NORTH CAROLINA
Turnpike Authority

Fiscal Year 2015 Annual Report

NC SM
Transportation

MESSAGE FROM THE SECRETARY AND TURNPIKE AUTHORITY EXECUTIVE DIRECTOR

Dear North Carolinian:

Throughout the past fiscal year, and for more than a decade, the North Carolina Turnpike Authority has worked to advance turnpike facilities in North Carolina. Our goals are to give drivers more choices in how they reach critical destinations, reduce congestion along heavily traveled routes, and provide an additional revenue stream for important infrastructure improvements.

The 2014-2015 Fiscal Year was an important one for transportation in North Carolina because it saw the implementation of the Strategic Transportation Investments law, passed in summer 2013 with overwhelming bipartisan support. This law establishes a new process for prioritizing transportation improvements based on data-driven criteria and local input, and encourages local funding participation. This law was used to develop NCDOT's latest 10-year State Transportation Improvement Program, comprising major transportation projects to be funded over the next 10 years including 10 turnpike projects throughout the state.

Along with this, the N.C. General Assembly recently increased the cap on the number of turnpike projects that can be undertaken by the Authority from nine to 11. The legislation also changes the designation of the Triangle Expressway from three projects to one given that its three phases operate as a single facility. The Authority worked closely with our partners at the General Assembly on this legislative change, and we appreciate their recognition that user-fee supported projects are playing an important, if small, role in North Carolina's transportation system.

Since it first opened to traffic in December 2011, the Triangle Expressway—North Carolina's first modern toll road—has continued to exceed traffic and revenue projections. The NC Quick Pass®, which allows drivers to use the Expressway at a discounted rate, is now interoperable with E-ZPass®, Florida's SunPass® and, as of this fiscal year, Georgia's Peach Pass®, providing more convenience to drivers than ever before. We are extremely proud of the progress we have made, and continue to look for ways to better serve our customers and meet the needs of our state.

Additionally, a design-build contract was recently awarded for the first new interchange along the Triangle Expressway. The Old Holly Springs-Apex Road interchange was requested by local transportation planners and included in the Capital Area Metropolitan Planning Organization (CAMPO) Long Range Transportation Plan. It will improve mobility for current Expressway users and will help us prepare for the projected increase in traffic volumes over the next 10 years as a result of substantial growth and development. Construction began in July 2015, and we anticipate that the new interchange ramps will be open to traffic next year.

As detailed on the following pages, our accomplishments from the past fiscal year demonstrate the Turnpike Authority's continued dedication to meeting North Carolina's growing transportation needs and ensuring our state's future success. Thank you for your partnership as we carry out our mission and provide a valued option for travelers throughout North Carolina.

Sincerely,

Nicholas Tennyson
Secretary of Transportation

Beau Memory
North Carolina Authority Executive Director

INTRODUCTION

The North Carolina Turnpike Authority ("Turnpike Authority") hereby submits its Fiscal Year 2015 Annual Report and Annual Audit pursuant to North Carolina General Statute 136-89.193(b). The Fiscal Year 2015 Annual Report details the Turnpike Authority's activities by project. The report is organized into the following four sections based on the project's development status:

Section I – Operational Projects	**Pages 4-10**
Section II – Projects Under Construction	**Pages 11-17**
Section III – Projects Under Development	**Pages 18-27**
Section IV – Projects Under Consideration	**Page 28-29**
Attachment – Annual Audit	**Page 30**

SECTION I

Operational Projects

TRIANGLE EXPRESSWAY

Project Update

North Carolina's first modern toll road, the Triangle Expressway, is a six-lane toll road that utilizes all-electronic tolling technology, while improving regional mobility and setting the stage for future tolling projects in North Carolina. The project earned the America's Transportation Award for the Best Use of Innovation in the Southeastern Region, as presented at the SASHTO (Southeastern Association of State Highway and Transportation Officials) Conference in August 2013.

The 18.8-mile Triangle Expressway was designed and built to eliminate the need for drivers to stop to pay a toll. Customers are identified while traveling at highway speeds through free-flow "toll zones." Customers are encouraged to purchase an NC Quick Pass® electronic transponder that automatically deducts tolls from a pre-paid account and provides a 35 percent discount off the bill by mail toll rate. For travelers without a transponder, high-speed cameras mounted on gantries record the license plates, and invoices are sent by mail based on the vehicle's registration information.

During the project development process the Turnpike Authority made a very concerted effort to ensure public officials, local and state elected officials, local planning organizations, business and community leaders, and others were well-informed. The team leveraged public hearings, community workshops, regularly scheduled media briefings and small group meetings to maintain constant communication and accurate information flow to the public, resulting in public support. Collaborative support paved the way for the successful construction, opening and operations of the Triangle Expressway.

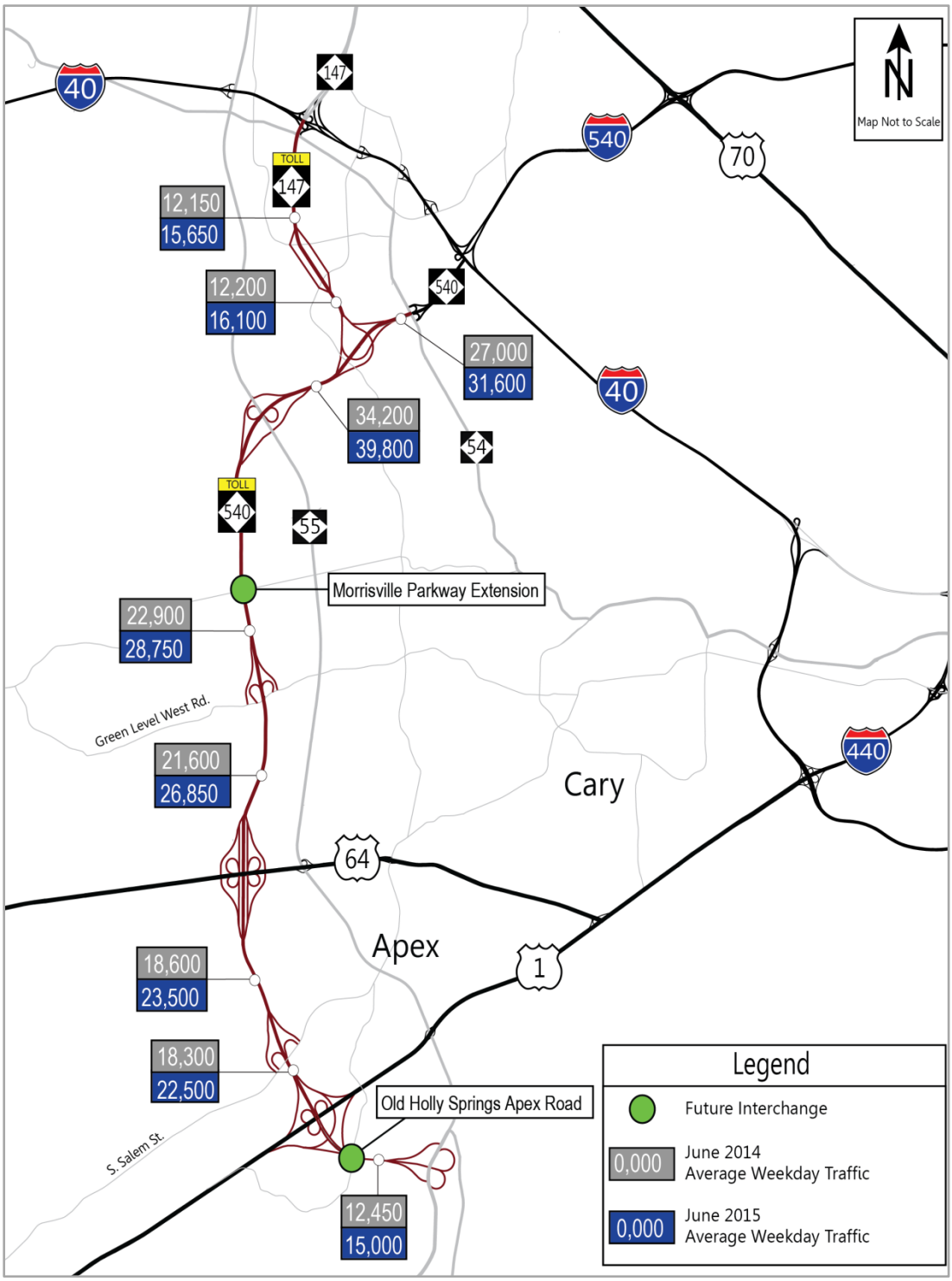
Capital expenditures for the Triangle Expressway were approximately five percent under budget. During the latter part of Fiscal Year 2014, the Turnpike Authority developed a fiscally-responsible plan to utilize approximately $61.3 million in unallocated bond proceeds. In addition to funding outstanding construction expenditures, reimbursing NCDOT for pre-construction expenses, and reimbursing interest payments to the Turnpike Authority's reserve accounts, this plan includes providing capital contributions for two additional interchanges along the Triangle Expressway, at Old Holly Springs-Apex Road ("Access 540") and Morrisville Parkway (see page 9).

Moving forward, the latest Triangle Expressway financial model projects a positive outlook. The Turnpike Authority will hold in reserves enough funds to cover operations, maintenance, and rehabilitation expenses for three years. In addition, all debt service coverage ratios are projected at or above the minimum allowable, and currently there is no projected need for NCDOT revenue support during the life of the project.

It is clear that the Triangle Expressway has set high standards for future toll projects in North Carolina. From concept development to project completion and operations, the Turnpike Authority is dedicated to maintaining an efficient and effective management process.

TRIANGLE EXPRESSWAY

Project Map

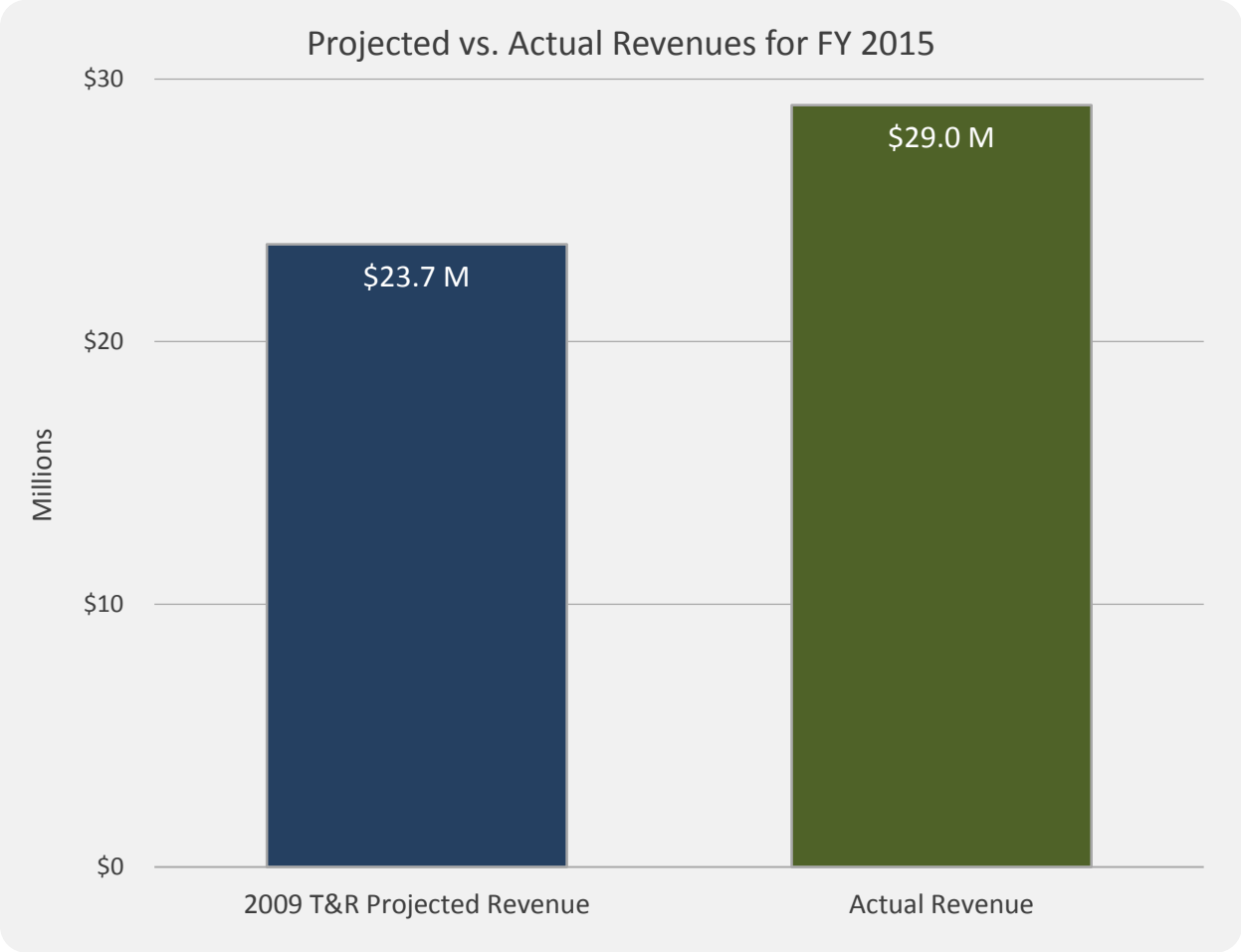


TRIANGLE EXPRESSWAY

Traffic and Revenue

As part of its Intelligent Transportation System operations, the Turnpike Authority maintains a system of vehicle detectors that continuously measure traffic volumes and speeds along the Triangle Expressway. Traffic volumes along the project corridor have continued to increase steadily during Fiscal Year 2015, with year-over-year growth averaging approximately 24 percent. Average weekday traffic volumes for June 2014 and 2015 are presented on the Project Map on the previous page.

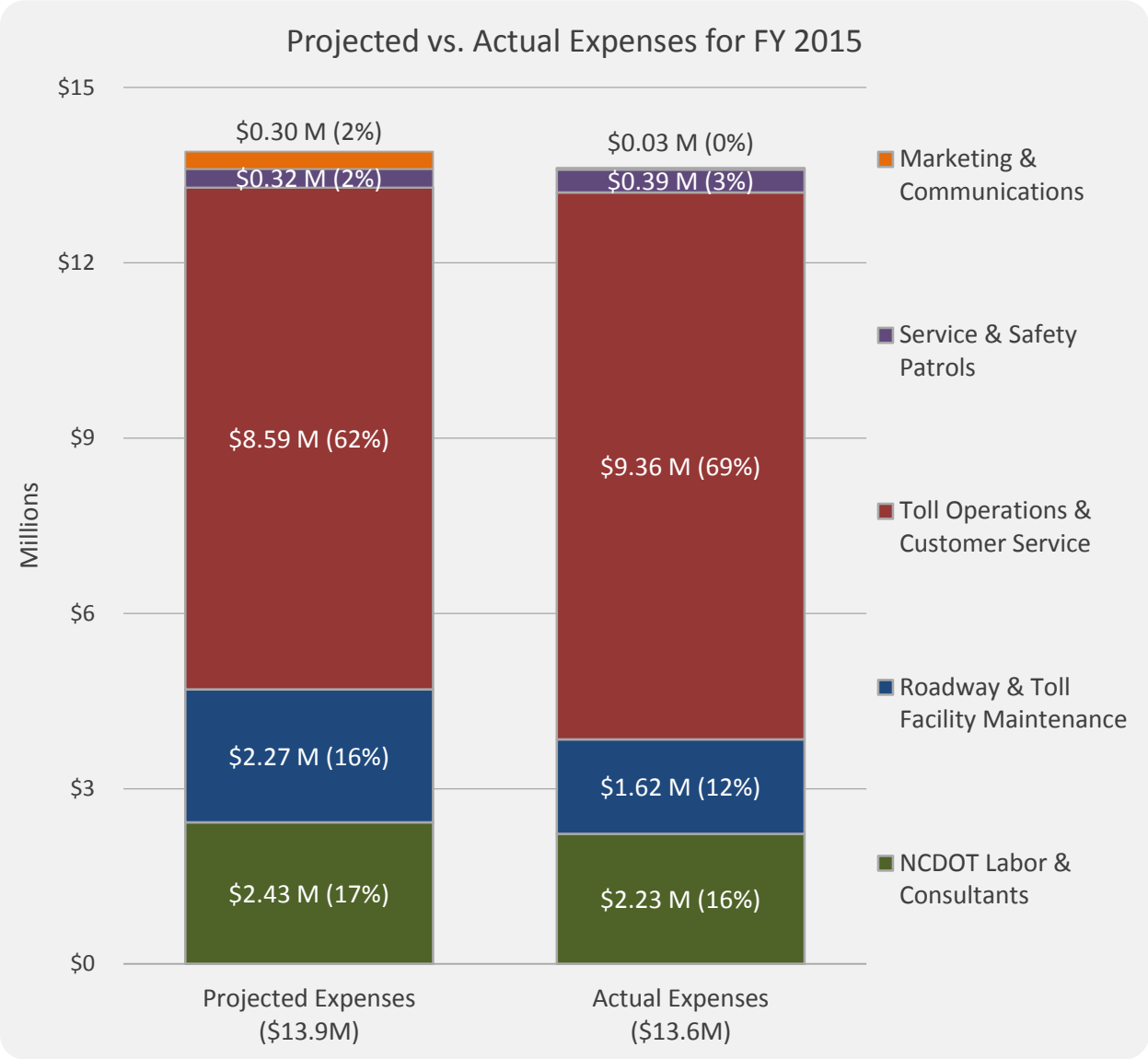
CDM Smith finalized the Comprehensive Traffic and Revenue Study for the Triangle Expressway in April 2009, and this document remains the certified forecast. Receipts totaling almost $29 million for Fiscal Year 2015 have exceeded the 2009 certified revenue forecast by 22 percent (see chart below).



TRIANGLE EXPRESSWAY

Operating Expenses

The initial budget for operations, maintenance, renewal, and replacement was prepared just prior to financial close in 2009, before the selection of toll technology and the establishment of the Customer Service Center. The Fiscal Year 2015 operating budget was revised to reflect actual contracted amounts and cost trends observed since opening the road to traffic, and was subsequently used by the Authority's financial advisor to produce the updated financial model. Actual operating expenses for Fiscal Year 2015 were approximately two percent under budget. The Turnpike Authority continues to identify improvements in operational efficiencies.



TRIANGLE EXPRESSWAY

Additional Interchanges

Access 540

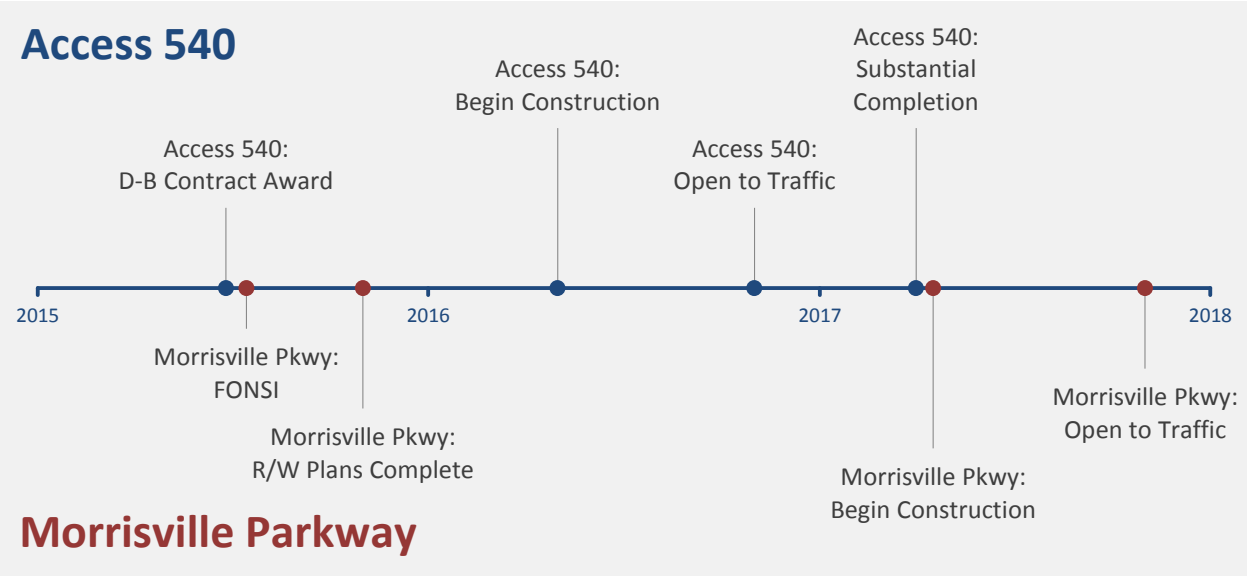
The Old Holly Springs-Apex Road interchange project, also known as "Access 540," is located between the US 1 interchange and the NC 55 Bypass interchange on the southern end of the Triangle Expressway. Funding for the project is included in the NCDOT STIP as project R-2635D. The project was partially funded with excess bond proceeds from the Triangle Expressway toll revenue bond sale. The interchange is included in the Capital Area Metropolitan Planning Organization (CAMPO) Long Range Transportation Plan. The purpose of Access 540 is to improve accessibility and north-south connectivity within southern Apex by providing a direct local link between the Triangle Expressway and Old Holly Springs-Apex Road.

The design-build contract was awarded on June 26, 2015 to Blythe Construction, Inc. with a price proposal of $18.4 million. Design and construction-related activities commenced in July 2015. The project is anticipated to be open to traffic by the end of 2016.

Morrisville Parkway

STIP Project U-5315 proposes to extend Morrisville Parkway and construct an interchange with the Triangle Expressway to provide increased connectivity and access. Planning and design were managed by the Town of Cary, in coordination with NCDOT. NCTA has allocated excess bond proceeds from the Triangle Expressway to partially fund U-5315B (the interchange). Right-of-way plans have been developed for U-5315B and construction is scheduled to begin in April 2017.

The following timeline presents key milestones and activities for the two additional interchanges:



TRIANGLE EXPRESSWAY

Interoperability

In January of 2013, NC Quick Pass® and E-ZPass® entered into an interoperability agreement allowing all 26 E-ZPass® agencies in 15 states to accept the NC Quick Pass® hard case transponder as a form of payment, and allowing the Turnpike Authority to accept E-ZPass® as a form of payment on the Triangle Expressway. This agreement enables the Turnpike Authority to do business with the more than 26 million drivers who have E-ZPass® transponders.

A similar agreement was executed at the beginning of Fiscal Year 2014 between the Turnpike Authority and Florida's SunPass®. This agreement allows SunPass® customers to utilize the Triangle Expressway, while also allowing NC Quick Pass® customers to use their sticker or hard case transponder wherever SunPass® is accepted in Florida.

Most recently, the Turnpike Authority executed an agreement with Georgia's Peach Pass®. The agreement allows Peach Pass® customers to drive the Triangle Expressway and NC Quick Pass® customers to use the Georgia facilities.

The agreements with E-ZPass®, SunPass®, and Peach Pass® have expanded the versatility of the NC Quick Pass® system and allowed NC Quick Pass® to be the premiere transponder program along the east coast. The interoperable transaction totals for Fiscal Year 2015 are presented in the table below.

Interoperability Statistics

User Status	Transactions
E-ZPass® Customers Using Turnpike Authority Facilities	2,499,738
SunPass® Customers Using Turnpike Authority Facilities	202,728
NC Quick Pass® Customers Using E-ZPass® Facilities	340,015
NC Quick Pass® Customers Using SunPass® Facilities	90,603

SECTION II

Projects Under Construction

MONROE EXPRESSWAY

Project Update

The Turnpike Authority is advancing construction of the approximately 20-mile Monroe Expressway, a controlled-access toll road extending on new right of way from US 74 near I-485 in eastern Mecklenburg County to US 74 between Wingate and Marshville in Union County. Right-of-way acquisition, design and construction are currently underway. Monroe Bypass Constructors, LLC is serving as the design-build contractor for the project, which is expected to be open to traffic in November 2018. The total estimated project cost is $771.1M, which is the total cost funded in the current plan of finance.

On June 23, 2014, the Southern Environmental Law Center (SELC) again filed suit on behalf of three conservation groups in United States District Court, challenging the NCDOT and FHWA's NEPA documentation prepared for the project. Clean Air Carolina, the Yadkin Riverkeeper and the North Carolina Wildlife Federation alleged that the NCDOT and FHWA failed to provide an honest, transparent account of the purpose for the proposed project and its likely impact on local communities in Union County.

The NC Department of Environment and Natural Resources – Division of Water Resources (NCDWR) issued the 401 water quality certification on March 6, 2015. On April 21, 2015, the Southern Environmental Law Center filed a lawsuit in the Office of Administrative Hearings on behalf of the Yadkin Riverkeeper that challenged the state water quality permit, alleging that NCDWR violated the Clean Water Act by issuing the permit. The parties negotiated a settlement which resolved this matter and included a covenant not to sue on the permit issued under the federal Clean Water Act. This matter was dismissed with prejudice on August 18, 2015.

The US Army Corps of Engineers issued the Section 404 Clean Water Act Individual Permit on May 8, 2015. On this same day, the contractor received an Unlimited Notice to Proceed with construction activities.

On May 14, 2015, the SELC filed a motion for a temporary restraining order and preliminary injunction in the United States District Court, asking the Court to enjoin NCDOT and FHWA from all construction activities to preserve the status quo while the merits of the June 2014 case are considered.

On May 19, 2015, erection of controlled access fencing began on the eastern end. On May 28, 2015, clearing and grubbing operations began in the same area; these two dates marked the beginning of construction. The following photo was taken on June 29, 2015.

Exhibit: Clearing and Grubbing Operations at East End of Monroe Expressway

On September 10, 2015, the US District Court ruled in favor of NCDOT and FHWA and denied the plaintiffs' motions for summary judgement as well as their motion for a temporary restraining order and preliminary injunction and motion for a hearing. The SELC did file a notice of appeal to the US 4th Circuit Court of Appeals on September 15, 2015. That appeal is still pending. Construction will continue during the appeal.

Following receipt of the Record of Decision from FHWA design work was restarted in May. As of June 30, 2015, the design of the project is 63.2% complete. Designs for bridges, mechanically-stabilized earth (MSE walls, sound walls, foundations, signals, signing, intelligent transportation systems (ITS), and other features are all in various stages of completion.

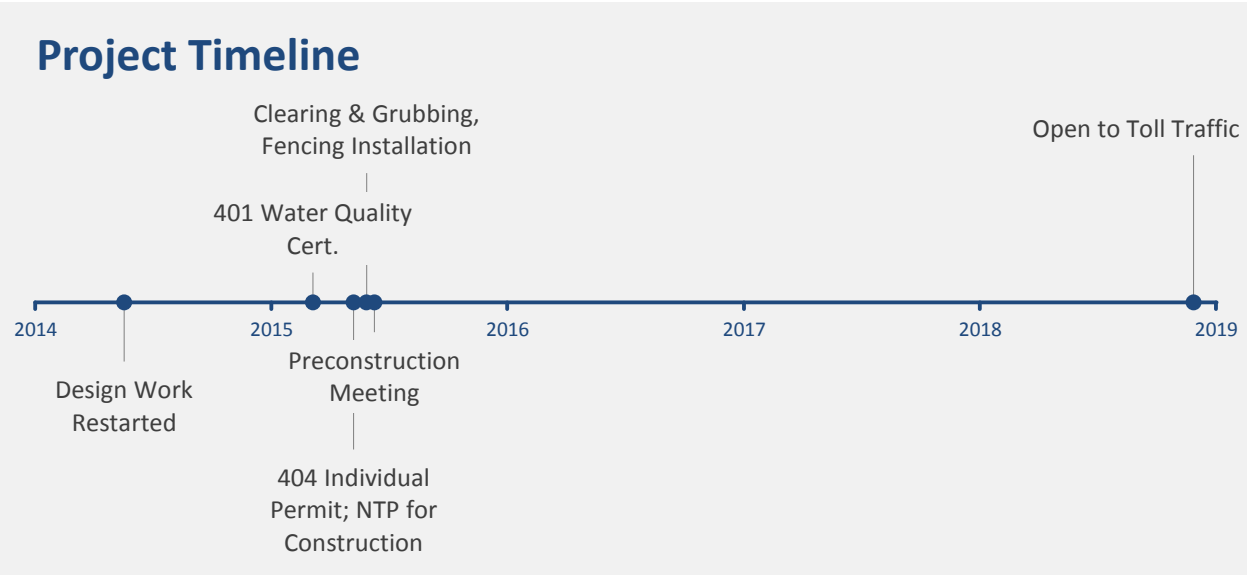
Construction activities started in May 2015 subsequent to receiving the necessary permits. Designs for roadway, drainage, and erosion control are virtually complete. As of June 30, 2015, the following construction activities have occurred:

- May 8, 2015: Unlimited Notice to Proceed with construction activities was issued
- May 19, 2015: Erection of controlled access fencing began
- May 28, 2015: Clearing and grubbing operations began
- June 9, 2015: Pre-construction meeting with environmental agencies was held
- 35 residential structures were demolished or removed from the project corridor
- Culvert designs were completed for 10 box culverts

- Installation of erosion control devices began
- Installation of approximately 1,250 linear feet of water line

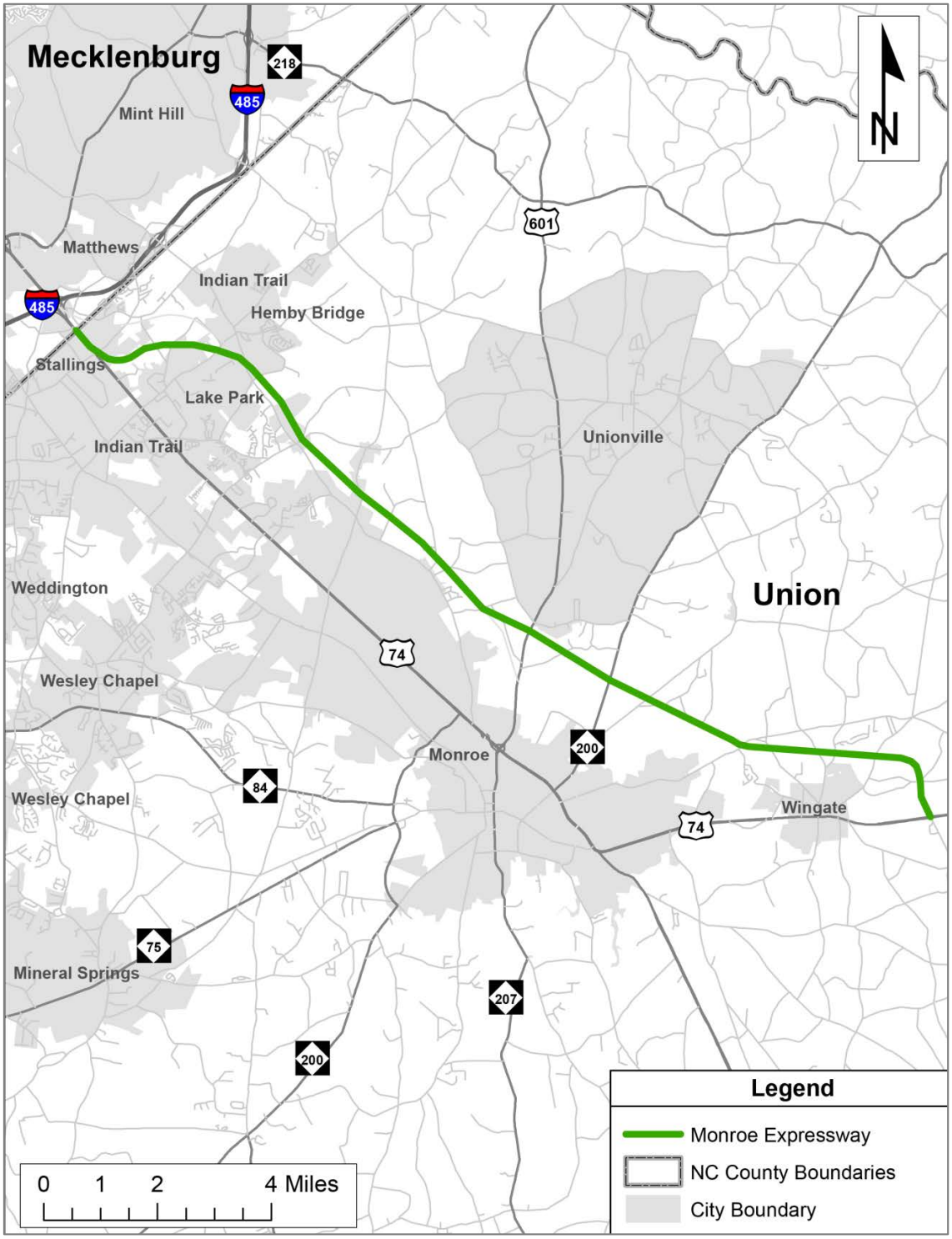
Since project award and through Fiscal Year 2015, 253 of an estimated 476 total parcels have been purchased. Right-of-way acquisition is anticipated to be completed in Fiscal Year 2016.

The following timeline presents key milestones and activities for this project.



MONROE EXPRESSWAY

Project Map



I-77 EXPRESS LANES

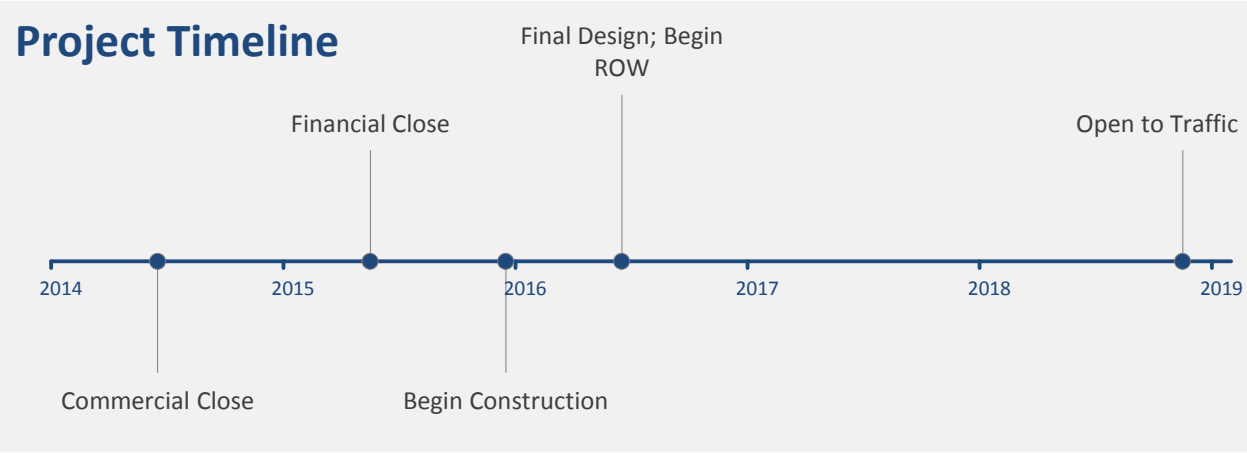
Project Update

NCDOT has identified I-77 as a significant corridor that needs improvement to maintain and enhance current and future mobility in the Charlotte-Mecklenburg region. The I-77 Express Lanes project includes approximately 27 miles of I-77 corridor improvements between the I-77/I-277 junction in Charlotte and NC 150 in Mooresville (Mecklenburg and Iredell Counties). The corridor is of high importance, serving as the primary north-south connector through the region.

This project will be the first toll project in the state delivered via a public-private partnership (P3). On April 11, 2014, NCDOT announced Cintra Infraestructuras, S.A. (Cintra) as the Apparent Best Value Proposer to design, build, operate, maintain, and finance the project. Cintra has formed a Special Purpose Vehicle for the project called I-77 Mobility Partners, LLC. The project will be designed and built by the design-build joint venture of F.A. Southeast, LLC, and W.C. English, Inc., and the lead design firm, The Louis Berger Group. The concession agreement with I-77 Mobility Partners, LLC, was executed on June 26, 2014; financial close was reached on May 20, 2015.

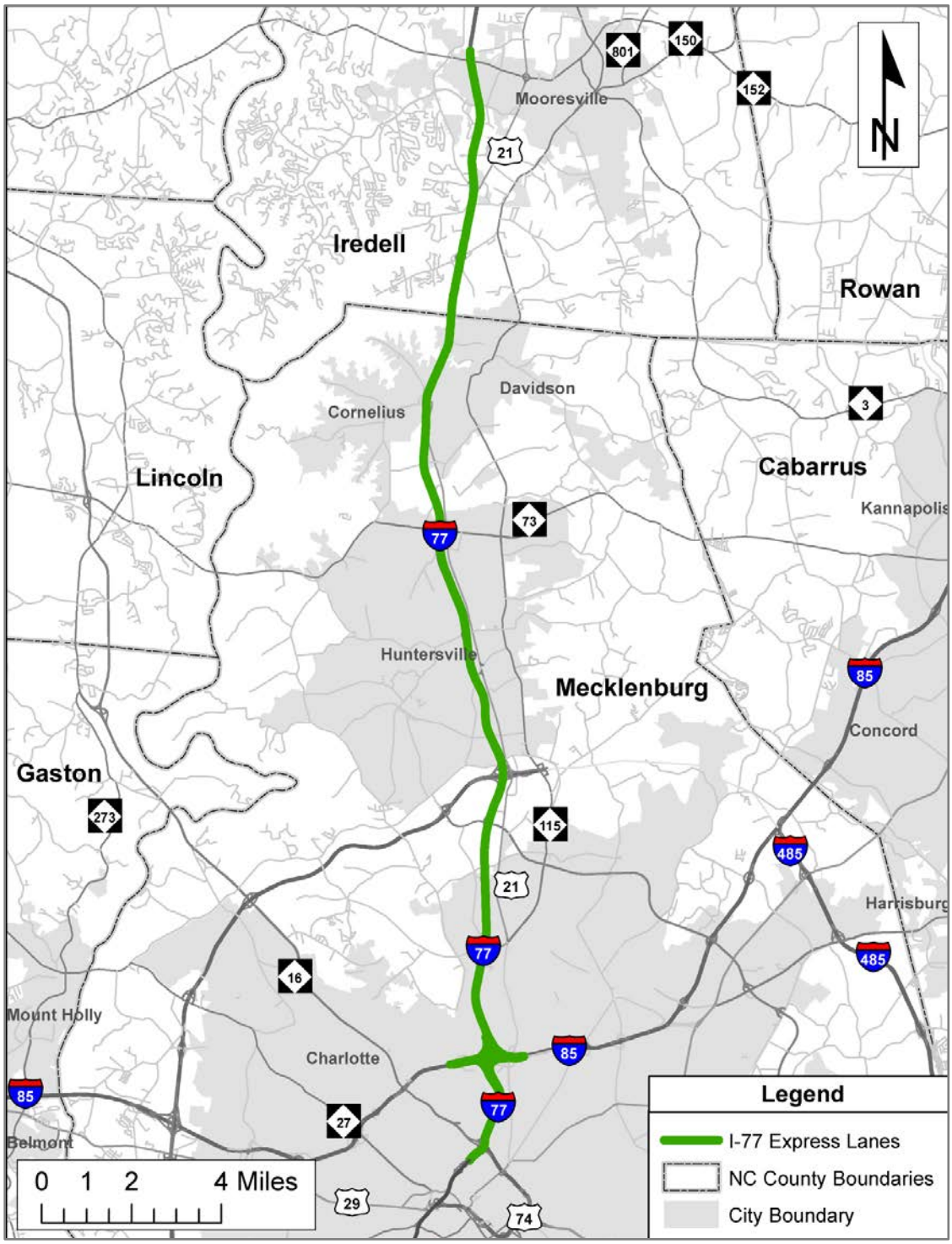
The P3 delivery model leverages new funding sources to lessen financial impacts to the state and completes projects faster through investments by a private firm. I-77 Mobility Partners, LLC, will invest the majority of the $655 million to design, build, operate and maintain the project in exchange for toll revenue generated from the express lanes. NCDOT will invest about $88 million, which is significantly less than the $170 million originally projected. Further, this funding solution enables the project to be substantially complete by November 2018, instead of the estimated 20 years to secure enough state funding to move this project forward.

The project proposes to add express lanes to the I-77 corridor between I-277 (Exit 11) in Charlotte and NC 150 (Exit 36) in Iredell County and is comprised of three NCDOT State Transportation Improvement Program (STIP) projects: I-3311C, I-5405 and I-4750AA. The following timeline presents key milestones and activities for this project.



I-77 EXPRESS LANES

Project Map



SECTION III

Projects Under Development

US 74 EXPRESS LANES

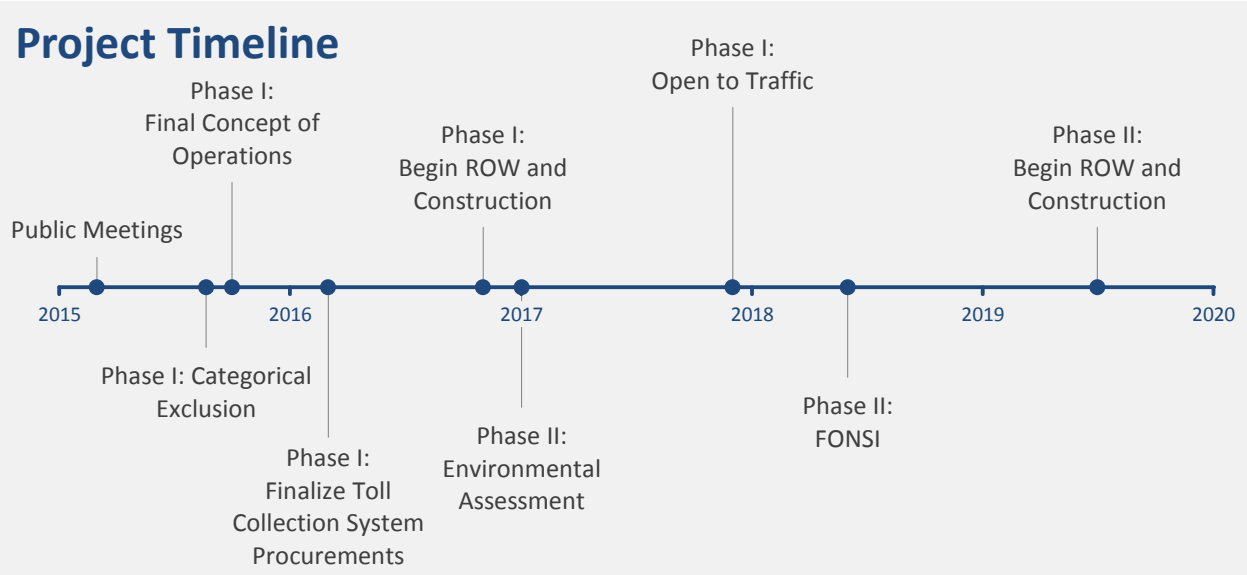
Project Update

NCDOT and the Charlotte-Mecklenburg region have identified Independence Boulevard (US 74) as a significant corridor that needs improvement to maintain and enhance current and future mobility in the region. Two phases of express lanes on US 74 are being studied by NCDOT. In March 2015, NCDOT held two initial public meetings.

STIP Project U-5526A is considered Phase 1 of the US 74 Express Lanes vision and is part of a planned express lanes network. Phase 1 involves implementation of express lanes in the median of Independence Boulevard (US 74) in Charlotte from I-277 to Wallace Lane; a distance of 5.8 miles. The project will convert bus lanes that currently exist between I-277 and Albemarle Road (NC 27), as well as the bus lanes that are currently being constructed from Albemarle Road to Wallace Lane, under STIP Project U-209B. The purpose of the project is to provide immediate travel time reliability. Dynamic pricing will be used to maintain an average speed of at least 45 miles per hour in the express lane.

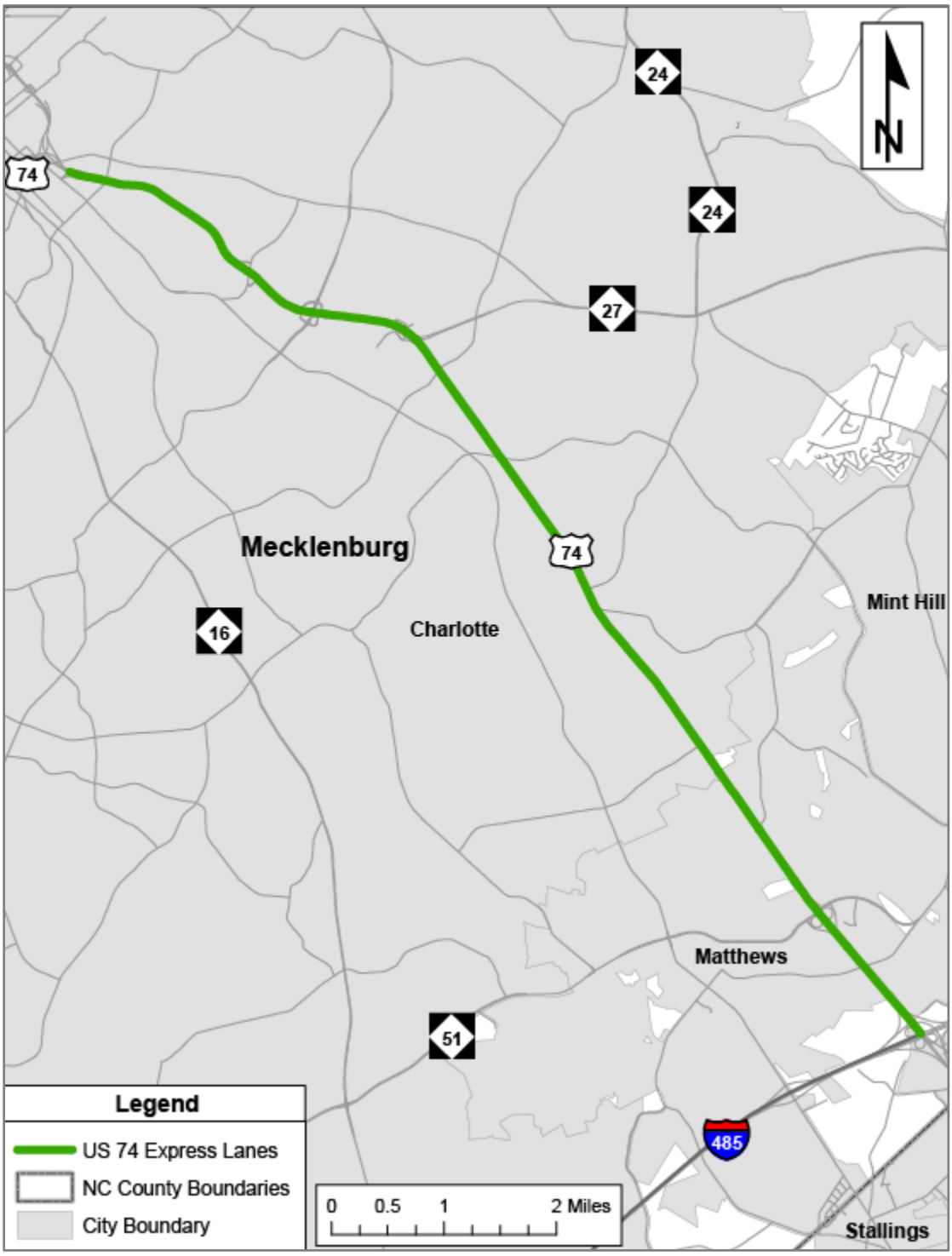
STIP Project U-2509 is considered Phase 2 of the US 74 Express Lanes vision and is part of a planned express lanes network. Phase 2 involves widening and adding express lanes to Independence Boulevard (US 74) from Conference Drive in Charlotte to I-485 in Matthews, a distance of approximately 6.3 miles. The purpose of the project is to provide immediate travel time reliability. Dynamic pricing will be used to maintain an average speed of at least 45 miles per hour in the express lane.

The following timeline presents key milestones and activities for the US 74 Express Lanes.



US 74 EXPRESS LANES

Project Map

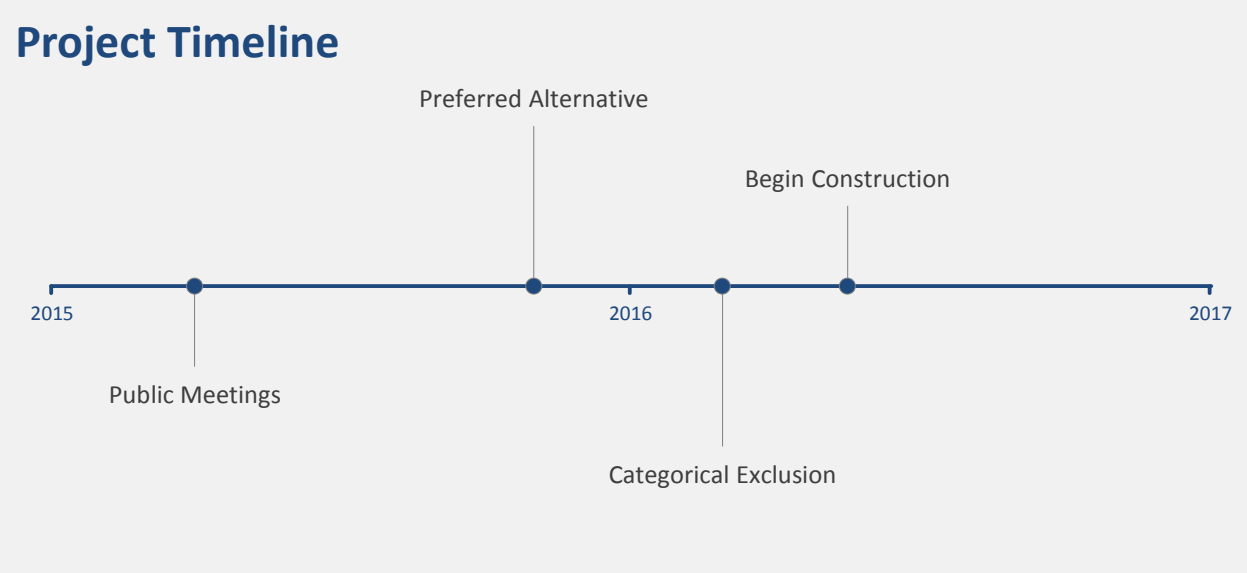


I-485 EXPRESS LANES

Project Update

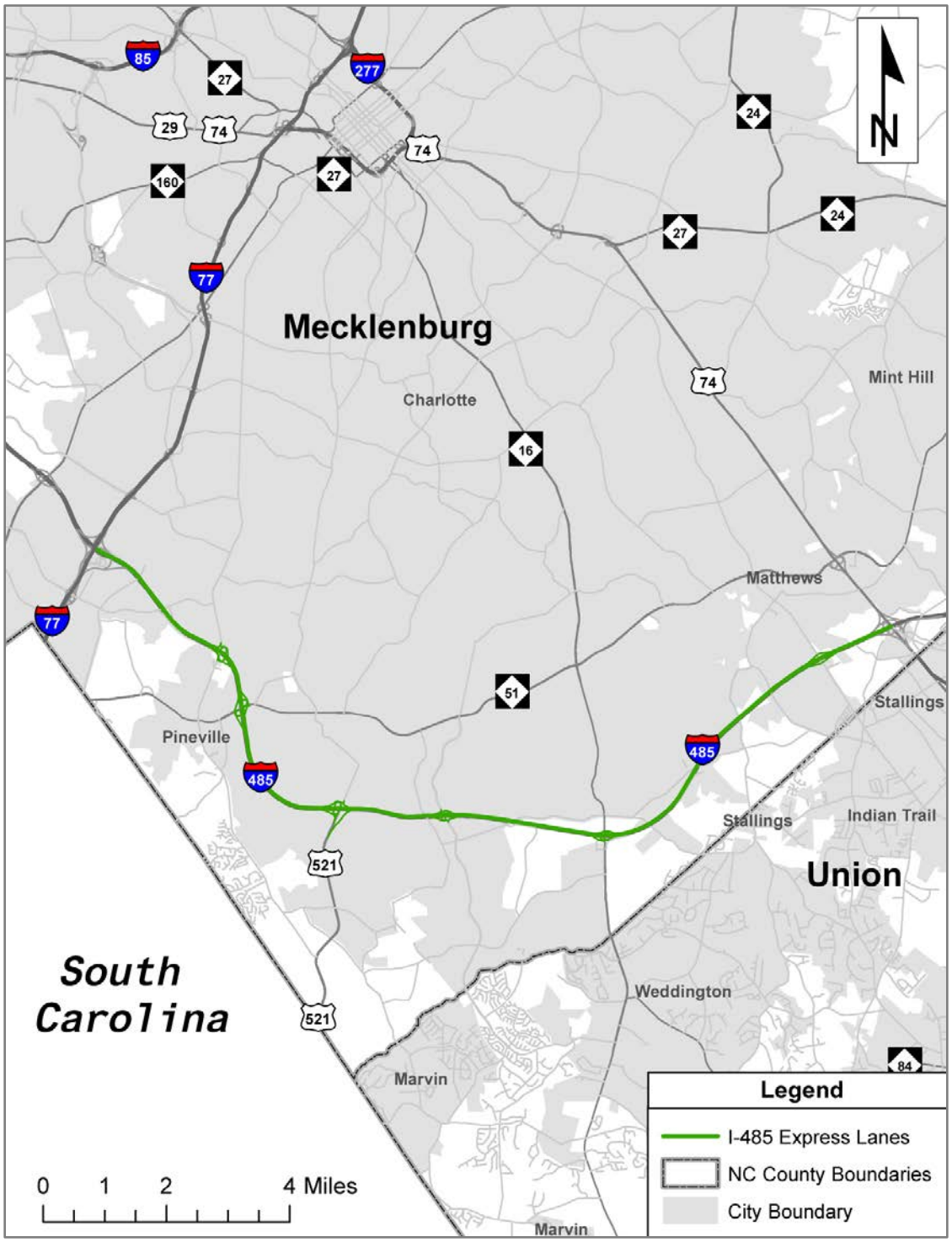
State Transportation Improvement Program (STIP) Project I-5507 proposes adding one express lane in each direction along I-485 (Charlotte Outer Loop) from I-77 to US 74 (Independence Boulevard). The purpose of this 16-mile project is to provide a reliable travel time option on this section of I-485. NCDOT held two public meetings in April 2015.

Traffic operations analyses, traffic and revenue studies, air quality and traffic noise analyses, preliminary design, cost estimates, and other technical studies are in progress. Selection of a Preferred Alternative and the draft Categorical Exclusion are anticipated by December 2015. This project will be constructed through the design-build process. The following timeline presents key milestones and activities for this project.



I-485 EXPRESS LANES

Project Map



MID-CURRITUCK BRIDGE

Project Update

NCDOT STIP project R-2576 calls for transportation improvements in the Currituck Sound area with focus on the consideration of a Mid-Currituck Bridge. The proposed action is a seven-mile long project including a two-lane bridge that spans Currituck Sound connecting the Currituck County mainland with its Outer Banks, and a separate two-lane bridge that spans Maple Swamp on the Currituck County mainland connecting Aydlett to US 158.

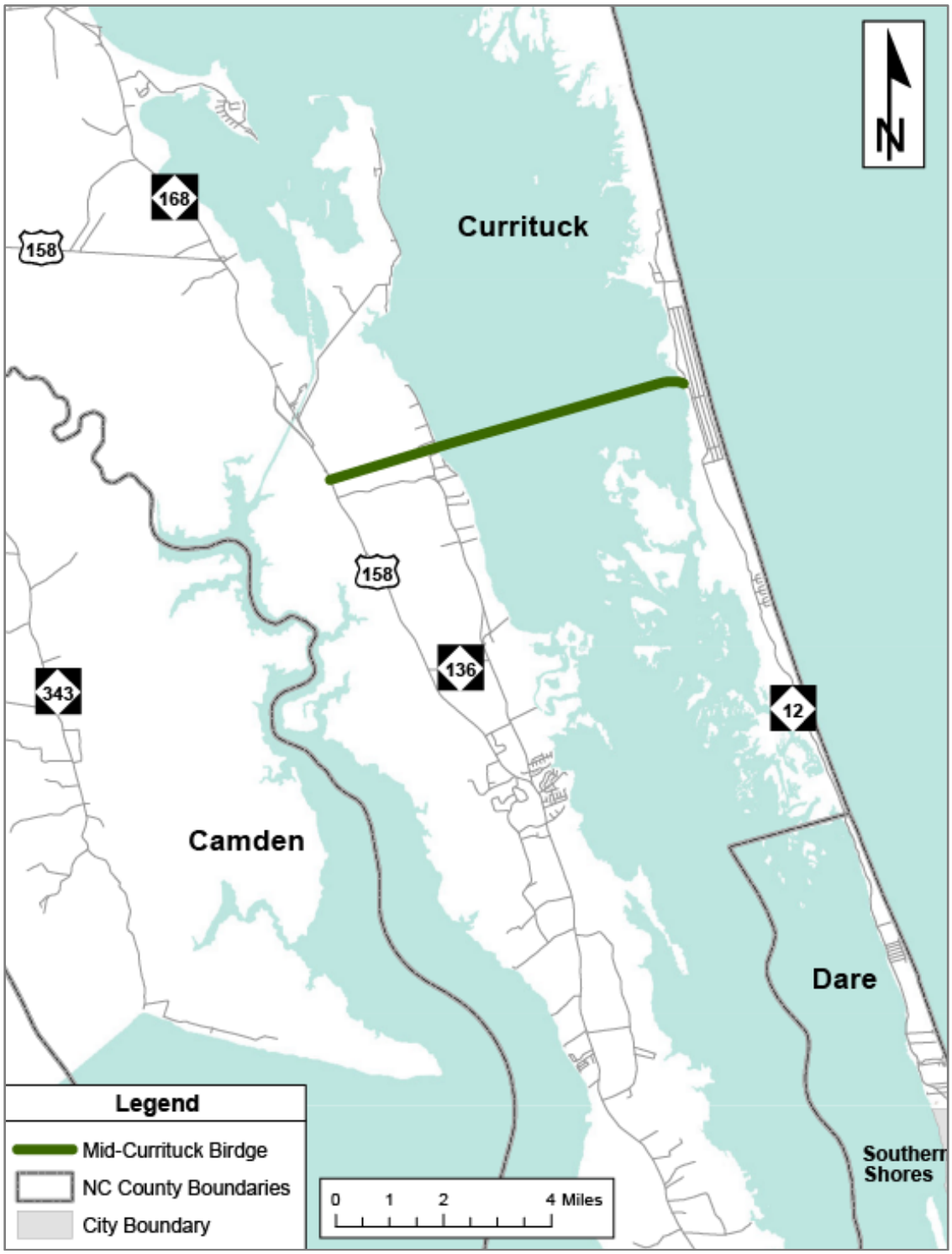
In January 2012, NCDOT, NCTA and the Federal Highway Administration (FHWA) approved the Final Environmental Impact Statement (EIS) for the project. Work on the Record of Decision was paused following the approval of the Final EIS, in order for NCDOT to review the state, regional, and local transportation improvement funding priorities using the new Strategic Mobility Formula in accordance with the Strategic Transportation Investments bill that was signed into law in June 2013. The Mid-Currituck Bridge project was ranked using the new funding formula and as a result, it is funded in the 2016-2025 State Transportation Improvement Program for right-of-way acquisition and construction to begin in Fiscal Year 2019.

Now that funding for the project is established, work toward a Record of Decision has resumed. The EIS is being reevaluated because it has been more than three years since the approval of the Final EIS. This reevaluation will consider changes regarding the project, its surroundings, impacts, and any new issues, circumstances, or information that was not considered in the original document, and/or changes in laws or regulations that apply to the project. The purpose of the reevaluation is to assess whether a supplemental EIS is required. If the reevaluation process concludes that the information presented in the Final EIS is an accurate analysis of the anticipated project impacts, the Record of Decision will be published signifying the completion of the environmental study process.

The following timeline presents key milestones and activities for this project.

MID-CURRITUCK BRIDGE

Project Map



COMPLETE 540

Project Update

Session Law 2013-94 directed NCDOT to expedite the federal environmental impact statement process to define the route for the Southeast Extension of the Triangle Expressway Turnpike Project. The proposed Southeast Extension of the Triangle Expressway, or Complete 540, is planned to complete the 540 Outer Loop around the Raleigh metropolitan area. This project would extend the Triangle Expressway from where it currently ends at NC 55 Bypass near Apex and Holly Springs. The proposed Complete 540 would cross through southern and eastern Wake County and a portion of northwestern Johnston County before ending at the existing I-540 (US 64/US 264 Bypass) interchange near Knightdale.

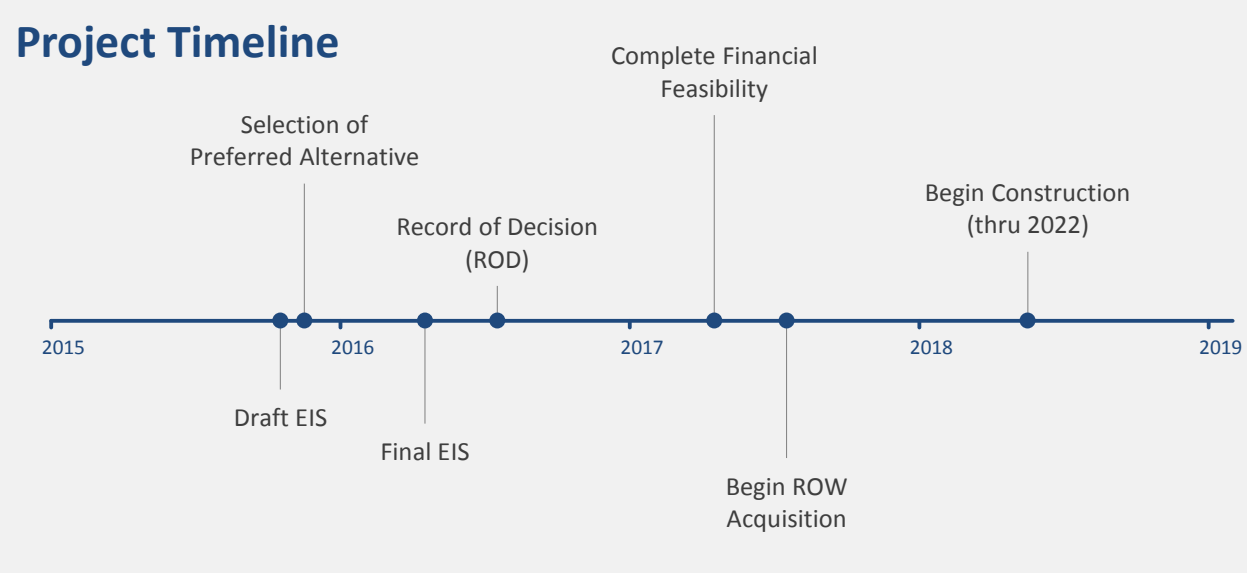
In September 2013, NCDOT published a Draft Alternatives Development and Analysis Report, including a list of 17 alternatives recommended for detailed study (Detailed Study Alternatives or DSAs). A series of public meetings were held in October 2013 regarding the 17 DSAs, which approximately 1,700 people attended and provided more than 1,100 comments. The majority of the comments expressed support for the Orange Corridor (the North Carolina Board of Transportation formally acted to preserve this corridor in 1996 and 1997) while opposing the Purple, Blue, Lilac, and Red Corridors (see Project Map on the following page). The recommended DSAs were also presented to the various state and federal agencies. Additionally, comments were sought from the Capital Area Metropolitan Planning Organization (CAMPO), which includes representatives from local governments within the study area. After careful consideration of all input, NCDOT and the Federal Highway Administration (FHWA) concluded that the study will proceed with the 17 recommended DSAs as the final set of DSAs.

In the time since the selection of the project's DSAs in 2014, efforts on the project's engineering and environmental studies have been running in high gear. These efforts involved the production of design plans and the preparation of various technical reports to fulfill the requirements of the National Environmental Policy Act (NEPA). The schedule for these activities was compressed in order to expedite the overall project schedule, and activities were overlapped that normally would have been more sequential. The project's engineering and environmental studies evaluate and document the benefits and impacts associated with the 17 DSAs. These detailed studies form the foundation of the Draft Environmental Impact Statement (EIS) for the project. The Draft EIS summarizes the technical studies and compare the 17 DSAs. Technical studies are included as appendix or reference materials to the Draft EIS and the Final EIS. At the request of FHWA, an innovative approach was used for this project to develop the Draft EIS using a more reader-friendly format.

The Draft EIS and the associated engineering and environmental technical studies for the Complete 540 project are in the final phases of review by the Federal Highway Administration. Once that review process is complete, the technical studies and the Draft EIS will be made available for public review via the project website and at local sites such as the public library. A specific date for this public release of information is not yet known. Information concerning the availability of the Draft EIS and associated technical studies as well as information concerning future Public Hearings will be mailed to property owners in the study area, will be announced through the local media, and will be publicized on the project website.

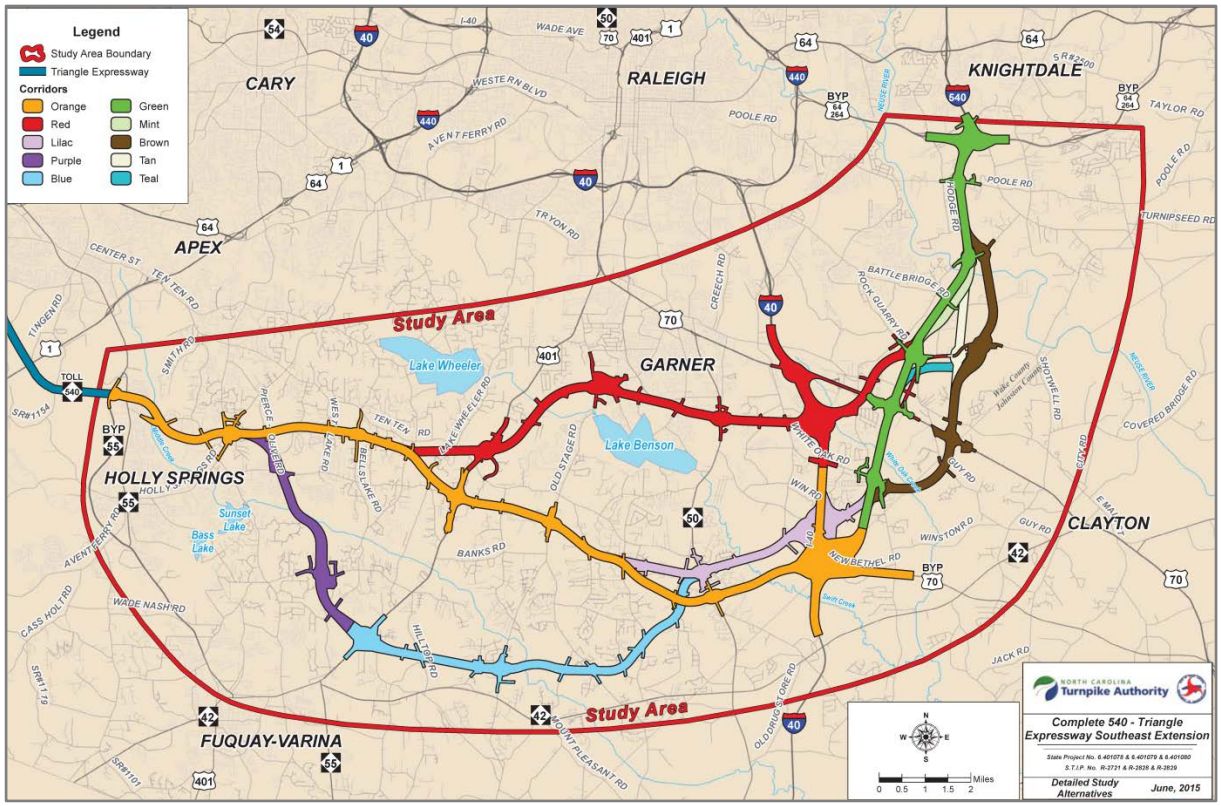
The current environmental study process will not be considered complete until the study's formal "Record of Decision" is published, following approval of the Final EIS.

The following timeline presents key milestones and activities for this project.



COMPLETE 540

Detailed Study Alternatives



SECTION IV

Projects Under Consideration

PROJECTS UNDER CONSIDERATION

State Transportation Improvement Program

The 2015 State Transportation Improvement Program (STIP) includes the potential toll projects in the following table as "unfunded future commitments" to occur after FY 2025.

STIP #	Route/Facility	From/Cross Street	To/Cross Street	Description
FS-1005A	I-40	Wade Avenue	I-440	Upgrade corridor, including additional general purpose and/or managed lanes
FS-1205A	I-40	NC 86	Wade Avenue	Construct managed lanes
FS-1305A	I-540	NC 54	US 64	Construct managed lanes
I-5702	I-40	US 15 / 501	I-440 / US 64	Construct managed lanes
I-5718	I-77	I-485	I-277 / NC 16	Construct managed lanes

ATTACHMENT – ANNUAL AUDIT

Financial Statements and Auditor Report

Pursuant to G.S. 136-89.193(b), the Turnpike Authority's Financial Statement and Report of the Independent Auditor for the fiscal year ending June 30, 2015, is attached and incorporated herein by reference. It should be noted that the revenue and expense figures presented within the Annual Report are reported on a cash basis and will therefore not directly align with those presented in the Audited Financial Statements, which in accordance with US GAAP standards are reported on an accrual basis.

NORTH CAROLINA TURNPIKE AUTHORITY

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2015 and 2014

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NORTH CAROLINA TURNPIKE AUTHORITY

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying statements of net position 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, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows, and the notes to the financial statements which collectively comprise the NCTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NCTA, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. GAAP.

Emphasis of Matter

Nature of Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements present only the NCTA and do not purport to and do not present fairly the financial position of the State of North Carolina or the NCDOT, as of and for the years ended June 30, 2015 and 2014, and the changes in their financial position and their cash flows thereof for the years then ended in conformity with U.S. GAAP.

Change in Accounting Principle

As discussed in Notes 1 and 13 to the financial statements, the NCTA adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, during fiscal year 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. GAAP requires 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the NCTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NCTA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
September 28, 2015

The management's discussion and analysis ("MD&A") provides an overview of the North Carolina Turnpike Authority's ("NCTA") activities during the fiscal years ended June 30, 2015, 2014 and 2013. The discussion and analysis also includes condensed financial information comparing the current year to the prior years.

Overview of the Financial Statements

The NCTA is a public agency of the State of North Carolina located within the Department of Transportation ("NCDOT") and is a major enterprise fund of the State. As such, the NCTA is included in the State of North Carolina's *Comprehensive Annual Financial Report.* The accompanying statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to represent the 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, 2015 and 2014, the statements of revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014, and the statements of cash flows for the years ended June 30, 2015 and 2014. 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 less liabilities which equals net position, thus presenting the 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 the NCTA's net position changed during the fiscal year.

Financial Highlights and Analysis

The NCTA was created in October 2002, with financial activity starting late in fiscal year 2004. Budgeted Administrative Activities for fiscal year 2015 and 2014 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 Administration line item to be repaid by the NCTA from revenue collections. Interest began to accrue on the advance on January 1, 2014 one year after the NCTA began collecting tolls on a completed Turnpike project at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Funds pursuant to G.S. 147-6.1. Turnpike project funding may come from a combination of debt and the NCDOT, FHWA, and public private partnership participation as authorized in G.S. 136-89.189 and G.S. 136-89.191.

New legislation was passed in North Carolina (House Bill 817-An Act to Strengthen the Economy through Strategic Transportation Investments) and was signed into law on June 26, 2013. The new law includes the creation of the Strategic Mobility Formula and includes changes to the annual appropriations ("GAP funds") dedicated to the NCTA projects. The Strategic Mobility Formula is a new way to fund and prioritize transportation projects to ensure they provide the maximum benefit to the State of North Carolina. The annual appropriation of $49 million remains for the Triangle Expressway ($25 million) and Monroe Bypass ($24 million) projects.

The NCTA recently executed agreements with E-ZPass® and Florida's SunPass® to ensure compatibility with their electronic toll collection systems. These agreements allow for seamless toll interoperability between North Carolina and the other states along the east coast.

The NCTA has completed the Triangle Expressway and is working to develop several other toll and managed lanes projects across North Carolina. The Monroe Bypass has been funded and a construction contract has been awarded. The remaining projects are in various stages of study with no funding sources identified. Additional information on the two active projects is included below:

Triangle Expressway
North Carolina's first modern toll road, the Triangle Expressway, is approximately 18.8 miles of new highway construction, extending the partially complete "Outer Loop" around the greater Raleigh area from I-40 in the north to the NC 55 Bypass in the south. The final phase opened to toll traffic on January 2, 2013. The Triangle Expressway project was delivered on schedule and under budget.

Total revenues, inclusive of toll revenue and processing fees but excluding transponder revenues, were $30.2 million and $24.3 million for fiscal year 2015 and 2014, respectively. Fiscal year 2015 revenues increased $6 million (24.3%) from the prior year. Operating expenses totaled $13.6 million and $13.4 million for fiscal year 2015 and 2014, respectively. Fiscal year 2015 operating expenses increased $0.2 million (1.5%) from the prior year.

A possible southwest extension to the Triangle Expressway is in the study phase, and would extend the Expressway to I-40 in southern Wake County.

Monroe Bypass
The Monroe Bypass toll project is a proposed 19.7-mile new location divided highway 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 highway is expected to improve 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.

A design-build construction contract was advertised in April 2010 and price proposals were opened the following October. The Monroe Bypass Constructors (a joint venture between United Infrastructure, Boggs Paving, and Anderson Columbia) was selected through the best-value procurement process. In October 2010, the NCTA issued $233,920,000 in State Annual Appropriation Revenue Bonds. In late 2011, $10,000,000 in Senior Lien Turnpike Revenue Bonds, $214,505,000 in State Annual Appropriation Revenue Bonds, and $145,535,000 in GARVEE bonds with State match were sold in conjunction with the award of the design build contract. State Transportation Improvement Program ("STIP") funds, $77,000,000, will complete the funding for the project.

In November 2010, a lawsuit was filed by the Southern Environmental Law Center ("SELC") challenging the environmental documentation for the Monroe Bypass. The NCDOT prevailed in the district court; however, SELC filed an appeal to the 4th Circuit Court, and a three-judge panel of the court in May 2012 overturned the lower court decision. Following the Circuit Court's ruling against the NCDOT and FHWA, standard right-of-way acquisition and work by the design build team was suspended. The FHWA rescinded the Record of Decision in July 2012. Following a period of additional analyses and studies, the Final Supplemental Final Environmental Impact Statement/Record of Decision for the Monroe Bypass was signed by FHWA and NCDOT on May 15, 2014, and work on final designs and right-of-way acquisition has resumed. A lawsuit was filed in US District Court by the SELC on June 23, 2014 and on September 10, 2015; the U.S. District Court issued a final ruling in favor of NCDOT and against the SELC. On September 15, 2015, SELC filed a notice of appeal to the Fourth Circuit Court of Appeals. The appeals process will likely take several months and a decision from the Court of Appeals would be expected sometime in the first half of 2016. Construction will continue despite the notice of appeal.

Net Position

Net position represents the residual interest in the NCTA'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

	2015	2014	2013
Current Assets	$ 51,252,041	$ 72,212,788	$ 48,861,861
Restricted Assets and Prepaid Insurance Costs	837,297,419	842,613,796	869,249,116
Capital Assets	1,200,263,651	1,134,761,389	1,104,821,562
Total Assets	2,088,813,111	2,049,587,973	2,022,932,539
Deferred Outflows of Resources	94,100	-	-
Current Liabilities	100,482,417	124,627,781	97,973,379
Noncurrent Liabilities	1,652,213,908	1,648,189,848	1,656,534,371
Total Liabilities	1,752,696,325	1,772,817,629	1,754,507,750
Deferred Inflows of Resources	250,870	-	-
Net Investment in Capital Assets	465,144,430	383,233,274	340,686,144
Restricted	3,487,329	2,616,292	1,711,674
Unrestricted	(132,671,743)	(109,079,222)	(73,973,029)
Net Position	$ 335,960,016	$ 276,770,344	$ 268,424,789

Current Assets

The decrease in fiscal year 2015 is mainly due to a decrease in the securities lending collateral. The increase in fiscal year 2014 is mainly due to an increase in the securities lending collateral.

Capital Assets

Capital Assets, Non-depreciable – The increase in fiscal years 2015 and 2014 is due to the increase in the Construction in Progress account for continued work on the various turnpike projects.
Capital Assets, Depreciable – The decrease in fiscal years 2015 and 2014 is due to the annual depreciation of the Triangle Expressway.

Current Liabilities

Current liabilities include accounts payable, current portion of interest payable, obligations under securities lending, current portion of revenue bonds payable, and other current liabilities. The decrease in fiscal year 2015 is due to a decrease in the securities lending collateral and a decrease in the current bonds payable. The increase in fiscal year 2014 is due to an increase in the securities lending collateral due to a higher balance with the North Carolina State Treasurer's Investment Fund along with an increase in late payment penalties due to the State Civil Penalty Fund.

Noncurrent Liabilities

Noncurrent liabilities include revenue bonds payable, notes payable, funds advanced to the NCTA from the Highway Trust Fund to cover the administrative expenditures of the NCTA, and they also include the noncurrent portion of accrued vacation and interest payable. The increase in fiscal year 2015 is due to additional accrued interest on the TIFIA line of credit and the series 2009B revenue bonds. The decrease in fiscal year 2014 is due to a portion of revenue bonds payable becoming current and due within one year.

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

For fiscal years 2015 and 2014, the NCTA ended with positive net position.

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

	2015	2014	2013
Operating Revenues:			
Charges for Services	$ 30,218,275	$ 24,326,442	$ 13,037,975
Other Operating Revenues	491,126	398,570	462,210
Total Operating Revenues	30,709,401	24,725,012	13,500,185
Operating Expenses:			
Personnel Services	1,350,583	1,460,128	1,285,105
Supplies and Materials	85,808	150,351	124,206
Contracted Personnel Services	592,135	4,714,974	9,944,289
Travel	7,310	32,512	48,057
Advertising	-	41,211	136
Utilities	279,656	289,203	245,013
Dues and Subscription Fees	17,075	12,944	9,247
Other Services	4,745,591	2,363,217	1,608,471
Cost of Goods Sold	448,663	381,919	461,362
Capital Outlay	9,721,013	8,205,970	962,059
Rental Expense	191,326	141,885	113,103
Depreciation	16,129,720	16,129,812	9,931,285
Total Operating Expenses	33,568,880	33,924,126	24,732,333
Operating Loss	(2,859,479)	(9,199,114)	(11,232,148)
Nonoperating Revenue (Expenses) and Capital Grants	(31,112,013)	(28,839,326)	(24,486,014)
Transfers In	93,680,288	61,201,176	56,245,509
Transfers Out	(238,652)	(14,817,181)	(3,739,507)
Change in Net Position	59,470,144	8,345,555	16,787,840
Net Position Beginning, July 1	276,770,344	268,424,789	251,636,949
Cumulative Effect of Change in Accounting Principle*	(280,472)	-	-
Net Position Ending, June 30	$ 335,960,016	$ 276,770,344	$ 268,424,789

* See Notes 1 and 13 to the Financial Statements.

Operating Revenues

Operating revenues are revenues derived from the business operations of the NCTA. These include toll revenues, fees, and sales revenue from the sale of transponders. The increase in revenues is due to the increased usage of the Triangle Expressway and toll collections on the entire roadway. Phase II of the Triangle Expressway opened in August 2012 and Phase III opened in December 2012.

Operating Expenses

Operating expenses are expenses used to acquire or produce goods and services to carry out the mission of the NCTA. The increase in capital outlay is attributed to the expensing of certain costs related to the completed section of the Triangle Expressway instead of capitalizing them during construction. The consistency in depreciation expense is due to no new depreciable assets put into service this year. The overall decrease in operating expenses for FY15 was due to the capitalization of contracted personnel services on the Monroe Bypass. The majority of the other services expenses are the costs associated with the standard overhead allocation from the NCDOT.

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, transfers in and out, investment income, and debt service expense. Capital grants are the funds received from the FHWA and the NCDOT for their participation in the initial construction of toll highways and in preliminary studies to determine the feasibility of a toll facility. The amount in fiscal year 2015 increased due to an increase in the debt service expense. The amount in fiscal year 2014 increased due to the expensing of debt service related to the completed section of the Triangle Expressway.

Transfers In

Transfers in include funds received from the NCDOT for gap funding of debt service and funds for the FHWA State match. This amount of State match received from the NCDOT increased due to the use of GARVEE funds on the Monroe Bypass and the increased activity on this project for FY15. This amount of State match received from the NCDOT increased in fiscal year 2014 due to the increased expenditures on the Monroe Connector.

Transfers Out

Transfers out in fiscal year 2015 decreased. In FY14, there was a one-time transfer from the Authority to NCDOT for right of way on the Triangle Expressway. This transfer did not occur again in FY15.

Economic Outlook

Utilizing innovative financing and engineering initiatives, advanced toll collection technologies, and expedited environmental reviews, the NCTA is moving rapidly to accomplish its mission to advance construction of certain strategic highways as efficiently as possible. With the completion of each project, sound fiscal practices are being reviewed and implemented to allow for efficient and effective operation of the completed projects to safeguard the assets and patrons of the NCTA.

Requests for Information

Any request for information about this report should be sent to the Chief Financial Officer at the North Carolina Turnpike Authority, 1 South Wilmington Street, Raleigh, NC 27601.

NORTH CAROLINA TURNPIKE AUTHORITY
STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,596,928	$ 893,819
Securities Lending Collateral	31,589,578	58,201,701
Accounts Receivable	13,289,867	12,136,287
Inventory	1,402,537	573,721
Intergovernmental Receivable	373,131	407,260
Total Current Assets	51,252,041	72,212,788
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	3,487,329	2,616,292
Investments	824,542,324	830,343,581
Total Restricted Assets	828,029,653	832,959,873
Prepaid Insurance Costs	9,267,766	9,653,923
Capital Assets, Nondepreciable:		
Land and Permanent Easements	174,891,363	149,568,351
Construction in Progress	262,926,463	206,617,493
Capital Assets, Depreciable, Net of Depreciation:		
Highway Network	762,445,825	778,575,545
Total Capital Assets, Net of Depreciation	1,200,263,651	1,134,761,389
Total Noncurrent Assets	2,037,561,070	1,977,375,185
Total Assets	2,088,813,111	2,049,587,973
Deferred Outflows of Resources	94,100	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,266,724	1,378,425
Accrued Interest Payable	37,691,636	38,080,184
Accrued Vacation	9,103	5,884
Obligations under Securities Lending	31,589,578	59,021,609
Due to Other Funds	5,351,818	4,742,147
Revenue Bonds Payable, Net	8,200,000	19,720,000
Intergovernmental Payables	3,355,897	135,871
Unearned Revenue	2,017,661	1,543,661
Total Current Liabilities	100,482,417	124,627,781
Noncurrent Liabilities:		
Revenue Bonds Payable, Net	1,178,584,753	1,189,274,904
Note Payable	372,876,792	372,876,792
Advances from Other Funds	25,286,735	24,494,524
Accrued Interest Payable	75,323,412	61,466,756
Accrued Vacation	72,756	76,872
Net Pension Liability	69,460	-
Total Noncurrent Liabilities	1,652,213,908	1,648,189,848
Total Liabilities	1,752,696,325	1,772,817,629
Deferred Inflows of Resources	250,870	-
NET POSITION		
Net Investment in Capital Assets	465,144,430	383,233,274
Restricted	3,487,329	2,616,292
Unrestricted	(132,671,743)	(109,079,222)
Total Net Position	$ 335,960,016	$ 276,770,344

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

NORTH CAROLINA TURNPIKE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Revenues		
Operating Revenues:		
Charges for Services	$ 30,218,275	$ 24,326,442
Other Operating Revenues	491,126	398,570
Total Operating Revenues	30,709,401	24,725,012
Expenses		
Operating Expenses:		
Personnel Services	1,350,583	1,460,128
Supplies and Materials	85,808	150,351
Contracted Personnel Services	592,135	4,714,974
Travel	7,310	32,512
Advertising	-	41,211
Utilities	279,656	289,203
Dues and Subscription Fees	17,075	12,944
Other Services	4,745,591	2,363,217
Cost of Goods Sold	448,663	381,919
Capital Outlay	9,721,013	8,205,970
Rental Expense	191,326	141,885
Depreciation	16,129,720	16,129,812
Total Operating Expenses	33,568,880	33,924,126
Operating Loss	(2,859,479)	(9,199,114)
Nonoperating Revenues (Expenses)		
Investment Earnings	2,881,314	2,125,389
Federal Interest Subsidy on Debt	11,374,929	11,338,065
Interest and Fees	(55,116,876)	(54,125,117)
Miscellaneous	15,447	22,939
Total Nonoperating Revenues (Expenses)	(40,845,186)	(40,638,724)
Loss before Transfers and Capital Grants	(43,704,665)	(49,837,838)
Capital Grants	9,733,173	11,799,398
Transfers In	93,680,288	61,201,176
Transfers Out	(238,652)	(14,817,181)
Increase in Net Position	59,470,144	8,345,555
Net Position Beginning July 1	276,770,344	268,424,789
Cumulative Effect of Change in Accounting Principle	(280,472)	-
Net Position Ending June 30	$ 335,960,016	$ 276,770,344

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

NORTH CAROLINA TURNPIKE AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Receipts from Customers	$ 29,442,232	$ 17,396,821
Payments to Employees and Fringe Benefits	(1,405,721)	(1,440,467)
Payments to Vendors and Suppliers	(7,474,827)	(13,267,408)
Other Payments	(3,171,681)	(1,053,536)
Net Cash Flows from Operating Activities	17,390,003	1,635,410
Cash Flows from Noncapital Financing Activities:		
Transfers Out	(238,652)	(14,817,181)
Insurance Recoveries	15,447	22,939
Other Noncapital Financing Receipts - Advances	792,211	888,723
Net Cash Flows from Noncapital Financing Activities	569,006	(13,905,519)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(48,279,809)	(21,146,351)
Transfers In	93,680,288	61,201,176
Federal Interest Subsidy on Debt	11,374,929	11,338,065
Capital Grants	9,880,892	12,666,758
Principal Payments	(19,720,000)	(19,150,000)
Interest Payments	(69,848,571)	(62,585,497)
Net Cash Flows from Capital and Related Financing Activities	(22,912,271)	(17,675,849)
Cash Flows from Investing Activities:		
Proceeds from Sale and Maturities of Investments	6,722,056,783	6,932,860,067
Purchase of Investments	(6,715,964,637)	(6,905,625,951)
Investment Earnings	3,435,262	3,410,827
Net Cash Flows from Investing Activities	9,527,408	30,644,943
Net Change in Cash and Cash Equivalents	4,574,146	698,985
Cash and Cash Equivalents at Beginning of Year	3,510,111	2,811,126
Cash and Cash Equivalents at End of Year	$ 8,084,257	$ 3,510,111
Summary of Cash and Cash Equivalents:		
Cash and Cash Equivalents Unrestricted	$ 4,596,928	$ 893,819
Cash and Cash Equivalents Restricted	3,487,329	2,616,292
Cash and Cash Equivalents at End of Year	$ 8,084,257	$ 3,510,111

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

NORTH CAROLINA TURNPIKE AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:		
Operating Loss	$ (2,859,479)	$ (9,199,114)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided by		
Operating Activities:		
Depreciation Expense	16,129,720	16,129,812
Pension Expense	31,846	-
Investment Earnings	37	57
Management Fees	(52,555)	(52,649)
Changes in Assets and Liabilities:		
Accounts Receivable	(1,212,313)	(7,329,132)
Due from Other Funds	(54,893)	885
Inventories	(828,816)	383,252
Prepaid Items	386,157	386,157
Deferred Outflows for Pensions	(86,087)	-
Accounts Payable	4,827,433	(1,981,675)
Intergovernmental Payables	138,018	83,976
Due to Other Funds	449,169	(1,936,325)
Due to Fiduciary	48,663	4,678,024
Unearned Revenue	474,000	452,481
Compensated Absences	(897)	19,661
Total Cash Provided by Operating Activities	$ 17,390,003	$ 1,635,410
Noncash Investing, Capital, and Financing Activities:		
Increase in Fair Value of Investments	$ 2,484,653	$ 1,038,182
Change in Construction in Progress as a Result of Accrual Liabilities	9,786,937	644,098
Change in Securities Lending Collateral	(27,432,030)	16,708,737

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

Note 1—Summary of significant accounting policies

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

Financial Reporting Entity – The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The NCTA is a business unit of the NCDOT. The NCTA is an integral part of the State of North Carolina's *Comprehensive Annual Financial Report*. These financial statements for the NCTA are separate and apart from those of the State of North Carolina or NCDOT and do not present the financial position of the State or NCDOT, or changes in their financial position and cash flows. The NCTA is governed by a nine-member Board of Directors; two members are appointed by the Senate Pro Tempore and two by the Speaker of the House. The remaining five are appointed by the Governor and include the Secretary of Transportation.

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

Basis of Accounting – The financial statements of the NCTA have been prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Change in Accounting Principle – During fiscal year 2015, the NCTA adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

Cash and Cash Equivalents – This classification includes deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The funds on deposit with the State Treasurer are an advance from the Highway Trust Fund and are available on demand for payment of the NCTA's expenses. The cash balances as of June 30, 2015 and 2014 are the result of timing differences between when the expenses are recorded and when the corresponding checks are written.

Note 1—Summary of significant accounting policies (continued)

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

Based on the authority provided in General Statutes 147-69.3(e), the State Treasurer lends securities from its investment pools to brokers-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Treasurer's securities custodian manages the securities lending program. The Treasurer's custodian lent U.S. government and agency securities, FNMAs, 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 percent of the market value of the securities lent, and additional collateral is required if its value falls to less than 100 percent of the market value of the securities lent. There are no restrictions on the amount of loans that can be made. Substantially all security loans can be terminated on demand by either the State Treasurer or the borrower.

Additional details on the State Treasurer's securities lending program are included in the State of North Carolina's *Comprehensive Annual Financial Report*. 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Receivables – Receivables consist of uncollected toll revenues as well as amounts due from the Federal Highway Administration ("FHWA") and other local Governmental Agencies in connection with reimbursement of allowable expenditures made pursuant to contracts and grants that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied.

Allowance for Doubtful Accounts -– An allowance for doubtful accounts has not been established because there are no indications of significant delinquencies from the collection of toll revenues as of June 30, 2015 and 2014.

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 North Carolina State Treasurer's Investment Fund, and the securities are valued at amortized cost, which approximates fair value.

Restricted Investments – This classification includes revenue bond proceeds and funds received from the State of North Carolina to be used solely for the construction of the Triangle Expressway and the Monroe Connector. These funds are invested in a money market mutual fund and other designated funds and are valued using the Net Asset Value ("NAV") provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The securities are stated at fair market value.

Note 1—Summary of significant accounting policies (continued)

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

Prepaid Insurance Costs – Prepaid insurance costs consist of guaranty bond insurance related to the issuance of the 2009 Triangle Expressway 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 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 more than two years are capitalized. This definition conforms to the policy of the North Carolina Office of State Controller.

Depreciation is calculated using the straight-line method over the estimated useful life 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, revenue bonds payable, a note payable, accrued interest, accrued vacation, and net pension liability that will not be paid within the next fiscal year.

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

In addition to the vacation leave described above, accrued vacation includes the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to conversion to sick leave. When classifying accrued vacation into current and noncurrent, leave is considered taken using a last-in, first-out method.

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

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

Restricted – This represents funds received through toll revenue collections. The proceeds are to be used for debt service payment. The funds are held in the North Carolina State Treasurer's Investment Fund, and the securities are valued at amortized cost, which approximates fair value.

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

Note 1—Summary of significant accounting policies (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized until then. The NCTA has two items that meet this criterion - a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports 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 one item that meets this criterion - pension related deferrals.

Revenue and Expense Recognition – The NCTA classifies its revenue as operating and nonoperating and its expenses as operating in the accompanying statement of revenues, expenses, and changes in net position. Operating expenses generally result from providing services and producing and delivering goods in connection with the NCTA's principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

Operating revenues include activity from the toll roads that were open for operations during the fiscal years ending June 30, 2015 and 2014. These revenues include toll revenues, processing fees, and other charges arising from the toll roads.

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

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

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

Note 2—Deposits

At June 30, 2015 and 2014, respectively, $8,084,257 and $3,510,111 as shown on the statements of net position as cash and cash equivalents represent the NCTA's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 and 1.3 years as of June 30, 2015 and 2014, respectively. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. At June 30, 2015 and 2014, $3,487,329 and $2,616,292, 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 Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report.* 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Note 3—Restricted investments

At June 30, 2015 and 2014, respectively, $824,542,324 and $830,343,581 are invested in the PFM Funds – Prime Series. 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.

The NCTA's policy for eligible investments are governed by North Carolina General Statute 159-30 and bond covenants that, in general, allow funds to be invested in obligations of the United States or United States government sponsored enterprises, obligations of the State of North Carolina or localities of the State of North Carolina, prime quality commercial paper, shares of certain money market mutual funds, and commingled investment pools.

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.

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. Information about the exposure of the NCTA's debt type investments to this risk using the segmented time distribution model is as follows for the years ending June 30:

Note 3—Restricted investments (continued)

		2015	
		Investment Maturities (in Years)	
Type of Investment	Fair Value	Less Than 1 Year	1 – 5 Years
U.S. Government Securities	$ 27,371,587	$ 2,529,007	$ 24,842,580
U.S. Government Agencies	66,448,890	12,403,635	54,045,255
STIF	456,139,358	456,139,358	-
Money Market Mutual Funds	142,919,460	142,919,460	-
Total	$ 692,879,295	$ 613,991,460	$ 78,887,835

		2014	
		Investment Maturities (in Years)	
Type of Investment	Fair Value	Less Than 1 Year	1 – 5 Years
U.S. Government Securities	$ 25,037,554	$ -	$ 25,037,554
U.S. Government Agencies	69,813,665	10,714,550	59,099,115
STIF	467,689,538	467,689,538	-
Money Market Mutual Funds	136,174,812	136,174,812	-
Total	$ 698,715,569	$ 614,578,900	$ 84,136,669

In addition to NCTA bond proceeds, additional debt was incurred by the State of North Carolina and the NCDOT through Grant Anticipation Revenue Vehicles ("GARVEE"). Investment of the proceeds of such debt is governed by North Carolina General Statute §147-69.1 and bond covenants that, in general, allow funds to be invested in obligations of the United States or United States government sponsored enterprises, obligations of the State of North Carolina or localities of the State of North Carolina, prime quality commercial paper, shares of certain money market mutual funds, and commingled investment pools. Information about the exposure of the NCTA's GARVEE debt type investments using the segmented time distribution model is as follows for the years ending June 30:

		2015
		Investment Maturities (in Years)
Type of Investment	Fair Value	Less Than 1 Year
Asset Backed Securities	$ 3,096,727	$ 3,096,727
HSBC Repurchase Agreements	128,566,302	128,566,302
Total	$ 131,663,029	$ 131,663,029

		2014
		Investment Maturities (in Years)
Type of Investment	Fair Value	Less Than 1 Year
Asset Backed Securities	$ 4,594,076	$ 4,594,076
HSBC Repurchase Agreements	127,033,936	127,033,936
Total	$ 131,628,012	$ 131,628,012

Note 3—Restricted investments (continued)

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

Note 4—Capital assets

A summary of changes in capital assets for the year ended June 30, 2015, is presented as follows:

	July 1, 2014	Additions	Disposals	Transfers	June 30, 2015
Capital Assets, Nondepreciable					
Land and Permanent Easements	$ 149,568,351	$ 25,323,012	$ -	$ -	$ 174,891,363
Construction in Progress	206,617,493	56,308,970	-	-	262,926,463
Total Capital Assets, Nondepreciable	356,185,844	81,631,982	-	-	437,817,826
Capital Assets, Depreciable					
Highway Network	806,486,015	-	-	-	806,486,015
Machinery and Equipment	60,035	-	-	-	60,035
Total Capital Assets, Depreciable	806,546,050	-	-	-	806,546,050
Less Accumulated Depreciation for:					
Highway Network	27,910,470	16,129,720	-	-	44,040,190
Machinery and Equipment	60,035	-	-	-	60,035
Total Accumulated Depreciation	27,970,505	16,129,720	-	-	44,100,225
Total Capital Assets, Depreciable, Net of Depreciation	778,575,545	(16,129,720)	-	-	762,445,825
Capital Assets, Net of Depreciation	$ 1,134,761,389	$ 65,502,262	$ -	$ -	$ 1,200,263,651

A summary of changes in capital assets for the year ended June 30, 2014, is presented as follows:

	July 1, 2013	Additions	Disposals	Transfers	June 30, 2014
Capital Assets, Nondepreciable					
Land and Permanent Easements	$ 144,959,001	$ 4,609,350	$ -	$ -	$ 149,568,351
Construction in Progress	165,157,204	41,460,289	-	-	206,617,493
Total Capital Assets, Nondepreciable	310,116,205	46,069,639	-	-	356,185,844
Capital Assets, Depreciable					
Highway Network	806,486,015	-	-	-	806,486,015
Machinery and Equipment	80,476	-	-	(20,441)	60,035
Total Capital Assets, Depreciable	806,566,491	-	-	(20,441)	806,546,050
Less Accumulated Depreciation for:					
Highway Network	11,780,749	16,129,721	-	-	27,910,470
Machinery and Equipment	80,385	91	-	(20,441)	60,035
Total Accumulated Depreciation	11,861,134	16,129,812	-	(20,441)	27,970,505
Total Capital Assets, Depreciable, Net of Depreciation	794,705,357	(16,129,812)	-	-	778,575,545
Capital Assets, Net of Depreciation	$ 1,104,821,562	$ 29,939,827	$ -	$ -	$ 1,134,761,389

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, 2015:

	July 1, 2014	Additions	June 30, 2015
Advances from Other Funds	$ 24,494,524	$ 792,211	$ 25,286,735

The following is a summary of changes in the NCTA's Advances from Other Funds as of June 30, 2014:

	July 1, 2013	Additions	June 30, 2014
Advances from Other Funds	$ 23,605,800	$ 888,724	$ 24,494,524

Pursuant to G.S. 136-176(b), operation and project development costs for the NCTA are eligible for funding from the Highway Trust Fund administration funds. These funds are considered an Advance from Other Funds and are to be repaid from toll revenue as soon as possible. Beginning January 1, 2014, one year after the NCTA began collecting tolls on the completed Triangle Expressway project, the NCTA began accruing interest on the unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield (0.49% as of June 30, 2015) on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. The NCTA accrued $622,998 and $61,955 of interest as of June 30, 2015 and 2014, respectively.

Note 6—Lease obligations

During the year ending June 30 2014, the NCTA entered into lease agreements for road maintenance equipment. Rental expense relating to operating leases during the years ended June 30, 2015 and 2014 was $191,326 and $141,885, respectively.

Note 7—Long-term debt

Revenue Bonds Payable
Long-term debt as of June 30, 2015 and 2014 consists of the following:

Revenue Bonds	2015	2014
Revenue bonds payable, Series 2009A Triangle Expressway Revenue Bonds in the amount of $234,910,000, issued July 29, 2009, with coupon rates of 5.50% and 5.75%, with principal payments beginning January 2019 and a final maturity of January 2039, net of unamortized discount of $944,760 at June 30, 2015.	$ 233,965,240	$ 233,899,359
Revenue bonds payable, Series 2009B Capital Appreciation Triangle Expressway Revenue Bonds in the amount of $35,173,109, issued July 29, 2009, with interest ranging from 6.74% to 7.10% compounding semi-annually, with principal payments beginning January 2030, due in full January 2038, net of unamortized discount of $141,459 at June 30, 2015.	35,031,650	35,021,786
Revenue bonds payable, Series 2009B State Appropriation Revenue Bonds in the amount of $352,675,000, issued July 29, 2009, with coupon rates of 6.00% and 6.70%, with principal payments beginning January 2017, final maturity January 2039, net of unamortized discount of $577,882 at June 30, 2015.	352,097,118	352,056,821
Revenue bonds payable, Series 2010A State Appropriation Revenue Bonds in the amount of $233,920,000, issued October 26, 2010, with coupon rates of 5.318% and 5.418%, with principal payments beginning January 2022, final maturity January 2041.	233,920,000	233,920,000
Revenue bonds payable, Series 2011 Monroe Connector System Revenue Bonds in the amount of $10,000,000, issued November 15, 2011, with a coupon rate of 2.48%, with principal payments beginning July 2012 and a final maturity of July 2023.	7,890,000	8,660,000
Revenue bonds payable, Series 2011 State Appropriation Revenue Bonds in the amount of $214,505,000, issued November 30, 2011, with coupon rates of 4.25% and 5.00%, with principal payments beginning July 2012, final maturity July 2041, net of unamortized premium of $14,078,415 at June 30, 2015.	169,098,415	189,148,606
Revenue bonds payable, Series 2011 Grant Anticipation Revenue Vehicle Bonds in the amount of $145,535,000, issued December 15, 2011, with coupon rates of 2.00% and 4.00%, with principal payments beginning March 2019, final maturity March 2023, net of unamortized premium of $9,247,330 at June 30, 2015.	154,782,330	156,288,332
Total Revenue Bonds, Net	$ 1,186,784,753	$ 1,208,994,904

Note 7—Long-term debt (continued)

Note Payable	2015	2014
TIFIA note payable for an amount not to exceed $386,662,363, opened on July 1, 2009, bearing interest of 4.25% per annum, with debt service payments beginning July 2015, final maturity January 2043.	$ 372,876,792	$ 372,876,792

Revenue bond payable maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 8,200,000	$ 61,328,068	$ 69,528,068
2017	11,960,000	60,951,103	72,911,103
2018	16,070,000	60,394,070	76,464,070
2019	23,350,000	59,656,354	83,006,354
2020	39,950,000	58,552,002	98,502,002
2021-2025	289,040,000	255,364,180	544,404,180
2026-2030	243,381,510	193,982,622	437,364,132
2031-2035	261,097,704	198,954,234	460,051,938
2036-2040	241,703,895	129,055,605	370,759,500
2041-2042	30,370,000	1,594,005	31,964,005
Total	$ 1,165,123,109	$ 1,079,832,243	$ 2,244,955,352

The TIFIA note payable requires debt service payments commencing July 1, 2015, with a final maturity of January 1, 2043. No payment of principal or interest on the TIFIA note payable was required to be made during the period of July 1, 2009, through January 1, 2015. Payments of principal and interest commenced on January 1, 2015. The amounts of principal and interest were calculated based on the total amount drawn on the note and amount of accrued interest outstanding as of January 1, 2015. Accrued interest on the loan agreement was $65,424,441 and $55,100,915 as of June 30, 2015 and 2014, respectively.

TIFIA note payable maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ -	$ 17,088,417	$ 17,088,417
2017	-	18,317,448	18,317,448
2018	-	18,292,253	18,292,253
2019	-	18,292,253	18,292,253
2020	-	18,267,058	18,267,058
2021-2025	1,108,093	91,654,083	92,762,176
2026-2030	27,521,640	93,142,141	120,663,781
2031-2035	67,048,355	88,307,157	155,355,512
2036-2040	138,562,621	76,826,260	215,388,881
2041-2042	138,636,083	32,598,795	171,234,878
Total	$ 372,876,792	$ 472,785,865	$ 845,662,657

Note 7—Long-term debt (continued)

Long-term liability activity for the year ended June 30, 2015, is as follows:

	July 1, 2014	Additions	Reductions	June 30, 2015	Due within a Year
Bonds Payable					
Revenue Bonds	$ 1,184,843,109	$ -	$ (19,720,000)	$ 1,165,123,109	$ 8,200,000
Deferred Amounts:					
For Issuance Premiums	25,931,938	-	(2,606,193)	23,325,745	-
For Issuance Discounts	(1,780,143)	-	116,042	(1,664,101)	-
	1,208,994,904	-	(22,210,151)	1,186,784,753	8,200,000
Note Payable	372,876,792	-	-	372,876,792	-
Accrued Vacation	82,756	86,376	(87,273)	81,859	9,103
Net Pension Liability	-	356,082	(286,622)	69,460	-
Total Long-Term Debt	$ 1,581,954,452	$ 442,458	$ (22,584,046)	$ 1,559,812,864	$ 8,209,103

Long-term liability activity for the year ended June 30, 2014, is as follows:

	July 1, 2013	Additions	Reductions	June 30, 2014	Due within a Year
Bonds Payable					
Revenue Bonds	$ 1,203,993,109	$ -	$ (19,150,000)	$ 1,184,843,109	$ 19,720,000
Deferred Amounts:					-
For Issuance Premiums	28,660,826	-	(2,728,888)	25,931,938	-
For Issuance Discounts	(1,896,164)	-	116,021	(1,780,143)	-
	1,230,757,771	-	(21,762,867)	1,208,994,904	19,720,000
Note Payable	372,876,792	-	-	372,876,792	-
Accrued Vacation	63,095	64,655	(44,994)	82,756	5,884
Total Long-Term Debt	$ 1,603,697,658	$ 64,655	$ (21,807,861)	$ 1,581,954,452	$ 19,725,884

Total interest cost on indebtedness was $83,278,018 and $83,274,555 for the years ended June 30, 2015 and 2014, respectively. Total capitalized interest represented $24,209,334 and $25,119,319 of this amount at June 30, 2015 and 2014, respectively.

Federal Interest Cash Subsidy

The NCTA has elected to treat the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009B and the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A as “Build America Bonds” for purposes of the American Recovery and Reinvestment Tax Act of 2009 (“Recovery Act”). In adherence with the Recovery Act, the NCTA receives cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2009B and 2010A State Appropriation Bonds. As part of the 2015 Federal Budget, the payments received during the year ended June 30, 2015 were reduced by an average of 6.9%. As part of the 2014 Federal Budget, the payments received during the year ended June 30, 2014 were reduced by 7.2%. Cash subsidy payments totaled $11,374,929 and $11,338,065 as of June 30, 2015 and 2014, respectively.

Note 8—Pledged revenues

On July 29, 2009, the NCTA issued State Annual Appropriation Revenue Bonds, Series 2009B in the amount of $352,675,000 and the Triangle Expressway System Revenue Bonds, Series 2009A and 2009B in the amount of $270,083,109. The bonds are secured by and payable from "revenues" which consist of an annual appropriation to the NCTA by the State of North Carolina from the North Carolina Highway Trust Fund, the Interest Subsidy Payments received from the United States Department of the Treasury with respect to the Series 2010A Bonds under the "Build America Bond" program, and the investment income realized from the investment of amounts held under the Trust Agreement. The NCTA has also pledged revenues from the operation of the Triangle Expressway System. Interest paid during the years ending June 30, 2015 and 2014 relating to the 2009 Revenue Bonds totaled $35,649,035 in each year, and no principal payments have been required as of June 30, 2015.

On October 26, 2010, the NCTA issued Monroe Connector System State Appropriation Revenue Bonds, Series 2010A in the amount of $233,920,000. The NCTA has pledged, as security for revenue bonds issued by the NCTA, revenues from the operation of the Monroe Connector System. Interest paid during the years ending June 30, 2015 and 2014 relating to the Monroe Connector System State Appropriation Revenue Bonds, Series 2010A totaled $12,297,007 in each year, and no principal payments have been required as of June 30, 2015.

The NCTA has elected to treat the State Appropriation Revenue Bonds, Series 2009B and 2010A, 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 those bonds. As part of the 2015 Federal Budget, the payments received during the year ended June 30, 2015 were reduced by 7.3%. As part of the 2014 Federal Budget, the payments received during the year ended June 30, 2014 were reduced by 7.2%. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of State annual appropriations, federal interest subsidy payments, and investment income. 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.

The Monroe Connector System Revenue Bonds, Series 2011 were issued on November 15, 2011, in the amount of $10,000,000. These 2011 Bonds have a coupon rate of 2.48% and a final maturity of July 2023. Interest on these 2011 Bonds is due and payable on each January 1 and July 1, beginning July 1, 2012. Interest paid during the year ending June 30, 2015, relating to the 2011 Bonds totaled $205,220, and $770,000 in principal was repaid during the year then ended. Interest paid during the year ending June 30, 2014, relating to the 2011 Bonds totaled $224,130, and $755,000 in principal was repaid during the year then ended. As of June 30, 2015 and 2014, the outstanding aggregate principal amount of these 2011 bonds was $7,890,000 and $8,660,000, respectively.

The Monroe Connector System State Appropriation Revenue Bonds, Series 2011 were issued on November 30, 2011, in the amount of $214,505,000. These 2011 Bonds are secured by and payable from, in parity with the Series 2010A Bonds, the revenues and, under certain circumstances, the proceeds of the Bonds. The "revenues" consist of an annual appropriation to the NCTA by the State of North Carolina from the North Carolina Highway Trust Fund, the Interest Subsidy Payments received from the United States Department of the Treasury with respect to the Series 2010A Bonds under the "Build America Bond" program, and the investment income realized from the investment of amounts held under the Trust Agreement. Interest on these 2011 Bonds is due and payable on each January 1 and July 1, beginning January 1, 2012. Interest paid during the year ending June 30, 2015, relating to these 2011 Bonds totaled $7,987,000, and $18,950,000 in principal was repaid during the year then ended. Interest paid during the year ending June 30, 2014, relating to these 2011 Bonds totaled $8,641,925, and $18,395,000 in principal was repaid during the year then ended. As of June 30, 2015 and 2014, the outstanding aggregate principal amount of these 2011 bonds was $155,020,000 and $173,970,000, respectively.

Note 8—Pledged revenues (continued)

The Monroe Connector System Grant Anticipation Revenue Vehicle Bonds, Series 2011 were issued on December 15, 2011, in the amount of $145,535,000. These 2011 Bonds are payable solely from certain federal aid revenues received by or on behalf of the State that are legally available for the payment thereof and moneys held in certain funds under the Indenture. Such federal aid revenues consist of amounts derived from the National Highway System and other federal surface transportation programs. Interest on these 2011 Bonds is due and payable on each March 1 and September 1, beginning March 1, 2012. Interest paid during the years ending June 30, 2015 and 2014 relating to these 2011 Bonds totaled $5,773,400 respectively for both years, and no principal payments have been required as of June 30, 2015.

Proceeds from the bonds will be used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System and the Monroe Connector System. The total principal and interest remaining to be paid on the bonds is $2,244,955,352, payable through July 2041 (final maturity date). For the year ending June 30, 2015, principal and interest paid, available revenues (federal interest subsidy, toll revenues and fees, and investment revenues), and federal transportation funds (capital grants), were $81,631,662, $43,329,828, and $9,733,173, respectively. For the year ending June 30, 2014 principal and interest paid, available revenues (federal interest subsidy, toll revenues and fees, and investment revenues), and federal transportation funds (capital grants), were $81,735,497, $36,793,035, and $11,676,700, respectively.

Note 9—Retirement plans

Retirement Plans – Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System ("System") is a cost-sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

Benefits Provided – The System 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 (or 10 years of creditable service for members joining the System on or after August 1, 2011), 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 (or 10 years of creditable service for members joining the System on or after August 1, 2011). 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 (10 years for members joining on or after August 1, 2011). 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.

Benefit and contribution provisions for the System are established by North Carolina General Statutes 135-5 and 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.

Note 9—Retirement plans (continued)

For the years ending June 30, 2015, 2014, and 2013, the NCTA had a total payroll of $1,231,835, $1,147,775, and $1,231,319, respectively, of which $882,095, $988,337, and $950,519, respectively, was covered under the System. Total employer contributions for pension benefits for the years ended June 30, 2015, 2014, and 2013 were $86,087, $82,328, and $79,178, respectively. Total employee contributions for pension benefits were $52,926, $59,300, and $57,031 for the years ended June 30, 2015, 2014, and 2013, respectively.

Required employer contribution rates for the years ended June 30, 2015, 2014, and 2013, were 9.15%, 8.33%, and 8.33%, respectively, while employee contributions were 6% each year. The NCTA made 100% of its annual required contributions for the years ended June 30, 2015, 2014, and 2013.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report.* 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the NCTA reported a liability of $69,460 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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. At June 30, 2015 the NCTA's proportion was 0.01% and the proportion did not change from the prior measurement date.

For the year ended June 30, 2015, the NCTA recognized pension expense of $31,846. At June 30, 2015, the NCTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 16,191
Net difference between projected and actual earnings on pension plan investments	-	234,679
Change in proportion and differences between agency's contributions and proportionate share of contributions	8,013	-
Contributions subsequent to the measurement date	86,087	-
Total	$ 94,100	$ 250,870

Note 9—Retirement plans (continued)

$86,087 reported as 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, 2016. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2016	$	(60,827)
2017		(60,827)
2018		(60,827)
2019		(60,376)
2020		-
Total	$	(242,857)

Actuarial Assumptions - The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by 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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

Note 9—Retirement plans (continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. 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 pension liability.

Sensitivity of the NCTA's proportionate share of the net pension liability to changes in the discount rate - The following presents the NCTA's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the NCTA's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
NCTA's proportionate share of the net pension liability (asset)	$ 498,630	$ 69,460	$ (292,912)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position can be located in the State of North Carolina's *Comprehensive Annual Financial Report.* 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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 $57,179, $44,175, and $17,469 for the years ended June 30, 2015, 2014, and 2013, respectively.

Note 9—Retirement plans (continued)

IRC Section 401(k) Plan – All members of the Teachers' and State Employees' Retirement System 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 $36,613, $52,037, and $40,728 for the years ended June 30, 2015, 2014, and 2013, respectively.

Note 10—Other post-employment benefits

Health Benefits – The NCTA participates in the Comprehensive Major Medical Plan (the "Medical Plan"), a cost-sharing, multiple-employer defined benefit health care plan that provides post-employment 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 the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Medical Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. The Medical Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the "Fund") has been established as a fund in which accumulated contributions from employers and any earnings on these contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the years ended June 30, 2015, 2014, and 2013, the NCTA contributed 5.49%, 5.40%, and 5.30%, respectively, of the covered payroll under the Teachers' and State Employees' Retirement System. Required contribution rates for the years ended June 30, 2015, 2014, and 2013 were 5.49%, 5.40%, and 5.30%, respectively. The NCTA made 100% of its annual contributions to the Medical Plan for the years ended June 30, 2015, 2014, and 2013 which were $48,427, $53,370, and $50,377, respectively. The NCTA assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report.* 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Disability Income – The NCTA participates in the Disability Income Plan of North Carolina ("DIPNC"), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. 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 DIPNC does not provide for automatic post-retirement benefit increases.

Note 10—Other post-employment benefits (continued)

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the years ended June 30, 2015, 2014, and 2013, the NCTA made a statutory contribution of .41%, 0.44%, and 0.44%, of covered payroll, respectively, under the Teachers' and State Employees' Retirement System to the DIPNC. The NCTA made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013 which were $3,617, $4,349, and $4,182, respectively. The NCTA assumes no liability for long-term disability benefits under the DIPNC.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*. 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Note 11—Risk management

The NCTA is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The NCTA carries insurance through the NCDOT for risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to $1,000,000 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 $10,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the NCDOT directly to the insurer.

The State Property Fire Insurance Fund ("Fire Fund"), an internal service fund of the State, insures all state-owned buildings and contents for fire and various other property losses up to $2,500,000 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 $5,000 per occurrence deductible except for theft losses that carry a $1,000 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 $1,000,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than $1,000,000 up to $10,000,000. The liability limits for losses occurring in-state are $1,000,000 per claimant and $10,000,000 per occurrence. The NCDOT covers the cost of excess insurance and pays for those losses falling under the self-insured retention.

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

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan ("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.

Note 11—Risk management (continued)

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

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

Additional details on the state-administered risk management programs are disclosed in the State of North Carolina's *Comprehensive Annual Financial Report.* 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Note 12—Commitments and contingencies

The NCTA has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments for engineering and design contracts were $26,770,512 and $7,793,420 at June 30, 2015 and 2014, respectively.

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

Note 13—Change in accounting principle

During fiscal year 2015, the NCTA adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68). The provisions of Statements No. 68 and 71 required the NCTA to record a decrease in net position for the cumulative effect of the change in accounting principle in fiscal year 2015. The cumulative effect of adoption of the standards is presented as an adjustment to beginning fiscal year 2015 net position since information is not available to determine the impact on expense and net position in fiscal year 2014. As a result, net position as of July 1, 2014 decreased by $280,472.

Note 14—Subsequent events

In connection with the preparation of the financial statements and in accordance with U.S. GAAP, the NCTA considered for disclosure subsequent events that occurred after the statement of net position date of June 30, 2015, through September 28, 2015, which was the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

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 Pension Liability
Teachers' and State Employees' Retirement System
June 30, *

	2015	2014
NCTA's proportion of the net pension liability (%)	0.01%	0.01%
NCTA's proportion of the net pension liability ($)	$ 69,460	$ 356,082
NCTA's covered-employee payroll	882,095	988,337
NCTA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.9%	36.0%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

	2015	2014
Contractually required contribution	$ 86,087	$ 82,328
Contributions in relation to the contractually required contribution	86,087	82,328
Contribution deficiency (excess)	$ -	$ -
NCTA's covered-employee payroll	$ 882,095	$ 988,337
Contributions as a percentage of covered-employee payroll	9.8%	8.3%

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

Cherry Bekaert LLP
CPAs & Advisors

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*

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprises the NCTA's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 28, 2015.

The financial statements present only the NCTA and do not purport to and do not present fairly the financial position of the State of North Carolina or the NCDOT, as of and for the years ended June 30, 2015 and 2014, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the NCTA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet, important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Raleigh, North Carolina
September 28, 2015

This audit required 350 audit hours at a cost of $59,000.