

NORTH CAROLINA TURNPIKE AUTHORITY

REPORT ON APPLYING AGREED-UPON PROCEDURES FOR RATE COVENANT CALCULATIONS IN ACCORDANCE WITH SECTION 704 OF THE TRUST AGREEMENT BETWEEN THE NORTH CAROLINA TURNPIKE AUTHORITY AND WELLS FARGO BANK, N.A., AUTHORIZING AND SECURING NORTH CAROLINA TURNPIKE AUTHORITY TURNPIKE REVENUE BONDS AND INDEBTEDNESS (TRIANGLE EXPRESSWAY SYSTEM) DATED JUNE 1, 2009, AS SUPPLEMENTED BY A FIRST SUPPLEMENTAL TRUST AGREEMENT DATED AS OF JULY 1, 2009, A SECOND SUPPLEMENTAL TRUST AGREEMENT DATED AS OF MARCH 1, 2017, AND A THIRD SUPPLEMENTAL TRUST AGREEMENT DATED DECEMBER 1, 2018

As of June 30, 2019

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

We have performed the procedures described below, which were agreed to by the North Carolina Turnpike Authority ("NCTA" or the "Authority"), solely to assist you in evaluating the information provided by NCTA management used in the calculations with respect to the Rate Covenants ("Rate Covenants") as of June 30, 2019 in accordance with Section 704 of the Trust Agreement between NCTA and Wells Fargo Bank, N.A. Authorizing and Securing NCTA Turnpike Revenue Bonds and Indebtedness ("Triangle Expressway System") dated June 1, 2009, as supplemented by a First Supplemental Trust Agreement dated as of July 1, 2009, a Second Supplemental Trust Agreement dated as of March 1, 2017, and a Third Supplemental Trust Agreement dated December 1, 2018 (the "Trust Agreement"). NCTA's management is responsible for the fair presentation of the compliance with the Rate Covenants and the calculations used to determine compliance with the Rate Covenants.

The sufficiency of these procedures is solely the responsibility of the NCTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The NCTA provided us with a schedule of information used in the Rate Covenants' calculations for the year ended June 30, 2019. As noted below, we compared the information in the Rate Covenants' calculations to the information described.

Procedure Key:

- 1) Compared to a corresponding amount in the audited financial statements of the NCTA for the year ended June 30, 2019 and found such amounts to be in agreement after giving effect to rounding as applicable.
- 2) Compared to a corresponding amount in a schedule prepared by the NCTA or to the amount derived from the accounting records, which had been subjected to procedures performed in the course of conducting the annual audit of the financial statements of the NCTA for the year ended June 30, 2019 and found such amounts to be in agreement after giving effect to rounding as applicable.
- 3) Recomputed the amount, subtotal, and/or total and determined such amount to be mathematically accurate after giving effect to rounding as applicable.
- 4) Compared to a corresponding amount in a schedule prepared by the NCTA that was not subjected to procedures performed in the course of conducting the annual audit of the financial statements of the NCTA for the year ended June 30, 2019 and found such amounts to be in agreement after giving effect to rounding as applicable.

Procedures:

Subsections to Section 704 of the Trust Agreement Rate Covenants and our procedures are presented below:

- a) The Authority covenants to fix, charge, and collect tolls, fees, rentals, and other charges for the use of and for services furnished or to be furnished by the Triangle Expressway System, and from time to time and as often as it shall appear necessary, to revise such tolls, fees, rentals, and other charges as may be necessary or appropriate, in order for each fiscal year, beginning with the first full fiscal year in which the Initial Project is in operation, the Revenues in such fiscal year will not be less than 130% of the Long-Term Debt Service Requirement for Senior Lien Indebtedness only for such fiscal year.

	<u>Information</u>	<u>Procedure Performed</u>
<u>Revenues:</u>		
Operating Revenue	\$ 53,475,729	1
<u>Transfer to Revenue Fund under General Revenue Bond Trust:</u>		
State Appropriated Revenues	25,000,000	2
Revised Build America Bonds ("BABS") Subsidy	2,140,016	2
Appropriation Debt Service Reserve Fund ("DSRF") Income	89,503	4
Transfer from Capitalized Interest	-	2
Debt Service* on 2009B, 2018A, and 2018B Bonds	(24,431,949)	2
Total Transfer to Revenue Fund under General Revenue Bond Trust	<u>2,797,570</u>	3
Total Revenues	<u>\$ 56,273,299</u>	3
<u>Senior Lien Long-Term Debt Service Requirement:</u>		
Senior Lien Debt Service	\$ 20,030,316	2
Senior Lien Principal Account Deposit	3,920,000	4
Senior Lien Capitalized Interest	-	2
Senior Lien Parity Reserve Income	-	4
Total Senior Lien Long-Term Debt Service Requirement	<u>\$ 23,950,316</u>	3
Calculation for Covenant Compliance	<u>235%</u>	3

Results: No exceptions noted as a result of our procedures.

* Debt Service included in the Trust Agreement Rate Covenant calculations are based upon the Long-Term Debt Service Requirement for Senior Lien Indebtedness which is defined as the required deposits to be made in respect to Principal and Interest. Since Debt Service fund deposits are required to be made in advance of the actual payment date, payments made on July 1 of any year are included in the prior fiscal year ending June 30.

The Authority covenants to fix, charge, and collect tolls, fees, rentals, and other charges for the use of and for services furnished or to be furnished by the Triangle Expressway System, and that from time to time and as often as it shall appear necessary, to revise such tolls, fees, rentals, and other charges as may be necessary or appropriate, in order that for each fiscal year, beginning with the first full fiscal year in which the Initial Project is in operation, the Revenues in such fiscal year will not be less than 110% of (x) the Long-Term Debt Service Requirement for Senior Lien Indebtedness, Subordinate Lien Indebtedness, and Transportation Infrastructure Finance and Innovation Act ("TIFIA") Indebtedness for such fiscal year and (y) the deposits to be made to the Senior Lien Parity Reserve Account and Subordinate Lien Parity Reserve Account and the TIFIA Debt Service Reserve Account for such fiscal year.

	<u>Information</u>	<u>Procedure Performed</u>
<u>Revenues:</u>		
Operating Revenue	\$ 53,475,729	1
<u>Transfer to Revenue Fund under General Revenue Bond Trust:</u>		
State Appropriated Revenues	25,000,000	2
Revised Build America Bonds ("BABS") Subsidy	2,140,016	2
Appropriation Debt Service Reserve Fund ("DSRF") Income	89,503	4
Transfer from Capitalized Interest	-	2
Debt Service* on 2009B, 2018A, and 2018B Bonds	(24,431,949)	2
Total Transfer to Revenue Fund under General Revenue Bond Trust	<u>2,797,570</u>	3
Total Revenues	<u>\$ 56,273,299</u>	3
<u>Senior Lien Long-Term Debt Service Requirement:</u>		
Senior Lien Debt Service	\$ 20,030,316	2
Senior Lien Principal Account Deposit	3,920,000	4
Senior Lien Capitalized Interest	-	2
Senior Lien Parity Reserve Income	-	4
Total Senior Lien Long-Term Debt Service Requirement	<u>23,950,316</u>	3
<u>Senior Lien and TIFIA Reserve Accounts Requirement:</u>		
TIFIA Reserve Additional Deposit	-	4
TIFIA Debt Service	8,218,985	2
Senior Lien Parity Reserve Deposit	-	4
Total Senior Lien and TIFIA Reserve Accounts Requirement	<u>8,218,985</u>	3
Senior Lien Long-Term Debt Service and Reserve Accounts Requirement	<u>\$ 32,169,301</u>	3
Calculation for Covenant Compliance	<u>175%</u>	3

Results: No exceptions noted as a result of our procedures.

* Debt Service included in the Trust Agreement Rate Covenant calculations are based upon the Long-Term Debt Service Requirement for Senior Lien Indebtedness which is defined as the required deposits to be made in respect to Principal and Interest. Since Debt Service fund deposits are required to be made in advance of the actual payment date, payments made on July 1 of any year are included in the prior fiscal year ending June 30.

- b) The Authority covenants to fix, charge, and collect tolls, fees, rentals, and other charges for the use of and for services furnished or to be furnished by the Triangle Expressway System, and that from time to time and as often as it shall appear necessary, to revise such tolls, fees, rentals, and other charges as may be necessary or appropriate, in order that for each fiscal year, beginning with the first full fiscal year in which the Initial Project is in operation, the Loan Life Coverage Ratio will be not less than 130%.

Results: This covenant relates to the TriEx TIFIA Loan. The NCTA paid off the TriEx TIFIA Loan in December 2018. Therefore, this covenant is no longer required.

- c) In addition to the covenants set forth in subsections (a), (b), and (c) of Section 704, the Authority also covenants to fix, charge, and collect tolls, fees, rentals, and other charges for the use of and for services furnished or to be furnished by the Triangle Expressway System, and that from time to time and as often as it shall appear necessary, to revise such tolls, fees, rentals, and other charges as may be necessary or appropriate, in order that the Receipts will be sufficient in each fiscal year to make all of the deposits required by Section 503(a) through (h), inclusive.

	<u>Information</u>	<u>Procedure Performed</u>
<u>Receipts After Senior Lien Debt Service:</u>		
Operating Revenue	\$ 53,475,729	1
<u>Net State Appropriation:</u>		
State Appropriated Revenues	25,000,000	2
Revised BABS Subsidy	2,140,016	2
Appropriation DSRF Income	89,503	4
Transfer from Capitalized Interest	-	2
Debt Service* on 2009B, 2018A, and 2018B Bonds	<u>(24,431,949)</u>	2
Net State Appropriation	<u>2,797,570</u>	3
Total Pledged Receipts	<u>56,273,299</u>	3
Less:		
<u>Trust Agreement Section 503 Requirements:</u>		
<u>Section 503(a) Senior Lien Debt Interest Account Deposit:</u>		
Senior Lien Debt Service	(20,030,316)	2
Senior Lien Capitalized Interest	-	2
Senior Lien Parity Reserve Income	<u>-</u>	4
Net Section 503(a) Deposits	(20,030,316)	3
Section 503(b) Senior Lien Principal Account Deposit	(3,920,000)	4
Section 503(c) Senior Lien Parity Reserve Deposit	-	4
Section 503(d) Subordinate Lien Debt Interest Account Deposit	-	4
Section 503(e) Subordinate Lien Debt Principal Account Deposit	-	4
Section 503(f) Subordinate Lien Parity Reserve Deposit	-	4
Section 503(g) TIFIA Debt Service	(8,218,985)	2
Section 503(h) Hedging Acquisition Account Deposit	<u>-</u>	4
Total Trust Agreement Section 503 Requirements	(32,169,301)	3
Receivables Adjustment	<u>(932,867)</u>	4
Excess Remaining after Required Deposits	<u>\$ 23,171,131</u>	3

Results: No exceptions noted as a result of our procedures.

* Debt Service included in the Trust Agreement Rate Covenant calculations are based upon the Long-Term Debt Service Requirement for Senior Lien Indebtedness which is defined as the required deposits to be made in respect to Principal and Interest. Since Debt Service fund deposits are required to be made in advance of the actual payment date, payments made on July 1 of any year are included in the prior fiscal year ending June 30.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the NCTA and other parties to the Trust Agreement, and is not intended to be, and should not be, used by anyone other than those parties.

Channing R. Ricketts LLP

Raleigh, North Carolina
December 10, 2019

This report required 20 hours at a cost of \$2,600.