

Annual Comprehensive

Financial Report 2022



Fiscal Years ended June 30, 2022 and 2021



**North Carolina
Turnpike Authority**
An Enterprise Fund of the
North Carolina Department of Transportation

Annual Comprehensive

Financial Report 2022

Fiscal Years ended June 30, 2022 and 2021

Prepared by
The Finance Department
of the North Carolina Turnpike Authority



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North Carolina Department of Transportation

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Our
Mission
Statement

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





STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

J. ERIC BOYETTE
SECRETARY

October 31, 2022

Citizens of North Carolina
Users and Investors of the North Carolina Turnpike Authority
The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly

On behalf of the North Carolina Turnpike Authority (“NCTA” or “Authority”), we are pleased to present this Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. The Authority’s Finance Department has prepared this report in accordance with generally accepted accounting principles (GAAP) in the United States and in compliance both with North Carolina General statutes and the Turnpike’s financing agreements.

Responsibility for the accuracy, completeness, and fairness of this presentation rests solely with the Authority’s management. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects. We believe all disclosures necessary to enable you to gain an understanding of the Authority’s financial activities have been included.

An annual financial audit of the Authority is completed each year by an independent Certified Public Accounting firm. This examination is conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The firm’s opinions have been included in this report.

This letter is intended as an introduction to the following sections of the report: The North Carolina Turnpike Authority, the Board of Directors, Turnpike Authority Projects, NC Quick Pass, Safety, Technology, and Communications. Please refer to these sections for additional information on the Authority’s activities and initiatives for the year.

This letter is also intended to complement and should be read in conjunction with Management’s Discussion and Analysis (MD&A) that follows the Report of Independent Auditor.

Mailing Address:
NC DEPARTMENT OF
TRANSPORTATION
TURNPIKE AUTHORITY
1578 MAIL SERVICE CENTER
RALEIGH, NC 27699-1578

Telephone: (919) 707-2700
Fax: (919) 715-5511
Customer Service: 1-877-368-4968

Website: ncdot.gov

Location:
1 SOUTH WILMINGTON STREET
RALEIGH, NC 27601

AUTHORITY’S PROFILE AND OPERATION

North Carolina General Statute §136-89.182 establishes the Authority as public agency located within the North Carolina Department of Transportation (NCDOT). The Authority operates a project-level financial structure with projects financed as individual systems. The Authority currently has two operational projects: the Triangle Expressway in the Raleigh area, and the Monroe Expressway in the Charlotte area. Revenues derived from all Turnpike projects 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.

The Authority is required by the Trust Agreement for each Expressway to adopt annual budgets. The budgets are prepared on the accrual basis of accounting and are approved by the Authority’s executive director. These budgets are controlled at the department level with controls designed to ensure compliance with the provisions of the Trust Agreements.

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

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

ECONOMIC FACTORS

North Carolina Turnpike Authority roadways contribute to the state’s economy by supporting a diverse group of customers, providing alternative driving routes across the state. North Carolina continues to see population growth, largely in part to job opportunities in various commercial sectors. The North Carolina Office of State Budget and Management projects this population growth at approximately 10% from 2020 to 2030. North Carolina supports a variety of industries including Banking, Retail, Education, and Healthcare. Mid-quarter estimates from the US Bureau of Labor Statistics approximates the North Carolina unemployment rate in FY 2022 Q2 at 3.4%. These factors indicate a return to pre-pandemic economic activities including a strong commuter demand for quick, alternative routes like toll roads.

We expect these factors to continue into the coming fiscal year and we will pay particular attention to economic changes and how they may impact the Authority’s operations.

INTERNAL CONTROL AND FINANCIAL STATEMENT PRESENTATION

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

The Authority’s current external auditors, Cherry Bekaert LLP, have completed their audit and have concluded that in their opinions, the comparative financial statements for the years ended June 30, 2021 and June 30, 2022 present fairly, in all material aspects, the financial position of the Authority as of June 30, 2022, and the changes in its financial position and its cash flows for the years then ended in conformity with GAAP. Their report is included in the financial section of this report. The financial section also includes MD&A, which provides an overview and brief analysis of the basic financial statements. Readers are encouraged to review this information.

AWARDS AND ACKNOWLEDGEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its annual comprehensive financial report for the year ended June 30, 2021. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

We appreciate our Board of Directors for providing leadership as the Authority delivers transportation solutions for North Carolina. We also thank Authority staff and the Finance team for their contributions to the production of this report.

Sincerely,



James J. Eden
Executive Director



David Roy
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

North Carolina Turnpike Authority

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

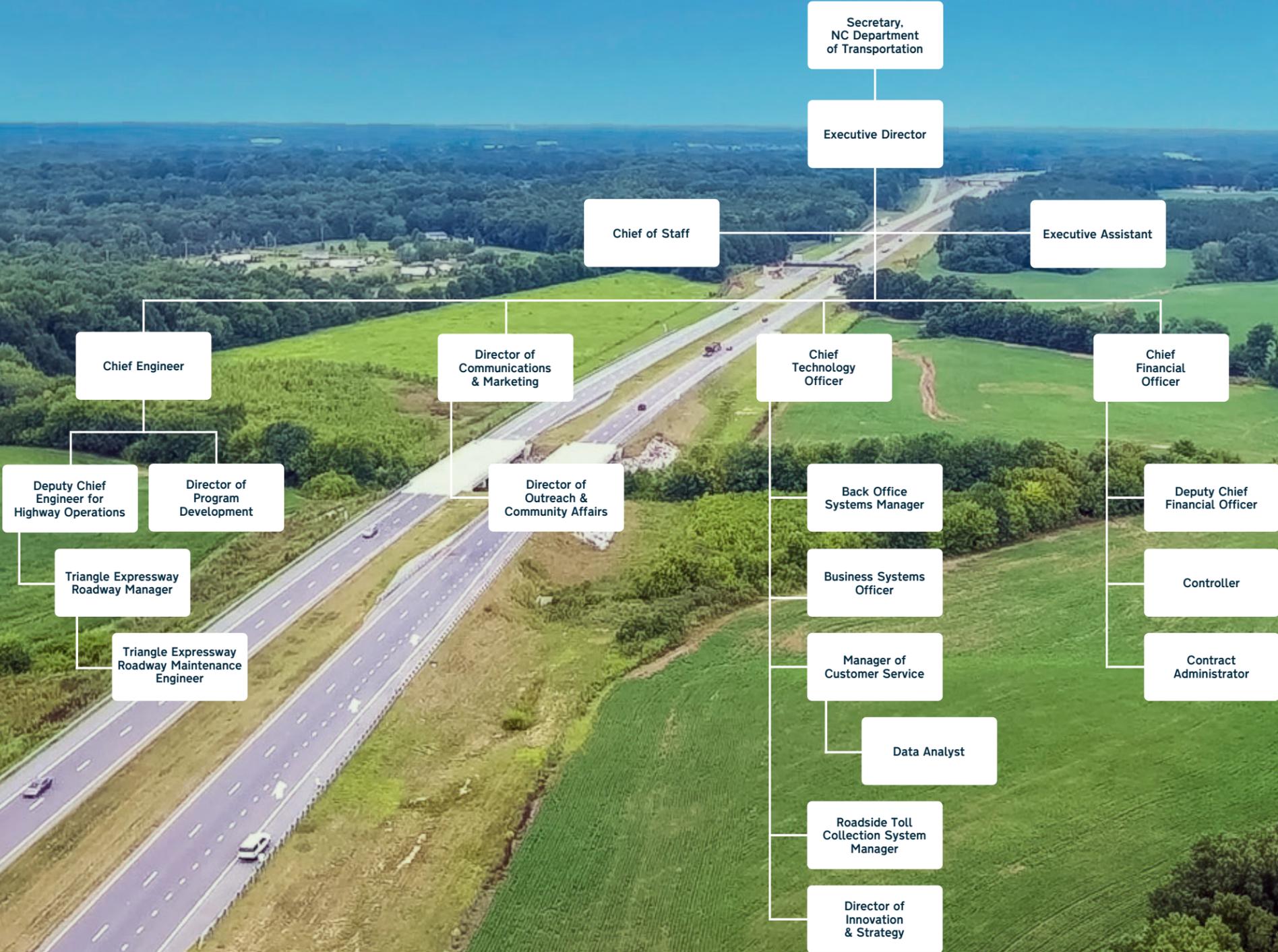


Executive Director/CEO

The North Carolina Turnpike Authority

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

Organizational Chart as of June 30, 2022



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 Members

as of June 30, 2022



J. Eric Boyette
Chairman



James 'Jim' Walker
Vice Chair



Robert D. Teer Jr.
Secretary & Treasurer



John Adcock



Mary N. Clayton



Dr. Pamela Gibson
Senegal



Sam Hunt IV



Montell W. Irvin



Charles 'Chuck'
L. Travis III

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

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

Turnpike Authority Projects

3

Open to Traffic
 Monroe Expressway
 I-77 Express Lanes North
 Triangle Expressway

2

Under Construction
 I-485 Express Lanes
 Complete 540 Phase 1

4

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



Charlotte Area	Raleigh Area	Outer Banks
<ul style="list-style-type: none"> Monroe Expressway I-77 Express Lanes North I-485 Express Lanes U.S. 74 Express Lanes I-77 Express Lanes South 	<ul style="list-style-type: none"> Triangle Expressway Complete 540 Phase 1 Complete 540 Phase 2 	<ul style="list-style-type: none"> Mid-Currituck Bridge
<p>Project status as of June 30, 2022</p> <ul style="list-style-type: none"> Open to Traffic Under Construction Under Development 		

Projects Open to Traffic



Triangle Expressway

The Triangle Expressway is a six-lane, 18.8-mile All-Electronic Toll (AET) facility, extending from the interchange of I-40 and N.C. 885 in the north, to N.C. 55 Bypass in the south, to partially complete the “Outer Loop” (I-540 / N.C. 540) around the greater Raleigh area. The Triangle Expressway opened in phases between 2011 and 2013, with the final phase opening to toll traffic on January 2, 2013.

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



Monroe Expressway

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



I-77 Express Lanes North

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

Projects Under Construction



Complete 540 Phase 1

The Complete 540 project is a greenfield project in the greater Raleigh area in North Carolina, that will link the towns of Apex, Cary, Clayton, Garner, Fuquay-Varina, Holly Springs, Knightdale and Raleigh. Phase 1 will extend the existing Triangle Expressway approximately 17.8 miles from N.C. 55 Bypass in Apex to I-40 in southeast Raleigh to partially complete the “Outer Loop”. Unlimited Notice to Proceed was issued for three Design-Build Contracts on September 26, 2019. As of March 31, 2022, design for Phase 1 is complete with the exception of minor design revisions encountered during construction. Right-of-way acquisition, utility relocations and construction are well underway for all three contracts. All 648 right of way parcels have been acquired or have entered the condemnation process, and construction is approximately 55% complete. Phase 1 is currently expected to open to traffic in Spring 2024.



I-485 Express Lanes

The I-485 Express Lanes will add one express lane in each direction for approximately 17 miles between I-77 and U.S. 74 in southern Charlotte. The project will also extend the outside general-purpose lane and add a third general-purpose lane in each direction from Rea Road to N.C. 16 (Providence Road). Construction on the project began in August 2019. The Turnpike Authority will be responsible for account management, billing, and customer service for the express lanes. The I-485 Express Lanes are currently expected to open to traffic in late 2024.

Projects Under Development

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



Complete 540 Phase 2

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



I-77 Express Lanes South

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



U.S. 74 Express Lanes

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



Mid-Currituck Bridge

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

NC Quick Pass®

The NC Quick Pass (NCQP) program is moving to distributed call centers to better serve its customers and align with the changing workforce. NCTA is building a new call center in Rocky Mount and plans to go live in calendar year 2022. The Rocky Mount Call Center will enhance NCTA's business continuity plan and provide additional agents to serve our customers better.

Traffic volumes across all projects increased throughout FY 2022. Transaction volumes are continuing to return to pre-pandemic levels. In FY 2022, NC Quick Pass distributed over 207,000 transponders, opened nearly 39,000 accounts, welcomed over 893,000 new Bill by Mail (BBM) customers, and mailed and emailed just under 6.70M invoices.

As the NC Quick Pass program continues to return to normalcy, leadership continue to assess safety protocols to ensure the safety of employees and customers.

Fiscal Year 2022 Highlights

207,000
Transponders Sold

39,000
NC Quick Pass
Accounts Established

893,000
New BBM Customers
(First Time Users)

6.70M
Invoices Mailed & Emailed

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



NC Quick Pass
56% of transponders sold



NC Quick Pass E-ZPass
32% of transponders sold



NC Quick Pass E-ZPass Flex
9% of transponders sold

All other transponders account for 2% of total.
Totals may not add due to rounding.

Safety

Highway Patrol

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

Wrong-Way Vehicle Detection Program

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

WWV technology systems at some interchanges on the Monroe Expressway in Union County will see upgraded pavement markings that look normal to drivers when traveling in the correct direction but illuminate with messages or symbols in bright red to drivers traveling in the wrong direction. Quickly notifying the driver is the safest and most effective way of preventing a wrong-way driver incident. These same upgraded pavement markings are scheduled to be installed on the Triangle Expressway as part of a maintenance resurfacing project during Fiscal Year 2023. NCTA continues to search for advanced technologies such as these to provide the safest facilities possible for customers.

Incident Management Assistance Patrol (IMAP)

Starting May 11th, 2022 GEICO 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 TMC of road conditions.

Fiscal Year 2022 Highlights

533

IMAP responses on the Triangle Expressway

453

IMAP responses on the Monroe Expressway



Technology

NCTA started transitioning to a toll system platform that builds an open system. The platform will allow NCTA to acquire service providers and create a business roadmap to deliver new features each year. NCTA deployed a new phone system that utilizes state-of-the-art technology, providing an improved customer service experience and increased real-time reporting and analytics. The new system will allow NCTA to expand its call center footprint and provide the benefits of an overflow call center. The new call system also includes a dedicated Spanish queue with more bilingual speakers to better serve our customers. In addition NCTA developed a prototype of a data pipeline from roadside data fields to standard data fields in a cloud environment using native services, allowing for improved operational efficiencies in the toll system audit functionality. This development allows NCTA to build its analytics from a common platform using its defined data dictionary whilst having different roadside systems. NCTA will use its enterprise reports and insights system to analyze data from the toll collection system to audit, detect and resolve any anomalies and improve data analytics and reporting.

NCTA continues to innovate and transform the tolling industry through its investments in new technologies and services. NCTA completed a technology refresh on Triangle Expressway and is undergoing an Operational Acceptance Test (OAT) before the system can transition into the operations and maintenance phase. With both the Triangle and Monroe Expressways in the maintenance phase, NCTA is developing a turnpike service management platform, leveraging technologies and services used statewide. This will streamline incident tracking, and asset and change management. These service management tools will provide an independent tool for NCTA to audit its providers and allow NCTA to better perform first-party review's of its system's performance.

NCTA implemented and tested several pilot projects for alternative payment options for NC Quick Pass customers. NCTA offered Go Toll mobile-based payment options for customers to pay tolls and PayByCar, an E-ZPass pilot program that provides touchless, mobile payment options for transponder customers with a smartphone. By participating in these pilots, NCTA intends to better determine how customers adapt to technology, allowing NCTA to review and formulate improved business rules and policies.



Looking Ahead

NCTA will continue modernizing its toll collection system platform to accommodate future statewide toll facilities with a more centralized system, focused on a support approach. Installing the new back-office system for the NC Quick Pass program will enable various self-service channels, including a modern, easy-to-use, responsive Website (ncquickpass.com), user-friendly mobile Apps, and Web chat functionality with added customer communication channels via text, notifications, emails, and mail. In 2023, NCTA will explore expanding its retail transponder sale program and retail payment networks. Through these partnerships, NCTA will continue to provide outstanding customer service and more convenient payment options to NC Quick Pass customers while increasing NCTA's toll collection efficiency.

Communications

Fiscal Year 2022 has been a year of building and preparation. Throughout the year, the communications department remained connected and focused on communicating with our NC Quick Pass customers, neighbors of projects, and internal partners.

Media & Project Highlights

The team worked with media outlets and trade organizations to highlight the NCTA's technological advancements and the hard work of our project teams.

Communication Partnership

The communications department issued the first communications contract to ICF Next to expand our capabilities to issue transponders and educate drivers about the benefits of NCTA roadways. With this new partnership NCTA has a better understanding of barriers keeping individuals from signing up for NC Quick Pass and has developed a strategy to communicate with more customers.



At the 2021 SASHTO summer meeting, the Monroe Expressway won a regional America's Transportation Award for the best use of innovation and technology in a large project. Beau Memory, who served as NCTA's Executive Director when the Monroe Expressway opened, accepted the award on behalf of the Authority.

ICF next+

NC Quick Pass & Customer Experience

The team worked with the Customer Service and Operations team to lay the groundwork for an entirely new customer experience with the new back-office system.

This year NC Quick Pass celebrated its tenth anniversary. Over the last 10 years over one million transponders have been issued and the program has over four million annual customers. Several surrounding municipalities joined in the celebration and the positive impact NC Quick Pass has contributed across the state. Raleigh, Garner, Holly Springs and Fuquay Varina issued proclamations naming December 8 as NC Quick Pass Day.

Complete 540

The largest construction project in NCTA history, Complete 540, the communications department continued to conduct public outreach and communicate regularly with surrounding residents and communities. Our relationship with local and state media also played an important role in keeping the Raleigh region informed and educated about the future highway. In FY 2022, the team met with more than 41 community organizations, homeowner associations, and elected officials to provide updates on construction and progress along the project.

Internal Communications

The communications department has worked diligently to develop a highly qualified and engaged team. During FY 22 the team:

- Launched the first NCTA Employee and Consultant Orientation Program
- Launched the first NCTA Employee Ambassador Program
- Launched the first NCTA Lunch & Learn Program
- Hosted two interns as part of the Summer Internship Program
- The communications department also created a detailed Crisis Communications Plan working with senior management to prepare for potential crisis events.

Looking Ahead

FY 2023 will be an exciting year for the NCQP program and NCTA projects as we launch our new Back Office System including a new website and app to provide customers with an entirely new customer experience. Into the next year, we will also be planning for the grand opening of Complete 540 Phase 1.

21 Webpages developed
150 Customer Communications Written



41+ Community Meetings & Presentations
~10K Postcards Sent
403 Email Inquiries
260 Hotline Phone Calls

Financial Section

Fiscal Year 2022 Highlights

\$54.0M

Triangle Expressway
Actual Revenue

\$27.0M

Monroe Expressway
Actual Revenue

More Choices
For Your Commute

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the NCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and 2021, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with U.S. GAAP. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NCTA’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the financial statements of the NCTA. The Schedule of Revenues and Expenditures – Modified Cash Basis – Non-GAAP, is presented for purposes of additional analysis and are not required part of the financial statement. Such information 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. The information has been subjected to the auditing procedures applied in the audits 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, the Schedule of Revenues and Expenditures – Modified Cash Basis – Non GAAP is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the NCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of NCTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NCTA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 28, 2022

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, 2022, 2021, and 2020. 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 Annual Comprehensive Financial Report (ACFR). 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, 2022 and 2021, the statements of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021, and the statements of cash flows for the years ended June 30, 2022 and 2021. **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 (schedule of revenues and expenditures are on page 56).** These statements use the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements of net position present assets and deferred outflows of resources less liabilities and deferred inflows of resources, thus presenting NCTA's financial position at the end of the fiscal year, while the statements of revenues, expenses, and changes in net position present information showing how NCTA's net position changed during the fiscal year.

The North Carolina Turnpike Authority

History

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

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

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

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

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

Toll Rate Policy

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

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

The Turnpike Authority Board of Directors has adopted toll rate schedules for both the Triangle Expressway and Monroe Expressway projects based on their respective Traffic and Revenue Studies. The toll rate schedules for each facility provide the toll rates for every year through the final maturity date for all indebtedness issued to finance each project. Toll rates on both facilities increase each January 1 based on the approved toll rate schedules. In Calendar Years (CY) 2021 the average cost per mile for customers on the Triangle Expressway in a Class 1 (two-axle) vehicle paying with a transponder was \$0.19, and in CY 2022, the average cost per mile increased to \$0.20. In CY 2021 and 2022, the average cost per mile for customers on the Monroe Expressway in a Class 1 (two-axle) vehicle paying with a transponder was \$0.15.

Financial Highlights & Analysis

Turnpike Authority Fund

Budgeted Administrative Activities for fiscal years 2022 and 2021 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 decreased \$45.1 million to \$3.2 billion.
- The Turnpike Authority's total capital assets increased \$238.2 million to \$2.6 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. 885 on the north end, to N.C. 55 Bypass in the south, to partially complete the "Outer Loop" around the greater Raleigh area. The final phase opened to toll traffic on January 2, 2013. In April 2017, the Veridea Parkway interchange, previously named Old Holly Springs-Apex Road, opened to traffic. The Veridea Parkway Interchange is located between the U.S. 1 interchange and the N.C. 55 Bypass interchange on the southern end of the Triangle Expressway and provides a direct local link between the Triangle Expressway and Veridea Parkway/Old Holly Springs-Apex Road. The Veridea Parkway Interchange was paid for in part with proceeds of the 2009 toll revenue bonds. A second interchange, the Morrisville Parkway Interchange, opened to traffic in February 2020. Toll revenues from both the Veridea Parkway Interchange and Morrisville Parkway Interchange are included in Receipts and Revenues of the Triangle Expressway System.

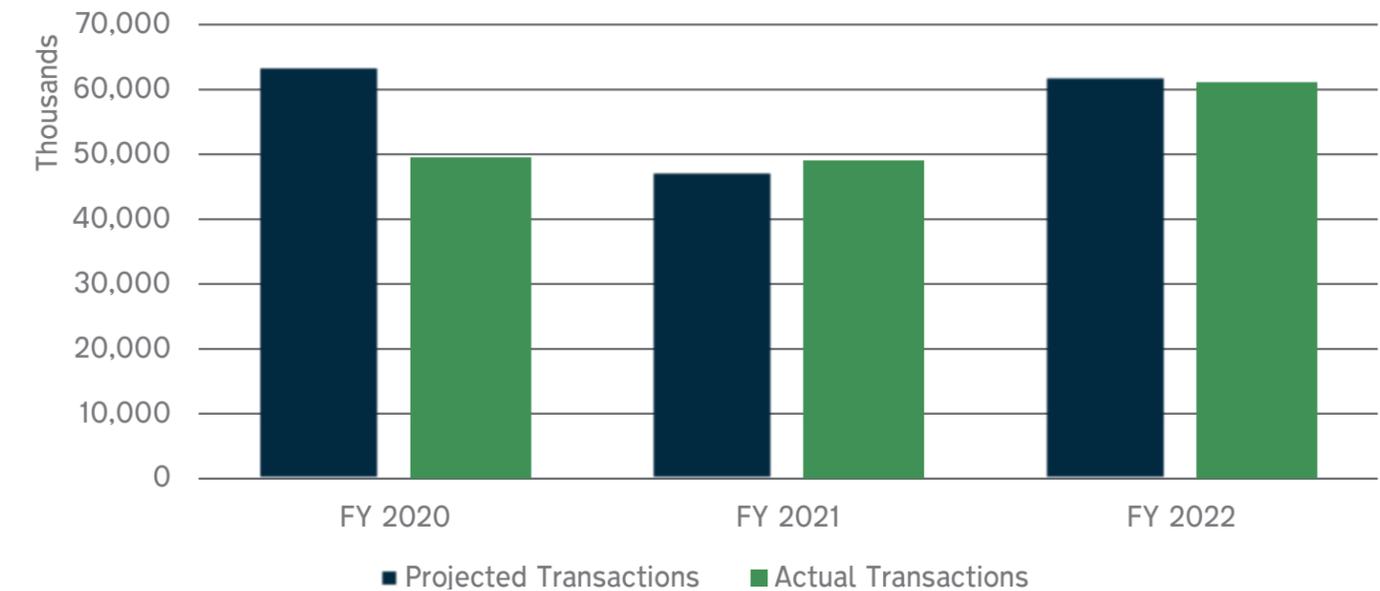
Fiscal Year 2022 Highlights

- Transactions increased 24.6% to 61.1 million in FY 2022 from FY 2021. Actual transactions were below updated T&R projections by 1.2%.
- Actual revenue increased 38.3% to \$54.0 million in FY 2022 from FY 2021. Actual revenue exceeded updated T&R projections by 3.3%.
- Operating expenses for the Triangle Expressway were \$14.1 million in FY 2022 which was 31.0% under budget.

Transactions & Revenue

The Triangle Expressway serves as a commuter facility in the Raleigh area. Transaction and revenue projections were updated by CDM Smith in FY 2021 to include impacts from the COVID-19 pandemic. Total traffic on the facility increased in FY 2022 from FY 2021 and actual revenue exceeded the updated projections. FY 2020 projections for the facility were based on the upgraded certified Traffic and Revenue Study prepared by CDM Smith in 2019. The table below show the number of toll transactions on the Triangle Expressway in fiscal years 2020, 2021 and 2022.

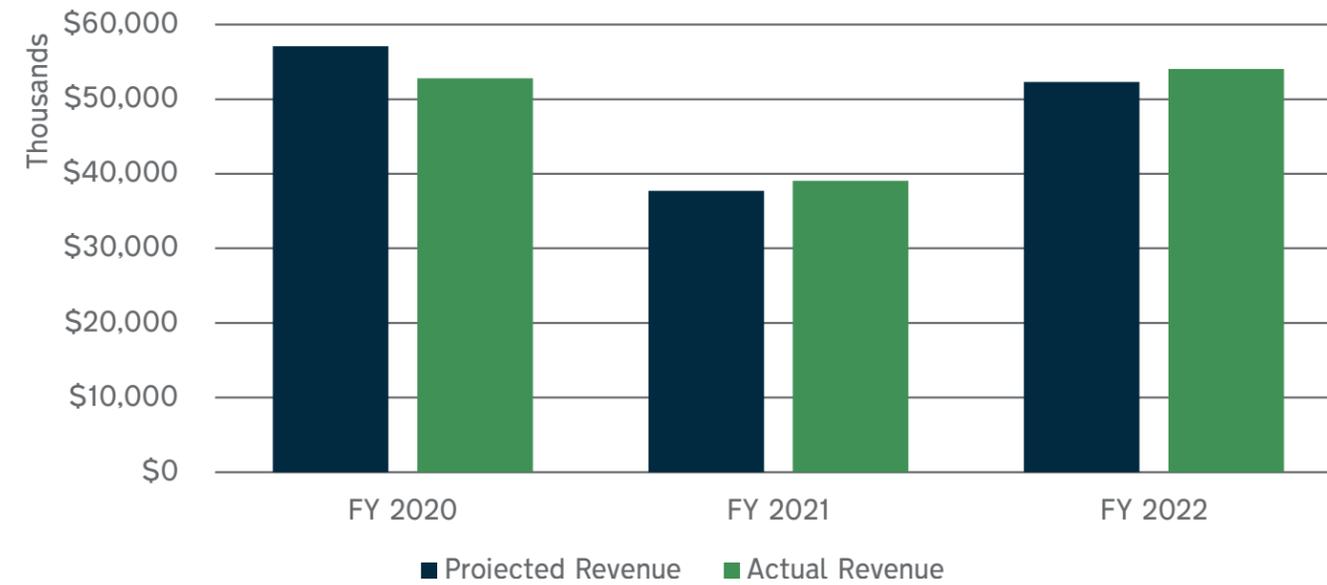
	FY 2020	FY 2021	FY 2022
Projected Transactions	63,399,000	47,260,000	61,907,000
Actual Transactions	49,528,840	49,068,668	61,137,704
Actual to Projected (%)	78%	104%	99%
Actual Transactions YOY Increase (Decrease) (%)	-11.1%	-0.9%	24.6%



The table below shows the amount of actual revenue earned on the Triangle Expressway in fiscal years 2020, 2021 and 2022. FY 2022 operating revenue on the Triangle Expressway totaled \$56.1 million. Actual revenue is on a cash basis and is inclusive of toll revenue as well as revenue from the following:

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

	FY 2020	FY 2021	FY 2022
Projected Revenue	\$57,086,000	\$37,695,000	\$52,323,000
Actual Revenue	\$52,790,367	\$39,078,585	\$54,042,716
Actual to Projected (%)	92%	104%	103.29%
Actual Revenue YOY Increase (Decrease) (%)	0.5%	-26.0%	38.3%



	FY 2020	FY 2021	FY 2022
Toll Revenue as a % of Total Actual Revenue	88.5%	92.7%	88.9%

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

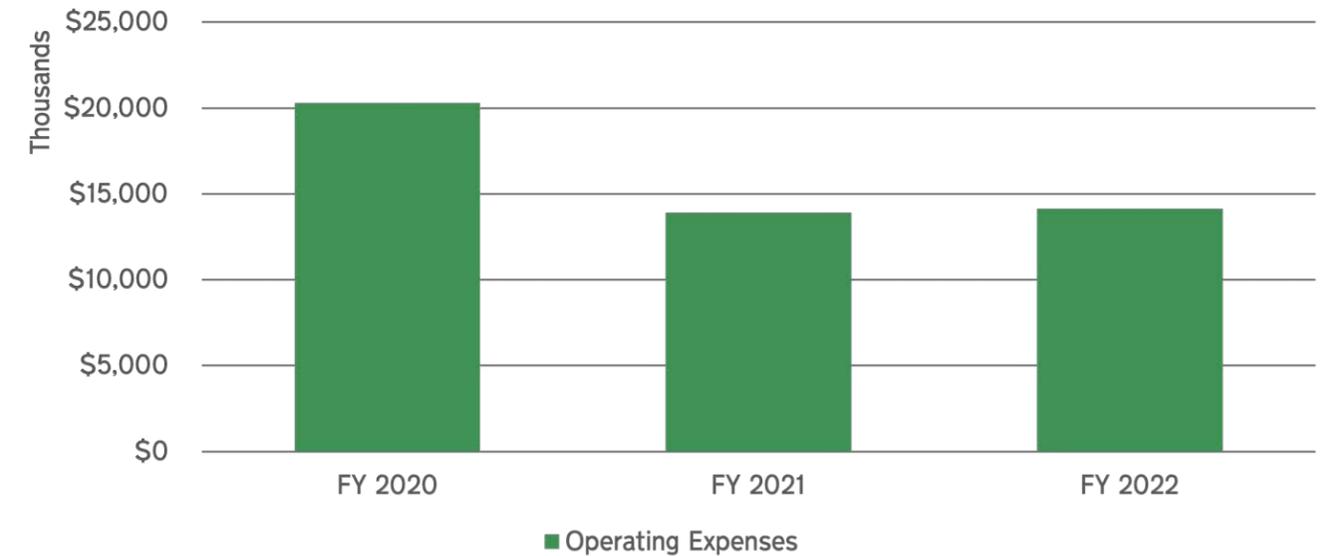
Operating Expenses

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

- Finance
- Toll Operations
- Administrative
- Highway Operations
- Customer Service
- Service & Safety Patrols
- Communications

Below is a breakdown of the actual operating expenses for the Triangle Expressway for fiscal years 2020, 2021 and 2022.

	FY 2020	FY 2021	FY 2022
Actual Expenses	\$20,279,418	\$13,899,836	\$14,136,679



Monroe Expressway

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

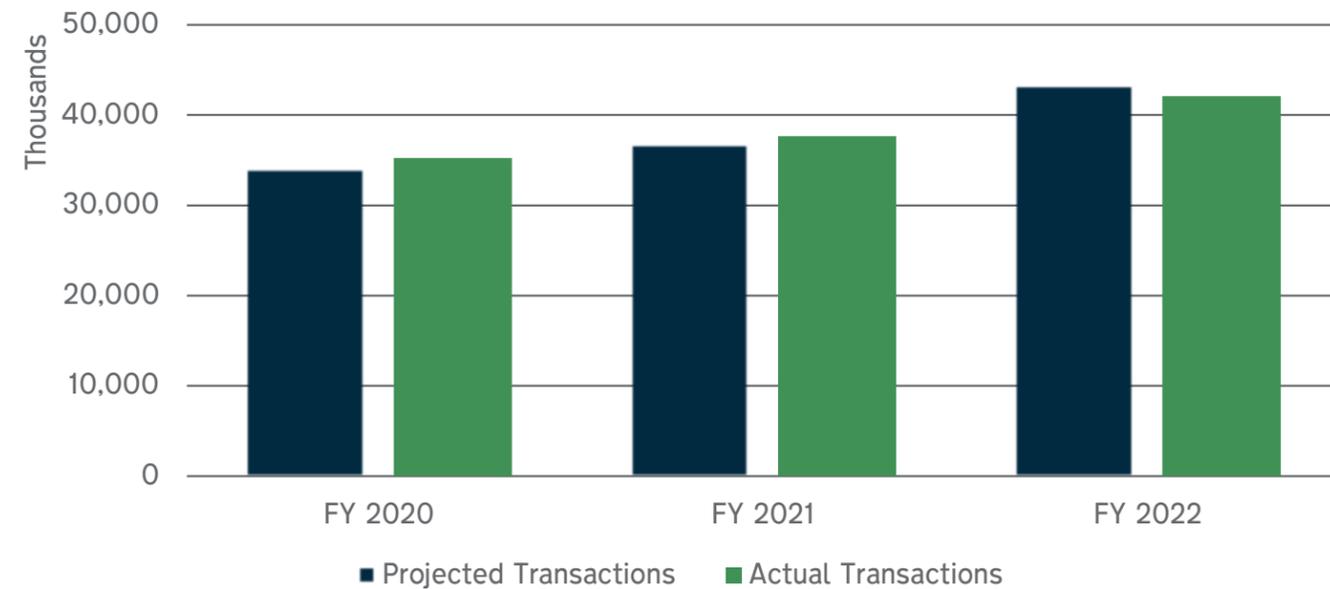
Fiscal Year 2022 Highlights

- Transactions increased 11.8% to 42.1 million in FY 2022 from FY 2021. Actual transactions were 2.7% below T&R projections.
- Actual revenue increased 29.0% to \$27.0 million in FY 2022 from FY 2021 and exceeded T&R projections by 5.4%.
- Operating expenses for the Monroe Expressway totaled \$12.5 million in FY 2022 which was 16.7% under budget.

Transactions & Revenue

The Monroe Expressway has seen steady transaction growth in Fiscal Year 2022. Below is a table that shows the number of toll transactions compared to projections. For FY 2020, projections are from the original 2016 investment grade Traffic and Revenue Report prepared by CDM Smith. For FY 2021 and FY 2022, projections were updated by CDM Smith to account for impacts due to the COVID-19 pandemic.

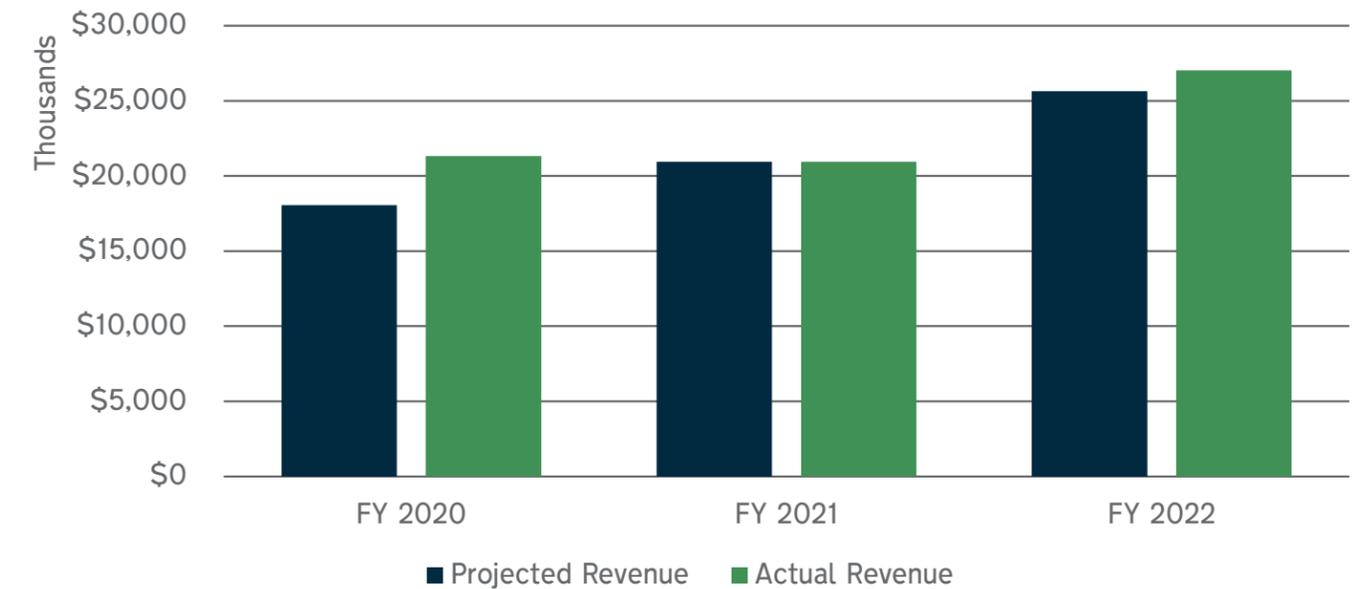
	FY 2020	FY 2021	FY 2022
Projected Transactions	34,082,000	36,830,000	43,255,000
Actual Transactions	35,240,510	37,661,856	42,104,433
Actual to Projected (%)	103%	102%	97%



The table below shows the actual revenue received on the Monroe Expressway in fiscal years 2020, 2021 and 2022. FY 2022 operating revenue on the Monroe Expressway totaled \$30.0 million. Actual revenue is on a cash basis and is inclusive of toll revenue as well as revenue from the following:

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

	FY 2020	FY 2021	FY 2022
Projected Revenue	\$18,055,000	\$20,940,000	\$25,633,000
Actual Revenue	\$21,335,260	\$20,950,428	\$27,023,684
Actual to Projected (%)	118%	100%	105%



	FY 2020	FY 2021	FY 2022
Toll Revenue as a % of Total Actual Revenue	88.7%	92.4%	88.4%

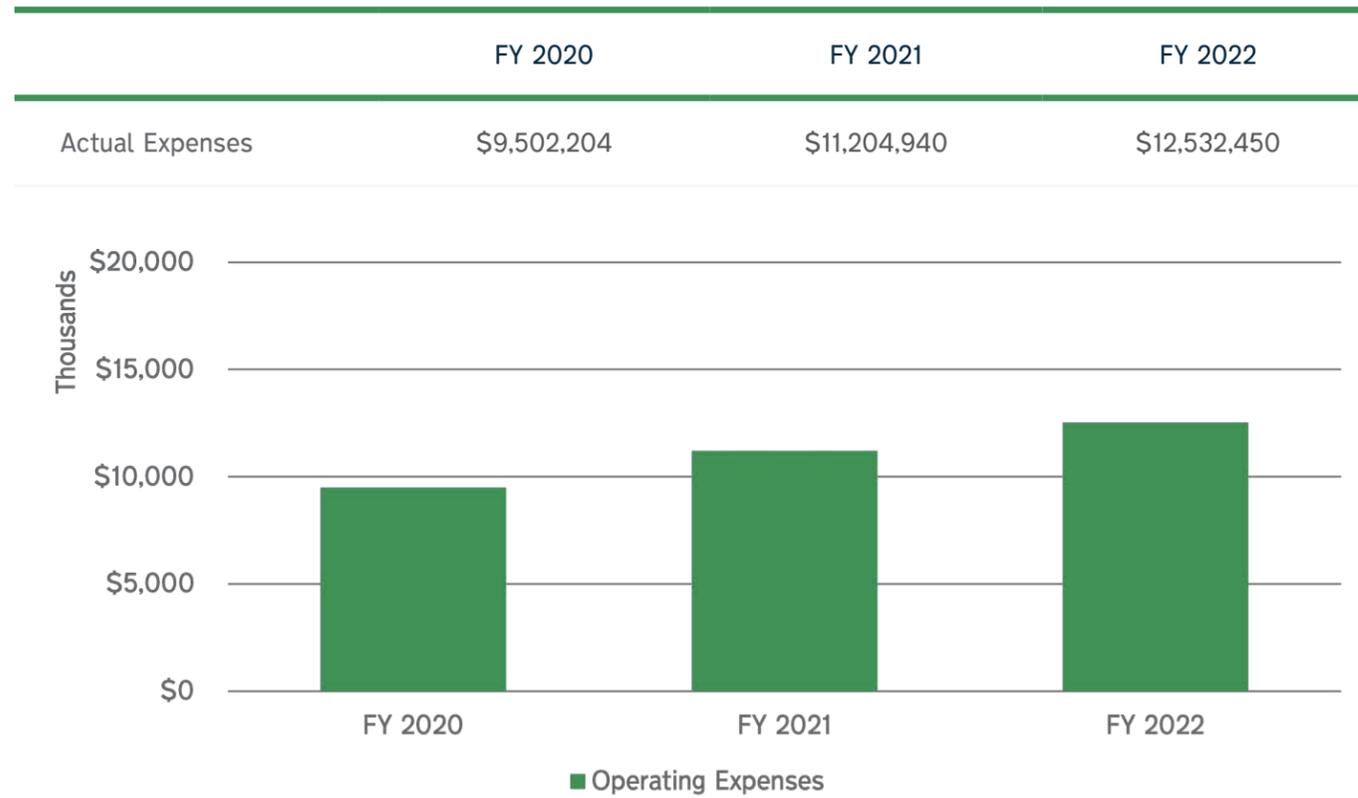
Toll Revenue as a percent of Total Actual Revenue is calculated by dividing the total toll revenue by Actual revenue for each fiscal year.

Operating Expenses

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

- Finance
- Highway Operations
- Service & Safety Patrols
- Toll Operations
- Customer Service
- Communications
- Administrative

Below is a breakdown of the actual operating expenses for the Monroe Expressway for fiscal years 2020, 2021 and 2022.



New Debt Issuances

Triangle Expressway

On August 5, 2021, NCTA completed an Interest Rate Reset for the Complete 540 Phase 1 TIFIA loan which resulted in over \$40 million of net present value savings.

Monroe Expressway

There were no new debt issuances for the Monroe Expressway in FY 2022.



Debt Outstanding as of June 30, 2022

Triangle Expressway

Series	Outstanding Par	Final Maturity
Appropriation Revenue Refunding Bonds, Series 2018A	\$150,125,000	1/1/2039
Appropriation Revenue Refunding Bonds, Series 2018B	\$147,592,000	1/1/2032
Appropriation Revenue Bonds, Series 2019	\$125,596,750	1/1/2049
Senior Lien Revenue Bonds, Series 2009B	\$85,943,637	1/1/2038
Senior Lien Revenue Refunding Bonds, Series 2017	\$171,510,000	1/1/2039
Senior Lien Revenue Refunding Bonds, Series 2018	\$396,420,000	1/1/2041
Senior Lien Revenue Bonds, Series 2019	\$370,975,000	1/1/2055
Senior Lien Revenue Bond Anticipation Notes, Series 2020	\$499,460,000	2/1/2024
TIFIA Loan	-	1/1/2058

Monroe Expressway

Series	Outstanding Par	Final Maturity
Appropriation Revenue Bonds, Series 2010A	\$225,545,000	1/1/2041
Appropriation Revenue Refunding Bonds, Series 2021 (forward delivery)	\$73,985,000	7/1/2041
Senior Lien Revenue Bonds, Series 2016A	\$119,455,000	7/1/2054
Senior Lien Revenue Bonds, Series 2016C	\$22,647,081	7/1/2041
TIFIA Loan	\$166,500,000	7/1/2053

Fund Balances as of June 30, 2022

Triangle Expressway

Fund	Balance
State Appropriation Revenue	\$-
Revenue	-
Operations & Maintenance Expense Fund	3,577,593
Operating Reserve Fund	5,124,775
Renewal & Replacement Fund	15,025,186
Project Fund	146,087,678
Restricted General Reserve	1,272,276
Unrestricted General Reserve	48,238,791

Monroe Expressway

Fund	Balance
State Appropriation Revenue	\$-
State Appropriation Reserve	4,311,973
Revenue	-
Senior Lien Debt Service Reserve Fund	12,179,352
Operations & Maintenance Expense Fund	2,366,855
Operating Reserve Fund	4,087,012
Renewal & Replacement Fund	11,522,003
TIFIA Debt Service Reserve Fund	11,837,466
Ramp-up Reserve Fund	53,635,508
Unpledged Reserve	22,276,833

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

	2022	2021	2020
Current Assets	\$51,936,083	\$25,166,160	\$41,308,016
Restricted Assets, Prepaid Insurance Costs, and Net OPEB Asset	528,352,985	838,438,968	521,185,051
Capital Assets	2,583,207,797	2,344,984,535	2,152,996,506
Total Assets	<u>3,163,496,865</u>	<u>3,208,589,663</u>	<u>2,715,489,573</u>
Deferred Outflows of Resources	<u>23,562,733</u>	<u>26,012,892</u>	<u>28,075,110</u>
Current Liabilities	225,049,027	175,066,624	129,235,712
Noncurrent Liabilities	2,718,837,473	2,769,481,262	2,260,855,861
Total Liabilities	<u>2,943,886,500</u>	<u>2,944,547,886</u>	<u>2,390,091,573</u>
Deferred Inflows of Resources	<u>7,542,181</u>	<u>1,076,752</u>	<u>1,076,752</u>
Net Investment in Capital Assets	422,923,974	432,495,273	433,327,378
Restricted:			
Debt service	197,962,415	234,520,949	160,747,742
Transportation	17,470,046	16,343,650	14,461,311
Unrestricted	<u>(402,725,518)</u>	<u>(400,828,042)</u>	<u>(256,137,029)</u>
Net Position	<u>\$235,630,917</u>	<u>\$282,531,830</u>	<u>\$352,399,402</u>

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

Current Assets

Current assets increased in fiscal year 2022 primarily due to an increase in accounts receivable for bill by mail toll revenue. Current assets decreased in fiscal year 2021 primarily due to a change in accounting estimate for bad debt expense from the direct write-off method to the allowance method resulting in a one-time \$17.7 million adjustment. For additional information regarding NCTA's current assets, please see [Note 1 on page 27](#) in the financial statements.

Non-Current Assets

Non-current assets decreased in fiscal year 2022 primarily due to a decrease in restricted investments of \$313.8 million for the continued construction of the Triangle Expressway's Complete 540 project using bond proceeds. Non-current assets increased in fiscal year 2021 primarily due to an increase in restricted investments for the Triangle Expressway's Complete 540 project of \$312.5 million from the issuance of the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020. For additional information regarding NCTA's restricted assets, please [Note 1 on page 26](#), [Note 2 on page 30](#) and [Note 3 on page 31](#) in the financial statements.

Capital Assets

Capital Assets, Non-Depreciable

The increases in fiscal years 2022 and 2021 were due to the continued progress on the Complete 540 project with an increase for right-of-way (ROW) acquisition of \$19.1 million and \$74.5 million, respectively; and an increase for construction in progress of \$248.8 million and \$147.2 million, respectively. For additional information regarding NCTA's capital assets, please see [Note 1 on page 26](#) and [Note 4 on page 32](#) in the financial statements.

Capital Assets, Depreciable, Net

The decrease of \$29.7 million in each fiscal year of 2022 and 2021 was due to the current year depreciation expense on the Triangle Expressway and Monroe Expressway projects. For additional information regarding NCTA's capital assets, please see [Note 1 on page 26](#) and [Note 4 on page 32](#) in the financial statements.

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. Current liabilities increased in fiscal year 2022 primarily due to a \$25.7 million reclassification of the Civil Penalty Fund from Due to Fiduciary Funds to Due to Other Funds and \$25 million due to the State Treasurer for funds disbursed to NCTA for project expenditures, but not yet deducted from the NCTA STIF accounts. In fiscal year 2021, current liabilities increased \$45.8 million due to several factors. Due to other funds increased \$31.7 million for ROW acquisition expenditures for the Complete 540 project. Revenue bonds payable increased primarily due to an \$8.4 million principal payment accrual for the Monroe Expressway Appropriation Revenue Bonds, Series 2010A. The last factor in fiscal year 2021 was due to a \$12.5 million interest payment accrual for the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020. For additional information regarding NCTA's current liabilities, please [Note 1 on page 27](#) and [Note 5 on page 33](#) financial statements.

Non-Current Liabilities

Non-current 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 non-current portion of accrued vacation and interest payable. Non-current liabilities decreased in fiscal year 2022 primarily due to revenue bond principal payments of \$37 million and amortization of premium on bonds payable of \$23.8 million. The increase in fiscal year 2021 was primarily due to an increase in bonds payable of \$501.4 million from the issuance of the Triangle Expressway Senior Lien Revenue Bond Anticipation Notes, Series 2020 for the Complete 540 project. For additional information regarding NCTA's non-current liabilities, please see [Note 1 on page 27](#), [Note 7 on page 33](#), [Note 10 on page 40](#) and [Note 11 on page 44](#) in the financial statements.

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

For fiscal years 2022, 2021, and 2020, the Turnpike Authority ended with positive net position.

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

	2022	2021	2020
Operating Revenues:			
Charges for Services	\$ 89,667,045	\$ 49,792,367	\$ 77,198,285
Other Operating Revenues	17,604,543	7,392,967	5,414,494
Total Operating Revenues	<u>107,271,588</u>	<u>57,185,334</u>	<u>82,612,779</u>
Operating Expenses:			
Personnel Services	3,024,259	3,386,775	2,737,896
Supplies and Materials	613,815	240,546	277,129
Contracted Personnel Services	8,595,600	8,476,261	11,918,251
Travel	72,971	3,685	44,426
Advertising	159,027	95,823	419,473
Utilities	330,178	269,838	268,708
Dues and Subscription Fees	43,887	39,063	37,467
Other Services	29,013,342	18,835,990	15,467,390
Cost of Goods Sold	933,468	701,395	1,045,709
Capital Outlay	35,794,768	40,356,587	39,173,940
Rental Expense	199,973	168,893	205,073
Depreciation	29,683,523	29,683,523	29,683,523
Total Operating Expenses	<u>108,464,811</u>	<u>102,258,379</u>	<u>101,278,985</u>
Operating Income (Loss)	<u>(1,193,223)</u>	<u>(45,073,045)</u>	<u>(18,666,206)</u>
Nonoperating Revenue (Expenses) and Capital Grants	(102,730,936)	(60,825,193)	(68,871,441)
Transfers In	57,023,246	49,921,668	185,396,233
Transfers Out	<u>-</u>	<u>(13,891,002)</u>	<u>(146,254,726)</u>
Change in Net Position	(46,900,913)	(69,867,572)	(48,396,140)
Net Position Beginning, July 1	<u>282,531,830</u>	<u>352,399,402</u>	<u>400,795,542</u>
Net Position Ending, June 30	<u>\$ 235,630,917</u>	<u>\$ 282,531,830</u>	<u>\$ 352,399,402</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. Operating revenues increased in fiscal year 2022 primarily due to an increase of \$30.0 million in toll revenues from increased traffic levels. The decrease in fiscal year 2021 was primarily due to a decrease of \$24.2 million in toll revenues. The decrease in toll revenues is primarily due to a change in accounting estimate for bad debt expense from the direct write-off method to the allowance method resulting in a one-time \$17.7 million adjustment. The remaining decrease of \$6.5 million is primarily due to a decrease of 18.4% in toll receipts for the Triangle Expressway from decreased traffic levels as a result of COVID-19. For additional information regarding NCTA's operating revenues, please [Note 1 on page 28](#) and [Note 9 on page 39](#) in the financial statements.

Operating Expenses

Operating expenses are expenses used to acquire or produce goods and services to carry out the mission of the Turnpike Authority. In fiscal years 2022 and 2021, operating expenses increased insignificantly at \$6.2 million and \$1.0 million, respectively. For additional information regarding NCTA's operating expenses, please [Note 1 on page 28](#), [Note 6 on page 33](#), [Note 10 on page 40](#) and [Note 11 on page 44](#) in the financial statements.

Non-operating and Other Revenue/Expenses

Non-operating revenues/expenses are revenues received or expenses incurred for which goods and services are not provided or received. They include capital grants, investment income, and debt service expense. In fiscal year 2022, non-operating expenses increased \$20.6 million primarily due to increased debt service. In fiscal year 2021, non-operating revenues and expenses increased \$10.0 million primarily due to a decrease in investment income of \$4.0 million due to lower interest rates, and an increase in debt service expense of \$6.4 million primarily due to new debt issuance of Senior Lien Revenue Bond Anticipation Notes, Series 2020 for the Triangle Expressway. Capital grants are the funds received from the Federal Highway Administration ("FHWA") and NCDOT for their participation in the initial construction of toll highways and in preliminary studies to determine the feasibility of a toll facility. Capital grants decreased \$21.3 million in fiscal year 2022 primarily due to a shift from federal funding to bond funding for the Complete 540 project. Capital grants increased in fiscal year 2021 primarily due to a \$22.0 million FHWA reimbursement related to the Complete 540 project. For additional information regarding NCTA's non-operating and other revenue/expenses, please see [Note 1 on page 29](#) in the financial statements.

Transfers In

Transfers in include funds received from NCDOT for gap funding of debt service and funds for the FHWA State match. Transfers in increased \$7.1 million to \$57.0 million in fiscal year 2022 primarily due to increased NCDOT Complete 540 project participation. Transfers in decreased \$135.5 million to \$49.9 million in fiscal year 2021 primarily due to decreased NCDOT Complete 540 project participation. The amount of funds received for gap funding of debt service remained unchanged at \$49.0 million in fiscal years 2022 and 2021. For additional information regarding NCTA's transfers in, please see [Note 1 on page 29](#) in the financial statements.

Transfers Out

Transfers out include funds disbursed to reimburse NCDOT for project participation incurred with proceeds from the sale of bonds for the Complete 540 project. The reimbursement decreased \$13.9 million and \$132.4 million in fiscal years 2022 and 2021, respectively, due to no new debt issuances for the Complete 540 project. For additional information regarding NCTA's transfers out, please see [Note 1 on page 29](#) in the financial statements.

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, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Securities Lending Collateral	\$ 5,191,326	\$ 8,059
Accounts Receivable, net	41,025,407	19,769,989
Inventory	914,869	402,226
Intergovernmental Receivable	4,804,481	4,985,886
Total Current Assets	<u>51,936,083</u>	<u>25,166,160</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	38,348,158	34,368,144
Investments	485,466,861	799,238,142
Total Restricted Assets	<u>523,815,019</u>	<u>833,606,286</u>
Net OPEB Asset	1,530	4,406
Prepaid Insurance Costs	4,536,436	4,828,276
Capital Assets, Nondepreciable:		
Land and Permanent Easements	555,710,391	536,638,906
Construction in Progress	698,544,609	449,709,309
Capital Assets, Depreciable, Net of Depreciation:		
Highway Network	1,328,952,797	1,358,636,320
Total Capital Assets, Net of Depreciation	<u>2,583,207,797</u>	<u>2,344,984,535</u>
Total Noncurrent Assets	<u>3,111,560,782</u>	<u>3,183,423,503</u>
Total Assets	<u>3,163,496,865</u>	<u>3,208,589,663</u>
Deferred Outflows of Resources:		
Pension	807,640	785,734
Other Post Employment Benefits	1,816,021	1,687,799
Unamortized Bond Refunding Charges	20,939,072	23,539,359
Total Deferred Outflows of Resources	<u>\$ 23,562,733</u>	<u>\$ 26,012,892</u>

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

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 16,865,850	\$ 18,121,485
Accrued Interest Payable	58,312,344	49,781,038
Accrued Vacation	31,902	37,934
Obligations under Securities Lending	5,191,326	8,059
Due to Other Funds	94,881,342	54,076,364
Bonds Payable, Net	36,994,000	42,122,000
Intergovernmental Payables	1,860,914	1,725,864
Funds Held for Others	10,911,349	9,193,880
Total Current Liabilities	<u>225,049,027</u>	<u>175,066,624</u>
Noncurrent Liabilities:		
Bonds Payable, Net	2,442,256,684	2,503,105,404
Note Payable	166,500,000	166,500,000
Advances from Other Funds	30,423,541	30,354,625
Accrued Interest Payable	75,899,324	65,383,887
Accrued Vacation	294,967	345,624
Net OPEB Liability	2,951,039	2,521,627
Net Pension Liability	511,918	1,270,095
Total Noncurrent Liabilities	<u>2,718,837,473</u>	<u>2,769,481,262</u>
Total Liabilities	<u>2,943,886,500</u>	<u>2,944,547,886</u>
Deferred Inflows of Resources:		
Pension	669,612	-
Deferred gain on refunding	5,779,074	6,200,970
Other Post Employment Benefits	1,093,495	1,321,869
Total Deferred Inflows of Resources	<u>7,542,181</u>	<u>7,522,839</u>
NET POSITION		
Net Investment in Capital Assets	422,923,974	432,495,273
Restricted:		
Debt Service	197,962,415	234,520,949
Transportation	17,470,046	16,343,650
Unrestricted	(402,725,518)	(400,828,042)
Total Net Position	<u>\$ 235,630,917</u>	<u>\$ 282,531,830</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Operating Revenues:		
Charges for Services	\$ 89,667,045	\$ 49,792,367
Other Operating Revenues	17,604,543	7,392,967
Total Operating Revenues	<u>107,271,588</u>	<u>57,185,334</u>
Expenses:		
Operating Expenses:		
Personnel Services	3,024,259	3,386,775
Supplies and Materials	613,815	240,546
Contracted Personnel Services	8,595,600	8,476,261
Travel	72,971	3,685
Advertising	159,027	95,823
Utilities	330,178	269,838
Dues and Subscription Fees	43,887	39,063
Other Services	29,013,342	18,835,990
Cost of Goods Sold	933,468	701,395
Capital Outlay	35,794,768	40,356,587
Rental Expense	199,973	168,893
Depreciation	29,683,523	29,683,523
Total Operating Expenses	<u>108,464,811</u>	<u>102,258,379</u>
Operating Loss	<u>(1,193,223)</u>	<u>(45,073,045)</u>
Nonoperating Revenues (Expenses):		
Investment Earnings (Loss)	(5,463,060)	4,495,446
Federal Interest Subsidy on Debt	4,015,963	4,146,800
Interest and Fees	(101,687,900)	(91,553,583)
Miscellaneous	306,094	695,330
Total Nonoperating Expenses	<u>(102,828,903)</u>	<u>(82,216,007)</u>
Loss Before Transfers and Capital Grants	(104,022,126)	(127,289,052)
Capital Grants	97,967	21,390,814
Transfers In	57,023,246	49,921,668
Transfers Out	-	(13,891,002)
Decrease in Net Position	(46,900,913)	(69,867,572)
Net Position, Beginning	282,531,830	352,399,402
Net Position, Ending	<u>\$ 235,630,917</u>	<u>\$ 282,531,830</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 69,340,659	\$ 60,538,150
Payments to Employees and Fringe Benefits	(3,104,615)	(3,056,036)
Payments to Vendors and Suppliers	(35,088,263)	(37,661,691)
Other Receipts	16,427,845	5,903,096
Other Payments	(12,718)	(1,205,337)
Net Cash Flows from Operating Activities	<u>47,562,908</u>	<u>24,518,182</u>
Cash Flows from Noncapital Financing Activities:		
Advances from Other Funds	68,916	501,089
Net Cash Flows from Noncapital Financing Activities	<u>68,916</u>	<u>501,089</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(266,047,342)	(223,330,222)
Transfers from Other Funds	57,023,246	49,921,668
Federal Interest Subsidy on Debt	4,015,963	4,146,800
Capital Grants	2,133,495	21,481,613
Capital Gifts	(7,317)	-
Principal Payments	(42,122,000)	(124,865,000)
Interest Payments	(107,132,495)	(85,957,428)
Proceeds from Capital Debt	-	661,762,060
Payment to Bond Escrow Agent	-	(1,234,103)
Bond Issuance Costs	(98,700)	(652,640)
Transfers to Other Funds	-	(13,891,002)
Insurance Recoveries	288,246	652,135
Net Cash Flows from Capital and Related Financing Activities	<u>(351,946,904)</u>	<u>288,033,881</u>
Cash Flows from Investing Activities:		
Proceeds from Sale and Maturities of Investments	926,164,212	809,693,065
Purchase of Investments	(619,319,393)	(1,121,120,728)
Investment Earnings	1,450,275	3,433,901
Net Cash Flows from Investing Activities	<u>308,295,094</u>	<u>(307,993,762)</u>
Net Change in Cash and Cash Equivalents	3,980,014	5,059,390
Cash and Cash Equivalents, Beginning of Year	34,368,144	29,308,754
Cash and Cash Equivalents, End of Year	<u>\$ 38,348,158</u>	<u>\$ 34,368,144</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities:		
Operating Loss	\$ (1,193,223)	\$ (45,073,045)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Operating Activities:		
Depreciation Expense	29,683,523	29,683,523
Nonoperating Miscellaneous and Other Expense	(111,418)	(614,828)
Management Fees	(12,718)	(1,205,337)
Changes in Assets and Deferred Outflows:		
Accounts Receivable	(21,255,009)	11,107,672
Intergovernmental Receivables	(988,435)	(1,889,248)
Due from Other Funds	(865,689)	(143,928)
Inventory	(512,643)	702,620
Net OPEB Asset	2,876	(1,362)
Deferred Outflows for Pensions	(21,906)	(236,371)
Deferred Outflows for OPEB	(128,222)	(372,534)
Changes in Liabilities and Deferred Inflows:		
Accounts Payable	369,692	(2,685,800)
Due to Other Funds	50,681,466	31,727,472
Funds Held for Others	1,476,580	859,647
Due to Fiduciary	(9,876,488)	1,782,102
Unearned Revenue	240,889	-
Compensated Absences	(56,689)	74,968
Net OPEB Liability	447,262	167,113
Deferred Inflows for OPEB	(228,375)	254,288
Net Pension Liability	(758,177)	390,401
Deferred Inflows for Pensions	669,612	(9,171)
Net Cash Flows from Operating Activities	<u>\$ 47,562,908</u>	<u>\$ 24,518,182</u>
Noncash Investing, Capital, and Financing Activities:		
Change in Fair Value of Investments	\$ (21,220,222)	\$ (3,645,802)
Change in Construction in Progress as a Result of Accrued Liabilities	11,973,677	13,042,675
Change in Net OPEB Liability related to Noncapital Contributions	(17,850)	-
Change in Securities Lending Collateral	5,183,267	(6,273,944)
Increase in Receivables Related to Nonoperating Income	407	2
Assets acquired through assumption of a liability	287,368	1,681,339

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Basis of Presentation – The accompanying financial statements are presented in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (“GASB”). The full scope of 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 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 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 Treasurer’s allocation of these transactions, 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.” NCTA’s allocable share of these assets and liabilities is based on NCTA’s year-end deposit balance per the State Treasurer’s records.

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

The collateral is initially pledged at 102% of the fair value of the securities lent and additional collateral is required if its value falls to less than 100% of the fair 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, 2022 AND 2021

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

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

Receivables – Accounts receivable consist of uncollected toll revenues and intergovernmental receivables consist of amounts due from the Federal Highway Administration (“FHWA”) and other local governmental agencies in connection with reimbursement of allowable expenditures made pursuant to contracts and grants that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider’s conditions have been satisfied.

Allowance for Doubtful Accounts – NCTA determines the allowance for doubtful accounts for the uncollectible portion of toll revenues based on historical collections. As of June 30, 2022 and 2021, NCTA’s allowance for doubtful accounts totaled \$22,299,811 and \$17,659,954, respectively.

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, 2022 and 2021, in accordance with the NC STIF operating procedures.

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

Prepaid Insurance Costs – Prepaid insurance costs consist of guaranty bond insurance related to the issuance of the 2009 Triangle Expressway bonds, the 2017 and 2018 Triangle Expressway Revenue Refunding bonds, and the Triangle Expressway Senior Lien Series 2019 Revenue bonds. These amounts are capitalized and will be amortized over the maturity of the bonds.

Capital Assets, Nondepreciable – Capital assets, nondepreciable include land and permanent easements purchased for specific projects. These costs will never be depreciated. Construction in progress includes consultant contract expenditures and contracted personnel service expenditures that are charged to specific projects. These costs will be transferred to depreciable asset categories when projects are complete.

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

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

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Accrued Vacation – 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 – NCTA’s net position is classified as follows:

Net Investment in Capital Assets – This represents 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 NCTA has historically operated with expenditures in excess of revenues collected, NCTA has a deficit in the unrestricted balance.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized until then. 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 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 three items that meets this criterion which include pension and OPEB related deferrals and deferrals related to debt refundings that took place in prior years.

Revenue and Expense Recognition – 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 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 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, 2022 and 2021. 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, 2022 AND 2021

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 NCDOT, since these are related to investing, capital, or non-capital financing activities.

Transfers In/Out – House Bill 817 [Session Law 2013-183] amends the law that created the Highway Trust Fund. The amendment directs that funds are to be transferred to NCTA to pay debt service or related financing expenses on revenue bonds or notes issued for the following toll road construction projects: Triangle Expressway and Monroe Connector/Bypass. Debt has been issued for the Triangle Expressway and the Monroe Connector/Bypass, and approximately \$53,000,000 and \$50,000,000 was transferred to NCTA during the years ended June 30, 2022 and 2021, respectively. Transfers totaling approximately \$4,100,000 and \$922,000 were made from the Highway Trust Fund to NCTA as a result of state match for expenditures that were initially covered by the Highway Fund for continued construction related expenditures during the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2021, a transfer from NCTA of approximately \$13,900,000 was made to the Highway Fund as repayment for projection participation incurred with proceeds from the sale of bonds for the Complete 540 Project.

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

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

New Accounting Pronouncement – As of July 1, 2021, NCTA adopted the provisions of GASB 87, Leases, which amended the existing accounting standards for lease reporting. The new guidance requires lessees in a leasing arrangement to recognize a right-to-use asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. Additionally, the new guidance requires lessors in a leasing arrangement to recognize a lease receivable and a deferred inflow of resources for most leases (other than those that meet the definition of a short-term lease) at lease commencement. The liability (lessees) or deferred inflow (lessors) will be equal to the present value of lease payments. Following the adoption of the standard, NCTA determined that there were no material leases that would be subject to the standard and, therefore, no leases have been recorded.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Deposits

As of June 30, 2022 and 2021, respectively, \$38,348,158 and \$34,368,144 shown on the statements of net position as restricted cash and cash equivalents represent the NCTA's equity position in the State Treasurer's NC STIF. The NC STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity 1.3 years as of June 30, 2022 and 2021.

Ownership interest of the NC STIF is determined on a fair market valuation basis as of June 30, 2022 and 2021, in accordance with the NC STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

NCTA's fair value share of the NC STIF was determined based on Level 2 inputs in accordance with U.S. GAAP. At 2022 and 2021, \$38,348,158 and \$34,368,144, respectively, are classified as restricted. These amounts represent cash collected from toll revenues that is restricted for payments on bonds. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's NC STIF) are included in the State of North Carolina's ACFR. An electronic version of this report is available by accessing the NC OSC's Internet home page <http://www.ncosc.net/> and clicking on "Public Information" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Note 3—Restricted investments

The NCTA's policy for eligible investments are governed by North Carolina General Statute 147-77 and bond covenants that, in general, allow funds to be invested in obligations of the United States or United States government sponsored enterprises, obligations of the State of North Carolina or localities of the State of North Carolina, prime quality commercial paper, shares of certain money market mutual funds, and commingled investment pools.

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

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

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

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

Concentrations of Credit Risk – A diversified portfolio is managed by 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. NCTA's policy does not set a limit on the amount that may be invested in any single government sponsored enterprise, money market mutual fund, or commingled investment pool.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—Restricted investments (continued)

Interest Rate Risk – Interest rate risk represents the risk governments are exposed to as a result of changes in interest rates on the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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. 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.

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

Type of Investment	Valuation Measurement Method	Fair Value	2022	
			Investment Maturities (in Years)	
			Less Than 1 Year	1 – 5 Years
NC STIF	Fair Value - Level 2	\$ 114,185,940	\$ -	\$ 114,185,940
U.S Treasuries	Fair Value - Level 1	240,587,845	148,576,815	92,011,030
Commerical Paper	Fair Value - Level 2	1,992,847	1,992,847	-
Money Market Mutual Funds	Cost	128,700,229	128,700,229	-
		<u>\$ 485,466,861</u>	<u>\$ 279,269,891</u>	<u>\$ 206,196,970</u>

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

As of June 30, 2022 and 2021, included in the Money Market Mutual Funds totals as stated above, \$128,700,229 and \$112,019,494, 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 Section 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, 2022 AND 2021

Note 4—Capital assets

A summary of changes in capital assets for the year ended June 30, 2022 is presented as follows:

	July 1, 2021	Additions	Disposals	Transfers	June 30, 2022
Capital Assets, Nondepreciable					
Land and Permanent Easements	\$ 536,638,906	\$ 19,071,485	\$ -	\$ -	\$ 555,710,391
Construction in Progress	449,709,309	248,835,300	-	-	698,544,609
Total Capital Assets, Nondepreciable	986,348,215	267,906,785	-	-	1,254,255,000
Capital Assets, Depreciable					
Highway Network	1,534,468,821	-	-	-	1,534,468,821
Machinery and Equipment	25,289	7,317	-	-	32,606
Total Capital Assets, Depreciable	1,534,494,110	7,317	-	-	1,534,501,427
Less Accumulated Depreciation for:					
Highway Network	175,832,501	29,683,523	-	-	205,516,024
Machinery and Equipment	25,289	7,317	-	-	32,606
Total Accumulated Depreciation	175,857,790	29,690,840	-	-	205,548,630
Total Capital Assets, Depreciable, Net of Depreciation	1,358,636,320	(29,690,840)	-	-	1,328,952,797
Capital Assets, Net of Depreciation	\$ 2,344,984,535	\$ 238,215,945	\$ -	\$ -	\$ 2,583,207,797

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

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022:

	July 1, 2021	Additions	June 30, 2022
Advances from Other Funds	\$ 30,354,625	\$ 68,916	\$ 30,423,541

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

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

Pursuant to G.S. 136-176(b), operation and project development costs for 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 NCTA began collecting tolls on the completed Triangle Expressway project, NCTA began accruing interest on the unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield (0.2% as of June 30, 2022) on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. The NCTA accrued \$68,890 and \$312,833 of interest for the years ended June 30, 2022 and 2021, respectively.

Note 6—Rent expense

During the year ended June 30, 2014, 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, 2022 and 2021 was \$199,973 and \$168,893, respectively.

Note 7—Long-term debt

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

Revenue Bonds:	2022	2021
Revenue bonds payable, Series 2009B, Capital Appreciation Triangle Expressway Revenue Bonds in the amount of \$35,173,000, issued July 29, 2009, with interest ranging from 6.74% to 7.10% compounding semi-annually, and principal payments beginning January 2030, due in full January 2038.	\$ 35,173,109	\$ 35,173,109
Revenue bonds payable, Series 2010A, Monroe Connector System State Appropriation Revenue Bonds in the amount of \$233,920,000, issued October 26, 2010, with coupon rates of 5.318% and 5.418%, and principal payments beginning January 2022, final maturity January 2041.	225,545,000	233,920,000
Revenue bonds payable, Series 2011, Monroe Connector System State Appropriation Revenue Bonds in the amount of \$214,505,000, issued November 30, 2011 with coupon rates of 4.25% and 5.00%. These revenue bonds payable were refunded in April 2021, except for \$9,845,000, which matured on July 1, 2021.	-	9,845,000

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Long-term debt (continued)

	<u>2022</u>	<u>2021</u>
Revenue Bonds:		
Revenue bonds payable, Series 2016, Monroe Expressway Toll Revenue Bonds in the amount of \$137,051,904, issued January 31, 2017, with a coupon rate of 5.00%, and principal payments beginning July 2023; final maturity July 2054. The amount payable net of unamortized premium of \$6,055,137 as of June 30, 2022.	\$ 143,107,041	\$ 143,343,789
Revenue bonds payable, Series 2017, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$171,510,000, issued March 30, 2017, with coupon rates of 3.125% and 5.00%, and principal payments beginning January 2018; final maturity January 2039, net of an unamortized premium of \$14,586,326 as of June 30, 2022.	186,096,326	197,469,553
Revenue bonds payable, Series 2018A, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$150,125,000, issued May 10, 2018, with an average coupon rate of 4.00%, and principal payments beginning January 2019; final maturity January 2039. The amount payable is net of an unamortized premium of \$5,379,164 as of June 30, 2022.	155,504,164	155,886,926
Revenue bonds payable, Series 2018B, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$161,759,000, issued December 31, 2018, with an average coupon rate of 2.82%, and principal payments beginning January 2020; final maturity January 2032.	147,592,000	160,244,000
Revenue bonds payable, Series 2018T, Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds in the amount of \$396,420,000, issued December 12, 2018, with an average coupon rate of 4.61%, and principal payments beginning January 2020; final maturity January 2041. The amount payable is net of unamortized premium of \$22,800,621 as of June 30, 2022.	419,220,621	422,863,620
Revenue bonds payable, Series 2019, Triangle Expressway System Appropriation Revenue Bonds (Capital Appreciation Bonds) in the amount of \$115,979,250, issued December 17, 2019, interest will accrete and be paid upon maturity, and principal payments beginning January 2040, final maturity January 2049.	115,979,250	115,979,250
Revenue bonds payable, Series 2019, Triangle Expressway System Senior Lien Turnpike Revenue Bonds in the amount of \$370,975,000, issued December 17, 2019, with coupon rates ranging from 3.00% to 5.00%, and principal payments beginning January 2042; final maturity January 2055. The amount payable is net of an unamortized premium of \$51,795,954 as of June 30, 2022.	422,770,953	424,626,688
Revenue bonds payable, Series 2020, Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes in the amount of \$499,460,000, issued October 29, 2020, with a coupon rate of 5.00%, and all outstanding principal due upon final maturity February 2024. The amount payable is net of an unamortized premium of \$33,924,160 as of June 30, 2022.	533,384,160	549,472,131
Revenue bonds payable, Series 2021 Monroe Expressway System State Appropriation Revenue Refunding Bonds in the amount of \$73,985,000, issued April 6, 2021, with a coupon rate of 5.00%, and principal payments beginning July 2022; final maturity July 2041. The amount payable is net of an unamortized premium of \$20,893,060 as of June 30, 2022.	94,878,060	96,403,338
Total Bonds, Net	<u>\$ 2,479,250,684</u>	<u>\$ 2,545,227,404</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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>
2023	\$ 36,994,000	\$ 100,749,270	\$ 137,743,270
2024	541,462,000	101,281,039	642,743,039
2025	44,361,000	72,455,519	116,816,519
2026	47,579,000	70,556,308	118,135,308
2027	51,723,359	68,728,819	120,452,178
2028-2032	308,984,244	315,273,073	624,257,317
2033-2037	335,651,960	390,322,191	725,974,151
2038-2042	414,748,950	220,832,297	635,581,247
2043-2047	247,052,500	161,831,750	408,884,250
2048-2052	200,209,250	71,513,250	271,722,500
2053-2057	95,050,000	7,591,550	102,641,550
	2,323,816,263	1,581,135,066	3,904,951,329
Issuance Premiums	155,434,421	-	155,434,421
	<u>\$ 2,479,250,684</u>	<u>\$ 1,581,135,066</u>	<u>\$ 4,060,385,750</u>

	<u>2022</u>	<u>2021</u>
Note Payable:		
Monroe Expressway TIFIA note payable for an amount not to exceed \$166,500,000, opened on January 31, 2017, bearing interest of 3.08% per annum, with interest payments beginning July 2021, principal payments beginning January 2024, and final maturity in July 2053.	\$ 166,500,000	\$ 166,500,000

On January 31, 2017, the NCTA signed an agreement with the United States Department of Transportation for a Monroe Expressway TIFIA note payable of up to \$166,500,000. In January 2019 and September 2019, NCTA drew down \$120,000,000 and \$46,500,000, respectively, on this note, which is being used to pay certain costs, including land acquisition, design, construction, and equipping of the Monroe Expressway Project. The note payable requires debt service payments commencing July 1, 2021, with a final maturity of July 1, 2053. No payment of principal or interest on the Monroe Expressway note payable was required to be made during the period of January 1, 2019 through January 1, 2021. The amounts of principal and interest to be paid are calculated based on the total amount drawn on the note and amount of accrued interest outstanding as of July 1, 2021. Accrued interest on the loan agreement was \$12,906,458 and \$11,952,295 as of June 30, 2022 and 2021, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Long-term debt (continued)

The Monroe Expressway TIFIA note payable maturities are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 3,034,705	\$ 3,034,705
2024	217,659	4,779,949	4,997,608
2025	709,726	5,633,804	6,343,530
2026	1,078,361	5,630,133	6,708,494
2027	1,307,494	5,612,171	6,919,665
2028-2032	9,856,696	27,525,598	37,382,294
2033-2037	17,243,052	26,002,075	43,245,127
2038-2042	26,755,607	23,249,148	50,004,755
2043-2047	38,433,125	18,941,352	57,374,477
2048-2052	51,978,759	12,684,933	64,663,692
2053-2057	18,919,521	2,289,337	21,208,858
	<u>\$ 166,500,000</u>	<u>\$ 135,383,205</u>	<u>\$ 301,883,205</u>

Long-term liability activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Bonds Payable:					
Bonds	\$ 2,365,938,263	\$ -	\$ (42,122,000)	\$ 2,323,816,263	\$ 36,994,000
Deferred Amounts:					
For Issuance Premiums	179,289,141	-	(23,854,720)	155,434,421	-
	<u>2,545,227,404</u>	<u>-</u>	<u>(65,976,720)</u>	<u>2,479,250,684</u>	<u>36,994,000</u>
Note Payable	166,500,000	-	-	166,500,000	-
Accrued Vacation	383,558	166,588	(223,277)	326,869	31,902
Net OPEB Liability	2,521,627	429,412	-	2,951,039	-
Net Pension Liability	1,270,095	-	(758,177)	511,918	-
Total Long-Term Debt	<u>\$ 2,715,902,684</u>	<u>\$ 596,000</u>	<u>\$ (66,958,174)</u>	<u>\$ 2,649,540,510</u>	<u>\$ 37,025,902</u>

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

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

Total interest cost on indebtedness was \$122,625,280 and \$109,467,460 for the years ended June 30, 2022 and 2021, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Long-term debt (continued)

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 (\$603,103,109) contains a provision providing that there can be no acceleration of payment of principal or interest on such bonds as a result of the occurrence of any event of default.

The Trust Agreement for the North Carolina Turnpike Authority's outstanding state appropriation revenue bonds for the Triangle Expressway System (\$297,717,000) and the Trust Agreement for the Monroe Connector System (\$225,545,000) contains a provision providing that there can be no acceleration of payment of principal or interest on such bonds as a result of the occurrence of any event of default.

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

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

Federal Interest Cash Subsidy

The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B and the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A as "Build America Bonds" for purposes of the *American Recovery and Reinvestment Tax Act of 2009* ("Recovery Act"). In adherence with the Recovery Act, 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 2022 Federal Budget, the payments received during the year ended June 30, 2022 were reduced by 5.7%. As part of the 2021 Federal Budget, the payments received during the year ended June 30, 2021 were reduced by 5.7%. Cash subsidy payments totaled \$4,015,963 and \$4,146,800 for the years ended June 30, 2022 and 2021, respectively.

Refundings

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

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Long-term debt (continued)

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

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

Bond Covenants

NCTA is subject to certain covenant requirements under the bond indentures related to outstanding debt. Compliance requirements under the covenants maintain that NCTA will provide revenues of at least 130% and 110% of the long-term debt service requirement for senior lien indebtedness and parity debt, respectively, as it relates to the Triangle Expressway and Monroe Expressway. At June 30, 2022 and 2021, management believes the rate covenant was met for both expressways.

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

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In 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, 2022 and 2021, the carrying values of the 2017 Triangle Expressway System senior Lien Turnpike Revenue Refunding Bonds and the 2018 Triangle Expressway System Appropriation Revenue Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$20,939,072 and \$23,539,359, respectively. As of June 30, 2022 and 2021, the carrying value of the 2021 Monroe Expressway System State Appropriation Revenue Refunding Bonds has been adjusted for the gain from defeasance (net of amortization) of \$5,779,074 and \$6,200,970, respectively.

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Pledged revenues

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

The NCTA has elected to treat the State Annual Appropriation Revenue Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds. As part of the 2022 Federal Budget, the payments received during the years ended June 30, 2022 and 2021 were reduced by 5.7%.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that was fully opened in January 2013. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility to be built in Mecklenburg and Union counties that was fully opened in November 2018. The total principal and interest remaining to be paid on the bonds is \$4,060,385,750 payable through fiscal year 2057 (final maturity date). For the year ended June 30, 2022, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$143,451,178 and \$119,557,926, respectively. For year ended June 30, 2021, principal and interest paid and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds, and investment revenues) were \$115,817,428 and \$57,234,813, respectively.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Retirement plans

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

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

Contributions – Contribution provisions for TSERS are established by North Carolina General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. Required employer contribution rates for the years ended June 30, 2022, and 2021 were 16.45% and 14.78%, respectively, while employee contributions were 6% each year. The NCTA made 100% of its annual required contributions for the years ended June 30, 2022 and 2021. Contributions to the pension plan from the NCTA were \$374,320 and \$309,209 for the years ended June 30, 2022 and 2021, 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, 2022, the NCTA reported a liability of \$511,918 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Retirement plans (continued)

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

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, 2022 and 2021, the NCTA’s proportion was 0.01% and the proportion did not change from the prior measurement date.

For the years ended June 30, 2022 and 2021, NCTA recognized pension expense of \$259,820 and \$467,420, respectively. As of June 30, 2022, 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	\$ 28,776	\$ 11,626
Changes in assumptions	192,026	-
Net difference between projected and actual earnings on pension plan investments	-	634,272
Change in proportion and differences between agency's contributions and proportionate share of contributions	59,933	23,714
Change in proportion	152,585	-
Contributions subsequent to the measurement date	374,320	-
	<u>\$ 807,640</u>	<u>\$ 669,612</u>

As of June 30, 2021, NCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Retirement plans (continued)

As of June 30, 2022, the \$374,320 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, 2023. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>		
2023	\$	35,312
2024		(5,747)
2025		(71,329)
2026		(194,528)
Total	\$	<u>(236,292)</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor of 3.25%
Investment rate of return	6.50%, 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, 220 valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. 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, 2022 AND 2021

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, 2021 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 6.50%. 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 NCTA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents NCTA's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
NCTA's Proportionate Share of the Net Pension Liability	\$ 1,333,253	\$ 511,918	\$ (380,406)

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 \$26,403 and \$52,404 for the years ended June 30, 2022, and 2021, 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 \$53,459 and \$43,399 for the years ended June 30, 2022 and 2021, respectively.

Note 11—Other postemployment benefits

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 State Health Plan are presented in the state of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, the NCTA contributed 6.32% and 6.68% of covered payroll, which amounted to \$143,741 and \$138,814, respectively.

At June 30, 2022, NCTA reported a liability of \$2,951,039 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 11—Other postemployment benefits (continued)

At June 30, 2021, NCTA reported a liability of \$2,521,627 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions

The NCTA's proportion of the net OPEB liability was based on a projection of NCTA's present value of future salary, actuarially determined. At June 30, 2022 and 2021, NCTA's proportion was 0.01%.

As of June 30, 2022, the \$143,741 of contributions subsequent to the measurement date reported as deferred outflows of resources will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>		
2023	\$	(6,330)
2024		188,988
2025		221,970
2026		104,262
2027		66,094
Total	\$	<u>574,984</u>

Actuarial Assumptions – The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor of 2.50%
Healthcare cost trend rate – Medical	5.00% to 6.00%
Healthcare cost trend rate – Prescription Drug	5.00% to 9.50%
Healthcare cost trend rate – Administrative	3.00%

Discount Rate – The discount rate used to measure the total OPEB liability for the RHBF was 2.16%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

Sensitivity of the NCTA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the NCTA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage point higher (3.16%) than the current discount rate:

	<u>1% Decrease</u> <u>(1.16%)</u>	<u>Discount Rate</u> <u>(2.16%)</u>	<u>1% Increase</u> <u>(3.16%)</u>
NCTA's Proportionate Share of the Net OPEB Liability	\$ 3,510,218	\$ 2,951,039	\$ 2,498,167

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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:

	<u>1% Decrease</u>	<u>6.00% Medical, 9.50% Rx, 3.00% Administrative</u>	<u>1% Increase</u>
NCTA's Proportionate Share of the Net OPEB Liability	\$ 2,389,844	\$ 2,951,039	\$ 3,695,516

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

Disability Income Plan of North Carolina

Plan Description – Short-term and long-term disability benefits are provided through the DIPNC, a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, and certain Local Education Agencies and ORP.

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

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

Benefits Provided – Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as the employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee have five or more years on contributing membership services in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payment cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. NCTA's contributions to the plan were \$2,057 and \$1,870 for the years ended June 30, 2022 and 2021, 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, 2022, NCTA reported an asset of \$1,530 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB asset was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2021, NCTA reported an asset of \$4,406 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

The NCTA's proportion of the net OPEB asset was based on a projection of NCTA's present value of future salary, actuarially determined. At June 30, 2022 and 2021, NCTA's proportion was 0.01%.

As of June 30, 2022, the \$2,057 of contributions subsequent to the measurement date reported as deferred outflows of resources will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>			
2023	\$	690	
2024		371	
2025		572	
2026		185	
2027		(84)	
Thereafter		10	
Total	\$	<u>1,744</u>	

Actuarial Assumptions – The total OPEB asset in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.05%, including inflation and productivity factor of 3.25%
Investment rate of return	3.00%, net of pension plan investment expense, including inflation

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 (2.00%) or 1-percentage point higher (4.00%) than the current discount rate:

	<u>1% Decrease (2.00%)</u>	<u>Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
NCTA's Proportionate Share of the Net OPEB Asset	\$ 966	\$ 1,530	\$ 2,052

Common Actuarial Assumptions for both OPEB Plans – The total OPEB asset was determined by an actuarial valuation performed as of December 31, 2020 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, 2021. 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 the experience study prepared as of December 31, 2020.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
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, 2022 AND 2021

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, 2022:

	RHBFB	DIPNC	Total
OPEB expense	\$ 233,578	\$ 3,053	\$ 236,631
OPEB liability (asset)	2,951,039	(1,530)	2,949,509
Proportionate share of net OPEB liability (asset)	0.01%	0.01%	
Deferred Outflows of Resources			
Difference between actual and expected experience	17,422	3,901	21,323
Changes in assumptions	241,370	269	241,639
Net difference between projected and actual earnings on OPEB plan investments	-	149	149
Change in proportion and differences between agency's contributions and proportionate share of contributions	212,027	1,935	213,962
Change in proportion	1,193,150	-	1,193,150
Contributions subsequent to the measurement date	143,741	2,057	145,798
	<u>\$ 1,807,710</u>	<u>\$ 8,311</u>	<u>\$ 1,816,021</u>
Deferred Inflows of Resources			
Difference between actual and expected experience	\$ 54,933	\$ -	\$ 54,933
Changes in assumptions	717,167	555	717,722
Net difference between projected and actual earnings on OPEB plan investments	1,510	-	1,510
Change in proportion and differences between agency's contributions and proportionate share of contributions	315,375	580	315,955
Change in proportion	-	3,375	3,375
Contributions subsequent to the measurement date	-	-	-
	<u>\$ 1,088,985</u>	<u>\$ 4,510</u>	<u>\$ 1,093,495</u>

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

	RHBFB	DIPNC	Total
OPEB expense	\$ 235,884	\$ 3,308	\$ 239,192
OPEB liability (asset)	2,521,627	(4,406)	2,517,221
Proportionate share of net OPEB liability (asset)	0.01%	0.01%	
Deferred Outflows of Resources			
Difference between actual and expected experience	2,284	3,192	5,476
Changes in assumptions	110,588	343	110,931
Net difference between projected and actual earnings on OPEB plan investments	5,312	-	5,312
Change in proportion and differences between agency's contributions and proportionate share of contributions	237,135	1,318	238,453
Change in proportion	1,185,993	-	1,185,993
Contributions subsequent to the measurement date	139,751	1,883	141,634
	<u>\$ 1,681,063</u>	<u>\$ 6,736</u>	<u>\$ 1,687,799</u>
Deferred Inflows of Resources			
Difference between actual and expected experience	\$ 98,649	\$ -	\$ 98,649
Changes in assumptions	1,023,316	347	1,023,663
Net difference between projected and actual earnings on OPEB plan investments	-	746	746
Change in proportion and differences between agency's contributions and proportionate share of contributions	195,127	593	195,720
Change in proportion	-	3,091	3,091
	<u>\$ 1,317,092</u>	<u>\$ 4,777</u>	<u>\$ 1,321,869</u>

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 12—Risk management

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. NCTA carries insurance through NCDOT for risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The State Property Fire Insurance Fund ("Fire Fund"), an internal service fund of the state, insures all state-owned buildings and contents for fire and various other property losses up to \$2,500 per occurrence. The Fire Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Losses covered by the Fire Fund are subject to a \$5 per occurrence deductible except for theft losses that carry a \$1 per occurrence deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

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

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

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

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

NORTH CAROLINA TURNPIKE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 13—Commitments and contingencies

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 \$55,261,430 and \$318,965,271 as of June 30, 2022 and 2021, respectively.

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 NCTA's General Counsel, the results of the litigation will not have a materially adverse impact on the financial position of NCTA.

Note 14—Subsequent events

In connection with the preparation of the financial statements and in accordance with U.S. GAAP, NCTA considered for disclosure subsequent events that occurred after the statement of net position date of June 30, 2022 through October 28, 2022, which was the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
NCTA's proportion of the net pension liability (%)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
NCTA's proportion of the net pension liability (\$)	\$ 511,918	\$ 1,270,095	\$ 879,694	\$ 729,749	\$ 483,101	\$ 557,948	\$ 225,156	\$ 69,460	\$ 356,082
NCTA's covered payroll	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099	\$ 899,061	\$ 882,095	\$ 988,337	\$ 988,337
NCTA's proportionate share of the net pension liability as a percentage of its covered payroll	24.6%	76.6%	56.4%	58.3%	47.4%	62.1%	25.5%	7.0%	36.0%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%	87.32%	94.64%	98.24%	98.24%

**Schedule of Contributions
Teachers' and State Employees' Retirement System
June 30, ***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 374,320	\$ 307,137	\$ 214,982	\$ 191,568	\$ 132,103	\$ 101,322	\$ 74,249	\$ 86,087	\$ 82,328
Contributions in relation to the contractually required contribution	\$ (374,320)	\$ (307,137)	\$ (214,982)	\$ (191,568)	\$ (132,103)	\$ (101,322)	\$ (74,249)	\$ (86,087)	\$ (82,328)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NCTA's covered payroll	\$ 2,275,139	\$ 2,078,055	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099	\$ 899,061	\$ 882,095	\$ 988,337
Contributions as a percentage of covered payroll	16.45%	14.78%	12.97%	12.29%	10.56%	9.93%	8.26%	9.76%	8.30%

*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 valuation as of December 31, 2020. The total pension liability was then rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2020 valuation 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 7.00% to 6.50% as of December 31, 2020, with direct-rate smoothing of the change in the employer contributions rate over a five-year period.
- Salary increases are assumed to be 3.25%-8.05% which includes 3.25% inflation and productivity factor.
- Investment expected rate of return is 6.50% 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, ***

	2022	2021	2020	2019	2018
NCTA's proportion of the net OPEB liability (%)	0.01%	0.01%	0.01%	0.01%	0.01%
NCTA's proportion of the net OPEB liability (\$)	\$ 2,951,039	\$ 2,521,627	\$ 2,354,514	\$ 1,794,683	\$ 1,745,360
NCTA's covered payroll	\$ 1,657,530	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977	\$ 1,250,977
NCTA's proportionate share of the net OPEB liability as a percentage of its covered payroll	129.71%	121.35%	151.05%	143.46%	139.52%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.45%	4.40%	3.52%

**Schedule of Contributions
Retiree Health Benefit Fund
June 30, ***

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 143,741	\$ 138,814	\$ 107,242	\$ 97,732	\$ 78,436
Contributions in relation to the contractually required contribution	(143,741)	(138,814)	(107,242)	(97,732)	(78,436)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
NCTA's covered payroll	\$ 2,275,139	\$ 1,657,530	\$ 1,657,530	\$ 1,558,727	\$ 1,250,977
Contributions as a percentage of covered payroll	6.32%	6.68%	6.47%	6.27%	6.27%

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

Notes to Schedule

Valuation date.

The total pension liability was determined by actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

Methods and assumptions used to determine contribution rates.

- The discount rate used to measure total OPEB liability for RHBF was 2.16%, mirroring the municipal bond rate. The rate is used on the Bond-Buyer 20-year General Obligation index as of June 30, 2021.
- Salary increases are assumed to be 3.25%-8.05%, which includes 2.5% inflation and productivity factor.
- Investment expected rate of return is 6.50% 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, *

	2022	2021	2020	2019	2018
NCTA's proportion of the net OPEB asset (%)	0.01%	0.01%	0.01%	0.01%	0.01%
NCTA's proportion of the net OPEB asset (\$)	\$ 1,530	\$ 4,406	\$ 3,044	\$ 1,897	\$ 1,897
NCTA's covered payroll	\$ 2,078,055	\$ 1,558,727	\$ 1,558,727	\$ 1,250,977	\$ 1,020,099
NCTA's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.07%	0.21%	0.20%	0.15%	0.19%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	108.47%

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

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 2,057	\$ 1,870	\$ 1,658	\$ 2,182	\$ 2,182
Contributions in relation to the contractually required contribution	(2,057)	(1,870)	(1,658)	(2,182)	(2,182)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
NCTA's covered payroll	\$ 2,275,139	\$ 2,078,055	\$ 1,558,727	\$ 1,558,727	\$ 1,250,977
Contributions as a percentage of covered payroll	0.09%	0.09%	0.11%	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, 2020. The total pension liability was then rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The actuarial assumptions used in the December 31, 2020 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 3.00%.
- 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 3.25%-8.05%, which includes 3.25% inflation and productivity factor.
- Investment expected rate of return is 3.00% net of pension plan investment expense, including inflation.
- General inflation is assumed to be 3.00%.
- 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.

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2022

	<u>Triangle Expressway</u>	<u>Monroe Expressway</u>
Revenues:		
Operating Revenue:		
Charges for Services	\$ 56,078,074	\$ 30,014,170
Toll Receipts	51,108,441	26,567,703
Toll Bad Debt	(1,003,953)	312,311
Late Payment Fee	5,746,124	3,056,301
Electronic Transaction Fees	223,025	76,301
Liquid Damage Fee	842	-
Returned Check Fee	3,595	1,554
Total Operating Revenues	<u>56,078,074</u>	<u>30,014,170</u>
Expenditures:		
Operating Expenditures:		
Shared Operating Expenses	8,453,916	5,388,342
Personnel Services	530,255	292,061
Contracted Personnel Services	489,857	520,200
Supplies and Materials	188,629	573,365
Travel	37	383
Utilities	214,811	47,650
Other Services	1,131,970	576,150
Capital Outlay	3,387,981	5,122,431
Rental Expenditures	12,295	118,262
Renewal and Replacement Expenditures:		
Shared Renewal and Replacement Expenditures	316,403	311,876
Personnel Services	106,741	1,847
Supplies and Materials	692,001	4,244
Capital Outlay	15,896,399	44,879
Rental Expenditures	58,771	-
Construction Expenditures:		
Shared Renewal and Replacement Expenditures	41,500	1,607,383
Personnel Services	1,270,249	89,421
Contracted Personnel Services	71,296	52
Supplies and Materials	12,664,747	54,016
Travel	1,197	971
Advertising	25,200	-
Utilities	-	653
Other Services	7,027,961	5,850
Capital Outlay	245,393,495	1,632,034
Right of Way	18,943,042	455,489
Rental Expenditures	76,141	3,348
Total Operating Expenditures	<u>316,994,894</u>	<u>16,850,907</u>
Operating (Loss) Income	<u>(260,916,820)</u>	<u>13,163,263</u>

The accompanying note to the schedule of revenues and expenditures is an integral part to the schedule.

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

YEAR ENDED JUNE 30, 2022

	<u>Triangle Expressway</u>	<u>Monroe Expressway</u>
Nonoperating Revenues (Expenditures):		
Bond Issue Costs	\$ (15,000)	\$ (83,700)
Insurance Recoveries	275,552	12,694
Damage Claims Writeoffs	(8,998)	(817)
Liquidated Damages Collections	842	47,000
Investment Earnings	999,647	378,841
Federal Interest Subsidy on Debt	-	3,999,889
Interest and Fees:		
Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds)	-	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2017	(8,903,844)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018A	(6,005,000)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	(4,518,881)	-
Triangle Expressway System Senior Lien Turnpike Revenue Bonds, Series 2019	(17,069,100)	-
Triangle Expressway System Senior Lien Turnpike Revenue Bond Anticipation Notes, Series 2020	(24,973,000)	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018	(18,623,900)	-
Monroe Connector System State Annual Appropriation Revenue Bonds, Series 2010A, (Federally Taxable-Issuer Subsidy-Build America Bonds)	-	(12,297,007)
Monroe Connector System State Appropriation Revenue Bonds, Series 2011	-	(246,125)
Monroe Expressway System TIFIA Loan, 2017	-	(5,872,233)
Monroe Connector System Senior Lien Revenue Bonds, Series 2016	-	(5,969,263)
Monroe Bond Interest Expense-2021 Rev Bonds	-	(2,723,059)

The accompanying note to the schedule of revenues and expenditures is an integral part to the schedule.

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

YEAR ENDED JUNE 30, 2022

	<u>Triangle Expressway</u>	<u>Monroe Expressway</u>
Principal:		
Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B (Federally Taxable-Issuer Subsidy-Build America Bonds)	\$ -	\$ -
Triangle Expressway System Senior Lien Turnpike Revenue Refunding Bonds, Series 2017	(9,220,000)	-
Triangle Expressway System Appropriation Revenue Refunding Bonds, Series 2018B	(12,652,000)	-
Triangle Expressway System Senior Lien Revenue Refunding Bonds, Series 2018	(2,030,000)	-
Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable-Issuer Subsidy-Build America Bonds)	-	(8,375,000)
Monroe Connector System State Appropriation Revenue Bonds, Series 2011	-	(9,845,000)
Total Nonoperating Expenditures	<u>(102,743,682)</u>	<u>(40,973,780)</u>
Loss before Transfers and Capital Grants	(363,660,502)	(27,810,517)
Capital Grants	97,967	-
Transfers In	25,000,000	24,000,000
Revenues over Expenditures (Expenditures over Revenues)	<u>\$ (338,562,535)</u>	<u>\$ (3,810,517)</u>

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

YEAR ENDED JUNE 30, 2022

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 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, 2022, and the related notes to the financial statements, which collectively comprise the NCTA’s basic financial statements, and have issued our report thereon dated October 28, 2022.

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 NCDOT, as of June 30, 2022, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCTA’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. We did identify certain deficiencies in internal control that we consider to be a significant deficiency. We noted a deficiency in controls around the process to record and reconcile transfers from the Department of the State Treasurer (“DST”). The criteria for the deficiency is that the Authority should have procedures in place to correctly record and reconcile transfers in and out. The condition was that a transfer from the DST was incorrectly recorded. The cause of the deficiency was that the originating source of the transfer was not verified and an adequate reconciliation process was not in place to detect the amounts due to the state. The effect was an overstatement of investment earnings and an understatement of amounts due to other funds. We recommend management implement additional levels of review surrounding transfers to and from the DST to ensure account draws are made from the appropriate account, are properly recorded, and reconciled. Management agrees with our finding and will implement procedures to ensure that the original source of transfer is appropriately verified, recorded correctly and reconciled appropriately.

The NCTA’s Response to the Finding

The NCTA’s response to the finding identified in our audit is described previously. The NCTA’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Compliance and Other Matters

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



Raleigh, North Carolina
October 28, 2022

Statistical Section

Financial Trends

Net Position (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Net Investment in Capital Assets	\$422,924	\$432,495	\$433,327	\$484,797	\$529,512	\$459,895	\$584,359	\$465,144	\$383,233	\$340,686
Restricted	215,432	250,865	175,209	108,567	7,476	5,477	4,267	3,487	2,616	1,712
Unrestricted	(402,726)	(400,828)	(256,137)	(192,568)	(186,924)	(146,334)	(170,889)	(132,672)	(109,079)	(73,973)
Total Net Position	\$235,631	\$282,532	\$352,399	\$400,796	\$350,063	\$319,038	\$417,737	\$335,960	\$276,770	\$268,425



More Choices
For Your Commute

Statements of Revenues, Expenses, and Changes in Net Position

Turnpike Authority Fund (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Operating Revenues										
Charges for Services	\$89,667	\$49,792	\$77,198	\$63,987	\$48,999	\$44,708	\$38,473	\$30,218	\$24,326	\$13,038
Other Operating Revenues	17,605	7,393	5,414	1,168	648	812	675	491	399	462
Total Operating Revenues	107,272	57,185	82,613	65,155	49,648	45,520	39,148	30,709	24,725	13,500
Operating Expenses										
Personnel Services	3,024	3,387	2,738	1,643	1,327	1,213	1,413	1,351	1,460	1,285
Supplies & Materials	614	241	277	70	73	281	73	86	150	124
Contracted Personnel Services	8,596	8,476	11,918	7,434	776	888	981	592	4,715	9,944
Travel	73	4	44	67	50	35	27	7	33	48
Advertising	159	96	419	574	124	49	104	-	41	0
Utilities	330	270	269	276	282	272	295	280	289	245
Dues & Subscription Fees	44	39	37	12	24	23	21	17	13	9
Other Services	29,013	18,836	15,467	5,317	3,814	4,965	3,121	4,746	2,363	1,608
Costs of Goods Sold	933	701	1,046	810	727	788	856	449	382	461
Capital Outlay	35,795	40,357	39,174	27,543	15,153	15,262	11,877	9,721	8,206	962
Rental Expense	200	169	205	176	108	66	88	191	142	113
Depreciation	29,684	29,684	29,684	24,035	16,130	16,130	16,130	16,130	16,130	9,931
Total Operating Expenses	108,465	102,258	101,279	67,957	38,588	39,972	34,986	33,569	33,924	24,732
Operating Income (Loss)	(1,193)	(45,073)	(18,666)	(2,802)	11,060	5,548	4,162	(2,859)	(9,199)	(11,232)
Nonoperating Revenue (Expenses) & Capital Grants										
Transfers In	57,023	49,922	185,396	78,337	55,544	49,000	101,056	93,680	61,201	56,246
Transfers Out	-	(13,891)	(146,255)	-	-	(97,604)	-	(239)	(14,817)	(3,740)
Transfer of GARVEE Bonds to NC Highway Fund	-	-	-	-	-	(159,205)	-	-	-	-
Change in Net Position	(46,901)	(69,868)	(48,396)	50,732	33,041	(98,699)	81,777	59,470	8,346	16,788
Net Position Beginning, July 1	282,531	352,399	400,796	350,063	319,038	417,737	335,960	276,770	268,425	251,637
Net Position, Restatement (GASB 75)	-	-	-	-	(2,016)	-	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	-	-	-	-	-	-	(280)	-	-
Net Position Ending, June 30	\$260,631	\$282,531	\$352,399	\$400,795	\$350,063	\$319,038	\$417,737	\$335,960	\$276,770	\$268,425

Schedules of Revenues and Expenditures

Triangle Expressway (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Operating Revenues					
Charges for Services	\$56,078	\$36,320	\$51,951	\$53,468	\$49,142
Other Operating Revenues	-	-	-	8	418
Total Operating Revenues	56,078	36,320	51,951	53,476	49,561
Operating Expenditures					
Shared Operating Expenditures	8,812	8,463	12,320	12,058	-
Personnel Services	1,907	2,613	2,942	721	697
Supplies & Materials	13,545	7,008	110	23	1,288
Contracted Personnel Services	561	1,516	701	287	346
Travel	1	1	19	8	3
Advertising	25	38	13	73	93
Utilities	215	170	172	200	243
Dues & Subscription Fees	-	-	-	1	24
Other Services	8,160	7,293	9,909	141	1,811
Other Expenditures	-	-	370	1,348	1,437
Transponder Purchases	-	-	-	-	448
Right of Way	18,943	77,661	162,486	325	6
Capital Outlay	264,678	150,755	170,510	11,399	15,128
Rental Expenditures	147	348	92	112	97
Total Operating Expenditures	316,995	255,866	359,644	26,694	21,621
Operating Income (Loss)	(260,917)	(219,546)	(307,693)	26,781	27,939
Nonoperating Revenue (Expenditures) and Capital Grants					
Capital Grants	98	22,444	-	-	-
Transfers In	25,000	25,000	25,000	25,000	25,000
Excess of Revenue Over (Under) Expenditures	\$(338,563)	\$(249,494)	\$(334,014)	\$593	\$3,157

Schedules of Revenues and Expenditures (cont'd)

Monroe Expressway (in thousands)

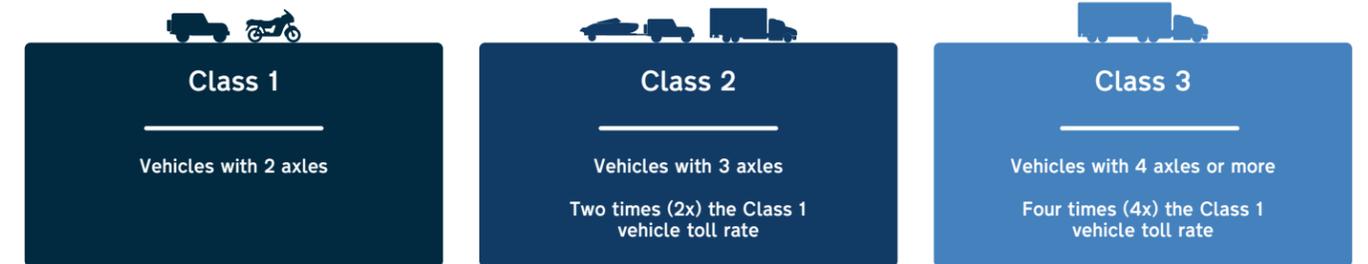
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Operating Revenues					
Charges for Services	\$30,014	\$22,364	\$22,866	\$9,350	\$-
Other Operating Revenues	-	-	-	152	-
Total Operating Revenues	30,014	22,364	22,866	9,502	-
Operating Expenditures					
Shared Operating Expenditures	7,308	6,120	5,850	2,792	-
Personnel Services	383	760	736	1,085	1,097
Supplies & Materials	632	664	126	34	9
Contracted Personnel Services	520	388	452	378	132
Travel	1	-	42	28	22
Advertising	-	-	-	384	-
Utilities	48	47	47	36	2
Dues & Subscription Fees	-	-	-	-	-
Other Services	582	125	650	29	-
Other Expenditures	-	-	95	65	717
Transponder Purchases	-	-	-	-	-
Right of Way	455	3,721	5,431	13,652	14,587
Capital Outlay	6,799	16,459	23,943	27,834	73,692
Rental Expenditures	122	105	126	78	10
Total Operating Expenditures	16,851	28,389	37,495	46,395	90,268
Operating Income (Loss)	13,163	(6,025)	(14,629)	(36,893)	(90,268)
Nonoperating Revenue (Expenditures) and Capital Grants					
Capital Grants	-	-	76	112	115
Transfers In	24,000	24,000	24,000	24,000	24,000
Excess of Revenue Over (Under) Expenditures	\$6,610	\$(11,363)	\$(18,719)	\$(40,016)	\$(93,600)

Revenue Capacity

Historical Toll Rates

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

Vehicle Classifications



Triangle Expressway

		Class 1	Class 2	Class 3
CY 2022	ETC	\$3.71	\$7.42	\$14.84
	BBM	\$5.68	\$11.36	\$22.72
CY 2021	ETC	\$3.60	\$7.20	\$14.40
	BBM	\$5.52	\$11.04	\$22.08
CY 2020	ETC	\$3.48	\$6.96	\$13.92
	BBM	\$5.33	\$10.66	\$21.32
CY 2019	ETC	\$3.37	\$6.74	\$13.48
	BBM	\$5.17	\$10.34	\$20.68
CY 2018	ETC	\$3.25	\$6.50	\$13.00
	BBM	\$4.97	\$9.94	\$19.88
CY 2017	ETC	\$3.13	\$6.26	\$12.52
	BBM	\$4.81	\$9.62	\$19.24
CY 2016	ETC	\$3.04	\$6.08	\$12.16
	BBM	\$4.65	\$9.30	\$18.60
CY 2015	ETC	\$2.91	\$5.82	\$11.64
	BBM	\$4.45	\$8.90	\$17.80
CY 2014	ETC	\$2.77	\$5.54	\$11.08
	BBM	\$4.23	\$8.46	\$16.92
CY 2013	ETC	\$2.64	\$5.28	\$10.56
	BBM	\$4.04	\$8.08	\$16.16

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

Full trip starting at N.C. 885 at I-40 to N.C. 55 Bypass in one direction.

Monroe Expressway

		Class 1	Class 2	Class 3
CY 2022	ETC	\$2.72	\$5.44	\$10.88
	BBM	\$4.20	\$8.40	\$16.80
CY 2021	ETC	\$2.66	\$5.32	\$10.64
	BBM	\$4.10	\$8.20	\$16.40
CY 2020	ETC	\$2.60	\$5.20	\$10.40
	BBM	\$4.01	\$8.02	\$16.04
CY 2019	ETC	\$2.54	\$5.08	\$10.16
	BBM	\$3.92	\$7.84	\$15.68
CY 2018	ETC	\$2.54	\$5.08	\$10.16
	BBM	\$3.92	\$7.84	\$15.68

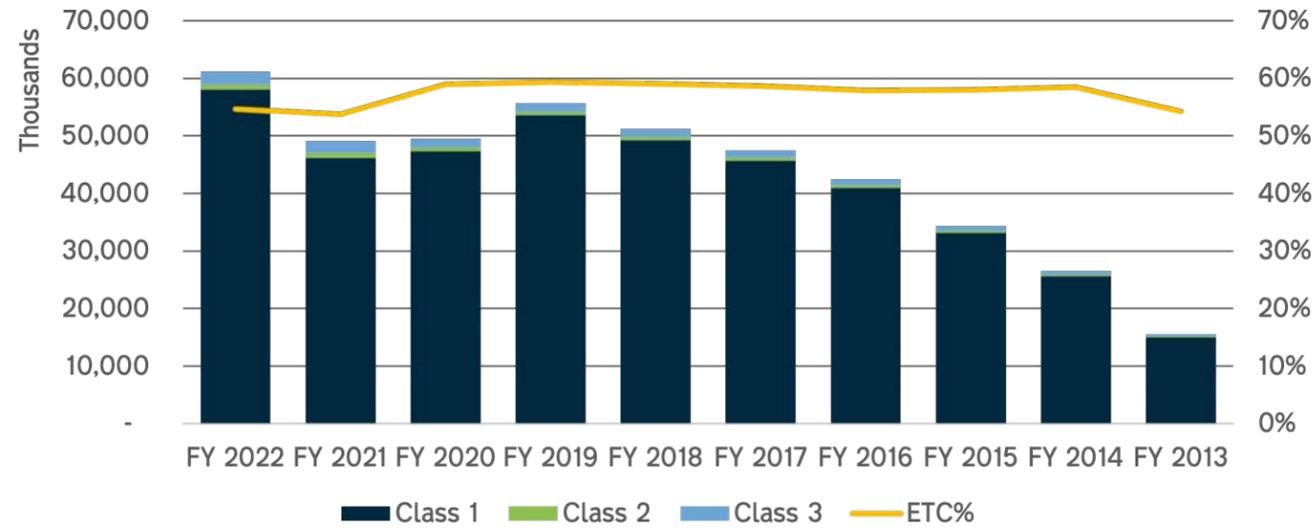
The Monroe Expressway was not fully open to traffic until FY 2019.

Full trip in one direction.

Toll Transactions by Vehicle Classification

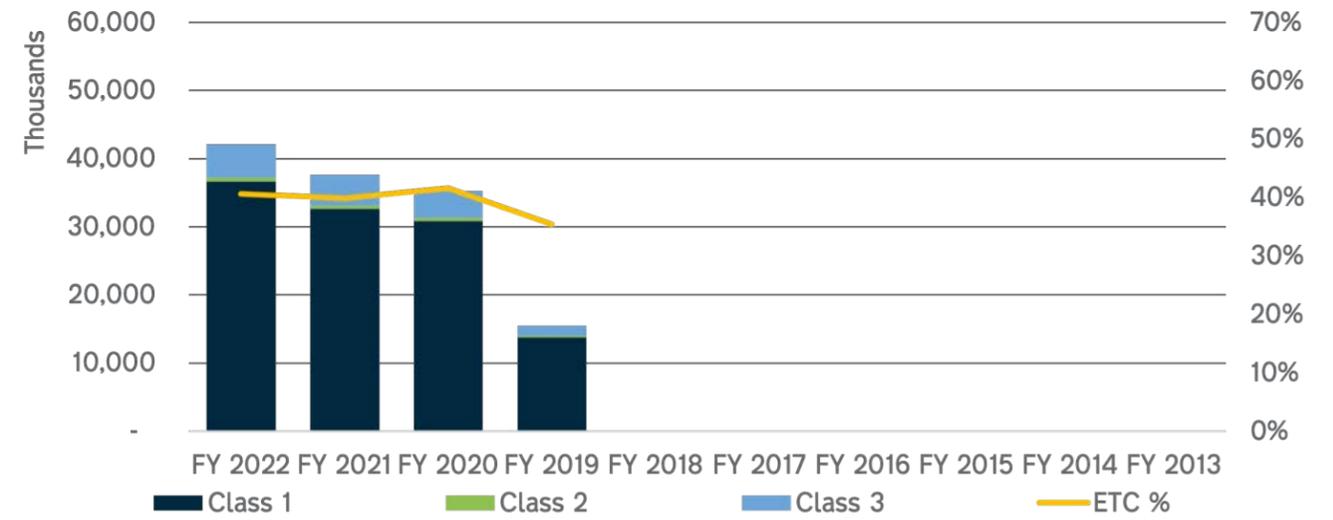
Triangle Expressway (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Transactions										
Class 1	58,120	46,262	47,377	53,601	49,311	45,687	40,995	33,227	25,634	15,071
Class 2	857	809	633	665	609	612	494	390	320	156
Class 3	2,160	1,998	1,520	1,445	1,316	1,215	985	728	582	292
Total Transactions	61,138	49,069	49,529	55,711	51,237	47,514	42,475	34,346	26,535	15,519
ETC%	54.7%	53.8%	59.0%	59.4%	59.0%	58.6%	57.8%	58.0%	58.4%	54.2%



Monroe Expressway (in thousands)

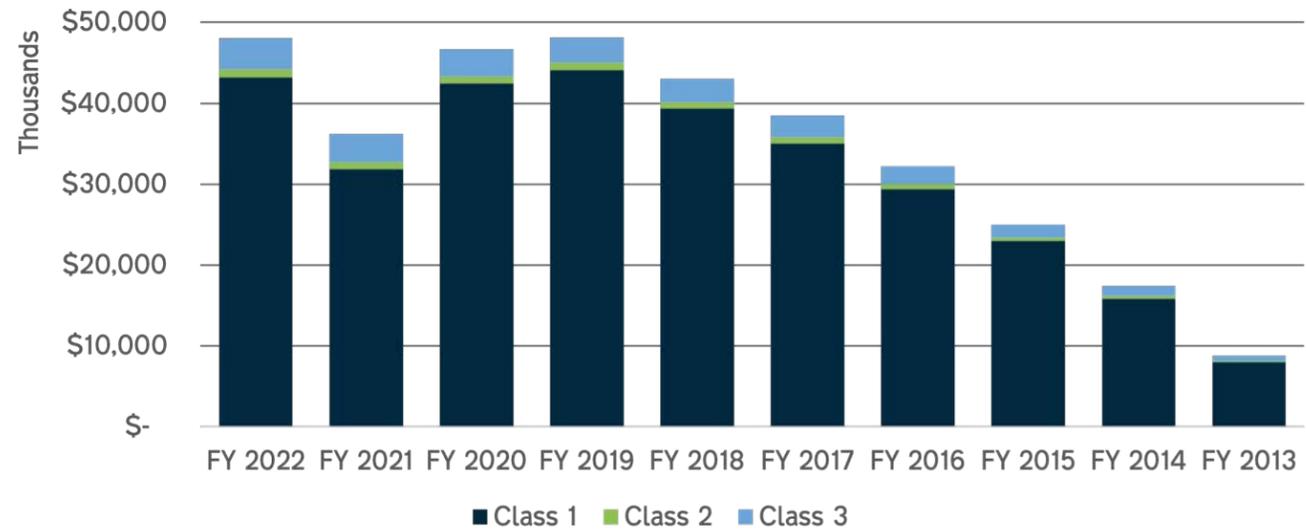
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Transactions										
Class 1	36,631	32,642	30,853	13,751	-	-	-	-	-	-
Class 2	589	527	491	243	-	-	-	-	-	-
Class 3	4,884	4,493	3,896	1,472	-	-	-	-	-	-
Total Transactions	42,104	37,662	35,241	15,466	-	-	-	-	-	-
ETC%	40.7%	39.9%	41.6%	35.4%	-	-	-	-	-	-



Toll Revenue by Vehicle Classification

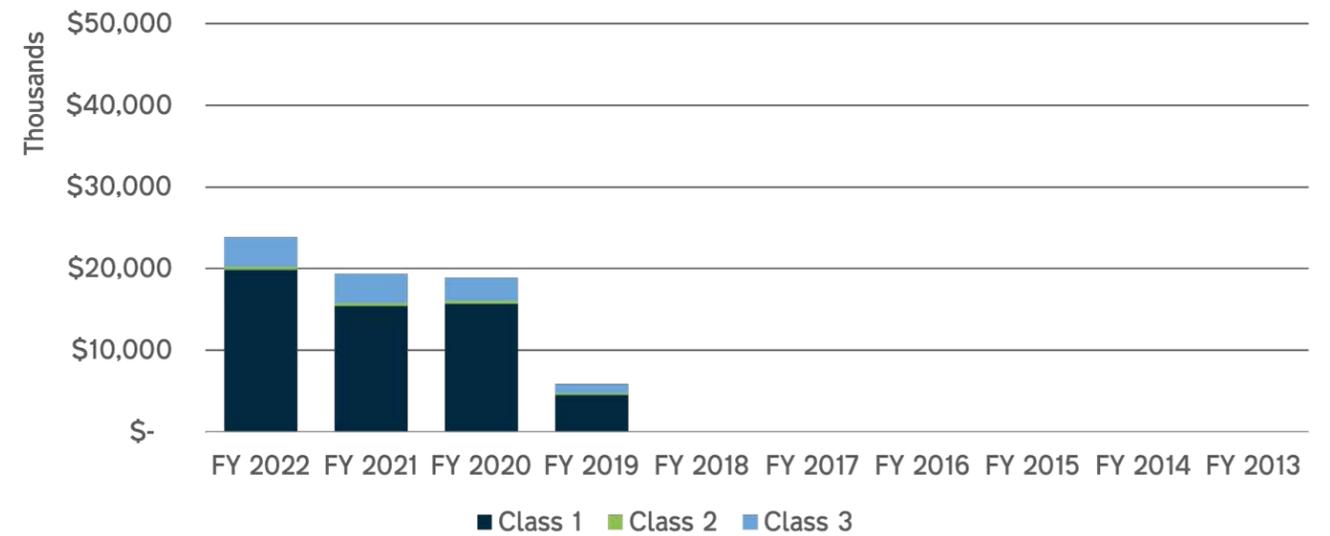
Triangle Expressway (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Toll Revenue										
Class 1	\$43,233	\$31,869	\$42,473	\$44,169	\$39,393	\$35,036	\$29,391	\$22,966	\$15,890	\$8,031
Class 2	963	850	833	858	765	750	597	451	356	152
Class 3	3,861	3,500	3,409	3,131	2,896	2,667	2,219	1,590	1,176	586
Total Toll Revenue	\$48,057	\$36,218	\$46,715	\$48,158	\$43,055	\$38,453	\$32,207	\$25,007	\$17,423	\$8,770



Monroe Expressway (in thousands)

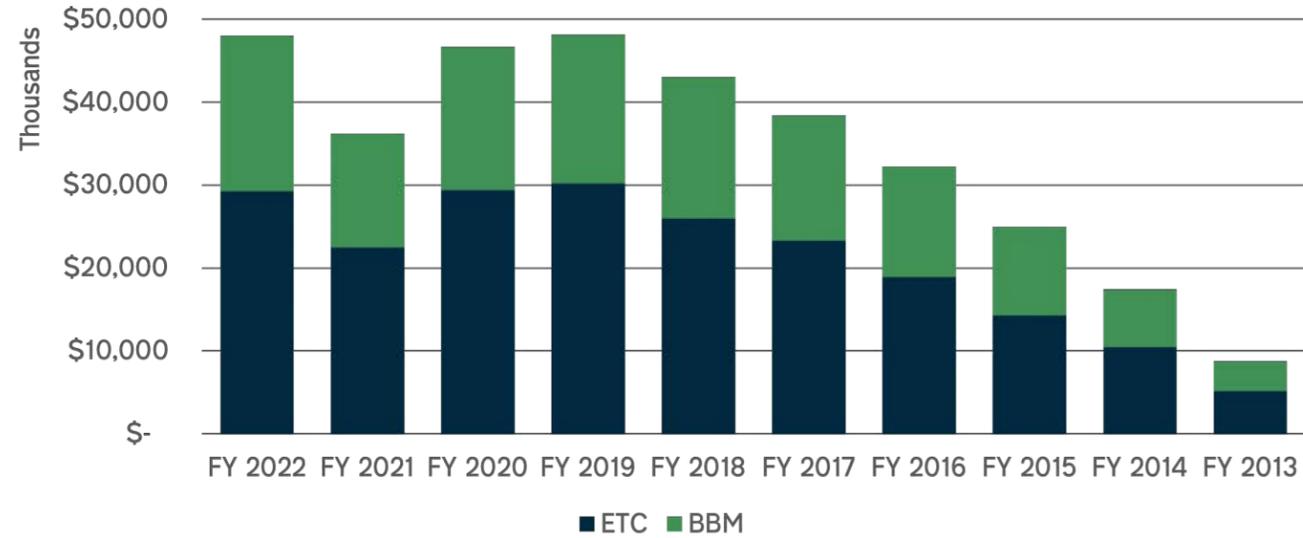
	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Toll Revenue										
Class 1	\$19,841	\$15,476	\$15,799	\$4,603	-	-	-	-	-	-
Class 2	377	343	314	165	-	-	-	-	-	-
Class 3	3,666	3,529	2,804	1,105	-	-	-	-	-	-
Total Toll Revenue	\$23,885	\$19,349	\$18,918	\$5,874	-	-	-	-	-	-



Toll Revenue by Payment Method

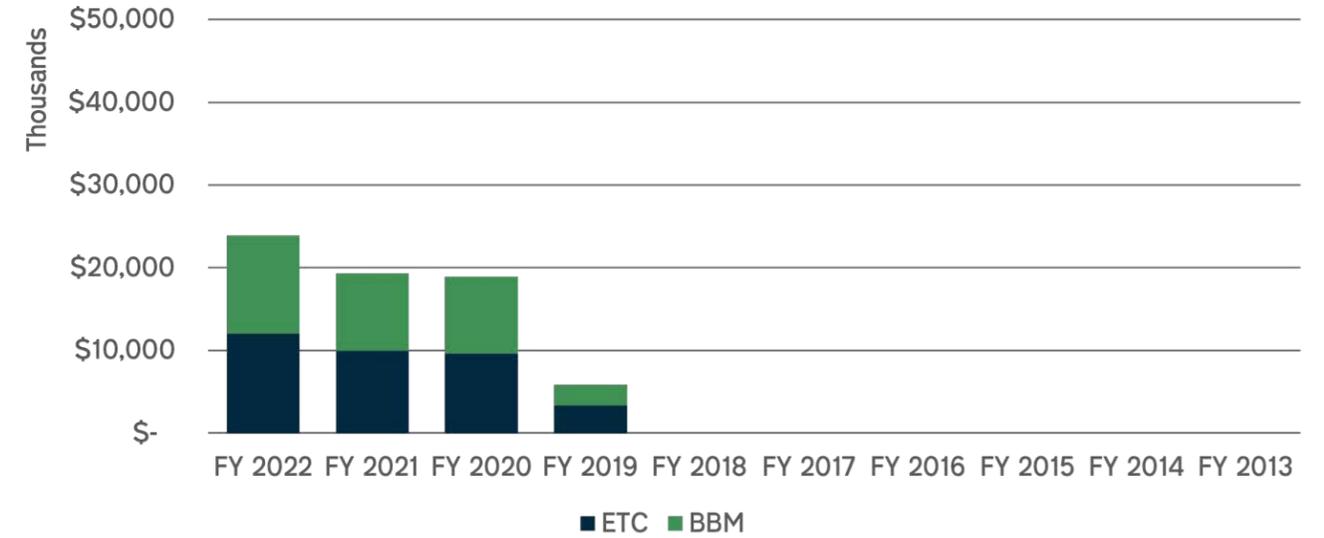
Triangle Expressway (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Toll Revenue										
ETC	\$29,263	\$22,477	\$29,411	\$30,212	\$25,963	\$23,281	\$18,943	\$14,381	\$10,528	\$5,198
BBM	18,794	13,741	17,304	17,945	17,092	15,172	13,263	10,627	6,895	3,571
Total Toll Revenue	\$48,057	\$36,218	\$46,715	\$48,158	\$43,055	\$38,453	\$32,207	\$25,007	\$17,423	\$8,770



Monroe Expressway (in thousands)

	FY 2022	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Toll Revenue										
ETC	\$12,103	\$9,992	\$9,676	\$3,413	-	-	-	-	-	-
BBM	11,781	9,357	9,242	2,461	-	-	-	-	-	-
Total Toll Revenue	\$23,885	\$19,349	\$18,918	\$5,874	-	-	-	-	-	-



Debt

Triangle Expressway (in thousands)

Series	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Revenue Bonds										
Senior Lien Revenue Bonds, Series 2009A	\$ -	\$ -	\$ -	\$ -	\$600	\$600	\$234,031	\$233,965	\$233,899	\$233,833
Senior Lien Revenue Bonds, Series 2009B	35,173	35,173	35,173	35,173	35,173	35,150	35,042	35,032	35,022	35,012
Appropriation Revenue Bonds, Series 2009B	-	-	10,275	20,210	190,930	348,808	352,137	352,097	352,057	352,017
Senior Lien Revenue Refunding Bonds, Series 2017	186,096	197,470	207,324	215,317	220,974	226,527	-	-	-	-
Appropriation Revenue Refunding Bonds, Series 2018A	155,504	155,887	156,270	156,654	157,038	-	-	-	-	-
Senior Lien Revenue Refunding Bonds, Series 2018	419,221	422,864	426,292	428,793	-	-	-	-	-	-
Appropriation Revenue Refunding Bonds, Series 2018B	147,592	160,244	161,019	161,759	-	-	-	-	-	-
Senior Lien Revenue Bonds, Series 2019	422,771	424,627	426,472	-	-	-	-	-	-	-
Appropriation Revenue Bonds, Series 2019	115,979	115,979	115,979	-	-	-	-	-	-	-
Senior Lien Revenue Bond Anticipation Notes, Series 2020	533,384	549,472	-	-	-	-	-	-	-	-
Note Payable										
TIFIA Loan	-	-	-	-	372,877	372,877	372,877	372,877	372,877	372,877
Total Long-Term Debt as of June 30	\$2,015,721	\$2,061,715	\$1,538,805	\$1,017,906	\$977,592	\$983,961	\$994,087	\$993,971	\$993,855	\$993,739

Debt Per	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Center Lane Mile	\$107,219	\$109,666	\$81,851	\$54,144	\$52,000	\$52,338	\$52,877	\$52,871	\$52,865	\$52,858
Lane Mile	17,870	18,278	13,642	9,024	8,667	8,723	8,813	8,812	8,811	8,810
\$ Operating Revenue ¹	35.94	56.76	29.62	19.03	19.72	21.62	25.39	32.37	40.20	-

Debt Coverage Ratios	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Senior Lien	1.50x	1.49x	1.60x	2.35x	4.05x	4.34x	3.85x	3.22x	2.72x	-
Junior Lien	1.50x	1.49x	1.60x	1.75x	1.62x	1.65x	1.54x	1.41x	2.71x	-

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

Monroe Expressway (in thousands)

Series	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Revenue Bonds										
Appropriation Revenue Bonds, Series 2010A	\$225,545	\$233,920	\$233,920	\$233,920	\$233,920	\$233,920	\$233,920	\$233,920	\$233,920	\$233,920
Appropriation Revenue Bonds, Series 2011	-	9,845	123,618	133,392	142,799	151,860	160,638	169,098	189,149	208,783
Senior Lien Revenue Bonds, Series 2011	-	-	-	-	-	-	7,100	7,890	8,660	9,415
GARVEE Bonds, Series 2011	-	-	-	-	-	-	153,259	154,782	156,288	157,778
Senior Lien Revenue Bonds, Series 2016	143,107	143,344	143,580	143,816	144,051	144,287	-	-	-	-
Appropriation Revenue Refunding Bonds, Series 2021	94,878	96,403	-	-	-	-	-	-	-	-
Notes Payable										
TIFIA Loan	166,500	166,500	166,500	120,000	-	-	-	-	-	-
Total Long-Term Debt as of June 30	\$630,030	\$650,012	\$667,618	\$631,128	\$520,770	\$530,067	\$554,917	\$565,691	\$588,017	\$609,896

Debt Per	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Center Lane Mile	\$31,820	\$32,829	\$33,718	\$31,875	-	-	-	-	-	-
Lane Mile	7,955	8,207	8,430	7,969	-	-	-	-	-	-
\$ Operating Revenue ²	\$30,014	29.06	29.20	-	-	-	-	-	-	-

Debt Coverage Ratios	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Senior Lien	5.03x	3.91x	5.38x	-	-	-	-	-	-	-
Subordinate Lien	3.70x	2.81x	5.38x	-	-	-	-	-	-	-

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

Demographic & Economic Information



State of North Carolina

	Population ¹	Personal Income (dollars, seasonally adjusted) ²	Per Capita Personal Income (dollars) ³	Unemployment Rate
FY 2022	10,621,574	\$591,135,600	\$55,654	3.4%
FY 2021	10,683,292	\$561,597,700	\$52,568	4.6%
FY 2020	10,582,777	\$540,565,900	\$51,080	7.5%
FY 2019	10,474,366	\$499,245,900	\$47,664	4.0%
FY 2018	10,367,111	\$477,559,900	\$46,065	3.9%
FY 2017	10,253,775	\$453,270,000	\$44,205	4.4%
FY 2016	10,139,081	\$431,829,500	\$42,591	5.0%
FY 2015	10,019,210	\$417,614,400	\$41,681	5.9%
FY 2014	9,921,666	\$395,238,600	\$39,836	6.4%
FY 2013	9,831,260	\$374,544,500	\$38,097	8.1%

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 2013-2022 reflect unpublished monthly population estimates available as of October 2022.

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	2022	2013
1	Wal-Mart Associates Inc.	Wal-Mart Associates Inc.
2	Duke University	Duke University
3	Food Lion	Charlotte Mecklenburg Hospital
4	Atrium Health	Food Lion
5	Wells Fargo Bank NA (A Corp)	Wells Fargo Bank NA (A Corp)
6	Amazon Fulfillment Services Inc	Department of Defense
7	Lowes Home Centers Inc	State of NC Department of Correction
8	Defense Ex Army Navy & Air Force	Wake County Public Schools
9	Wake County Public School System	Bank of America NA
10	Bank of America	Charlotte-Mecklenburg Board of Education

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

FY 2022 data is based on Q1 of 2022. Q2 data was not available at the time this report was prepared.

North Carolina Employment by Sector

Industry Sector	FY 2022			FY 2013		
	Average Employment	Total Wages	Average Weekly Wage	Average Employment	Total Wages	Average Weekly Wage
Agriculture, Forestry, Fishing and Hunting	23,445	\$247,528,133	\$812	29,311	\$852,239,702	\$542.24
Mining	3,063	\$88,350,780	\$2,219	3,008	\$138,107,516	\$886.88
Utilities	16,228	\$531,786,846	\$2,521	13,589	\$1,079,898,614	\$1,363.93
Construction	241,449	\$3,656,777,522	\$1,165	173,176	\$7,404,117,323	\$803.48
Manufacturing	468,517	\$8,104,248,488	\$1,331	439,312	\$23,270,599,728	\$974.12
Wholesale Trade	197,453	\$4,635,400,249	\$1,806	171,674	\$10,779,161,408	\$1,145.35
Retail Trade	520,053	\$4,856,418,699	\$718	455,661	\$11,537,698,604	\$479.67
Transportation and Warehousing	206,445	\$2,719,322,775	\$1,013	126,501	\$5,550,484,583	\$820.48
Information	79,481	\$2,369,616,802	\$2,293	70,340	\$4,710,145,255	\$1,184.46
Finance and Insurance	214,889	\$7,955,062,215	\$2,848	148,607	\$11,577,134,733	\$1,289.31
Real Estate and Rental and Leasing	64,618	\$1,064,002,104	\$1,267	48,788	\$1,988,690,647	\$750.32
Professional, Scientific, and Technical Services	312,618	\$7,818,796,128	\$1,924	197,646	\$13,793,532,887	\$1,272.91
Management of Companies and Enterprises	81,415	\$3,601,862,928	\$3,403	80,556	\$7,418,218,670	\$1,520.67
Administrative and Support and Waste Management and Remediation Services	327,850	\$4,031,047,232	\$946	260,978	\$8,320,714,027	\$573.40
Educational Services	390,001	\$5,797,174,413	\$1,143	374,027	\$14,750,613,852	\$758.86
Health Care and Social Assistance	624,223	\$9,376,425,480	\$1,155	562,963	\$24,784,593,272	\$808.95
Arts, Entertainment, and Recreation	66,180	\$644,958,378	\$750	65,387	\$1,806,701,597	\$540.80
Accommodation and Food Services	405,621	\$2,178,133,971	\$413	362,190	\$5,445,790,876	\$289.05
Other Services (except Public Administration)	119,020	\$1,257,941,947	\$813	99,115	\$2,852,055,428	\$545.33
Public Administration	243,570	\$3,418,098,389	\$1,079	237,386	\$10,308,242,177	\$823.08
Total of All Industries	4,606,139	\$74,352,953,479	\$1,480	3,920,215	\$168,368,740,899	\$868.66

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

FY 2021 data is based on Q1 of 2022. Q2 data was not available at the time this report was prepared.



**Innovative
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Operating Information

Capital Assets (in thousands)

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Capital Assets, Nondepreciable										
Land & Permanent Easements	\$555,710	\$536,639	\$462,164	\$294,274	\$272,479	\$258,835	\$225,501	\$174,891	\$149,568	\$144,959
Construction in Progress	698,545	449,709	302,513	137,809	777,310	672,436	444,350	262,926	206,617	165,157
Total Capital Assets, Nondepreciable	1,254,255	986,348	764,677	432,083	1,049,788	931,271	669,851	437,818	356,186	310,116
Capital Assets, Depreciable										
Highway Network	1,534,469	1,534,469	1,534,469	1,534,469	806,486	806,486	806,486	806,486	806,486	806,486
Machinery & Equipment	33	25	25	33	60	60	60	60	60	80
Total Capital Assets, Depreciable	1,534,501	1,534,494	1,534,494	1,534,501	806,546	806,546	806,546	806,546	806,546	806,566
Less Accumulated Depreciation										
Highway Network	205,516	175,833	146,149	116,464	92,429	76,300	60,170	44,040	27,910	11,781
Machinery & Equipment	33	25	25	34	60	60	60	60	60	80
Total Accumulated Depreciation	205,549	175,858	146,174	116,498	92,489	76,360	60,230	44,100	27,971	11,861
Total Capital Assets, Depreciable, Net of Depreciation	1,328,953	1,358,636	1,388,320	1,418,003	714,057	730,186	746,316	762,446	778,576	794,705
Total Capital Assets, Net of Depreciation	\$2,583,208	\$2,344,985	\$2,152,997	\$1,850,086	\$1,763,845	\$1,661,457	\$1,416,167	\$1,200,264	\$1,134,761	\$1,104,822

NC Quick Pass Transponders Distributed

FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
207,353	163,862	243,077	213,058	101,450	67,439	62,950	44,300	39,708	60,646

Maintenance Rating Program

The Turnpike Authority has a Maintenance Rating Program (MRP), which 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 MRP is a comprehensive planning, measuring, and managing process that provides a means for communicating asset trends to managers to assist them with policy and budget decisions on program service delivery. 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 rolling rating score is a combined average of the last four quarterly inspections up to and including a quarter and provides statistical validation to the MRP process by compiling the four individual inspections. The annual rating is reported at the end of each calendar year by compiling the scores from each year's quarterly inspections, and the following table presents recent annual rating scores for the Triangle Expressway and the Monroe Expressway. While the target for individual assets is 80.0, NCTA's overall target rating score is 90.0.

Triangle Expressway

CY 2021	CY 2020	CY 2019	CY 2018	CY 2017	CY 2016	CY 2015	CY 2014
92.7	91.5	93.0	94.7	91.8	94.2	93.2	89.3

Monroe Expressway

CY 2021	CY 2020
94.8	94.6*

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

Keep North Carolina Moving



**North Carolina
Turnpike Authority**

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