Cherry Bekaert LLP
CPAs & Advisors

September 18, 2013

Board of Directors
North Carolina Turnpike Authority
Raleigh, North Carolina

We have audited the statements of net position of the North Carolina Turnpike Authority (NCTA), a major enterprise fund of the State of North Carolina as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NCTA are described in the notes to the financial statements. Governmental Accounting Standards Board Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented in the current year. The implementation of this statement required the NCTA to present a Statement of Net Position which replaced the previously presented Statement of Net Assets. We noted no transactions entered into by the NCTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of depreciation expense was based on the anticipated useful lives of fixed assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the market value of investments held was based on the fair market value of the investments as of year-end. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the securities lending collateral was based on the fair market value of assets pledged as collateral on securities as a part of the North Carolina State Treasurer's Short-Term Investment Fund. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves an application of an accounting principle to NCTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NCTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors, others within the organization, management, and the State of North Carolina and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CHERRY BEKAERT LLP

Cherry Bekaert LLP

Raleigh, North Carolina

NORTH CAROLINA TURNPIKE AUTHORITY

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2013 and 2012

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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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, as of and for the years ended June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows, and 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 opinions 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 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 opinions.

Opinions

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, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. GAAP.

Emphasis of Matter

As discussed in Note 1 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 North Carolina Department of Transportation, as of and for the years ended June 30, 2013 and 2012, and the changes in their financial position and their cash flows thereof for the years then ended in conformity with U.S. GAAP.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, 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 18, 2013

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, 2013, 2012 and 2011. The discussion and analysis also include 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, 2013 and 2012, the statements of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012, and the statements of cash flows for the years ended June 30, 2013 and 2012. 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 2013 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, 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 will begin to accrue on the advance one year after the NCTA begins 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, Federal Highway Administration ("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 for the Triangle Expressway ($25 million) and Monroe Bypass ($24 million) projects remains under the new law while the annual appropriations for the Mid-Currituck Bridge and Garden Parkway projects were removed.

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

Following is the project status for the toll projects that are operating or being developed in North Carolina:

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 project was constructed and opened in three phases with the third and final phase opening to toll traffic on January 2, 2013.

The Triangle Expressway project was delivered on schedule and under budget. During the first full quarter of toll operations (January 2013 through March 2013), toll revenues exceeded projections by 29%, while operating expenses exceeded projections by only 1%. Sales of transponders peaked with the opening of the final phase in January 2013 and remained steady through the end of fiscal year 2013.

Monroe Bypass
The proposed Monroe Bypass toll project is a 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 consistent with State goals, while maintaining access to properties along existing U.S. 74.

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, in addition to $77,000,000 in STIP funding, and to complete funding of the project, $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.

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. The Turnpike Authority continues to coordinate closely with other units of the NCDOT and FHWA to prepare additional documentation to address the Circuit Court's concerns. Documentation is expected to be complete in late 2013, with a new Record of Decision anticipated in early 2014. At that point, work on final designs and right-of-way acquisition could resume.

Mid-Currituck Bridge
The proposed Mid-Currituck Bridge project is defined as a 7.0-mile-long two-lane toll bridge across Currituck Sound, including approach roads, in Currituck County. The bridge is expected to reduce travel time and traffic congestion, as well as provide an alternate hurricane evacuation route for the northern Outer Banks.

The Mid-Currituck Bridge project is being developed as a public-private partnership ("P3") in association with a private developer ("Developer"). The Pre-Development Agreement ("PDA") process has been completed and the process of developing and negotiating a Concession Agreement ("CA") has begun. Through the CA, the Developer will be responsible for designing, building, operating, maintaining, and financing the project. The term of the CA is anticipated to be 50 years.

The Mid-Currituck Bridge project funding is being reevaluated under the new Strategic Mobility Formula.

The Mid-Currituck Bridge Project's Final Environmental Impact Statement ("FEIS") was approved by the FHWA in January 2012. An updated draft Record of Decision ("ROD") with all supporting memos was sent to the FHWA for approval in January 2013. The ROD will be updated to reflect the Strategic Mobility Formula changes to the project funding sources; specifically the elimination of the annual appropriation (GAP funds) dedicated to the project. Updates to the ROD are on hold pending the Strategic Mobility Formula evaluation.

Garden Parkway

The Garden Parkway, also known as the Gaston East-West Connector, is a planned toll road approximately 22 miles long from I-85 west of Gastonia in Gaston County to I-485 near the Charlotte-Douglas International Airport in Mecklenburg County with new crossings over the South Fork and Catawba Rivers. The purpose of the proposed project is to improve east-west transportation mobility in the area around the City of Gastonia and between Gastonia and the Charlotte metropolitan area and particularly to establish direct access between the rapidly growing areas of southwest Gaston County and western Mecklenburg County.

The FHWA issued a Record of Decision in February 2012. In August 2012, a suit was filed in Federal District Court in Charlotte challenging the project's environmental documentation. This litigation is still pending. The NCDOT has paused the procurement process for the design-build construction contract pending the resolution of the suit.

Southeast Extension (Complete 540)

Spanning nearly 30 miles, the proposed Southeast Extension would extend the Triangle Expressway and complete the Raleigh Outer Loop (I-540/N.C. 540). Construction is anticipated to be completed in two phases. Phase I would run between N.C. 55 in Apex and I-40 near the Johnston County line. Phase II would continue the project at I-40 and end at the U.S. 64/U.S. 264 Bypass in Knightdale.

The environmental study for the Southeast Extension project, under development since late 2009, was placed on hold following the March 2011 enactment of North Carolina Session Law (N.C.S.L. 2011-7). This law restricted the NCDOT's ability to fully consider potential study alternatives as required by federal law. In its 2013 session, the North Carolina General Assembly recognized the regional importance of the Southeast Extension project and enacted legislation (House Bill 10 and House Bill 817) that removed the restrictions previously imposed on the environmental study. The Governor signed this legislation into law in June 2013, thereby clearing the way for the NCDOT to resume the study.

The NCDOT has restarted work on the Draft Environmental Impact Statement ("EIS") for the project, anticipated to be published in the spring of 2015. The Final EIS, anticipated for early 2016, will document the selection of the Preferred Alternative. The environmental study process is anticipated to conclude later in 2016.

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

For fiscal year 2013, the NCTA ended with positive net position. This is the result of reclassifying project expenditures to capital assets, non-depreciable that will eventually be depreciated when projects are completed.

Condensed Statements of Net Position

	2013	2012	2011
Current Assets	$ 48,861,861	$ 55,849,363	$ 48,281,824
Restricted Assets and Deferred Charges	887,247,333	902,787,475	706,505,873
Capital Assets	1,104,821,562	1,013,042,633	689,382,678
Total Assets	2,040,930,756	1,971,679,471	1,444,170,375
Current Liabilities	97,973,379	131,866,984	98,245,834
Noncurrent Liabilities	1,656,534,371	1,569,455,286	1,155,584,063
Total Liabilities	1,754,507,750	1,701,322,270	1,253,829,897
Net Investment in Capital Assets	358,684,361	346,628,861	249,443,795
Restricted	1,711,674	-	-
Unrestricted	(73,973,029)	(76,271,660)	(59,103,317)
Net Position	$ 286,423,006	$ 270,357,201	$ 190,340,478

Current Assets

The decrease is mainly due to a decrease in the securities lending collateral.

Capital Assets

Capital Assets, Non-depreciable – The decrease is due to the opening of the final two phases of the Triangle Expressway and the re-classification of costs from the Construction in Progress account to a depreciable asset account.

Capital Assets, Depreciable – The increase is due to the opening of the final two phases of the Triangle Expressway and the resulting re-classification of costs from the Construction in Progress account to a depreciable asset account.

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 is due to a decrease in accrued construction liabilities due to the completion of the Triangle Expressway, along with a decrease in the securities lending collateral due to a lower balance with the North Carolina State Treasurer's Investment Fund, as well as, a lesser portion of the revenue bonds payable becoming current and due within one year.

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 is attributable to the increase in the TIFIA loan.

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 Revenues, Expenses, and Changes in Net Position

	2013	2012	2011
Operating Revenues:			
Charges for Services	$ 13,037,975	$ 495,686	$ 21
Other Operating Revenues	462,210	169,175	-
Total Operating Revenues	13,500,185	664,861	21
Operating Expenses:			
Personnel Services	1,285,105	1,318,567	1,154,715
Supplies and Materials	124,206	244,582	17,404
Contracted Personnel Services	9,944,289	2,796,599	601,523
Travel	48,057	67,413	59,192
Advertising	136	-	22,875
Utilities	245,013	77,380	41,691
Dues and Subscription Fees	9,247	25,495	16,409
Other Services	1,608,471	2,038,719	1,663,155
Cost of Goods Sold	461,362	169,170	-
Capital Outlay	962,059	3,481,880	20,246
Rental Expense	113,103	107,035	183,243
Depreciation	9,931,285	1,869,952	15,134
Total Operating Expenses	24,732,333	12,196,792	3,795,587
Operating Loss	(11,232,148)	(11,531,931)	(3,795,566)
Nonoperating Other Revenue (Expenses) and Capital Grants	(25,208,049)	24,381,728	30,929,723
Transfers In	56,245,509	69,912,789	69,152,758
Transfers Out	(3,739,507)	(2,745,863)	-
Change in Net Position	16,065,805	80,016,723	96,286,915
Net Position Beginning, July 1	270,357,201	190,340,478	94,053,563
Net Position Ending, June 30	$ 286,423,006	$ 270,357,201	$ 190,340,478

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 completion 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 contracted personnel services is attributed to the expensing of certain costs related to the completed section of the Triangle Expressway instead of capitalizing them during construction. The increase in depreciation expense is due to the initial depreciation of Phase II and III of the completed Triangle Expressway. 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. This amount decreased 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 decreased this year due to the decreased expenditures on the Monroe Connector.

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 project 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, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,099,452	$ 2,569,019
Securities Lending Collateral	40,722,719	51,709,874
Accounts Receivable	4,927,121	84,055
Inventory	956,973	1,420,171
Intergovernmental Receivable	1,155,596	66,244
Total Current Assets	48,861,861	55,849,363
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	1,711,674	333,282
Investments	857,497,362	873,307,704
Total Restricted Assets	859,209,036	873,640,986
Deferred Charges	28,038,297	29,146,489
Capital Assets, Nondepreciable:		
Land and Permanent Easements	144,959,001	136,406,626
Construction in Progress	165,157,204	692,690,918
Capital Assets, Depreciable, Net of Depreciation:		
Highway Network	794,705,266	183,936,517
Machinery and Equipment	91	8,572
Total Capital Assets, Net of Depreciation	1,104,821,562	1,013,042,633
Total Noncurrent Assets	1,992,068,895	1,915,830,108
Total Assets	2,040,930,756	1,971,679,471
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,951,968	23,285,744
Accrued Interest Payable	30,473,159	30,678,152
Accrued Vacation	3,811	15,918
Obligations under Securities Lending	42,312,871	54,889,207
Due to Other Funds	1,938,495	918
Revenue Bonds Payable, Net	19,150,000	22,725,000
Intergovernmental Payables	51,895	5,498
Deferred Revenue	1,091,180	266,547
Total Current Liabilities	97,973,379	131,866,984
Noncurrent Liabilities:		
Revenue Bonds Payable, Net	1,211,607,771	1,233,488,119
Note Payable	372,876,792	283,508,357
Advances from Other Funds	23,605,800	22,746,383
Accrued Interest Payable	48,384,724	29,549,695
Accrued Vacation	59,284	162,732
Total Noncurrent Liabilities	1,656,534,371	1,569,455,286
Total Liabilities	1,754,507,750	1,701,322,270
NET POSITION		
Net Investment in Capital Assets	358,684,361	346,628,861
Restricted	1,711,674	-
Unrestricted	(73,973,029)	(76,271,660)
Total Net Position	$ 286,423,006	$ 270,357,201

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

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NORTH CAROLINA TURNPIKE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Revenues		
Operating Revenues:		
Charges for Services	$ 13,037,975	$ 495,686
Other Operating Revenues	462,210	169,175
Total Operating Revenues	13,500,185	664,861
Expenses		
Operating Expenses:		
Personnel Services	1,285,105	1,318,567
Supplies and Materials	124,206	244,582
Contracted Personnel Services	9,944,289	2,796,599
Travel	48,057	67,413
Advertising	136	-
Utilities	245,013	77,380
Dues and Subscription Fees	9,247	25,495
Other Services	1,608,471	2,038,719
Cost of Goods Sold	461,362	169,170
Capital Outlay	962,059	3,481,880
Rental Expense	113,103	107,035
Depreciation	9,931,285	1,869,952
Total Operating Expenses	24,732,333	12,196,792
Operating Loss	(11,232,148)	(11,531,931)
Nonoperating Revenues (Expenses)		
Investment Earnings	2,476,499	2,144,171
Federal Interest Subsidy on Debt	11,686,271	12,217,743
Interest and Fees	(52,907,511)	(5,251,731)
Miscellaneous	8,144	-
Total Nonoperating Revenues	(38,736,597)	9,110,183
Loss before Transfers and Capital Grants	(49,968,745)	(2,421,748)
Capital Grants	13,528,548	15,271,545
Transfers In	56,245,509	69,912,789
Transfers Out	(3,739,507)	(2,745,863)
Increase in Net Position	16,065,805	80,016,723
Net Position Beginning July 1	270,357,201	190,340,478
Net Position Ending June 30	$ 286,423,006	$ 270,357,201

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, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Receipts from Customers	$ 8,557,059	$ 582,671
Payments to Employees and Fringe Benefits	(1,400,659)	(1,248,207)
Payments to Vendors and Suppliers	(9,431,587)	(5,653,148)
Other Payments	(1,019,695)	(2,034,093)
Net Cash Flows from Operating Activities	(3,294,882)	(8,352,777)
Cash Flows from Noncapital Financing Activities		
Transfers Out	(3,739,507)	(2,745,863)
Insurance Recoveries	8,144	-
Other Noncapital Financing Receipts - Advances	859,417	1,735,194
Net Cash Flows from Noncapital Financing Activities	(2,871,946)	(1,010,669)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(96,075,162)	(272,236,939)
Transfers In	56,245,509	69,912,790
Federal Interest Subsidy on Debt	11,686,271	18,326,614
Capital Grants	12,539,256	15,614,697
Capital Gifts	-	50,000
Proceeds from Issuance of Revenue Bonds	-	422,105,247
Principal Payments	(22,725,000)	-
Interest Expense	(63,075,777)	(49,752,911)
Issuance Costs	-	(2,849,311)
Proceeds from TIFIA Loan	89,368,435	-
Net Cash Flows from Capital and Related Financing Activities	(12,036,468)	201,170,187
Cash Flows from Investing Activities		
Proceeds from Sale and Maturities of Investments	7,438,816,777	4,629,114,969
Purchase of Investments	(7,424,506,034)	(4,823,590,936)
Investment Earnings	3,801,378	5,571,527
Net Cash Flows from Investing Activities	18,112,121	(188,904,440)
Net Change in Cash and Cash Equivalents	(91,175)	2,902,301
Cash and Cash Equivalents at Beginning of Year	2,902,301	-
Cash and Cash Equivalents at End of Year	$ 2,811,126	$ 2,902,301
Summary of Cash and Cash Equivalents		
Cash and Cash Equivalents Unrestricted	$ 1,099,452	$ 2,569,019
Cash and Cash Equivalents Restricted	1,711,674	333,282
Cash and Cash Equivalents at End of Year	$ 2,811,126	$ 2,902,301

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

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Reconciliation of Operating Loss to Net Cash Flows Used by Operating Activities		
Operating Loss	$ (11,232,148)	$ (11,531,931)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities:		
Depreciation Expense	9,931,285	1,869,952
Investment Earnings	(285)	-
Management Fees	(55,736)	(16,248)
Changes in Assets and Liabilities:		
Accounts Receivable	(4,941,957)	(82,190)
Due from Other Funds	(885)	-
Inventories	463,198	(1,420,171)
Accounts Payable	(151,406)	2,711,881
Intergovernmental Payables	46,397	5,498
Due to Other Funds	1,937,577	(226,474)
Deferred Revenue	824,633	266,547
Compensated Absences	(115,555)	70,359
Total Cash Used by Operating Activities	$ (3,294,882)	$ (8,352,777)
Noncash Investing, Capital, and Financing Activities		
Increase in Fair Value of Investments	$ (11,627,678)	$ 10,857,257
Amortization of Bond-Related Costs	1,108,192	706,895
Change in Construction in Progress as a Result of Accrual Liabilities	2,496,147	22,909,850
Assets Acquired through Assumption of a Liability	40,722,719	51,709,874

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 nine toll roads 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 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 Principles -– Effective July 1, 2012, the NCTA adopted the provisions of GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Statement No. 63). This implementation required the NCTA to present a Statement of Net Position, replacing the previously presented Statement of Net Assets, in the NCTA's financial statements.

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, 2013 and 2012 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) 707-0795.

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.

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.

Deferred Charges – Deferred charges include bond issuance costs, assured guaranty premiums, and underwriter's discounts related to the issuance of the 2009, 2010 and 2011 Series Revenue bonds. These amounts are capitalized and will be amortized over the maturity of the bonds.

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

Capital Assets – Depreciable – Capital assets 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 of 5 years for the machinery and equipment and 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, and accrued vacation 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.

Note 1—Summary of significant accounting policies (continued)

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

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 year ending June 30, 2013. 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. These revenues are classified as Capital Grants and are considered nonoperating, along with investment income and transfers in, 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.

Note 2—Deposits

At June 30, 2013 and 2012, respectively, $2,811,126 and $2,902,301 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 1.6 and 1.5 years as of June 30, 2013 and 2012, respectively. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. At June 30, 2013 and 2012, $1,711,674 and $333,282, 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) 707-0795.

Note 3—Restricted investments

At June 30, 2013 and 2012, respectively, $857,497,362 and $873,307,704 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 Unites 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:

		Investment Maturities (in Years)			
Type of Investment	Fair Value	Less Than 1 Year	1 – 5 Years	6 -10 Years	Over 10 Years
U.S. Government Securities	$ 7,597,376	$ -	$ 7,597,376	$ -	$ -
U.S. Government Agencies	85,973,447	7,019,815	78,953,632	-	-
STIF	465,636,287	465,636,287	-	-	-
Money Market Mutual Funds	166,674,372	166,674,372	-	-	-
Total	$ 725,881,482	$ 639,330,474	$ 86,551,008	$ -	$ -

In addition to NCTA bond proceeds, additional debt was incurred by the State of North Carolina and the North Carolina Department of Transportation 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.

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.

		Investment Maturities (in Years)
Type of Investment	Fair Value	Less Than 1 Year
Principal Cash	$ 84	$ 84
HSBC Repurchase Agreements	131,615,796	131,615,796
Total	$ 131,615,880	$ 131,615,880

Note 4—Capital assets

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

	July 1, 2012	Additions	Disposals	Transfers	June 30, 2013
Capital Assets, Nondepreciable					
Land and Permanent Easements	$ 136,406,626	$ 8,552,375	$ -	$ -	$ 144,959,001
Construction in Progress	692,690,918	93,157,839	-	(620,691,553)	165,157,204
Total Capital Assets, Nondepreciable	829,097,544	101,710,214	-	(620,691,553)	310,116,205
Capital Assets, Depreciable					
Highway Network	185,794,462	-	-	620,691,553	806,486,015
Machinery and Equipment	80,476	-	-	-	80,476
Total Capital Assets, Depreciable	185,874,938	-	-	620,691,553	806,566,491
Less Accumulated Depreciation for:					
Highway Network	1,857,945	9,922,804	-	-	11,780,749
Machinery and Equipment	71,904	8,481	-	-	80,385
Total Accumulated Depreciation	1,929,849	9,931,285	-	-	11,861,134
Total Capital Assets, Depreciable, Net of Depreciation	183,945,089	(9,931,285)	-	620,691,553	794,705,357
Capital Assets, Net of Depreciation	$ 1,013,042,633	$ 91,778,929	$ -	$ -	$ 1,104,821,562

Note 4—Capital assets (continued)

A summary of changes in capital assets for the year ended June 30, 2012, is presented as follows:

	July 1, 2011	Additions	Disposals	Transfers	June 30, 2012
Capital Assets, Nondepreciable					
Land and Permanent Easements	$ 110,997,951	$ 26,116,956	$ (708,281)	$ -	$ 136,406,626
Construction in Progress	578,364,148	300,121,232	-	(185,794,462)	692,690,918
Total Capital Assets, Nondepreciable	689,362,099	326,238,188	(708,281)	(185,794,462)	829,097,544
Capital Assets, Depreciable					
Highway Network	-	-	-	185,794,462	185,794,462
Machinery and Equipment	80,476	-	-	-	80,476
Total Capital Assets, Depreciable	80,476	-	-	185,794,462	185,874,938
Less Accumulated Depreciation for:					
Highway Network	-	1,857,945	-	-	1,857,945
Machinery and Equipment	59,897	12,007	-	-	71,904
Total Accumulated Depreciation	59,897	1,869,952	-	-	1,929,849
Total Capital Assets, Depreciable, Net of Depreciation	20,579	(1,869,952)	-	185,794,462	183,945,089
Capital Assets, Net of Depreciation	$ 689,382,678	$ 324,368,236	$ (708,281)	$ -	$ 1,013,042,633

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, 2013:

	July 1, 2012	Additions	June 30, 2013
Advances from Other Funds	$ 22,746,383	$ 859,417	$ 23,605,800

The following is a summary of changes in the NCTA's Advances from Other Funds as of June 30, 2012:

	July 1, 2011	Additions	June 30, 2012
Advances from Other Funds	$ 21,011,189	$ 1,735,194	$ 22,746,383

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 one year after the NCTA begins collecting tolls on a completed Turnpike project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1.

Note 6—Lease obligations

During 2012, the NCTA was released from its two lease contracts that were being negotiated as of June 30, 2011. As of June 30, 2013, the NCTA does not have any operating lease agreements, and the lease expense for the year ended June 30, 2013, was the negotiated price for the NCTA to be released from the obligations. Rental expense relating to operating leases during the years ended June 30, 2013 and 2012 was $113,103 and $107,035, respectively.

Note 7—Long-term debt

Revenue Bonds Payable

Long-term debt as of June 30, 2013 and 2012 consists of the following:

Revenue Bonds	2013	2012
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 $1,076,509 at June 30, 2013.	$ 233,833,491	$ 233,767,636
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 $161,186 at June 30, 2013.	35,011,923	35,002,063
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 $658,469 at June 30, 2013.	352,016,531	351,976,248
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.	9,415,000	10,000,000
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 $16,418,133 at June 30, 2013.	208,783,133	232,296,576
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 $12,242,693 at June 30, 2013.	157,777,693	159,250,596
Total Revenue Bonds, Net	$ 1,230,757,771	$ 1,256,213,119

Note 7—Long-term debt (continued)

Note Payable	2013	2012
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, due in full July 1, 2042, or the last payment date occurring no later than 35 years after the date of substantial project completion, whichever date is earlier.	$ 372,876,792	$ 283,508,357

Revenue bond payable maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 19,150,000	$ 62,585,497	$ 81,735,497
2015	19,720,000	61,911,662	81,631,662
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
2019-2023	279,325,000	280,790,225	560,115,225
2024-2028	209,425,000	215,545,382	424,970,382
2029-2033	275,886,320	176,537,323	452,423,643
2034-2038	239,071,789	213,192,385	452,264,174
2039-2042	125,185,000	11,093,687	136,278,687
Total	$ 1,203,993,109	$ 1,204,329,402	$ 2,408,322,511

The TIFIA note payable requires debt service payments commencing July 1, 2015, with a final maturity of July 1, 2047, or the last payment date occurring no later than 35 years after the date of substantial project completion, whichever date is earlier. No payment of principal or interest on the TIFIA note payable is required to be made during the period of July 1, 2009, through January 1, 2015. The time period for payments of principal and interest will commence on January 1, 2015. The amounts of principal and interest will be calculated based on the total amount drawn on the note and outstanding as of January 1, 2015. For the period of January 1, 2015, through December 31, 2024, the payment shall be equal to the interest payable on the TIFIA note payable outstanding balance on the next interest payment date. For the period of January 1, 2025, until the maturity of the TIFIA note payable, the payment shall be 100% of the interest payable on the outstanding TIFIA note payable balance on the next interest payment date and 50% of the scheduled principal amortization as determined by the debtor at such future date. Accrued interest on the loan agreement was $37,428,311 and $21,674,657 as of June 30, 2013 and 2012, respectively.

Note 7—Long-term debt (continued)

TIFIA note payable maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ -	$ -	$ -
2015	-	8,029,624	8,029,624
2016	-	17,427,007	17,427,007
2017	-	18,794,765	18,794,765
2018	-	18,794,765	18,794,765
2019-2023	-	93,973,824	93,973,824
2024-2028	11,684,220	95,468,072	107,152,292
2029-2033	46,784,428	95,194,439	141,978,867
2034-2038	124,685,173	103,804,899	228,490,072
2039-2043	189,722,971	55,918,964	245,641,935
Total	$ 372,876,792	$ 507,406,359	$ 880,283,151

Long-term liability activity for the years ended June 30, 2013, is as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due within a Year
Bonds Payable					
Revenue Bonds	$ 1,226,718,109	$ -	$ (22,725,000)	$ 1,203,993,109	$ 19,150,000
Deferred Amounts:					-
For Issuance Premiums	31,507,172	-	(2,846,346)	28,660,826	-
For Issuance Discounts	(2,012,162)	-	115,998	(1,896,164)	-
	1,256,213,119	-	(25,455,348)	1,230,757,771	19,150,000
Note Payable	283,508,357	89,368,435	-	372,876,792	-
Accrued Vacation	178,650	39,281	(154,836)	63,095	3,811
Total Long-Term Debt	$ 1,539,900,126	$ 89,407,716	$ (25,610,184)	$ 1,603,697,658	$ 19,153,811

Long-term liability activity for the years ended June 30, 2012, is as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due within a Year
Bonds Payable					
Revenue Bonds	$ 856,678,109	$ 370,040,000	$ -	$ 1,226,718,109	$ 22,725,000
Deferred Amounts:					-
For Issuance Premiums	-	33,152,957	(1,645,785)	31,507,172	-
For Issuance Discounts	(2,128,139)	-	115,977	(2,012,162)	-
	854,549,970	403,192,957	(1,529,808)	1,256,213,119	22,725,000
Note Payable	264,596,067	18,912,290	-	283,508,357	-
Accrued Vacation	108,291	121,388	(51,029)	178,650	15,918
Total Long-Term Debt	$ 1,119,254,328	$ 422,226,635	$ (1,580,837)	$ 1,539,900,126	$ 22,740,918

Note 7—Long-term debt (continued)

Total interest cost on indebtedness was $81,705,812 and $64,916,049 for the years ended June 30, 2013 and 2012, respectively. Total capitalized interest represented $25,817,422 and $62,264,536 of this amount at June 30, 2013 and 2012, respectively.

Federal Interest Cash Subsidy

The NCTA has elected to treat the Triangle Expressway System State Annual Appropriate 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. Due to federal sequestration, the payments received in June of 2013 were reduced by 8.70%. Cash subsidy payments totaled $11,686,271 and $12,217,743 as of June 30, 2013 and 2012, 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 NCTA has pledged, as security for revenue bonds issued by the NCTA, revenues from the operation of the Triangle Expressway System. During the years ended June 30, 2013 and 2012, the NCTA earned $13,037,975 and $495,686, respectively, in charges for services on the opened portions of the Triangle Expressway. Interest paid during the years ending June 30, 2013 and 2012 relating to the 2009 Revenue Bonds totaled $35,649,035 in each year, and no principal payments have been required as of June 30, 2013.

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, 2013 and 2012 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, 2013.

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. Due to federal sequestration, the payments received in June of 2013 were reduced by 8.70%. 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, 2013, relating to the 2011 Bonds totaled $272,435, and $585,000 in principal was repaid during the then year ended. As of June 30, 2013 and 2012, the outstanding aggregate principal amount of these 2011 bonds was $9,415,000 and $10,000,000, respectively.

Note 8—Pledged revenues (continued)

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 years ending June 30, 2013 and 2012 relating to these 2011 Bonds totaled $9,083,900 and $796,523, respectively, and $22,140,000 in principal was repaid during the year ended June 30, 2013. As of June 30, 2013 and 2012, the outstanding aggregate principal amount of these 2011 bonds was $192,365,000 and $214,505,000, respectively.

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, 2013 and 2012 relating to these 2011 Bonds totaled $5,773,400 and $1,010,345, respectively, and no principal payments have been required as of June 30, 2013.

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 $2,408,322,511, payable through 2041 (final maturity date). For the year ending June 30, 2013, principal and interest paid, available revenues (federal interest subsidy and investment revenues), and State appropriations (transfers in) were $85,800,777, $14,162,770, and $56,245,509, respectively. For the year ending June 30, 2012, interest paid, available revenues (federal interest subsidy and investment revenues), and State appropriations (transfers in) were $37,085,304, $14,361,914, and $69,912,789, respectively.

Note 9—Pension 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.

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.

For the years ending June 30, 2013, 2012, and 2011, the NCTA had a total payroll of $1,231,319, $1,973,724, and $2,040,256, respectively, of which $950,519, $1,318,798, and $1,480,337, respectively, was covered under the System. Total employer contributions for pension benefits for the years ended June 30, 2013, 2012, and 2011 were $79,178, $98,119, and $72,981, respectively. Total employee contributions for pension benefits were $57,031, $79,128, and $88,820 for the years ended June 30, 2013, 2012, and 2011, respectively.

Note 9—Pension plans (continued)

Required employer contribution rates for the years ended June 30, 2013, 2012, and 2011, were 8.33%, 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The NCTA made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011.

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) 707-0795.

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 $17,469, $19,266, and $7,530 for the years ended June 30, 2013, 2012, and 2011, respectively.

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 $40,728, $32,303, and $20,839 for the years ended June 30, 2013, 2012, and 2011, 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.

Note 10—Other post-employment benefits (continued)

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, 2013, 2012, and 2011, the NCTA contributed 5.30%, 5.00%, and 4.90% of the covered payroll under the Teachers’ and State Employees’ Retirement System. Required contribution rates for the years ended June 30, 2013, 2012, and 2011 were 5.30%, 5.00%, and 4.90%, respectively. The NCTA made 100% of its annual contributions to the Medical Plan for the years ended June 30, 2013 and 2012, which were $50,377, $65,940, and $72,537, 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) 707-0795.

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.

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, 2013, 2012, and 2011, the NCTA made a statutory contribution of 0.44%, 0.52%, and 0.52% 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, 2013, 2012, and 2011 which were $4,182, $6,858, $7698, 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) 707-0795.

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.

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) 707-0795.

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 $8,890,809 and $22,673,255 at June 30, 2013 and 2012, 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—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, 2013, through September 18, 2013, which was the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

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, as of and for the years ended June 30, 2013 and 2012, which collectively comprise the NCTA's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 18, 2013.

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 North Carolina Department of Transportation, as of and for the years ended June 30, 2013 and 2012, 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 18, 2013