies, including those of the United States, the State and the regions thereof served by the Triangle Expressway and the Monroe Expressway. The Turnpike Authority has seen reductions¹ in traffic volumes, toll transactions and revenues on the Triangle Expressway and the Monroe Expressway as a result of the pandemic.

The use of the Triangle Expressway and the Monroe Expressway and the resulting toll revenues are influenced by numerous factors. The COVID-19 pandemic has had, and is likely to continue to have, an adverse impact on travel. The pandemic, and the social distancing measures implemented in response to it, have resulted in decreased traffic volume generally on all State roads, including on the Triangle Expressway and the Monroe Expressway. Diminished use of the expressways may also be occurring because of the relative lack of congestion on alternative non-toll roads. The level of toll revenues has been negatively affected by such decreased traffic levels, but the degree and duration of the impact is difficult to predict at this time. The extent to which the COVID-19 pandemic impacts the Authority's operations and its financial condition will depend on future developments, which are highly uncertain.

¹ More information can be found in the following notices: <https://emma.msrb.org/RE1328668-RE1035132-RE1442586.pdf>; <https://emma.msrb.org/RE1341707-RE1044191-RE1452359.pdf>

Financial Highlights & Analysis

Turnpike Authority Fund

Budgeted Administrative Activities for fiscal years 2020 and 2019 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 \$534.3 million to \$2.7 billion.
- The Turnpike Authority's total capital assets increased \$302.9 million to \$2.2 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 the 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.

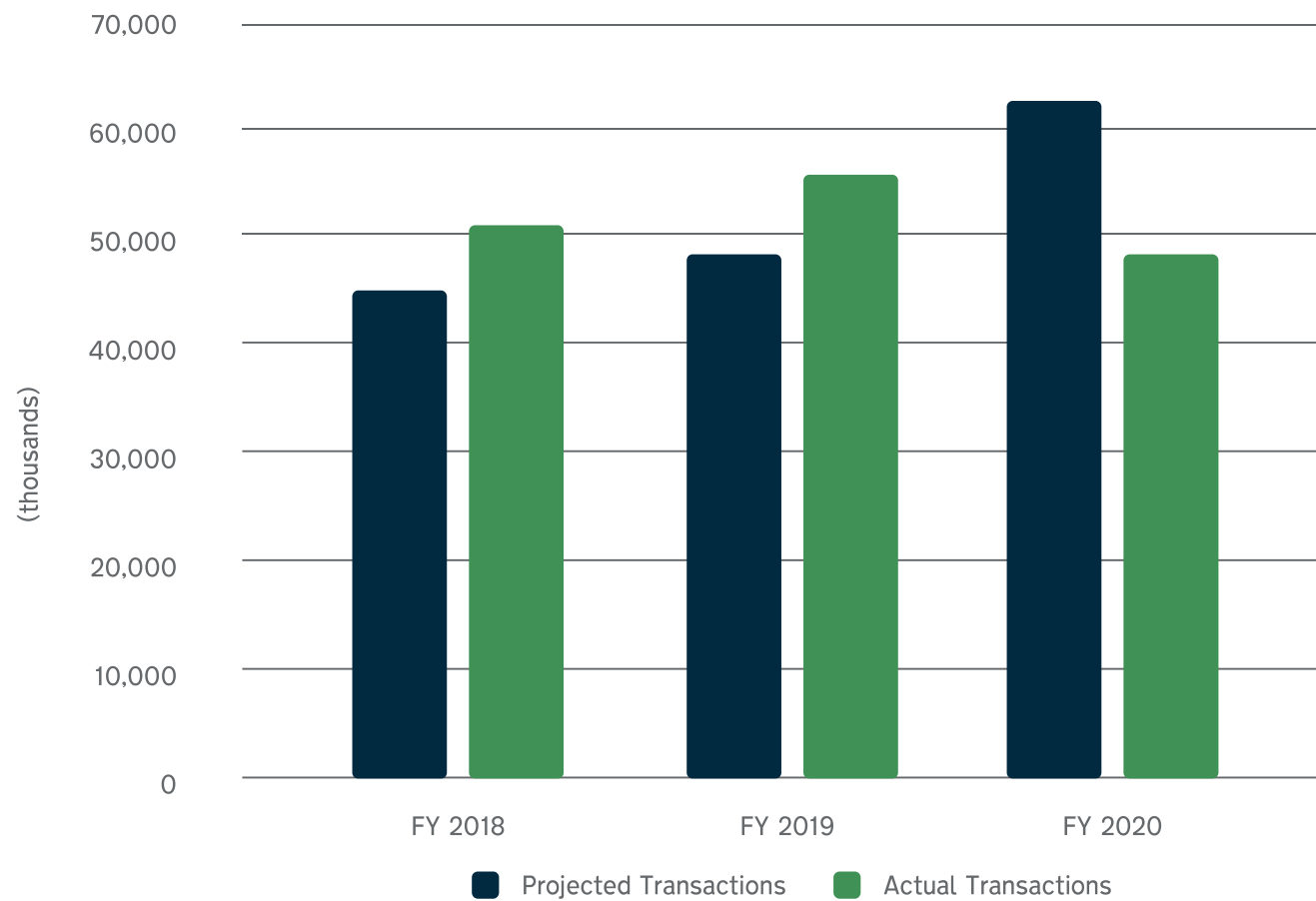
Fiscal Year 2020 Highlights

- Transactions decreased 11.1% to 49.5 million in FY 2020 from FY 2019 due to impacts from the COVID-19 pandemic.
- With impacts from the COVID-19 pandemic, actual revenue only increased 0.5% to \$52.8 million in FY 2020 from FY 2019. FY 2020 had the highest fiscal year operating revenue on record which was the seventh straight year of revenue growth.
- Operating expenses for the Triangle Expressway increased by 0.7% to \$20.3 million in FY 2020 which was 1.0% under budget.
- In October 2019, Fitch upgraded the outstanding Senior Lien Toll Revenue Bonds on the Triangle Expressway to BBB from BBB-. The rating outlook is stable.
- In November 2019, Fitch upgraded the State Appropriation Revenue Bonds, Series 2009B on the Triangle Expressway to AA+ from AA. The rating outlook is stable.
- In December 2019, the Turnpike Authority issued Triangle Expressway System Toll Revenue Bonds, Series 2019, Triangle Expressway System State Appropriation Bonds, Series 2019 and closed on a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to fund the construction of the Complete 540 Phase 1 project.

Transactions & Revenue

The Triangle Expressway has seen seven consecutive fiscal years of revenue growth. Starting in 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. In FY 2020, transactions and revenue were below the 2019 projections by 21.9% and 7.5%, respectively due to impacts from the COVID-19 pandemic. The table below shows the number of toll transactions on the Triangle Expressway in fiscal years 2018, 2019 and 2020.

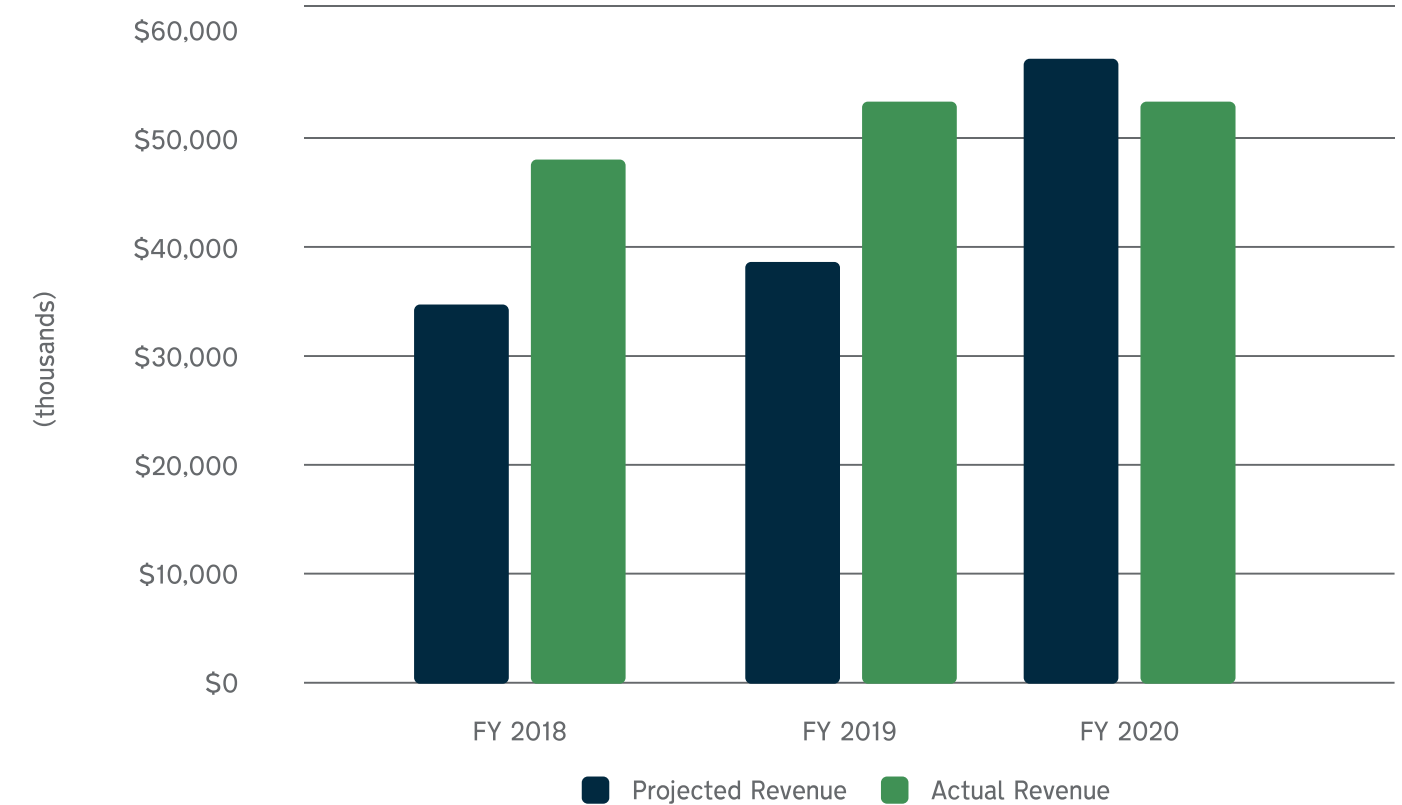
	FY 2018	FY 2019	FY 2020
Projected Transactions	45,037,000	48,466,000	63,399,000
Actual Transactions	51,236,836	55,711,406	49,528,840
Actual to Projected (%)	114%	115%	78%
Actual Transactions YOY Increase (%)	7.8%	8.7%	-11.1%



The table below shows the actual revenue received on the Triangle Expressway in fiscal years 2018, 2019 and 2020. FY 2020 operating revenue on the Triangle Expressway totaled nearly \$52.0 million. Actual revenue is shown on a cash basis and is inclusive of the following:

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

	FY 2018	FY 2019	FY 2020
Projected Revenue	\$35,719,000	\$39,705,000	\$57,086,000
Actual Revenue	\$48,937,600	\$52,551,254	\$52,790,367
Actual to Projected (%)	137%	132%	92%
Actual Revenue YOY Increase (%)	11.2%	7.4%	0.5%



	FY 2018	FY 2019	FY 2020
Toll Revenue as a % of Total Actual Revenue	88.0%	91.6%	88.5%

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

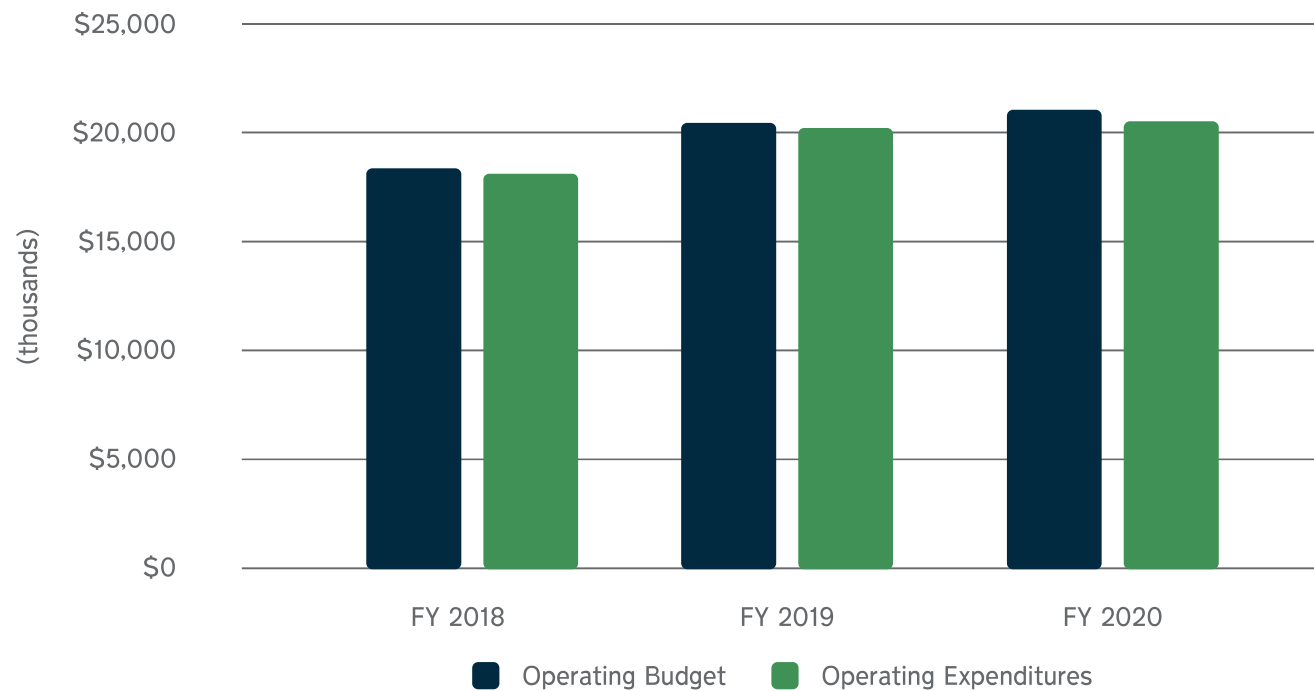
Operating Expenses

Operating Expenses for the Triangle Expressway are shown on a cash basis and include:

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

Beginning in FY 2020, operating expenses for the Triangle Expressway also included NCDOT System Charges and Administrative expenses. Below is a breakdown of the operating budgets and expenses for the Triangle Expressway for fiscal years 2018, 2019 and 2020. Operating expenses increased by 0.7% in FY 2020, 11.7% in FY 2019 and 10.5% in FY 2018.

	FY 2018	FY 2019	FY 2020
Operating Budget	\$18,229,305	\$20,241,040	\$20,486,055
Operating Expenses	\$18,019,430	\$20,128,589	\$20,279,418



Monroe Expressway

The Monroe Expressway is an 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.

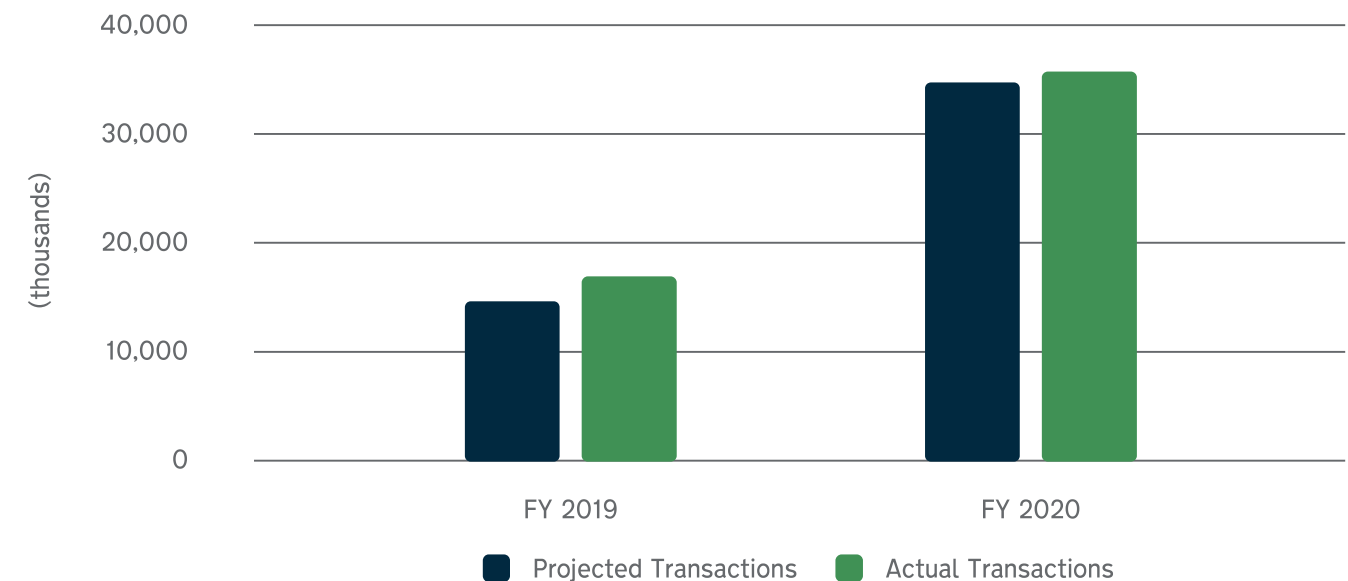
Fiscal Year 2020 Highlights

- In FY 2020, the Monroe Expressway had 35.2 million transactions which was 3.4% above projections, even though traffic was negatively impacted from the COVID-19 pandemic.
- In FY 2020, the Monroe Expressway earned \$21.3 million in actual revenue which was 18.2% above projections even with impacts from the COVID-19 pandemic.
- Operating expenses for the Monroe Expressway totaled \$9.5 million in FY 2020 which was 11.0% under budget.

Transactions & Revenue

The Monroe Expressway has seen steady transaction and revenue growth in Fiscal Year 2020. Below is a table that shows the number of toll transactions compared to projections from the original 2016 investment grade Traffic and Revenue Report prepared by CDM Smith. FY 2020 transactions exceeded 2016 projections by 3.4%.

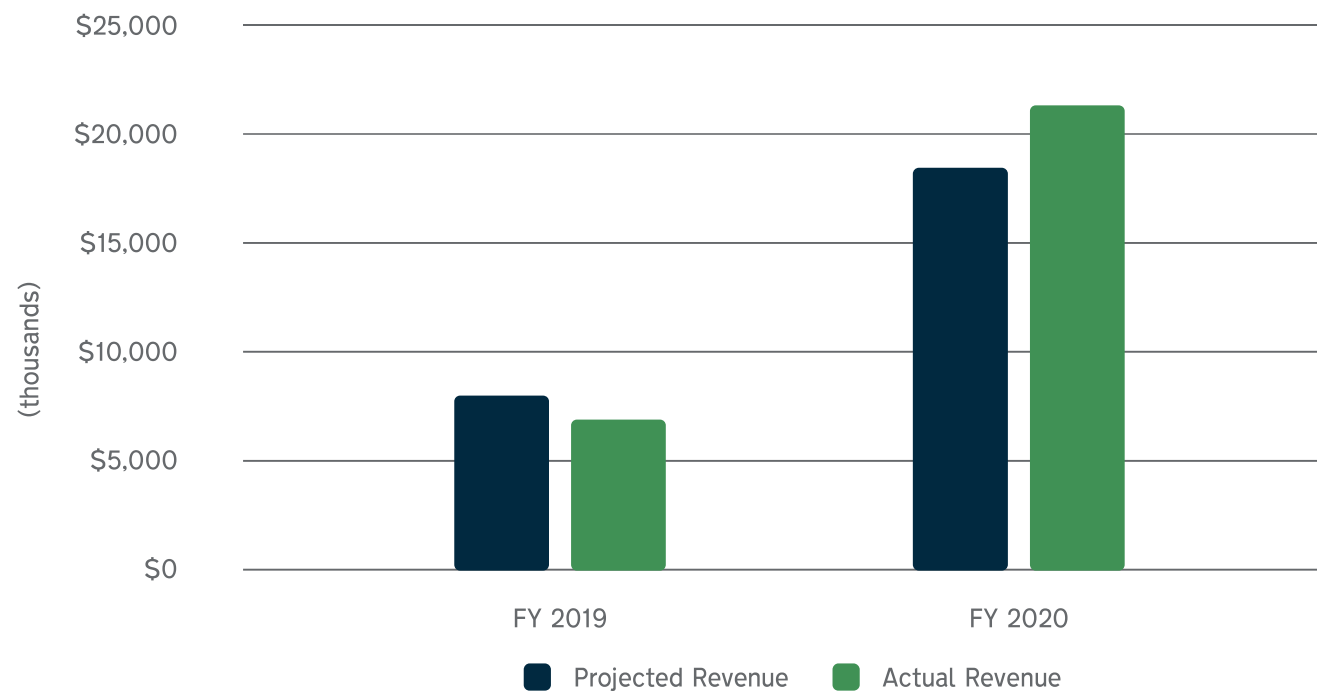
	FY 2019	FY 2020
Projected Transactions	14,324,000	34,082,000
Actual Transactions	15,465,670	35,240,510
Actual to Projected (%)	108%	103%



The table below shows the actual revenue received on the Monroe Expressway in fiscal years 2019 and 2020. FY 2020 operating revenue on the Monroe Expressway totaled nearly \$22.9 million. Actual revenue is shown on a cash basis and is inclusive of the following:

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

	FY 2019	FY 2020
Projected Revenue	\$7,519,000	\$18,055,000
Actual Revenue	\$6,516,170	\$21,335,260
Actual to Projected (%)	87%	118%



	FY 2019	FY 2020
Toll Revenue as a % of Total Actual Revenue	90.1%	88.7%

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

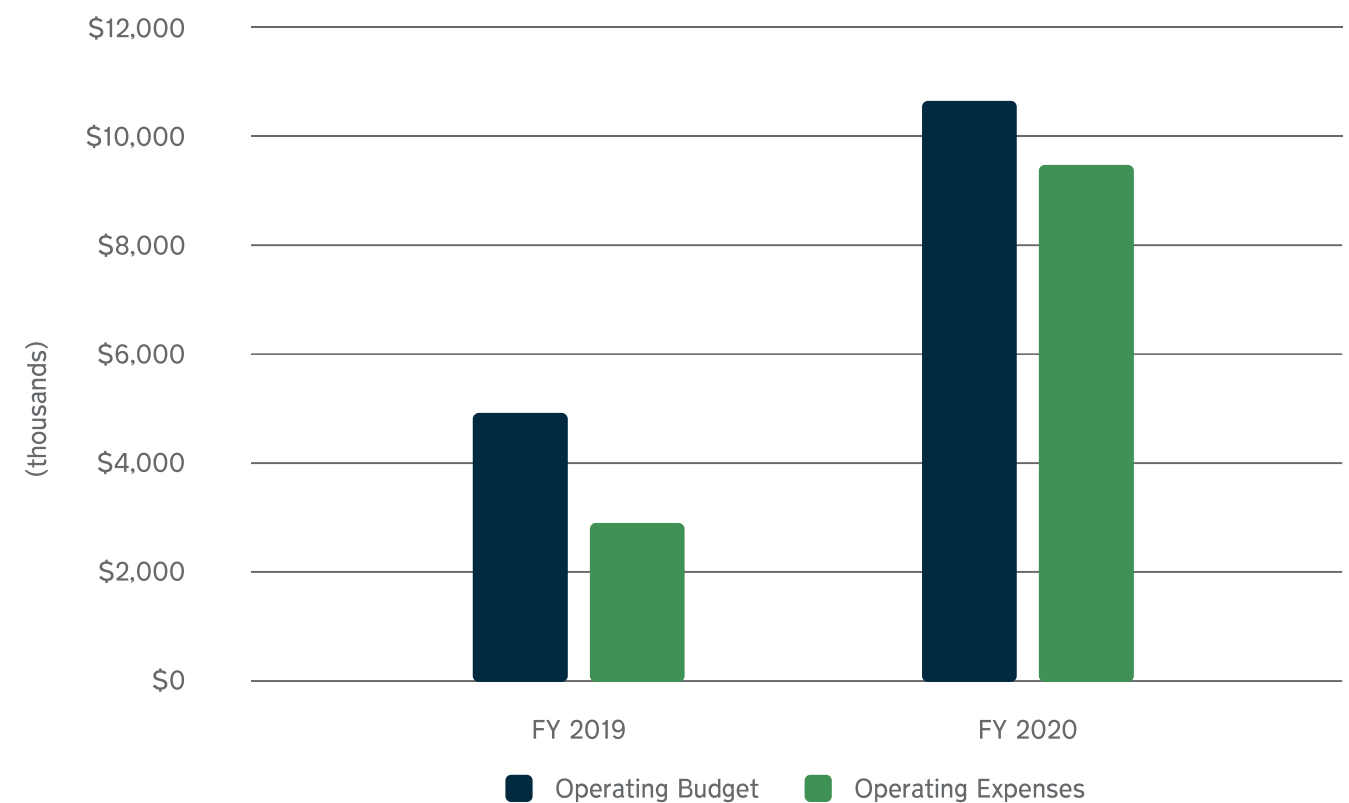
Operating Expenses

Operating Expenses for the Monroe Expressway are shown on a cash basis and include:

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

Beginning in FY 2020, operating expenses for the Monroe Expressway also included NCDOT System Charges and Administrative expenses. Below is a breakdown of the operating budget and expenses for the Monroe Expressway for fiscal years 2019 and 2020. The operating budgets for FY 2019 and 2020 are from the base case projections at financial close. Operating expenses were below budget by 38.4% in FY 2019 and 11.0% in FY 2020. The differences between budget and actuals can mainly be attributed to the fact that, while substantial completion was reached in November 2018, final acceptance for both construction and the toll systems is not expected to be reached until early FY 2021. As a result, many maintenance activities and costs were not the responsibility of the Turnpike Authority during FY 2020.

	FY 2019	FY 2020
Operating Budget	\$4,616,500	\$10,677,299
Operating Expenses	\$2,843,312	\$9,502,204



New Debt Issuances

Triangle Expressway

On December 17, 2019, NCTA closed on the two following bond issuances 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.

- \$370,975,000 of Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2019. Interest on the bonds is payable semiannually on January 1 and July 1 of each year, beginning July 1, 2020. The Series 2019 bonds mature on January 1 in the years 2042–2044, 2049 and 2055 and were issued at coupon rates of 3.000%, 4.000% and 5.000%. The bonds are subject to optional redemption on or after January 1, 2030.
- \$115,979,250 of Triangle Expressway System Appropriation Revenue Bonds, Series 2019. Interest will not be paid on the bonds but will accrete and be paid upon their maturity. The Series 2019 bonds mature on January 1 in the years 2040 through 2049. The bonds are subject to optional redemption on or after January 1, 2030.

On December 17, 2019, NCTA also closed on a \$499,461,980 Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan for the Triangle Expressway System to fund the construction of the Complete 540 Phase 1 project. As of June 30, 2020, NCTA had not drawn on the TIFIA Loan.

Monroe Expressway

There were no new debt issuances for the Monroe Expressway in Fiscal Year 2020.



Debt Outstanding as of June 30, 2020

Triangle Expressway

Series	Outstanding Par	Maturity
Appropriation Revenue Bonds, Series 2009B	\$10,275,000	1/1/2021
Appropriation Revenue Refunding Bonds, Series 2018A	\$150,125,000	1/1/2039
Appropriation Revenue Refunding Bonds, Series 2018B	\$161,019,000	1/1/2032
Appropriation Revenue Bonds, Series 2019	\$115,979,250	1/1/2049
Senior Lien Revenue Bonds, Series 2009B	\$35,173,109	1/1/2038
Senior Lien Revenue Refunding Bonds, Series 2017	\$188,345,000	1/1/2039
Senior Lien Revenue Refunding Bonds, Series 2018	\$400,265,000	1/1/2041
Senior Lien Revenue Bonds, Series 2019	\$370,975,000	1/1/2055
TIFIA Loan	\$499,461,980	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	\$114,230,000	7/1/2041
Toll Revenue Bonds, Series 2016A	\$119,455,000	7/1/2054
Toll Revenue Bonds, Series 2016C	\$17,596,904	7/1/2041
TIFIA Loan	\$166,500,000	7/1/2053

Fund Balances as of June 30, 2020

Triangle Expressway

Fund	Balance
State Appropriation Revenue	\$-
State Appropriation Reserve	8,469,359
Revenue	-
Operations & Maintenance Expense Fund	3,508,075
Operating Reserve Fund	5,402,712
Renewal & Replacement Fund	24,439,300
Project Fund	142,513,753
Unrestricted General Reserve	63,930,035

Monroe Expressway

Fund	Balance
State Appropriation Revenue	\$140
State Appropriation Reserve	4,303,953
Revenue	-
Senior Debt Service Reserve Fund	12,111,775
Operations & Maintenance Expense Fund	2,064,081
Operating Reserve Fund	3,522,919
Renewal & Replacement Fund	6,276,665
TIFIA Debt Service Reserve Fund	11,817,460
Ramp-Up Reserve Fund	31,215,072
Project Fund	34,369,945
Unpledged Reserve	12,726,939

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

	2020	2019	2018
Current Assets	\$ 41,308,015.56	\$ 30,438,031.58	\$ 18,735,628.56
Restricted Assets, Prepaid Insurance Costs, and Net OPEB Asset	521,188,095.29	300,628,739.32	275,924,998.73
Capital Assets	2,152,996,506.66	1,850,085,869.36	1,763,845,036.74
Total Assets	<u>2,715,492,617.51</u>	<u>2,181,152,640.26</u>	<u>2,058,505,664.03</u>
Deferred Outflows of Resources	<u>28,075,109.50</u>	<u>30,349,746.50</u>	<u>28,830,658.95</u>
Current Liabilities	129,235,711.99	117,186,988.36	141,317,794.87
Noncurrent Liabilities	2,260,855,861.32	1,692,373,834.10	1,595,214,113.90
Total Liabilities	<u>2,390,091,573.31</u>	<u>1,809,560,822.46</u>	<u>1,736,531,908.77</u>
Deferred Inflows of Resources	<u>1,076,752.00</u>	<u>1,147,919.00</u>	<u>744,332.00</u>
Net Investment in Capital Assets	433,327,378.11	484,796,525.78	529,511,803.08
Restricted:			
Debt service	160,747,741.65	108,390,159.83	94,453,382.83
Transportation	14,461,310.84	177,263.89	-
Unrestricted	(256,137,028.90)	(192,568,407.20)	(273,901,894.70)
Net Position	<u>\$ 352,399,401.70</u>	<u>\$ 400,795,542.30</u>	<u>\$ 350,063,291.21</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

The increase in FY 2020 was due to an increase in accounts receivable and an increase in securities lending collateral allocation due to increases in Short-Term Investment Fund (STIF) participation balances. The increase in FY 2019 was due to an increase in accounts receivable, including a receivable of federal funds for the Complete 540 project.

Restricted Assets and Prepaid Insurance Costs

The increase in FY 2020 was due to new debt issuances related to Complete 540 project and increase in restricted cash due to increased usage of the I-77 HOT lanes. The increase in FY 2019 was due to the sale of bonds which increased restricted investments.

Capital Assets

Capital Assets, Non-Depreciable

The increase in FY 2020 was due to the increase in the construction in progress and the land accounts for continued work on the various turnpike projects. The decrease in FY 2019 was due to the reclassification of the Monroe Expressway from construction in progress to a depreciable capital asset as the road opened in FY 2019. For additional information regarding NCTA's capital assets, please see the notes to the financial statements on pages 25 and 30.

Capital Assets, Depreciable, Net

The decrease in FY 2020 was due to the first full year of depreciation for the Monroe Expressway. The increase in FY 2019 was due to the opening of the Monroe Expressway and the reclassification from construction in progress to a depreciable asset. For additional information regarding NCTA's capital assets, please see the notes to the financial statements on pages 25 and 30.

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. The increase in FY 2020 was due to an increase in accrued interest payable for new debt issuances related to Complete 540 project and an increase in obligations under securities lending allocation due to increases in STIF participation balances. The decrease in FY 2019 was due to a decrease in the payables to other funds. At June 30, 2019 most of the outstanding Monroe Expressway contract payment reimbursements to the Highway Fund had been cleared that were outstanding at June 30, 2018.

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 FY 2020 was due to the increase in bonds, note, and accrued interest payables for new debt issuances related to Complete 540 project. The increase in FY 2019 was due to the increase in bonds payable. For additional information regarding NCTA's long-term debt activity, please see the notes to the financial statements on pages 31-36.

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

For fiscal years 2020, 2019, and 2018, the Turnpike Authority ended with positive net position.

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

	2020	2019	2018
Operating Revenues:			
Charges for Services	\$ 77,198,284.98	\$ 63,987,342.98	\$ 48,999,352.61
Other Operating Revenues	5,414,493.83	1,168,045.23	648,256.27
Total Operating Revenues	<u>82,612,778.81</u>	<u>65,155,388.21</u>	<u>49,647,608.88</u>
Operating Expenses:			
Personnel Services	2,737,895.65	1,643,266.67	1,326,736.25
Supplies and Materials	277,128.92	69,796.86	72,748.57
Contracted Personnel Services	11,918,251.09	7,433,640.27	5,982,966.74
Travel	44,425.80	67,194.56	49,989.22
Advertising	419,473.01	574,499.10	123,921.65
Utilities	268,708.47	275,971.24	281,988.94
Dues and Subscription Fees	37,467.00	11,500.00	23,960.00
Other Services	15,467,390.01	5,316,703.91	3,814,480.59
Cost of Goods Sold	1,045,709.16	810,118.81	726,724.39
Capital Outlay	39,173,939.54	27,542,825.41	9,946,412.10
Rental Expense	205,073.31	176,432.27	107,994.45
Depreciation	29,683,522.95	24,035,020.18	16,129,720.29
Total Operating Expenses	<u>101,278,984.91</u>	<u>67,956,969.28</u>	<u>38,587,643.19</u>
Operating Income (Loss)	<u>(18,666,206.10)</u>	<u>(2,801,581.07)</u>	<u>11,059,965.69</u>
Nonoperating Revenue (Expenses) and Capital Grants	(68,871,441.85)	(24,802,956.86)	(33,562,851.52)
Transfers In	185,396,232.90	78,336,789.02	55,543,931.22
Transfers Out	<u>(146,254,725.55)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(48,396,140.60)	50,732,251.09	33,041,045.39
Net Position Beginning, July 1	400,795,542.30	350,063,291.21	319,038,039.00
Net Position, Restatement (GASB 75)	-	-	(2,015,793.18)
Net Position Ending, June 30	<u>\$ 352,399,401.70</u>	<u>\$ 400,795,542.30</u>	<u>\$ 350,063,291.21</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 increase in revenues in FY 2020 was due to the increased usage of the Monroe Expressway and toll collections on the entire roadway. The increase in revenues in FY 2019 was due to the increased usage of the Triangle Expressway and toll collections on the entire roadway and the opening of the Monroe Expressway in November 2018.

Operating Expenses

Operating expenses are expenses used to acquire or produce goods and services to carry out the mission of the Turnpike Authority. The increase in FY 2020 was due to increased depreciation which now includes the Monroe Expressway and contract payments that were no longer capitalized as construction in progress due to the opening of the Monroe Expressway in November 2018; and the Turnpike Authority began receiving full standard overhead allocations from NCDOT, which was partial previously. The increase in FY 2019 was due to increased depreciation which now includes the Monroe Expressway and contract payments that were no longer capitalized as construction in progress due to the opening of the Monroe Expressway in November 2018.

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. Debt service expense increased in FY 2020 due to new debt issuances related to Complete 540 project. 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 decreased in FY 2020 due to new debt issuances related to Complete 540 project. Capital grants increased in FY 2019 due to an increase in federal funds related to the Complete 540 project.

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 State match increased in fiscal years 2020 and 2019 as the result of increased expenditures on the Complete 540 project and the Mid-Currituck Bridge.

Transfers Out

Transfers out include funds disbursed to reimburse NCDOT and new debt issuances related to Complete 540 project. There were no transfers out for FY 2019.

Economic Outlook

As previously discussed (see page 4), the extent to which the COVID-19 pandemic impacts the Authority's operations and its financial condition will depend on future developments, which are highly uncertain.

The Triangle Expressway is located in the greater Raleigh area and is a commuter facility that leads into the Research Triangle Park (RTP). RTP is the largest operating research park in North America, covering approximately 7,000 acres and employing over 40,000 people. The Triangle Expressway has demonstrated low elasticity with six consecutive fiscal years of transaction growth while toll rates on the facility have increased annually, as required by the Turnpike Authority's Toll Rate Policy. According to Wake County Economic Development, the Raleigh metro is considered one of the most competitive metros in the United States. Over the next 10 years, the Raleigh metro is projected to grow by approximately three million people. The Monroe Expressway is located in the greater Charlotte area in both Mecklenburg and Union counties which are projected to grow by over 16 and 14 percent, respectively, in the next five years. Recent trends in population, employment and development across the State of North Carolina suggest that the state will continue to be a strong market.

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, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Securities Lending Collateral	\$ 6,282,003.29	\$ 988,452.05
Accounts Receivable	30,877,659.14	23,174,778.70
Inventory	1,104,845.18	1,434,992.29
Intergovernmental Receivable	3,043,507.95	4,839,808.54
Total Current Assets	<u>41,308,015.56</u>	<u>30,438,031.58</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	29,308,754.38	13,364,762.94
Investments	486,754,316.90	283,744,683.17
Total Restricted Assets	<u>516,063,071.28</u>	<u>297,109,446.11</u>
Net OPEB Asset	3,044.00	1,897.00
Prepaid Insurance Costs	5,121,980.01	3,519,293.21
Capital Assets, Nondepreciable:		
Land and Permanent Easements	462,163,750.43	294,273,916.96
Construction in Progress	302,512,912.98	137,808,586.20
Capital Assets, Depreciable, Net of Depreciation:		
Highway Network	1,388,319,843.25	1,418,003,366.20
Total Capital Assets, Net of Depreciation	<u>2,152,996,506.66</u>	<u>1,850,085,869.36</u>
Total Noncurrent Assets	<u>2,674,184,601.95</u>	<u>2,150,716,505.68</u>
Total Assets	<u>2,715,492,617.51</u>	<u>2,181,154,537.26</u>
Deferred Outflows of Resources:		
Pension	549,363.00	551,816.00
Other Post Employment Benefits	1,315,265.00	863,955.00
Unamortized Bond Refunding Charges	26,210,481.50	28,933,975.50
Total Deferred Outflows of Resources	<u>28,075,109.50</u>	<u>30,349,746.50</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	20,176,510.61	23,487,317.19
Accrued Interest Payable	40,690,047.96	33,130,860.66
Accrued Vacation	18,762.00	22,146.00
Obligations under Securities Lending	6,282,003.29	988,452.05
Due to Other Funds	20,566,790.44	25,638,759.51
Bonds Payable, Net	29,860,000.00	26,210,000.00
Intergovernmental Payables	3,307,365.16	1,075,811.22
Unearned Revenue	8,334,232.53	6,633,641.73
Total Current Liabilities	<u>129,235,711.99</u>	<u>117,186,988.36</u>
Noncurrent Liabilities:		
Bonds Payable, Net	2,010,063,445.45	1,502,824,026.75
Note Payable	166,500,000.00	120,000,000.00
Advances from Other Funds	29,853,535.68	28,718,451.39
Accrued Interest Payable	50,914,844.19	38,082,449.96
Accrued Vacation	289,828.00	224,474.00
Net OPEB Liability	2,354,514.00	1,794,683.00
Net Pension Liability	879,694.00	729,749.00
Total Noncurrent Liabilities	<u>2,260,855,861.32</u>	<u>1,692,373,834.10</u>
Total Liabilities	<u>2,390,091,573.31</u>	<u>1,809,560,822.46</u>
Deferred Inflows of Resources:		
Pension	9,171.00	21,111.00
Other Post Employment Benefits	1,067,581.00	1,126,808.00
Total Deferred Inflows of Resources	<u>1,076,752.00</u>	<u>1,147,919.00</u>
NET POSITION		
Net Investment in Capital Assets	433,327,378.11	484,796,525.78
Restricted:		
Debt Service	160,747,741.65	108,390,159.83
Transportation	14,461,310.84	177,263.89
Unrestricted	<u>(256,137,028.90)</u>	<u>(192,568,407.20)</u>
Total Net Position	<u>\$ 352,399,401.70</u>	<u>\$ 400,795,542.30</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, 2020 AND 2019

	2020	2019
Revenues:		
Operating Revenues:		
Charges for Services	\$ 77,198,284.98	\$ 63,987,342.98
Other Operating Revenues	5,414,493.83	1,168,045.23
Total Operating Revenues	<u>82,612,778.81</u>	<u>65,155,388.21</u>
Expenses:		
Operating Expenses:		
Personnel Services	2,737,895.65	1,643,266.67
Supplies and Materials	277,128.92	69,796.86
Contracted Personnel Services	11,918,251.09	7,433,640.27
Travel	44,425.80	67,194.56
Advertising	419,473.01	574,499.10
Utilities	268,708.47	275,971.24
Dues and Subscription Fees	37,467.00	11,500.00
Other Services	15,467,390.01	5,316,703.91
Cost of Goods Sold	1,045,709.16	810,118.81
Capital Outlay	39,173,939.54	27,542,825.41
Rental Expense	205,073.31	176,432.27
Depreciation	29,683,522.95	24,035,020.18
Total Operating Expenses	<u>101,278,984.91</u>	<u>67,956,969.28</u>
Operating Loss	<u>(18,666,206.10)</u>	<u>(2,801,581.07)</u>
Nonoperating Revenues (Expenses):		
Investment Earnings	8,475,206.62	6,053,169.97
Federal Interest Subsidy on Debt	4,323,823.40	6,177,123.20
Interest and Fees	(85,089,436.47)	(64,498,789.98)
Miscellaneous	101,781.45	105,666.95
Total Nonoperating Expenses	<u>(72,188,625.00)</u>	<u>(52,162,829.86)</u>
Loss Before Transfers and Capital Grants	(90,854,831.10)	(54,964,410.93)
Capital Grants	3,317,183.15	27,359,873.00
Transfers In	185,396,232.90	78,336,789.02
Transfers Out	<u>(146,254,725.55)</u>	<u>-</u>
Increase (Decrease) in Net Position	(48,396,140.60)	50,732,251.09
Net Position, Beginning	<u>400,795,542.30</u>	<u>350,063,291.21</u>
Net Position, Ending	<u>\$ 352,399,401.70</u>	<u>\$ 400,795,542.30</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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 71,669,807.75	\$ 58,736,929.91
Receipts from (Payments to) Other Funds	-	(323,039.95)
Payments to Employees and Fringe Benefits	(2,486,249.65)	(1,605,626.67)
Payments to Vendors and Suppliers	(78,265,984.44)	(34,972,743.71)
Payments to Other Funds	-	(49,305,265.90)
Other Receipts	5,545,748.71	2,183,365.86
Other Payments	(2,769,480.31)	(1,512,497.75)
Net Cash Flows from Operating Activities	<u>(6,306,157.94)</u>	<u>(26,798,878.21)</u>
Cash Flows from Noncapital Financing Activities:		
Advances from Other Funds	1,135,084.29	955,430.65
Net Cash Flows from Noncapital Financing Activities	<u>1,135,084.29</u>	<u>955,430.65</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(331,392,876.31)	(87,463,472.48)
Transfers from Other Funds	185,396,232.90	78,336,789.02
Federal Interest Subsidy on Debt	4,323,823.40	6,177,123.20
Capital Grants	4,507,345.45	23,991,091.00
Capital Gifts	-	33,000.00
Principal Payments	(26,210,000.00)	(556,451,792.00)
Interest Payments	(65,047,628.65)	(130,637,180.37)
Proceeds from Capital Debt	590,785,098.70	711,280,950.95
Bond Issuance Costs	(437,166.34)	(166,113.94)
Transfers to Other Funds	(146,254,725.55)	-
Insurance Recoveries	101,781.45	105,666.95
Net Cash Flows from Capital and Related Financing Activities	<u>215,771,885.05</u>	<u>45,206,062.33</u>
Cash Flows from Investing Activities:		
Proceeds from Sale and Maturities of Investments	952,884,878.20	593,888,452.38
Purchase of Investments	(1,156,968,588.32)	(611,849,026.31)
Investment Earnings	9,426,890.16	4,486,900.75
Net Cash Flows from Investing Activities	<u>(194,656,819.96)</u>	<u>(13,473,673.18)</u>
Net Change in Cash and Cash Equivalents	15,943,991.44	5,888,941.59
Cash and Cash Equivalents, Beginning of Year	13,364,762.94	7,475,821.35
Cash and Cash Equivalents, End of Year	<u>\$ 29,308,754.38</u>	<u>\$ 13,364,762.94</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, 2020 AND 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities:		
Operating Loss	\$ (18,666,206.10)	\$ (2,801,581.07)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation Expense	29,683,522.95	24,035,020.18
Management Fees	(2,769,480.31)	(1,512,497.75)
Changes in Assets and Deferred Outflow:		
Accounts Receivable	(7,702,880.44)	(5,720,873.21)
Intergovernmental Receivables	378,252.34	(700,248.38)
Due from Other Funds	227,885.95	(323,039.95)
Inventory	330,147.11	(809,223.20)
Prepaid Items	(1,848,254.87)	283,467.91
Net OPEB Asset	(1,147.00)	1,312.00
Deferred Outflows for Pensions	2,453.00	(230,523.00)
Deferred Outflows for OPEB	(451,310.00)	(476,826.00)
Changes in Liabilities and Deferred Inflows:		
Accounts Payable	(2,691,745.30)	6,973,632.32
Due to Other Funds	(6,557,404.84)	(49,305,265.90)
Funds Held for Others	2,025,590.80	1,894,029.15
Due to Fiduciary	1,358,839.77	855,329.69
Unearned Revenue	(325,000)	292,000
Compensated Absences	61,970.00	46,851.00
Net OPEB Liability	559,831.00	49,323.00
Deferred Inflows for OPEB	(59,227.00)	415,697.00
Net Pension Liability	149,945.00	246,648.00
Deferred Inflows for Pensions	(11,940.00)	(12,110.00)
Net Cash Flows from Operating Activities	<u>\$ (6,306,157.94)</u>	<u>\$ (26,798,878.21)</u>
Noncash Investing, Capital, and Financing Activities:		
Change in Fair Value of Investments	\$ (9,765,209.53)	\$ (5,647,460.83)
Change in Land as a Result of Accounts Payable	4,428,891.27	1,668,742.66
Change in Construction in Progress as a Result of Accrued Liabilities	10,873,800.22	12,251,935.53
Change in Securities Lending Collateral	5,293,551.24	813,236.28
Increase in Receivables Related to Nonoperating Income	-	3,335,782.00
Donated or Transferred Assets	-	(1,085.00)

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, 2020 AND 2019

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 *Comprehensive Annual Financial Report* (“CAFR”). 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 National 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, 2020 AND 2019

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 CAFR. 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 – An allowance for doubtful accounts has not been established because there are no indications of significant delinquencies from the collection of toll revenues as of June 30, 2020 and 2019. Uncollectible accounts receivable were written off in 2020 and 2019 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, 2020 and 2019, 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 \$5,000.00 at the date of acquisition and have an expected useful life of more than two 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, 2020 AND 2019

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 there were toll collections only on the Triangle and Monroe Expressways and the NCTA is incurring expenses in excess of the capital grants received, the NCTA has a deficit in the unrestricted balance.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report 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 related deferrals 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, 2020 and 2019. 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, 2020 AND 2019

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.

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.

Change in Accounting Principle – The NCTA implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, in the fiscal year ending June 30, 2020. As a result of implementing this standard, the Authority is now expensing interest costs incurred before the end of a construction period, rather than capitalizing these costs as part of the related capital asset. This standard is being applied prospectively, therefore, there is no effect on net position as of June 30, 2019.

Reclassifications – The NCTA has reclassified certain prior period amounts in the accompanying statements of revenues, expenses, and changes in net position in order to be consistent with the current period presentation. These reclassifications had no effect on net position, total assets, or total liabilities. Certain expenses from capital outlay were reclassified to contracted personnel services.

Note 2—Deposits

As of June 30, 2020 and 2019, respectively, \$29,308,754.38 and \$13,364,762.94 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 of 1.3 and 1.1 years as of June 30, 2020 and 2019, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2—Deposits (continued)

Ownership interest of the NC STIF is determined on a fair market valuation basis as of June 30, 2020 and 2019, 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 2020 and 2019, \$29,308,754.38 and \$13,364,762.94, 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 CAFR. 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 159-30 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.

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.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3—Restricted investments (continued)

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

Type of Investment	Valuation Measurement Method	Fair Value	2020 Investment Maturities (in Years)	
			Less Than 1 Year	1 – 5 Years
U.S. Treasuries	Fair Value - Level 1	\$ 44,116,830.07	\$ 39,577,720.50	\$ 4,539,109.57
U.S. Government Agencies	Fair Value - Level 2	19,640,310.79	-	19,640,310.79
NC STIF	Fair Value - Level 2	258,380,264.79	-	258,380,264.79
Commercial Paper	Fair Value - Level 2	11,491,156.50	11,491,156.50	-
Money Market Mutual Funds	Cost	153,125,754.75	153,125,754.75	-
		<u>\$ 486,754,316.90</u>	<u>\$ 204,194,631.75</u>	<u>\$ 282,559,685.15</u>

Type of Investment	Valuation Measurement Method	Fair Value	2019 Investment Maturities (in Years)	
			Less Than 1 Year	1 – 5 Years
U.S. Treasuries	Fair Value - Level 1	\$ 147,072,503.93	\$ 143,541,958.95	\$ 3,530,544.98
U.S. Government Agencies	Fair Value - Level 2	4,161,633.16	1,148,869.49	3,012,763.67
NC STIF	Fair Value - Level 2	2,492,108.23	-	2,492,108.23
Commercial Paper	Fair Value - Level 2	6,833,086.10	6,833,086.10	-
Money Market Mutual Funds	Cost	123,185,351.75	123,185,351.75	-
		<u>\$ 283,744,683.17</u>	<u>\$ 274,709,266.29</u>	<u>\$ 9,035,416.88</u>

As of June 30, 2020 and 2019, included in the Money Market Mutual Funds totals as stated above, \$153,125,754.75 and \$123,185,351.75, 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, 2020 AND 2019

Note 4—Capital assets

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	\$ 294,273,916.96	\$ 167,923,131.88	\$ (33,298.41)	\$ -	\$ 462,163,750.43
Construction in Progress	137,808,586.20	164,704,326.78	-	-	302,512,912.98
Total Capital Assets, Nondepreciable	432,082,503.16	332,627,458.66	(33,298.41)	-	764,676,663.41
Capital Assets, Depreciable					
Highway Network	1,534,468,821.38	-	-	-	1,534,468,821.38
Machinery and Equipment	32,606.09	-	(7,317.47)	-	25,288.62
Total Capital Assets, Depreciable	1,534,501,427.47	-	(7,317.47)	-	1,534,494,110.00
Less Accumulated Depreciation for:					
Highway Network	116,464,370.18	29,683,522.95	-	1,085.00	146,148,978.13
Machinery and Equipment	33,691.09	-	(8,402.47)	-	25,288.62
Total Accumulated Depreciation	116,498,061.27	29,683,522.95	(8,402.47)	1,085.00	146,174,266.75
Total Capital Assets, Depreciable, Net of Depreciation	1,418,003,366.20	(29,683,522.95)	1,085.00	(1,085.00)	1,388,319,843.25
Capital Assets, Net of Depreciation	\$ 1,850,085,869.36	\$ 302,943,935.71	\$ (32,213.41)	\$ (1,085.00)	\$ 2,152,996,506.66

A summary of changes in capital assets for the year ended June 30, 2019 is presented as follows:

	July 1, 2018	Additions	Disposals	Transfers	June 30, 2019
Capital Assets, Nondepreciable					
Land and Permanent Easements	\$ 272,478,848.86	\$ 22,345,551.83	\$ (550,483.73)	\$ -	\$ 294,273,916.96
Construction in Progress	777,309,522.88	88,481,870.90	-	(727,982,807.58)	137,808,586.20
Total Capital Assets, Nondepreciable	1,049,788,371.74	110,827,422.73	(550,483.73)	(727,982,807.58)	432,082,503.16
Capital Assets, Depreciable					
Highway Network	806,486,013.80	-	-	727,982,807.58	1,534,468,821.38
Machinery and Equipment	60,035.00	-	(27,428.91)	-	32,606.09
Total Capital Assets, Depreciable	806,546,048.80	-	(27,428.91)	727,982,807.58	1,534,501,427.47
Less Accumulated Depreciation for:					
Highway Network	92,429,350.00	24,035,020.18	-	-	116,464,370.18
Machinery and Equipment	60,035.00	-	(26,343.91)	-	33,691.09
Total Accumulated Depreciation	92,489,385.00	24,035,020.18	(26,343.91)	-	116,498,061.27
Total Capital Assets, Depreciable, Net of Depreciation	714,056,663.80	(24,035,020.18)	(1,085.00)	727,982,807.58	1,418,003,366.20
Capital Assets, Net of Depreciation	\$ 1,763,845,035.54	\$ 86,792,402.55	\$ (551,568.73)	\$ -	\$ 1,850,085,869.36

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020:

	July 1, 2019	Additions	June 30, 2020
Advances from Other Funds	\$ 28,718,451.39	\$ 1,135,084.29	\$ 29,853,535.68

The following is a summary of changes in the NCTA's Advances from Other Funds as of June 30, 2019:

	July 1, 2018	Additions	June 30, 2019
Advances from Other Funds	\$ 27,763,020.74	\$ 955,430.65	\$ 28,718,451.39

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 (1.93% as of June 30, 2020) on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. The NCTA accrued \$537,928.72 and \$494,655.28 of interest for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was \$205,073.31 and \$176,432.27, respectively.

Note 7—Long-term debt

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

Revenue Bonds:	2020	2019
Revenue bonds payable, Series 2009B Capital Appreciation Triangle Expressway Revenue Bonds in the amount of \$35,173,000.00, 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.	\$ 35,173,109.00	\$ 35,173,109.00
Revenue bonds payable, Series 2009B Triangle Expressway State Appropriation Revenue Bonds in the amount of \$352,675,000.00 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 \$20,210,000.00, which matures January 1, 2021.	10,275,000.00	20,210,000.00

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7—Long-term debt (continued)

	<u>2020</u>	<u>2019</u>
Revenue Bonds:		
Revenue bonds payable, Series 2010A Monroe Connector System State Appropriation Revenue Bonds in the amount of \$233,920,000.00, issued October 26, 2010, with coupon rates of 5.318% and 5.418%, with principal payments beginning January 2022, final maturity January 2041.	\$ 233,920,000.00	\$ 233,920,000.00
Revenue bonds payable, Series 2011 Monroe Connector System State Appropriation Revenue Bonds in the amount of \$214,505,000.00, issued November 30, 2011, with coupon rates of 4.25% and 5.00%, with principal payments beginning July 2012, final maturity July 2041, net of unamortized premium of \$9,388,387.00 as of June 30, 2020.	123,618,386.45	133,391,780.75
Revenue bonds payable, Series 2016 Monroe Expressway Toll Revenue Bonds in the amount of \$137,052,000.00, 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 \$6,528,205.00 as of June 30, 2020.	143,580,109.00	143,816,001.00
Revenue bonds payable, Series 2017 Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$200,515,000.00, 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 \$18,979,397.00 as of June 30, 2020.	207,324,397.00	215,317,277.00
Revenue bonds payable, Series 2018A Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$150,125,000.00, 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 \$6,145,076.00 as of June 30, 2020.	156,270,076.00	156,653,615.00
Revenue bonds payable, Series 2018B Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$161,759,000.00, issued December 31, 2018, with average coupon rates of 2.82%, with principal payments beginning January 2020, final maturity January 2032.	161,019,000.00	161,759,000.00
Revenue bonds payable, Series 2018T Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$401,155,000.00, 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 \$26,027,486.00 as of June 30, 2020.	426,292,486.00	428,793,244.00
Revenue bonds payable, Series 2019 Triangle Expressway System Appropriation Revenue Bonds (Capital Appreciation Bonds) in the amount of \$115,979,250.00, issued December 17, 2019, interest will accrete and be paid upon maturity, with principal payments beginning January 2040, final maturity January 2049.	115,979,250.00	-
Revenue bonds payable, Series 2019 Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$370,975,000.00, 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 \$55,496,632.00 as of June 30, 2020.	426,471,632.00	-
Total Bonds, Net	<u>\$ 2,039,923,445.45</u>	<u>\$ 1,529,034,026.75</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7—Long-term debt (continued)

Bonds payable maturities are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 29,860,000.00	\$ 80,481,792.59	\$ 110,341,792.59
2022	42,122,000.00	78,309,719.26	120,431,719.26
2023	37,679,000.00	76,748,645.36	114,427,645.36
2024	42,697,000.00	75,187,387.31	117,884,387.31
2025	45,071,000.00	73,391,231.16	118,462,231.16
2026-2030	275,232,343.15	339,610,563.39	614,842,906.54
2031-2035	331,788,377.70	358,653,329.50	690,441,707.20
2036-2040	439,308,483.30	296,734,649.65	736,043,132.95
2041-2045	269,329,309.05	181,005,089.30	450,334,398.35
2046-2050	255,455,750.00	120,469,000.00	375,924,750.00
2051-2055	148,815,000.25	19,022,200.00	167,837,200.25
	<u>1,917,358,263.45</u>	<u>1,699,613,607.52</u>	<u>3,616,971,870.97</u>
Issuance Premiums	122,565,182.00	-	122,565,182.00
	<u>\$ 2,039,923,445.45</u>	<u>\$ 1,699,613,607.52</u>	<u>\$ 3,739,537,052.97</u>

	<u>2020</u>	<u>2019</u>
Note Payable:		
Monroe Expressway TIFIA note payable for an amount not to exceed \$166,500,000.00, 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.	\$ 166,500,000.00	\$ 120,000,000.00

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 \$166,500,000.00. In January 2019 and September 2019, the NCTA drew down \$120,000,000.00 and \$46,500,000.00, respectively, on this note, which is being used to pay certain costs, including land acquisition, design, construction, and equipping of the Monroe Expressway Project. The note payable requires debt service payments commencing 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 \$6,607,487.03 and \$1,691,046.58 as of June 30, 2020 and 2019, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7—Long-term debt (continued)

The Monroe Expressway TIFIA note payable maturities are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 1,174,724.37	\$ 1,174,724.37
2022	-	2,251,555.05	2,251,555.05
2023	-	3,034,704.63	3,034,704.63
2024	226,501.47	4,780,761.18	5,007,262.65
2025	728,590.85	5,635,086.88	6,363,677.73
2026-2030	8,117,040.63	27,920,594.12	36,037,634.75
2031-2035	15,704,649.80	26,629,588.56	42,334,238.36
2036-2040	30,805,193.24	24,297,802.38	55,102,995.62
2041-2045	45,742,500.47	18,600,420.10	64,342,920.57
2046-2050	36,274,819.56	11,419,028.91	47,693,848.47
2051-2055	28,900,703.98	4,484,978.56	33,385,682.54
	<u>\$ 166,500,000.00</u>	<u>\$ 130,229,244.74</u>	<u>\$ 296,729,244.74</u>

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	\$ 1,456,614,012.75	\$ 486,954,250.00	\$ (26,210,000.00)	\$ 1,917,358,262.75	\$ 29,860,000.00
Deferred Amounts:					
For Issuance Premiums	72,420,014.00	57,330,848.70	(7,185,680.00)	122,565,182.70	-
	<u>1,529,034,026.75</u>	<u>544,285,098.70</u>	<u>(33,395,680.00)</u>	<u>2,039,923,445.45</u>	<u>29,860,000.00</u>
Note Payable	120,000,000.00	46,500,000.00	-	166,500,000.00	-
Accrued Vacation	246,620.00	187,706.00	(125,736.00)	308,590.00	18,762.00
Net OPEB Liability	1,794,683.00	559,831.00	-	2,354,514.00	-
Net Pension Liability	729,749.00	149,945.00	-	879,694.00	-
Total Long-Term Debt	<u>\$ 1,651,805,078.75</u>	<u>\$ 591,682,580.70</u>	<u>\$ (33,521,416.00)</u>	<u>\$ 2,209,966,243.45</u>	<u>\$ 29,878,762.00</u>

Long-term liability activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
Bonds Payable:					
Bonds	\$ 1,077,275,013.00	\$ 562,914,000.00	\$ (183,575,000.25)	\$ 1,456,614,012.75	\$ 26,210,000.00
Deferred Amounts:					
For Issuance Premiums	48,620,074.00	28,366,951.00	(4,567,011.00)	72,420,014.00	-
For Issuance Discounts	(409,597.00)	-	(409,597.00)	-	-
	<u>1,125,485,490.00</u>	<u>591,280,951.00</u>	<u>(188,551,608.25)</u>	<u>1,529,034,026.75</u>	<u>26,210,000.00</u>
Note Payable	372,876,792.00	120,000,000.00	(372,876,792)	120,000,000.00	-
Accrued Vacation	199,769.00	152,108.00	(105,257.00)	246,620.00	22,146.00
Net OPEB Liability	1,745,360.00	49,323.00	-	1,794,683.00	-
Net Pension Liability	483,101.00	246,648.00	-	729,749.00	-
Total Long-Term Debt	<u>\$ 1,500,790,512.00</u>	<u>\$ 711,729,030.00</u>	<u>\$ (561,533,657.25)</u>	<u>\$ 1,651,805,078.75</u>	<u>\$ 26,232,146.00</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7—Long-term debt (continued)

Total interest cost on indebtedness was \$85,439,210.25 and \$74,259,475.72 for the years ended June 30, 2020 and 2019, respectively. Total capitalized interest represented \$0.00 and \$22,886,997.83 of this amount during the years ended June 30, 2020 and 2019, 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 (\$623,783,109) contains a provision providing that there can be no acceleration of payment of principal of or interest on such bonds as a result of the occurrence of any event of default.

The Trust Agreement for the North Carolina Turnpike Authority's outstanding state appropriation revenue bonds for the Triangle Expressway System (\$321,419,000) and the Trust Agreement for the Monroe Connector System (\$348,150,000) contains a provision providing that there can be no acceleration of payment of principal of or interest on such bonds as a result of the occurrence of any event of default.

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

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

Federal Interest Cash Subsidy

The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B and the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A as "Build America Bonds" for 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 2020 Federal Budget, the payments received during the year ended June 30, 2020 were reduced by 5.9%. As part of the 2019 Federal Budget, the payments received during the year ended June 30, 2019 were reduced by 6.2%. Cash subsidy payments totaled \$4,323,823.27 and \$6,177,123.20 for the years ended June 30, 2020 and 2019, respectively.

Refundings

On May 10, 2018, the NCTA issued \$150,125,000.00 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 \$9,777,825.18. 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 \$15,026,177.17 and resulted in an economic gain of \$10,933,562.18.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7—Long-term debt (continued)

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 \$18,561,930.32 and will result in a present value economic gain of \$10,245,387.60.

On December 31, 2018, the NCTA issued \$161,759,000.00 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 \$3,366,930.55. 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 13 years by \$22,646,034.24 and resulted in an economic gain of \$18,854,944.18.

Note 8—Deferred outflows of resources – unamortized bond refunding charges

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains and losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. As of June 30, 2020 and 2019, 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 gain from defeasance (net of amortization) of \$26,210,481.50 and \$28,933,975.50, respectively.

This deferred outflow of resources is included as unamortized bond refunding charges 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 (\$352,675,000.00) and Triangle Expressway System Senior Lien Revenue Bonds (\$270,083,109.00). In October 2010, the NCTA issued Monroe Connector System State Annual Appropriation Revenue Bonds (\$233,920,000.00). In November 2011, the NCTA issued State Annual Appropriation Revenue Bonds (\$214,505,000.00). In January 2017, the NCTA issued Monroe Expressway Toll Revenue Bonds (\$137,051,904.00). In March 2017, the NCTA issued Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds (\$200,515,000.00). In May 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$150,125,000.00). In November 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$401,155,000.00). In December 2018, the NCTA issued Triangle Expressway System Appropriation Revenue Refunding Bonds (\$161,759,000.00). In December 2019, the NCTA issued Triangle Expressway System Capital Appropriation Revenue Bonds (\$115,979,250.00) and Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds (\$370,975,000.00). 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.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 9—Pledged revenues (continued)

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 2020 Federal Budget, the payments received during the year ended June 30, 2020 were reduced by 5.9%. As part of the 2019 Federal Budget, the payments received during the year ended June 30, 2019 were reduced by 6.2%.

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 \$3,739,537,052.72 payable through fiscal year 2055 (final maturity date). For the 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 \$91,257,628.67 and \$90,567,508.43, respectively. For year ended June 30, 2019, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$72,209,680.55 and \$74,236,152.78, respectively.

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 CAFR. The State's CAFR 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.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 10—Retirement plans (continued)

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, 2020, and 2019 were 12.97% and 12.29%, respectively, while employee contributions were 6% each year. The NCTA made 100% of its annual required contributions for the years ended June 30, 2020, 2019, and 2018. Contributions to the pension plan from the NCTA were \$226,966 and \$193,133.00 for the years ended June 30, 2020 and 2019, 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, 2020, the NCTA reported a liability of \$879,694.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions.

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, 2020 and 2019, the NCTA's proportion was 0.01% and the proportion did not change from the prior measurement date.

For the years ended June 30, 2020 and 2019, the NCTA recognized pension expense of \$368,361.00 and \$195,365.00, respectively. 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	\$ 73,585.00	\$ 1,761.00
Changes in assumptions	93,735.00	-
Net difference between projected and actual earnings on pension plan investments	16,863.00	-
Change in proportion and differences between agency's contributions and proportionate share of contributions	11,478.00	7,410.00
Change in proportion	126,736.00	-
Contributions subsequent to the measurement date	226,966.00	-
	<u>\$ 549,363.00</u>	<u>\$ 9,171.00</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 10—Retirement plans (continued)

As of June 30, 2019, 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	\$ 53,258.00	\$ 7,324.00
Changes in assumptions	146,442.00	-
Net difference between projected and actual earnings on pension plan investments	69,545.00	-
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,576.00	13,787.00
Change in proportion	87,862.00	-
Contributions subsequent to the measurement date	193,133.00	-
	<u>\$ 551,816.00</u>	<u>\$ 21,111.00</u>

As of June 30, 2020, the \$226,966 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, 2021. 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,		
2021		\$ 182,089.00
2022		82,041.00
2023		43,197.00
2024		5,899.00
2025		-
Total		<u>\$ 313,226.00</u>

Actuarial Assumptions – The total pension liability in the December 31, 2018, 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	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, 2018 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, 2020 AND 2019

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	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%
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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
NCTA's Proportionate Share of the Net Pension Liability	\$ 1,674,302.00	\$ 879,694.00	\$ 213,119.00

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 \$36,359.82 and \$28,271.00 for the years ended June 30, 2020, and 2019, 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 \$41,425.86 and \$57,014.38 for the years ended June 30, 2020 and 2019, 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 CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019, the NCTA contributed 6.47% and 6.27% of covered payroll which amounted to \$107,242.18 and \$97,732.21, respectively.

At June 30, 2020, the NCTA reported a liability of \$2,354,514.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 and 2019, the NCTA’s proportion was 0.01%.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 11—Other postemployment benefits (continued)

As of June 30, 2020, \$113,221.00 of contributions subsequent to the measurement date, \$1,568.00 from a difference between projected and actual earnings on OPEB plan investments, and \$1,079,753.00 related to the change in proportion of the net OPEB liability are reported as deferred outflows of resources and will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>		
2021		\$ (30,540.00)
2022		(30,540.00)
2023		(30,314.00)
2024		108,847.00
2025		112,368.00
Total		<u>\$ 129,821.00</u>

Actuarial Assumptions – The total OPEB liability in the December 31, 2018, 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 3.50%. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

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 (2.50%) or 1-percentage point higher (4.50%) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
NCTA’s Proportionate Share of the Net OPEB Liability	\$ 2,802,251.43	\$ 2,354,514.00	\$ 1,997,129.48

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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	\$ 1,939,087.01	\$ 2,354,514.00	\$ 2,900,529.42

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR 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 CAFR, 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, 2020 AND 2019

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, 2020 and 2019, 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 \$1,657.53 and \$2,182.22 for the years ended June 30, 2020 and 2019, 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, 2020, the NCTA reported an asset of \$3,044.00 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB asset was then rolled forward to the measurement date of June 30, 2019 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, 2020 and 2019, the NCTA's proportion was 0.01%.

As of June 30, 2020, \$1,750.00 resulting from the NCTA's contributions subsequent to the measurement date, \$3,110.00 from a difference between actual and expected experience, \$337.00 from changes in assumptions, \$580.00 from a difference between projected and actual earnings on OPEB plan investments, and \$1,778.00 from a change in proportion between the NCTA's contributions and proportionate share of contributions are reported as deferred outflows of resources and will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,		
2021		\$ 1,365.00
2022		701.00
2023		465.00
2024		225.00
2025		376.00
Thereafter		(239.00)
Total		<u>\$ 2,893.00</u>

Actuarial Assumptions – The total OPEB asset in the December 31, 2018, 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, 2020 AND 2019

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	\$ 2,578.00	\$ 3,044.00	\$ 3,497.00

Common Actuarial Assumptions for both OPEB Plans – The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2018 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, 2019. 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, 2020 AND 2019

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, 2020:

	RHBFB	DIPNC	Total
OPEB expense	\$ 160,234.00	\$ 3,018.00	\$ 163,252.00
OPEB liability (asset)	2,354,514.00	(3,044.00)	2,351,470.00
Proportionate share of net OPEB liability (asset)	0.01%	0.01%	
Deferred Outflows of Resources			
Difference between actual and expected experience	-	3,110.00	3,110.00
Changes in assumptions	113,169.00	337.00	113,506.00
Net difference between projected and actual earnings on OPEB plan investments	1,568.00	580.00	2,148.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	-	1,778.00	1,778.00
Change in proportion	1,079,752.00	-	1,079,752.00
Contributions subsequent to the measurement date	113,221.00	1,750.00	114,971.00
	<u>1,307,710.00</u>	<u>7,555.00</u>	<u>1,315,265.00</u>
Deferred Inflows of Resources			
Difference between actual and expected experience	118,697.00	-	118,697.00
Changes in assumptions	707,870.00	312.00	708,182.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	238,102.00	-	238,102.00
Change in proportion	-	2,600.00	2,600.00
	<u>\$ 1,064,669.00</u>	<u>\$ 2,912.00</u>	<u>\$ 1,067,581.00</u>

The following is information related to the proportionate share and OPEB expense as of June 30, 2019:

	RHBFB	DIPNC	Total
OPEB expense	\$ 89,084.00	\$ 204.00	\$ 89,288.00
OPEB liability (asset)	1,794,683.00	(1,897.00)	1,792,786.00
Proportionate share of net OPEB liability (asset)	0.01%	0.01%	
Deferred Outflows of Resources			
Difference between actual and expected experience	-	3,309.00	3,309.00
Changes in assumptions	-	357.00	357.00
Net difference between projected and actual earnings on OPEB plan investments	193.00	1,477.00	1,670.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	-	1,178.00	1,178.00
Change in proportion	756,710.00	-	756,710.00
Contributions subsequent to the measurement date	98,531.00	2,200.00	100,731.00
	<u>855,434.00</u>	<u>8,521.00</u>	<u>863,955.00</u>
Deferred Inflows of Resources			
Difference between actual and expected experience	122,728.00	-	122,728.00
Changes in assumptions	777,498.00	-	777,498.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	225,106.00	-	225,106.00
Change in proportion	-	1,476.00	1,476.00
	<u>\$ 1,125,332.00</u>	<u>\$ 1,476.00</u>	<u>\$ 1,126,808.00</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 \$1,000.00 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 \$10,000.00 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 \$2,500.00 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 \$5.00 per occurrence deductible except for theft losses that carry a \$1.00 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 \$1,000.00 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$1,000.00 up to \$10,000.00. The liability limits for losses occurring in-state are \$1,000.00 per claimant and \$10,000.00 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 \$5,000.00 per occurrence, with a \$75.00 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 \$1,000.00.

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 CAFR. 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, 2020 AND 2019

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 \$453,590,357.32 and \$333,001,295.39 as of June 30, 2020 and 2019, 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 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, 2020 through October 22, 2020, which was the date the financial statements were available to be issued.

The NCTA will be closing on TriEx Revenue Bond Anticipation Notes of \$499,460,000 on or about October 29, 2020. The proceeds of the notes will be used to provide interim financing for certain costs of the existing Triangle Expressway System, and to pay interest and certain other costs incurred in connection with the notes.

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

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

Schedule of Proportionate Share of Net Pension Liability
Teachers' and State Employees' Retirement System
June 30, *

	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%
NCTA's proportion of the net pension liability (\$)	\$ 879,694.00	\$ 729,749.00	\$ 483,101.00	\$ 557,948.00	\$ 225,156.00	\$ 69,460.00	\$ 356,082.00
NCTA's covered-employee payroll	\$ 1,558,727.00	\$ 1,250,976.57	\$ 1,020,099.00	\$ 899,061.00	\$ 882,095.00	\$ 988,337.00	\$ 988,337.00
NCTA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	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	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, *

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 214,982.00	\$ 191,567.60	\$ 132,103.13	\$ 101,322.00	\$ 74,249.00	\$ 86,087.00	\$ 82,328.00
Contributions in relation to the contractually required contribution	(214,982.00)	(191,567.60)	(132,103.13)	(101,322.00)	(74,249.00)	(86,087.00)	(82,328.00)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NCTA's covered-employee payroll	\$ 1,657,529.76	\$ 1,558,727.00	\$ 1,250,976.57	\$ 1,020,099.00	\$ 899,061.00	\$ 882,095.00	\$ 988,337.00
Contributions as a percentage of covered-employee payroll	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, 2018. The total pension liability was then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2018 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, 2018, 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.

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, *

	2020	2019	2018
NCTA's proportion of the net OPEB liability (%)	0.01%	0.01%	0.01%
NCTA's proportion of the net OPEB liability (\$)	\$ 2,354,514.00	\$ 1,794,683.00	\$ 1,745,360.00
NCTA's covered-employee payroll	\$ 1,657,530.00	\$ 1,558,727.46	\$ 1,020,099.00
NCTA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	142.05%	115.14%	171.10%
Plan fiduciary net position as a percentage of the total OPEB liability	4.45%	4.40%	3.52%

Schedule of Contributions
Retiree Health Benefit Fund
June 30, *

	2020	2019	2018
Contractually required contribution	\$ 107,242.18	\$ 97,732.21	\$ 78,436.23
Contributions in relation to the contractually required contribution	(107,242.18)	(97,732.21)	(78,436.23)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
NCTA's covered-employee payroll	\$ 1,657,530.00	\$ 1,558,727.46	\$ 1,020,099.00
Contributions as a percentage of covered-employee payroll	6.47%	6.27%	7.69%

*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, 2018. The total pension liability was then rolled forward to June 30, 2019 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 3.5%, mirroring the municipal bond rate. The rate is used on the Bond-Buyer 20-year General Obligation index as of June 30, 2019.
- 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, *

	2020	2019	2018
NCTA's proportion of the net OPEB asset (%)	0.01%	0.01%	0.01%
NCTA's proportion of the net OPEB asset (\$)	\$ 3,044.00	\$ 1,897.00	\$ 3,209.00
NCTA's covered-employee payroll	\$ 1,657,530.00	\$ 1,558,727.46	\$ 1,020,099.00
NCTA's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.18%	0.12%	0.31%
Plan fiduciary net position as a percentage of the total OPEB asset	113.00%	108.47%	116.23%

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

	2020	2019	2018
Contractually required contribution	\$ 1,657.53	\$ 2,182.22	\$ 1,751.37
Contributions in relation to the contractually required contribution	(1,657.53)	(2,182.22)	(1,751.37)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
NCTA's covered-employee payroll	\$ 1,657,530.00	\$ 1,558,727.46	\$ 1,020,099.00
Contributions as a percentage of covered-employee payroll	0.10%	0.14%	0.17%

*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, 2018. The total pension liability was then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2018 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, 2020

SUPPLEMENTARY INFORMATION

	<u>Triangle Expressway</u>	<u>Monroe Expressway</u>
Revenues:		
Operating Revenue:		
Charges for Services	\$ 51,951,155.80	\$ 22,866,479.87
Toll Receipts	47,553,565.32	20,508,838.67
Toll Bad Debt	(1,486,450.30)	-
Late Payment Fee	5,711,624.32	2,319,177.51
Electronic Transaction Fees	168,073.89	36,987.93
Returned Check Fee	4,342.57	1,475.76
Total Operating Revenues	<u>51,951,155.80</u>	<u>22,866,479.87</u>
Expenditures:		
Operating Expenditures:		
Shared Operating Expenses	12,314,787.70	5,849,598.63
Personnel Services	657,227.87	264,161.41
Contracted Personnel Services	595,733.25	443,862.48
Supplies and Materials	101,011.16	8,727.27
Travel	3,252.54	719.95
Utilities	172,017.00	46,056.88
Other Services	194,832.08	83,017.06
Other Expenditures	331,464.67	94,797.72
Capital Outlay	5,841,237.31	2,667,200.86
Rental Expenditures	78,148.62	57,677.58
Renewal and Replacement Expenditures:		
Shared Renewal and Replacement Expenditures	4,742.19	-
Personnel Services	116,309.34	-
Supplies and Materials	6,450.18	-
Travel	2,985.55	-
Other Services	97,462.90	-
Capital Outlay	2,457,051.34	-
Construction Expenditures:		
Personnel Services	2,168,143.05	472,044.26
Contracted Personnel Services	105,713.82	7,922.86
Supplies and Materials	2,052.58	117,124.59
Travel	13,001.85	40,941.31
Advertising	12,600.00	-
Utilities	-	686.09
Other Services	9,617,106.71	566,519.95
Other Expenditures	38,539.30	-
Capital Outlay	162,211,512.07	21,275,419.52
Right of Way	162,486,165.71	5,430,624.44
Rental Expenditures	14,125.43	68,723.61
Total Operating Expenditures	<u>359,643,674.22</u>	<u>37,495,826.47</u>
Operating Loss	<u>(307,692,518.42)</u>	<u>(14,629,346.60)</u>

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

YEAR ENDED JUNE 30, 2020

Nonoperating Revenues (Expenditures):		
Municipal Participation Reimbursement	\$ 325,000.00	\$ 18,639.18
Insurance Recovies	86,781.45	15,000.00
Sale of Land	34,518.41	-
Rental Income and Expenditures	40,538.55	-
Investment Earnings	6,206,761.78	2,846,413.27
Federal Interest Subsidy on Debt	171,833.22	2,025,009.66
Interest and Fees:		
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds)	(1,043,468.76)	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2017	(9,569,093.76)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A	(6,005,000.00)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	(4,574,274.92)	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018	(19,739,846.51)	-
Monroe Connector System State Annual Appropriation Revenue Bonds, Series 2010A, (Federally Taxable-Issuer Subsidy-Build America Bonds	-	(12,297,007.20)
Monroe Connector System State Appropriation Revenue Bonds, Series 2011	-	(5,849,675.00)
Monroe Connector System Senior Lien Revenue Bonds, Series 2016	-	(5,969,262.50)
Principal:		
Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds	(9,935,000.00)	-
Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds, Series 2017	(5,690,000.00)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	(740,000.00)	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018	(890,000.00)	-
Monroe Connector System State Appropriation Revenue Bonds, Series 2011	-	(8,955,000.00)
Total Nonoperating Expenditures	<u>(51,321,250.54)</u>	<u>(28,165,882.59)</u>
Loss before Transfers and Capital Grants	(359,013,768.96)	(42,795,229.19)
Capital Grants	-	76,435.00
Transfers In	<u>25,000,000.00</u>	<u>24,000,000.00</u>
Excess of Expenditures over Revenues	<u>\$ (334,013,768.96)</u>	<u>\$ (18,718,794.19)</u>

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

YEAR ENDED JUNE 30, 2020

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.

**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, 2020 and 2019, 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 22, 2020.

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, 2020 and 2019, 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.

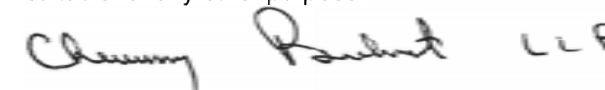
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 22, 2020

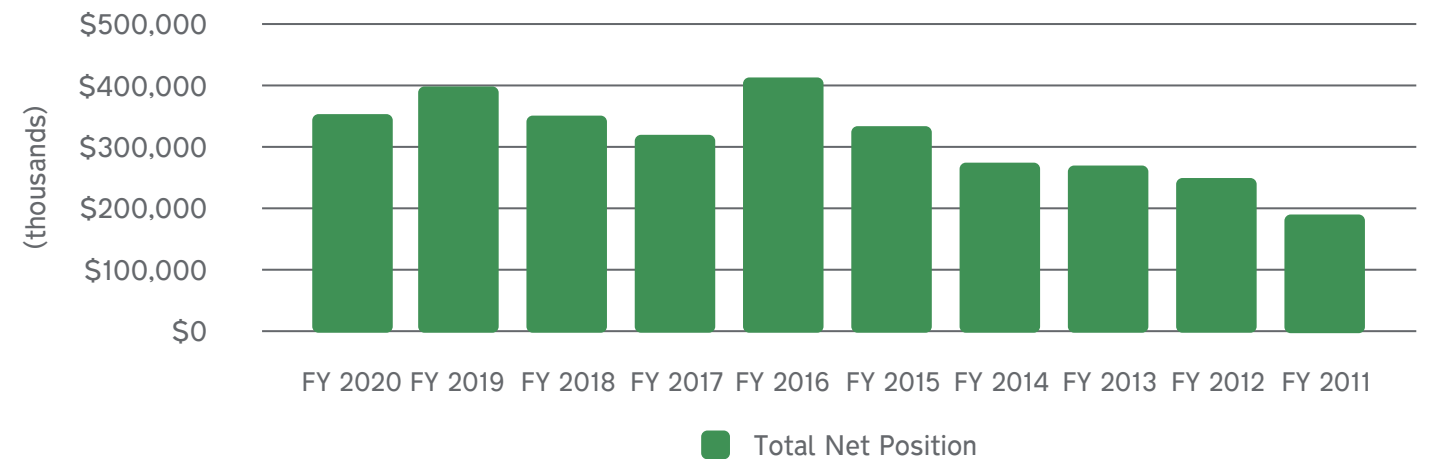
Statistical Section

Financial Trends



Net Position (in thousands)

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Net Investment in Capital Assets	\$433,327	\$484,797	\$529,512	\$459,895	\$584,359	\$465,144	\$383,233	\$340,686	\$327,909	\$249,444
Restricted	175,209	108,567	7,476	5,477	4,267	3,487	2,616	1,712	-	-
Unrestricted	(256,137)	(192,568)	(186,924)	(146,334)	(170,889)	(132,672)	(109,079)	(73,973)	(76,272)	(59,103)
Total Net Position	\$352,399	\$400,796	\$350,063	\$319,038	\$417,737	\$335,960	\$276,770	\$268,425	\$251,637	\$190,340



Statements of Revenues, Expenses, and Changes in Net Position

Turnpike Authority Fund (in thousands)

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Operating Revenues										
Charges for Services	\$77,009	\$63,987	\$48,999	\$44,708	\$38,473	\$30,218	\$24,326	\$13,038	\$496	\$0
Other Operating Revenues	5,414	1,168	648	812	675	491	399	462	169	-
Total Operating Revenues	82,424	65,155	49,648	45,520	39,148	30,709	24,725	13,500	665	0
Operating Expenses										
Personnel Services	2,738	1,643	1,327	1,213	1,413	1,351	1,460	1,285	1,319	1,155
Supplies & Materials	277	70	73	281	73	86	150	124	245	17
Contracted Personnel Services	11,918	7,434	776	888	981	592	4,715	9,944	2,797	602
Travel	44	67	50	35	27	7	33	48	67	59
Advertising	419	574	124	49	104	-	41	0	-	23
Utilities	269	276	282	272	295	280	289	245	77	42
Dues & Subscription Fees	37	12	24	23	21	17	13	9	25	16
Other Services	15,278	5,317	3,814	4,965	3,121	4,746	2,363	1,608	2,039	1,663
Costs of Goods Sold	1,046	810	727	788	856	449	382	461	169	-
Capital Outlay	39,174	27,543	15,153	15,262	11,877	9,721	8,206	962	3,482	20
Rental Expense	205	176	108	66	88	191	142	113	107	183
Depreciation	29,684	24,035	16,130	16,130	16,130	16,130	16,130	9,931	1,870	15
Total Operating Expenses	101,090	67,957	38,588	39,972	34,986	33,569	33,924	24,732	12,197	3,796
Operating Income (Loss)	(18,666)	(2,802)	11,060	5,548	4,162	(2,859)	(9,199)	(11,232)	(11,532)	(3,796)
Nonoperating Revenue (Expenses) & Capital Grants										
Transfers In	185,396	78,337	55,544	49,000	101,056	93,680	61,201	56,246	69,913	69,153
Transfers Out	(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	(48,396)	50,732	33,041	(98,699)	81,777	59,470	8,346	16,788	80,017	96,287
Net Position Beginning, July 1	400,796	350,063	319,038	417,737	335,960	276,770	268,425	251,637	190,340	94,054
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	\$352,399	\$400,795	\$350,063	\$319,038	\$417,737	\$335,960	\$276,770	\$268,425	\$251,637	\$190,340

Schedules of Revenues and Expenditures

Triangle Expressway (in thousands)

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

Monroe Expressway (in thousands)

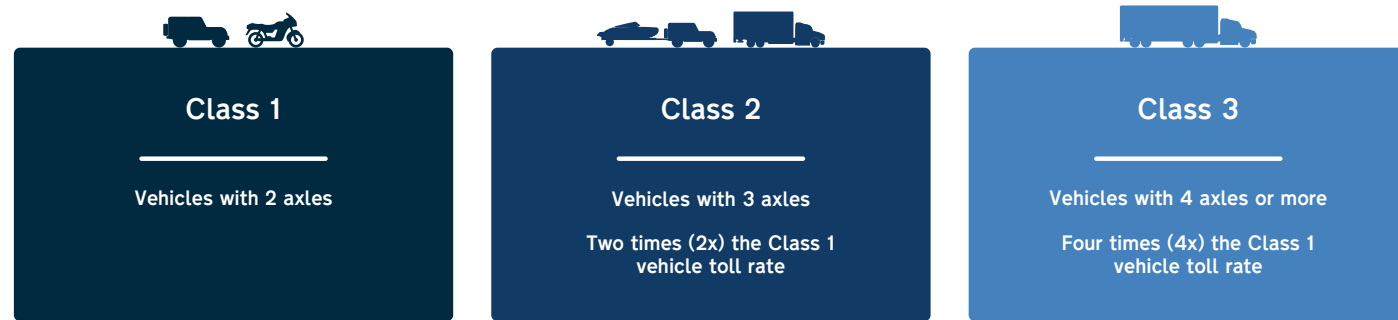
	FY 2020	FY 2019	FY 2018
Operating Revenues			
Charges for Services	\$22,866	\$9,350	\$-
Other Operating Revenues	-	152	-
Total Operating Revenues	22,866	9,502	-
Operating Expenditures			
Shared Operating Expenditures	5,850	2,792	-
Personnel Services	736	1,085	1,097
Supplies & Materials	126	34	9
Contracted Personnel Services	452	378	132
Travel	42	28	22
Advertising	-	384	-
Utilities	47	36	2
Dues & Subscription Fees	-	-	-
Other Services	650	29	-
Other Expenditures	95	65	717
Transponder Purchases	-	-	-
Right of Way	5,431	13,652	14,587
Capital Outlay	23,943	27,834	73,692
Rental Expenditures	126	78	10
Total Operating Expenditures	37,495	46,395	90,268
Operating Income (Loss)	(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
Excess of Revenue Over (Under) Expenditures	\$ (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

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

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

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

Monroe Expressway

	CY 2020		CY 2019		CY 2018	
	ETC	BBM	ETC	BBM	ETC	BBM
Class 1	\$2.60	\$4.01	\$2.54	\$3.92	\$2.54	\$3.92
Class 2	\$5.20	\$8.02	\$5.08	\$7.84	\$5.08	\$7.84
Class 3	\$10.40	\$16.04	\$10.16	\$15.68	\$10.16	\$15.68



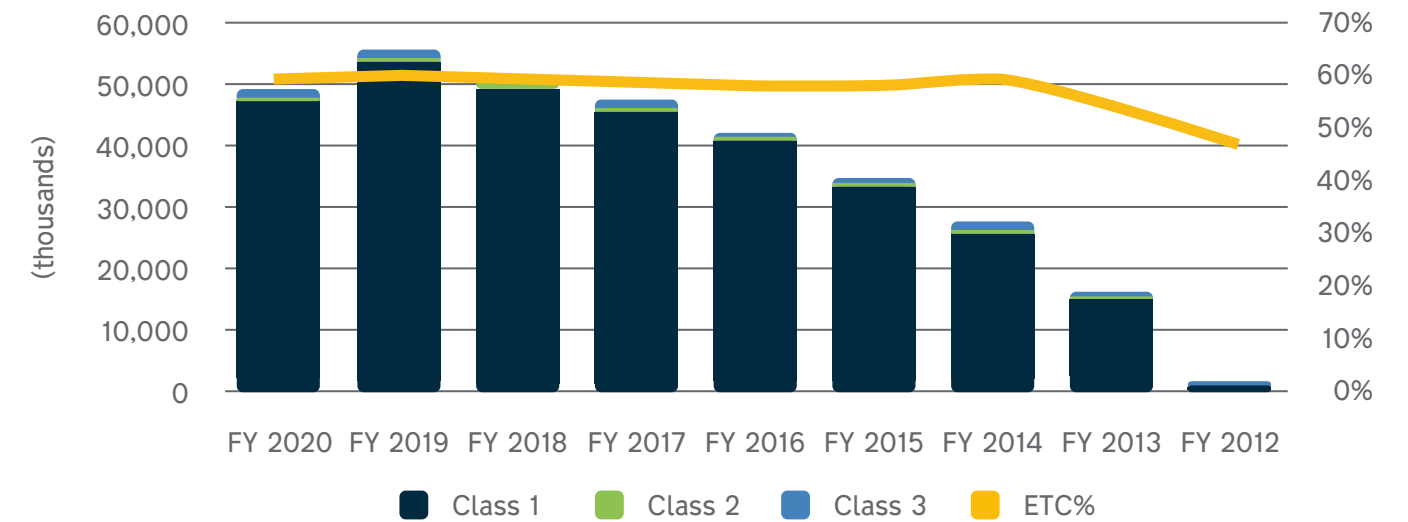
The Monroe Expressway was not fully open to traffic until FY 2019.

Full trip on the Monroe Expressway in one direction.

Toll Transactions by Vehicle Classification

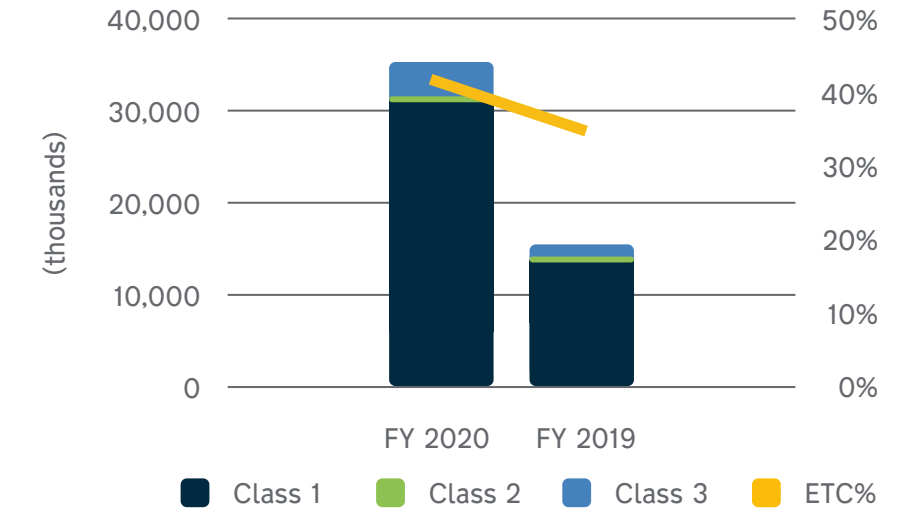
Triangle Expressway

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Transactions									
Class 1	47,376,767	53,601,437	49,311,460	45,686,765	40,995,265	33,227,473	25,633,617	15,071,480	822,362
Class 2	632,501	665,146	609,415	612,290	494,271	389,976	319,531	155,787	4,396
Class 3	1,519,572	1,444,823	1,315,961	1,214,531	985,368	728,151	581,903	292,045	7,253
Total Transactions	49,528,840	55,711,406	51,236,836	47,513,586	42,474,904	34,345,600	26,535,051	15,519,312	834,011
ETC%	59.0%	59.4%	59.0%	58.6%	57.8%	58.0%	58.4%	54.2%	49.0%



Monroe Expressway

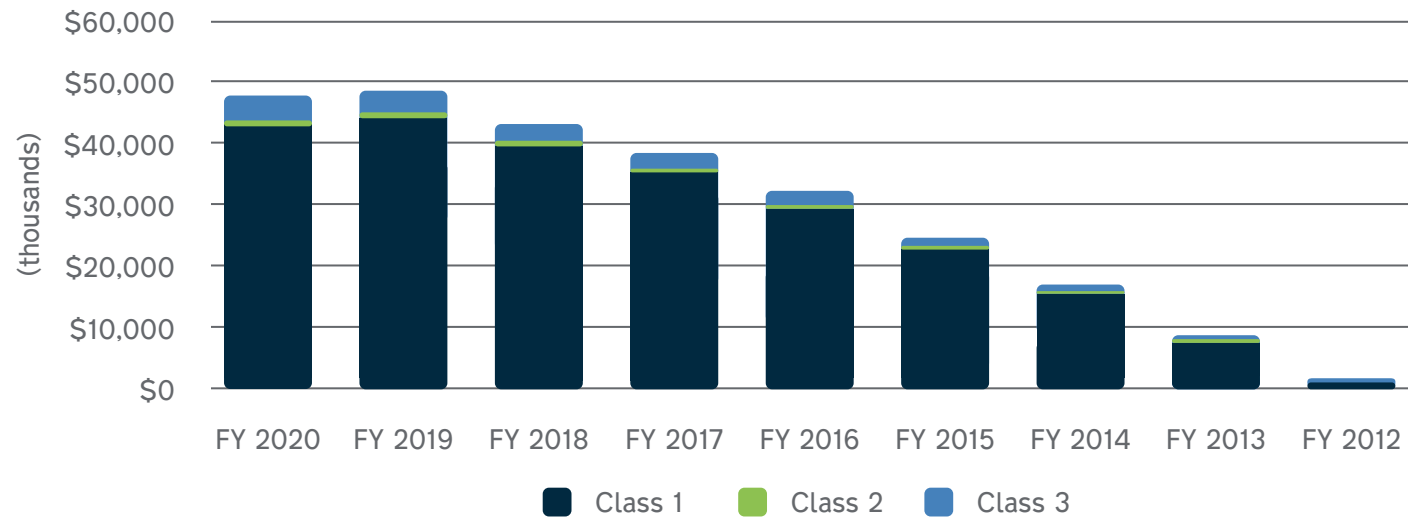
	FY 2020	FY 2019
Transactions		
Class 1	30,853,017	13,750,651
Class 2	491,176	242,929
Class 3	3,896,317	1,472,090
Total Transactions	35,240,510	15,465,670
ETC%	41.6%	35.4%



Toll Revenue by Vehicle Classification

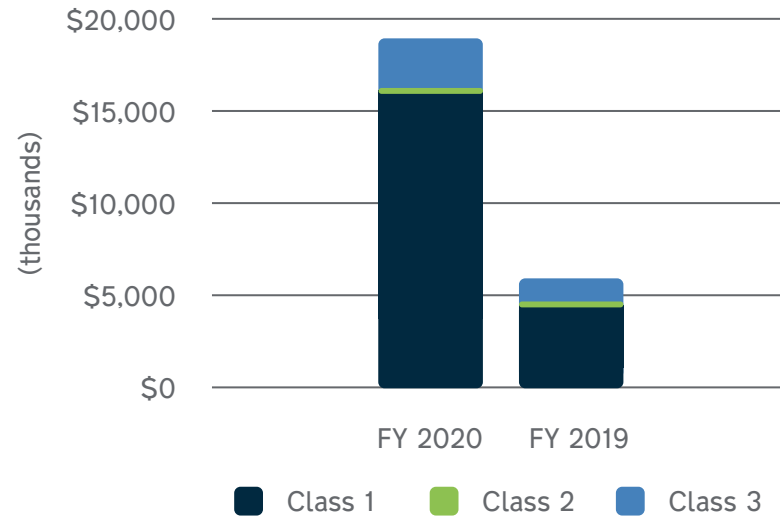
Triangle Expressway

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Toll Revenue									
Class 1	\$42,473,410	\$44,168,564	\$39,393,186	\$35,035,869	\$29,390,702	\$22,966,154	\$15,890,256	\$8,031,318	\$302,925
Class 2	833,093	857,705	765,244	749,968	596,938	450,855	356,423	152,405	3,099
Class 3	3,408,504	3,131,356	2,896,111	2,667,493	2,219,266	1,590,418	1,176,365	585,919	8,806
Total Toll Revenue	\$46,715,007	\$48,157,626	\$43,054,540	\$38,453,330	\$32,206,906	\$25,007,426	\$17,423,045	\$8,769,643	\$314,829



Monroe Expressway

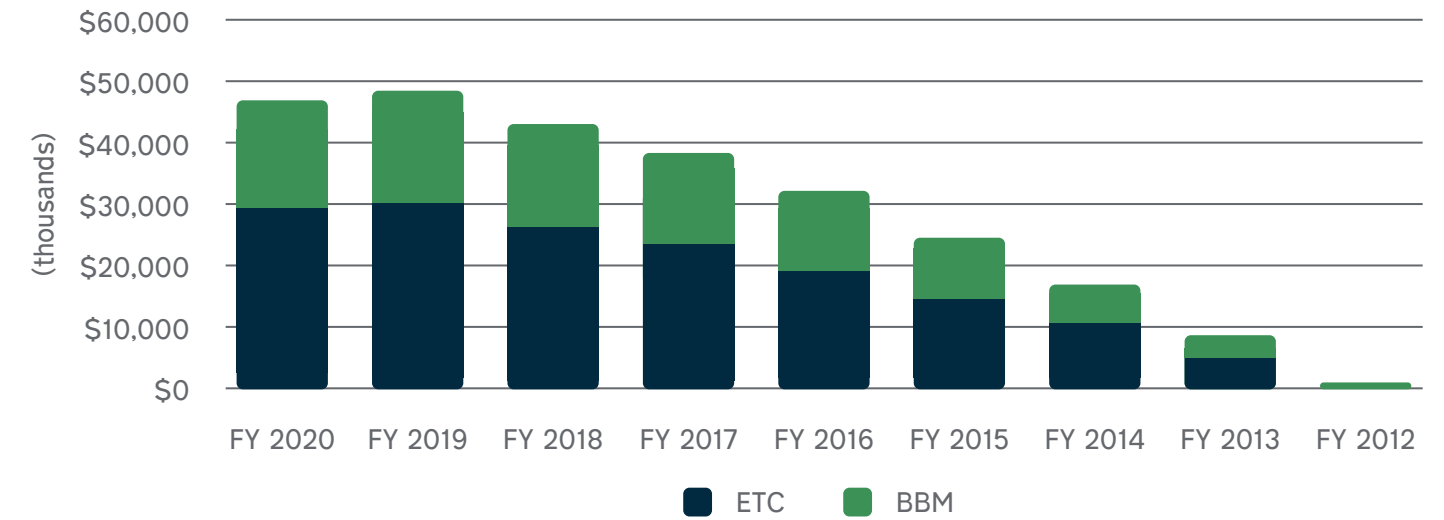
	FY 2020	FY 2019
Toll Revenue		
Class 1	\$15,798,665	\$4,603,112
Class 2	314,402	165,392
Class 3	2,804,494	1,105,095
Total Toll Revenue	\$18,917,561	\$5,873,599



Toll Revenue by Payment Method

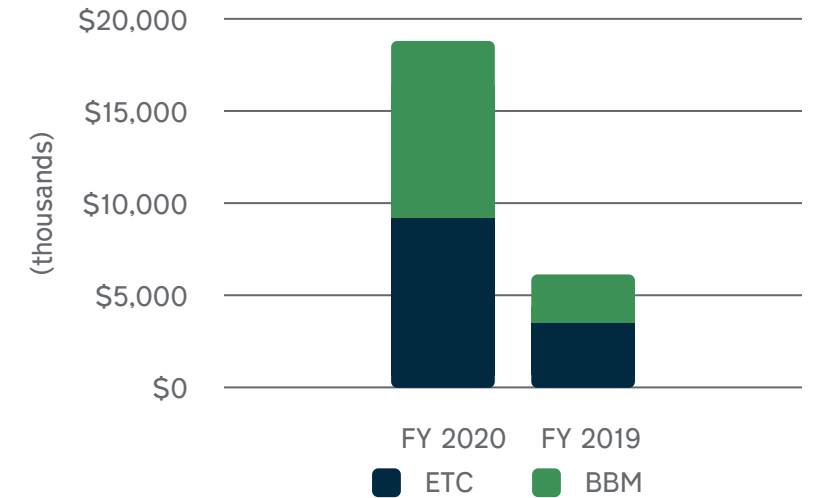
Triangle Expressway

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Toll Revenue									
ETC	\$29,411,401	\$30,212,428	\$25,962,954	\$23,281,139	\$18,943,419	\$14,380,539	\$10,528,248	\$5,198,163	\$184,037
BBM	17,303,606	17,945,198	17,091,586	15,172,191	13,263,486	10,626,887	6,894,796	3,571,479	130,792
Total Toll Revenue	\$46,715,007	\$48,157,626	\$43,054,540	\$38,453,330	\$32,206,906	\$25,007,426	\$17,423,045	\$8,769,643	\$314,829



Monroe Expressway

	FY 2020	FY 2019
Toll Revenue		
ETC	\$9,675,890	\$3,413,051
BBM	9,241,671	2,460,548
Total Toll Revenue	\$18,917,561	\$5,873,599



Debt

Triangle Expressway (in thousands)

Series	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Revenue Bonds										
Senior Lien Revenue Bonds, Series 2009A	\$-	\$-	\$600	\$600	\$234,031	\$233,965	\$233,899	\$233,833	\$233,768	\$233,702
Senior Lien Revenue Bonds, Series 2009B	35,173	35,173	35,173	35,150	35,042	35,032	35,022	35,012	35,002	34,992
Appropriation Revenue Bonds, Series 2009B	10,275	20,210	190,930	348,808	352,137	352,097	352,057	352,017	351,976	351,936
Senior Lien Revenue Refunding Bonds, Series 2017	207,324	215,317	220,974	226,527	-	-	-	-	-	-
Appropriation Revenue Refunding Bonds, Series 2018A	156,270	156,654	157,038	-	-	-	-	-	-	-
Senior Lien Revenue Refunding Bonds, Series 2018	426,292	428,793	-	-	-	-	-	-	-	-
Appropriation Revenue Refunding Bonds, Series 2018B	161,019	161,759	-	-	-	-	-	-	-	-
Senior Lien Revenue Bonds, Series 2019	426,472	-	-	-	-	-	-	-	-	-
Appropriation Revenue Bonds, Series 2019	115,979	-	-	-	-	-	-	-	-	-
Note Payable										
TIFIA Loan	-	-	372,877	372,877	372,877	372,877	372,877	372,877	283,508	264,596
Total Long-Term Debt as of June 30	\$1,538,805	\$1,017,906	\$977,592	\$983,961	\$994,087	\$993,971	\$993,855	\$993,739	\$904,254	\$885,226

Debt Per	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Center Lane Mile	\$81,851	\$54,144	\$52,000	\$52,338	\$52,877	\$52,871	\$52,865	\$52,858	-	-
Lane Mile	13,642	9,024	8,667	8,723	8,813	8,812	8,811	8,810	-	-
\$ Operating Revenue ¹	29.62	19.03	19.72	21.62	25.39	32.37	40.20	-	-	-

Debt Coverage Ratios	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Senior Lien	1.60x	2.35x	4.05x	4.34x	3.85x	3.22x	2.72x	-	-	-
Junior Lien	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 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
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	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	143,580	143,816	144,051	144,287	-	-	-	-	-	-
Notes Payable										
TIFIA Loan	166,500	120,000	-	-	-	-	-	-	-	-
Total Long-Term Debt as of June 30	\$667,618	\$631,128	\$520,770	\$530,067	\$554,917	\$565,691	\$588,017	\$609,896	\$635,467	\$233,920

Debt Per	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Center Lane Mile	\$33,718	\$31,875	-	-	-	-	-	-	-	-
Lane Mile	8,430	7,969	-	-	-	-	-	-	-	-
\$ Operating Revenue ²	29.20	-	-	-	-	-	-	-	-	-

Debt Coverage Ratios	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Senior Lien	5.38x	-	-	-	-	-	-	-	-	-
Subordinate Lien	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 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%
FY 2011	9,647,003	\$353,964,000	\$36,692	10.4%

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 2010-2020 reflect unpublished monthly population estimates available as of February 2020.

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	2020	2011
1	Wal-Mart	Belk, Inc.
2	Duke University and Health System	General Parts International, Inc.
3	Atrium Health (Including Carolina's Medical Center)	SAS Institute Inc.
4	Wells Fargo	Baker & Taylor, Inc.
5	Food Lion	House of Raeford Farms
6	Bank of America	VPS C-Store Holding, LLC.
7	Lowes Companies Inc.	New NGC, Inc.
8	Spectrum (Charter Communications)	Lord Corporation
9	Wake Forest Baptist Medical Center	J.T. Davenport & Sons, Inc.
10	Harris Teeter (A Division of The Kroger Company)	New Breed Logistics, Inc.

Source: US Census Bureau, NC Department of Commerce, Bureau of Economic Analysis

Secondary Source: GrantThornton, Triad Business Journal, Charlotte Observer, WBTV, BizJournals, WRAL TechWire, Business North Carolina, BusinessNC

North Carolina Employment by Sector

Industry Sector	FY 2020			FY 2011		
	Average Employment	Total Wages	Average Weekly Wage	Average Employment	Total Wages	Average Weekly Wage
Agriculture, Forestry, Fishing and Hunting	25,553	\$243,348,831	\$732.57	29,138	\$197,312,882	\$520.89
Mining	3,203	\$56,528,856	\$1,357.74	3,034	\$34,236,766	\$868.03
Utilities	15,608	\$468,560,926	\$2,309.32	13,431	\$243,343,867	\$1,393.73
Construction	230,639	\$3,261,084,056	\$1,087.64	175,188	\$1,765,104,666	\$775.04
Manufacturing	471,617	\$7,684,935,254	\$1,253.45	434,252	\$5,601,092,263	\$992.17
Wholesale Trade	187,441	\$4,023,105,000	\$1,651.02	167,812	\$2,465,878,073	\$1,130.33
Retail Trade	500,813	\$3,854,820,050	\$592.09	444,342	\$2,726,659,400	\$472.03
Transportation and Warehousing	172,135	\$2,281,897,768	\$1,019.73	125,144	\$1,358,894,385	\$835.28
Information	77,048	\$1,891,972,678	\$1,888.90	69,487	\$1,035,392,537	\$1,146.20
Finance and Insurance	190,500	\$6,861,783,289	\$2,770.75	148,666	\$2,462,432,626	\$1,274.11
Real Estate and Rental and Leasing	60,670	\$846,670,318	\$1,073.49	47,710	\$440,949,112	\$710.95
Professional, Scientific, and Technical Services	272,870	\$6,086,640,640	\$1,715.85	188,417	\$3,016,162,303	\$1,231.38
Management of Companies and Enterprises	85,221	\$3,298,760,502	\$2,977.56	76,265	\$1,541,397,495	\$1,554.71
Administrative and Support and Waste Management and Remediation Services	295,515	\$3,006,659,626	\$782.64	250,147	\$1,830,452,938	\$562.89
Educational Services	399,798	\$4,808,891,428	\$925.25	379,604	\$3,694,634,359	\$748.68
Health Care and Social Assistance	637,089	\$8,431,064,650	\$1,017.98	554,492	\$5,871,160,989	\$814.49
Arts, Entertainment, and Recreation	72,498	\$590,902,544	\$626.97	64,357	\$397,262,981	\$474.83
Accommodation and Food Services	430,375	\$1,980,384,825	\$353.96	349,883	\$1,280,805,961	\$281.59
Other Services (except Public Administration)	117,612	\$1,113,885,164	\$728.53	95,718	\$667,936,458	\$536.78
Public Administration	248,214	\$3,159,834,930	\$979.25	238,088	\$2,608,995,192	\$842.93
Total of All Industries	4,494,419	\$63,951,731,335	\$1,094.55	3,855,173	\$39,240,105,253	\$782.97

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



Operating Information



Capital Assets (in thousands)

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Capital Assets, Nondepreciable										
Land & Permanent Easements	\$462,164	\$294,274	\$272,479	\$258,835	\$225,501	\$174,891	\$149,568	\$144,959	\$136,407	\$110,998
Construction in Progress	302,513	137,809	777,310	672,436	444,350	262,926	206,617	165,157	692,691	578,364
Total Capital Assets, Nondepreciable	764,677	432,083	1,049,788	931,271	669,851	437,818	356,186	310,116	829,098	689,362
Capital Assets, Depreciable										
Highway Network	1,534,469	1,534,469	806,486	806,486	806,486	806,486	806,486	806,486	185,794	-
Machinery & Equipment	25	33	60	60	60	60	60	80	80	80
Total Capital Assets, Depreciable	1,534,494	1,534,501	806,546	806,546	806,546	806,546	806,546	806,566	185,875	80
Less Accumulated Depreciation										
Highway Network	146,149	116,464	92,429	76,300	60,170	44,040	27,910	11,781	1,858	-
Machinery & Equipment	25	34	60	60	60	60	60	80	72	60
Total Accumulated Depreciation	146,174	116,498	92,489	76,360	60,230	44,100	27,971	11,861	1,930	60
Total Capital Assets, Depreciable, Net of Depreciation	1,388,320	1,418,003	714,057	730,186	746,316	762,446	778,576	794,705	183,945	21
Total Capital Assets, Net of Depreciation	\$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	\$689,383

NC Quick Pass Transponders Distributed

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

Maintenance Rating Program

The North Carolina Turnpike Authority (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 2019	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014	CY 2013
93.0	94.7	91.8	94.2	93.2	89.3	94.2

Keep North Carolina Moving

North Carolina Turnpike Authority

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