NORTH CAROLINA GLOBAL TRANSPARK

2014 Annual Report

Citizens of North Carolina,

The North Carolina Global TransPark Authority (GTP) began Fiscal Year 2014 focused on a number of issues that offered opportunities for progress at the GTP. These efforts included reviewing of all functional areas, negotiating beneficial terms for the airport Fixed Base Operator (FBO) that departed due to the parent company's consolidation, and participating in the Eastern Infrastructure Improvement Study. As a result, the Authority identified a number of changes that focus on:

- Increasing revenue
- Creating jobs & promoting economic development
- Reducing debt
- Reducing operating expenses
- Planning for the future

Concurrently, the Authority completed a thorough search for a new long-term FBO at the airport.

These efforts were instrumental in the Authority recruiting its first new tenant since 2010 and set the stage for implementing measures to improve efficiency, provide improved customer service, and leverage existing infrastructure to contribute to job creation and economic growth across our State. We have made and will continue to make changes necessary to position GTP to become a self-sustaining organization while creating jobs and economic opportunities for the people of North Carolina.

Sherman R. Lupton
Executive Director

OUR TENANTS

Henley Aviation

DB SCHENKER

CRATE TECH INC.

MAC
MOUNTAIN AIR CARGO, INC.

SPIRIT AEROSYSTEMS

MJE Telestructure

NCEastAlliance

NORTH CAROLINA FOREST SERVICE NC

CRIME CONTROL & PUBLIC SAFETY
NORTH CAROLINA

EXECUTIVE SUMMARY

Shortly after Governor McCrory took office, he established his priorities using three E's – building the Economy, reforming Education and promoting government Efficiency for the benefit of the people of North Carolina. In alignment with the Governor's priorities, the Authority undertook a number of steps in those areas to improve the Authority's bottom line, to reduce its debt, and plan for the future -- with the ultimate goal of contributing to economic growth and job creation for North Carolinians.

During the first quarter of FY 2014, Authority staff conducted a thorough review of current leases, service contracts and expenses in order to fully understand and improve the financial position of the Authority. This effort resulted in three significant courses of action -- insourcing a significant amount of work formerly performed by consultants, formulating a debt reduction effort and consolidating workforce in order to reduce facility costs.

Concurrently, the Authority negotiated the departure of the Fixed Base Operator (FBO) and assumed the management of the FBO while seeking a long-term management solution. This action had an immediate, positive impact in several areas -- the Authority ensured its ability to meet its Federal Aviation Administration requirements for a Part 139 airport and the Authority maintained its commitment to its aviation tenants thus preserving a number of jobs that would have been lost had the Authority not acted promptly. During the time period the Authority managed the FBO, the Authority in conjunction with its FBO management team, not only increased airport fuel sales by 64 percent but also successfully negotiated a long-term FBO agreement.

The Authority has also been actively involved in the Eastern Infrastructure Improvement Study, mandated by S.L. 2013-630, Section 34.23. The Authority has identified a number of industries and specific projects that complement the existing GTP tenant base while creating additional economic growth and job creation across the state.

Finally, the Authority has continued to support and assist existing GTP tenants in their efforts to expand their businesses and create additional jobs for North Carolinians. The staff has been at the forefront of assisting Spirit AeroSystems as it expands its operations to support increased production of Airbus A350 XWB components. Likewise, the staff has also been at the forefront of ensuring environmental compliance through active participation in the development of tenant's Spill Prevention, Countermeasures and Control programs.

The Authority is focused on building a diverse tenant base at the GTP that is capable of growing its business, creating jobs and contributing to the State and global economy. The people of North Carolina deserve nothing less.

OPERATIONS

The Authority put significant emphasis on increasing the use of the airport throughout FY 2014. The Authority began FY 2014 by successfully negotiating departure terms for the existing Fixed Base Operator (FBO), Delta Private Jets, which was part of a consolidation effort announced in October 2012 by Delta Private Jets' parent company. During the subsequent eleven month period, the Authority managed the FBO with a focus on providing the best customer service possible and competitively pricing aviation fuel to commercial, military and general aviation aircraft owners. By taking advantage of GTP's strategic location on the eastern seaboard, its proximity to the north-south airway structure and monitoring regional fuel prices, the Authority was able to increase fuel sales by 64 percent during this period.

Concurrently, the Authority began the task of determining a long term solution for a FBO at the airport. This effort ultimately led to the selection of LGM Enterprises as the new FBO, which began providing FBO services as Kinston Jet Center on August 1, 2014.

The Authority and FBO have placed an enhanced focus on ensuring regular airport users are kept abreast of planned changes, well in advance of their occurrence, to ensure there is no impact to operations. This proactive approach allowed for two seamless FBO transitions while maintaining the highest level of customer service.

The airport successfully completed its annual Federal Aviation Administration Part 139 and annual Transportation Security Administration certifications during this period. Additionally, the Authority started and completed the planning effort for a major clearing project along the airport's runway approaches. Work on this project is scheduled to begin at the beginning of FY 2015 and will ensure a safe and unobstructed flight path to the airport's runway.

Finally, the Authority has reached out to its military users to ensure they are aware of GTP's capacity, capability and our willingness to support their operations as required. This effort has yielded additional interest in GTP beyond aviation operations. GTP is routinely used as a divert facility for military aircraft operating in the area and provides a prime setting for repetitive runway operations for the largest aircraft in the U.S. inventory. GTP possesses facilities that allow our military to train "close to home" which reduces transit time, fuel costs and time to train. The Authority will continue to explore opportunities to expand and enhance this relationship.

FINANCE AND ADMINISTRATION

The Authority embarked upon a review of its financial and administrative practices during the first quarter of the FY 2014 in order to better understand its financial position and to review and assess all administrative policies. This effort included a complete review of all leases, service agreements, revenue streams and expenses and administrative policy documents. As a result of this review, numerous changes were proposed and implemented to address budget shortfalls and outdated policy. They included:

- **A debt reduction plan**
  - **To pay off highest interest rate and longest term loans**
    - **Result – A $3.8M debt reduction in FY 2015**
    - **Result – Savings of over $2M in long term interest payments**
    - **Result – Added over $400K in revenue to the bottom line**
- **Insourcing consulting working**
    - **Reduced consulting expenses by $500K**
- **Consolidating personnel and work facilities**
    - **Reduced long term operating costs**
- **Updating the GTP Administrative Policy Manual**

These efforts allowed the Authority to prepare a balanced budget that would allow GTP to carry out its mission of contributing to economic growth and job creation across the State. The FY 2014-2015 budget, S.L. 2014-100, reduced GTP's annual operating appropriation by 25% ($250,000) of the previous fiscal year. Over the past year the Authority has made, and will continue to work diligently towards becoming self-sufficient; however any additional constraints to the Authority's operating budget will hamper the Authority's ability to react quickly to seize unforeseen opportunities.

Annual Audit Report

The annual audit was completed in November 2014 and a formal audit out-brief was held on December 3, 2014 with the State Auditor, Ms. Beth Woods.

The results of the audit disclosed no deficiencies in internal control over financial reporting and did not reveal any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

A copy of the audit is attached to this report.

BUSINESS DEVELOPMENT

Prospect Activity

With the addition of LGM Enterprises/Kinston Jet Center as the new FBO, the Authority added its first new corporate tenant in over three years. This development has had a positive impact on airport operations.

The Authority has maintained an active dialogue with prospective tenants during this period. As the FY progressed, the number of prospects fluctuated. However, we were able to increase the number of interactions/engagements with those prospects over time.

Q1 – 14 Prospects; 26 Engagements
Q2 – 18 Prospects; 19 Engagements
Q3 – 10 Prospects; 13 Engagements
Q4 – 9 Prospects; 24 Engagements

As Spirit AeroSystems shifts from a planning and process focus to one of full rate production, the Authority has been an engaged partner in facilitating that effort. The Authority has been at the forefront of assisting Spirit with the construction and installation of its second autoclave, which will begin operations mid-year 2015. This is a major milestone that will allow Spirit to meet hiring goals and achieve A350 XWB component production milestones.

Several short-term opportunities presented themselves at various times during the fiscal year which were beneficial to GTP. These included short-notice training opportunities with the U.S. Armed Forces, supporting ground and flight testing for the aerospace industry, and supporting U.S. Forestry Service and North Carolina Forestry exercises. These opportunities have shown the Authority's flexibility to meet demand in the marketplace while showcasing GTP's capacity and versatility. The Authority will continue to pursue these opportunities in the future.

The Authority is also actively exploring opportunities to use some of its land and facilities for solar power generation.

Foreign Trade Zone

The Authority undertook an effort to consolidate Foreign Trade Zones (FTZs) 66, 67 and 214 into a single FTZ with the goals of streamlining services for prospective customers in the proposed zone and allowing for a transition of the Alternative Site Framework (ASF). FTZ consolidation was approved by the U.S. Foreign Trade Zone Board in February, 2014. Under ASF, potential

customers wishing to establish FTZ operations in FTZ #214 would experience a much shorter application process than currently experienced under the Traditional Site Framework (TSF).

FTZ #214 continues to provide FTZ businesses, customers, and operators a competitive advantage. Table 1 contains FTZ utilization data from the four active North Carolina FTZ's.

Foreign Trade Zone Utilization

FTZ	Location	# of Users	Merchandise Received (in millions)	Total Shipments (in millions)	Employees
57	Mecklenburg County	1	$750-1,000 mil	$500-750 mil	251-500
93	Raleigh-Durham	3	$80-110 mil	$55-85 mil	1,501-2,000
214	SE North Carolina	3	$201-505 mil	$201-505 mil	2,500-3,000
230	Piedmont Triad	8	$1,080-5,175 mil	$830-1,175 mil	2,001-2,500

Source: 2013 Annual Report of the Foreign Trade Zone Board, Appendix D

Table 1

Marketing

The Authority participated in a variety of trade shows and conferences in order to promote GTP and the State as a premier location for business. GTP participated in the Paris Air Show as part of the North Carolina delegation and had promotional booths at the following trade shows: MRO America's Trade Show; Western Airports Conference; North Carolina Airports Association Conference; North Carolina Aerospace Supplier's Conference.

GTP relies on its web presence to reach the broadest market possible. Over the last year, the Authority undertook a major update of its website that included an update to Web 3.0 and moving the website to a more robust server system. These upgrades have allowed staff to better market GTP through electronic media while providing better access to prospective customers.

Finally, the Authority has been a significant contributor to and supporter of local educational efforts. The staff attended the Dobbs School Aviation Career Day and partnered with NCDOT and Lenoir County Schools to sponsor the North Carolina Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). These efforts have given the Authority an opportunity to work with local authorities while supporting local student education and development programs.

PRIVATE SECTOR EMPLOYMENT

The private sector employment reported in Table 2 reflects an overall decrease of 30 jobs from the FY 2013 report. This is mainly a result of Spirit AeroSystems realigning its workforce from one focused on planning and process development to production. Spirit had not reached its inducement goal as of the date of this report. However, the company has hired additional production personnel as of the end of CY 2014. Other tenant's employment numbers remained steady during the year.

PRIVATE SECTOR EMPLOYMENT AT GLOBAL TRANSPARK, 6/30/14*

JOB CLASSIFICATIONS Provide general occupation/job classifications for permanent full-time jobs	NUMBER OF FULL TIME JOBS Number of permanent full-time jobs in each classification as of 6/30/2014	AVERAGE SALARY Average salary of permanent full-time employees in each job classification	MEDIAN SALARY Median salary of permanent full-time employees in each job classification	TOTAL PAYROLL Total payroll for all employees in each classification
A & P Mechanic	30	$ 36,888.00	$ 34,653.00	$ 1,106,640.00
Avionics Technician	4	$ 37,440.00	$ 37,440.00	$ 149,760.00
Cass Auditor	1	$ 40,000.00	$ 40,000.00	$ 40,000.00
Chief Inspector	1	$ 75,726.00	$ 75,726.00	$ 75,726.00
Ground Maintenance	1	$ 23,920.00	$ 23,920.00	$ 23,920.00
Inspector	7	$ 44,941.00	$ 45,219.00	$ 314,587.00
Maintenance Manager	3	$ 63,544.00	$ 63,544.00	$ 190,632.00
Lead A & P Mechanic	6	$ 44,138.00	$ 44,138.00	$ 264,828.00
Maintenance Training	2	$ 37,440.00	$ 37,440.00	$ 74,880.00
Parts Clerk	4	$ 27,206.00	$ 27,664.00	$ 108,824.00
Parts Manager	1	$ 60,606.00	$ 60,606.00	$ 60,606.00
Purchasing Agent	1	$ 37,440.00	$ 37,440.00	$ 37,440.00
Records Planner	1	$ 46,675.00	$ 46,675.00	$ 46,675.00
Training Manager	1	$ 53,845.00	$ 53,845.00	$ 53,845.00
Warehouse Manager	2	$ 71,750.03	$ 71,750.00	$ 143,500.06
Production Worker	198	$ 33,254.00	$ 31,647.00	$ 6,584,292.00
Technician	19	$ 44,890.00	$ 43,576.00	$ 852,910.00
Engineer	20	$ 76,717.00	$ 68,575.00	$ 1,534,340.00
Salaried	91	$ 59,483.00	$ 57,500.00	$ 5,412,953.00
Executive	4	$ 187,250.00	$ 137,000.00	$ 749,000.00
Warehouse Assistant Manager	1	$ 60,000.00	$ 60,000.00	$ 60,000.00
Office Manager	1	$ 70,000.00	$ 70,000.00	$ 70,000.00
President / CEO	1	$ 100,000.00	$ 100,000.00	$ 100,000.00
Sales VP	1	$ 100,000.00	$ 100,000.00	$ 100,000.00
Warehouse Workers	10	$ 26,700.00	$ 29,499.99	$ 267,000.00
Administrative Workers	6	$ 24,910.00	$ 25,865.00	$ 149,460.00
Management	39	$ 87,197.38	$ 75,000.00	$ 3,400,697.82
TOTAL	456	$ 48,185.34		$ 21,972,515.88

Table 2

PRIVATE SECTOR CHARTS AND DATA

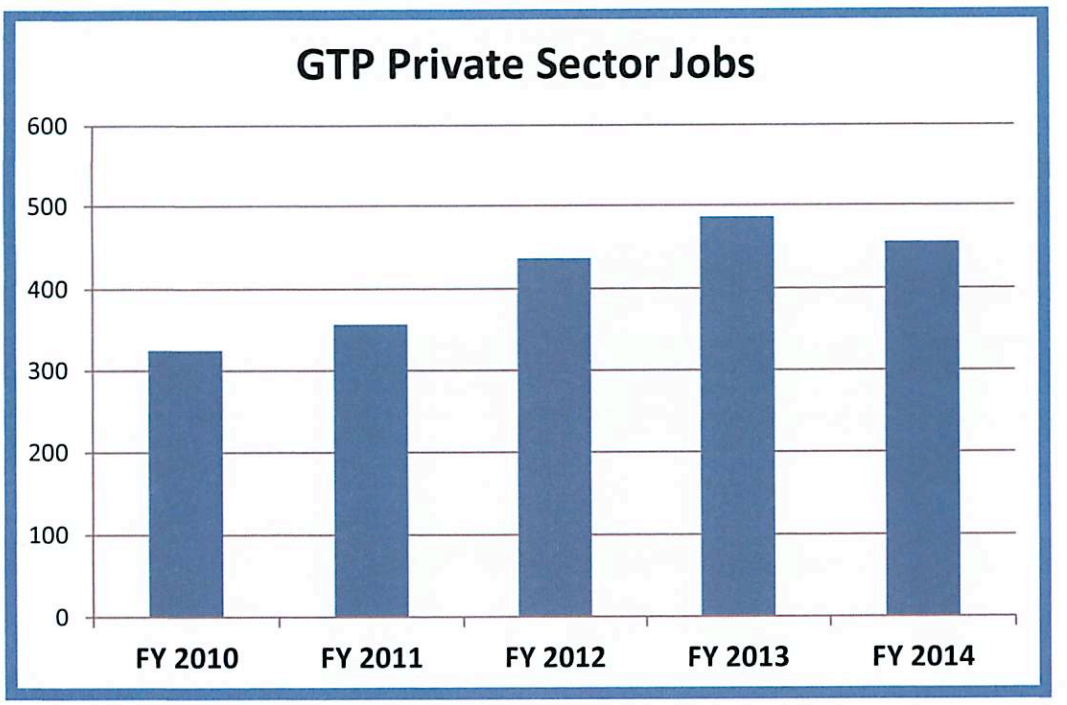

Table 3 – Source – GTP Annual Tenant Survey

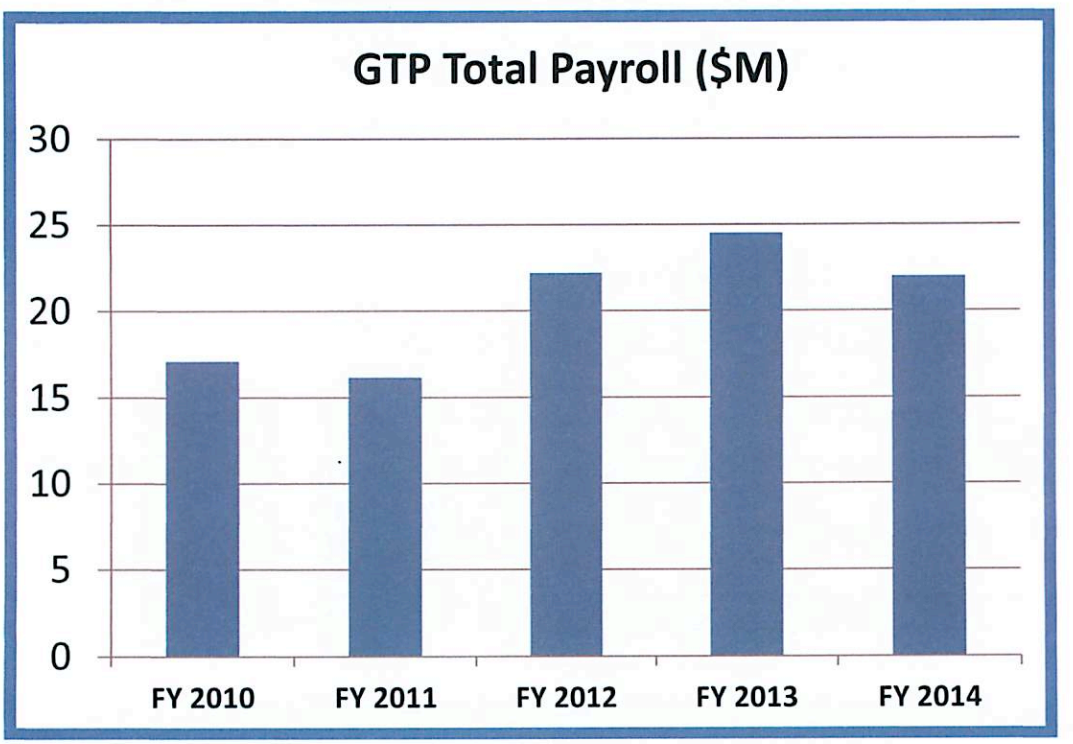

Table 4 – Source – GTP Annual Tenant Survey

PRIVATE SECTOR CHARTS AND DATA (CONT)

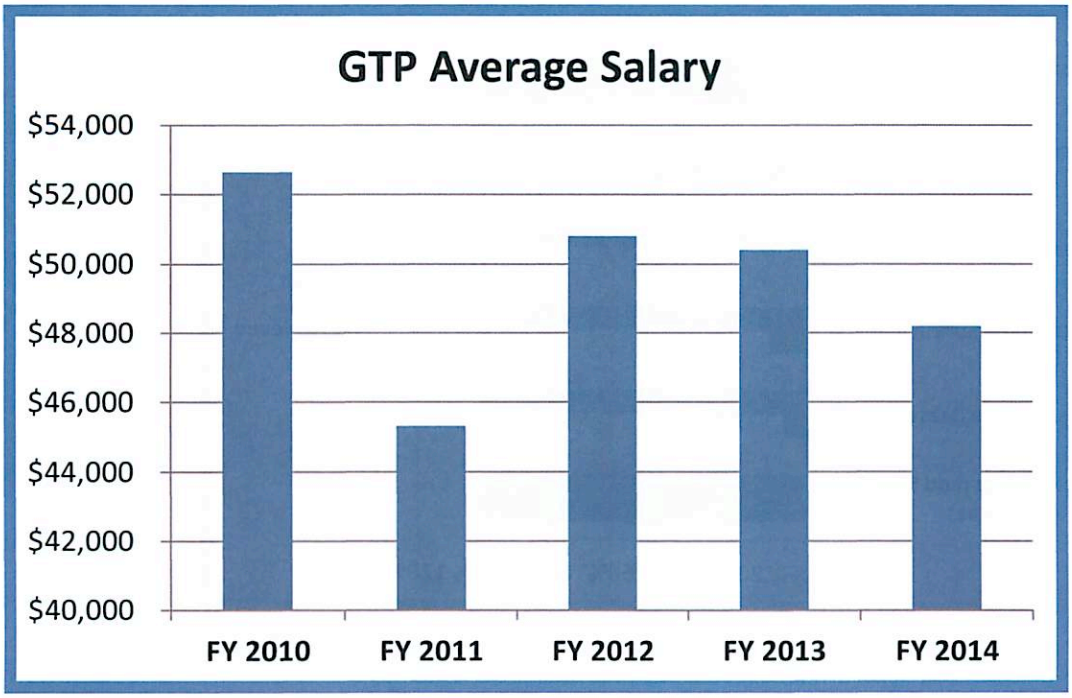

Table 5 – Source – GTP Annual Tenant Survey

GTP GOALS FOR FY 2014

Table 6 – Goals for FY 2014

In March of 2014, the GTP staff briefed the GTP Board of Directors on its goals for FY 2014 - 2015. These goals were established as a result of the administrative and financial review undertaken during the first quarter of FY 2014.

While the Authority did not achieve all of its FY 2014 goals, the Authority was still able to achieve its cost management and revenue goals, reducing expenses by $316,000 and increasing revenue by $954,254 while adding one additional tenant. The effort also enabled the staff to develop a balanced budget for FY 2015 and plan for a significant airport maintenance project while setting the stage for a higher level of goal achievement and performance in FY 2015.

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NORTH CAROLINA GLOBAL TRANSPARK

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STATE OF NORTH CAROLINA

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Directors, North Carolina Global TransPark Authority

We have completed a financial statement audit of the North Carolina Global TransPark Authority for the year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Global TransPark Authority
Kinston, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina Global TransPark Authority, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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; 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 did not audit the financial statements of the Global TransPark Foundation, Inc., the Authority's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Global TransPark Foundation, Inc., is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Global TransPark Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 Authority'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 Authority'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 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Global TransPark Authority, and its discretely presented component unit, as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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 November 13, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Authority's internal control over financial reporting and compliance.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 13, 2014

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Overview

Management's Discussion and Analysis (MD&A) provides an overview of the North Carolina Global TransPark Authority's (Authority) activities during the fiscal year ended June 30, 2014. In addition to Management's Discussion and Analysis, management has prepared the accompanying Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

Although the Global TransPark Foundation, Inc. (Foundation) is included in the financial statements as a component unit to comply with the accounting rules that are generally accepted in the United States of America, the accompanying statements in the overview are of the Authority only. The Foundation's and the Authority's financial information are shown separately. The Foundation organizes and raises funds from private individuals and corporations for the sole purpose of increasing business and jobs at the Global TransPark (GTP).

The MD&A is intended to aid the reader in interpreting the Authority's relative financial position as of the above referenced date, as well as gauging performance from one period to the next. Condensed key financial, as well as nonfinancial information will be highlighted for the reader.

Financial Highlights and Analysis

The Governmental Accounting Standards Board (GASB) established as an independent nonprofit organization in 1984 is charged with establishing and maintaining accounting policy, procedure, and disclosure standards as they pertain to state and local governments. These standards are most commonly referred to as generally accepted accounting principles or GAAP. Governmental GAAP accounting requires the application of the GASB Statement No. 34 reporting model whose intent is to make financial statements more useful to and easier to understand by oversight bodies, investors, creditors, and citizens. This improvement in utility value is accomplished principally through the introduction of the MD&A and a reformatting and consolidation of the basic financial statements for the main type of governmental reporting fund types, general government and proprietary units. The Authority is classified as a discretely presented component unit and is reported as a non-major component unit in the State's *Comprehensive Annual Financial Report.*

The accompanying basic financial statements have been prepared on an accrual basis of accounting, meaning that revenues are recognized when earned and expenses when incurred. Please refer to Note 1 in the Notes to the Financial Statements for additional details relating to accounting policy. Taken in whole, the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows are one measure of an organization's overall financial health and value. Individually, the Statement of Net Position is a static view of financial value while the other two depict the movement of key elements

from one period to the next, with a specific focus on the organization's net assets and cash and cash equivalents.

The fiscal year that ended June 30, 2014, continued to be another year in transition for the Authority. Some of the significant activities are described below.

Statement of Net Position

As summarized in the following table by major category, a comparison of net position as of June 30, 2014 to that of the prior year yields significant changes.

Condensed Statement of Net Position

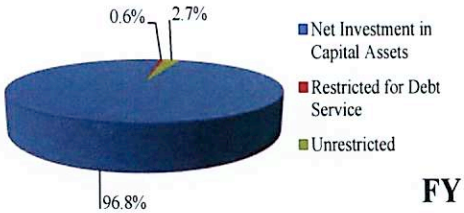
	June 30, 2014	June 30, 2013	Change	% Change
Current Assets	$ 4,566,690	$ 4,248,256	$ 318,434	7%
Other Noncurrent Assets	895,479	896,683	(1,204)	-0.13%
Capital Assets	166,142,508	172,352,721	(6,210,213)	-4%
Total Assets	171,604,677	177,497,660	(5,892,983)	-3%
Current Liabilities	4,703,481	915,036	3,788,445	414%
Long-Term Debt Outstanding	6,458,322	37,480,627	(31,022,305)	-83%
Other Noncurrent Liabilities	50,837	40,365	10,472	26%
Total Liabilities	11,212,640	38,436,028	(27,223,388)	-71%
Net Position				
Net Investment in Capital Assets	155,243,245	134,261,286	20,981,959	16%
Restricted for Debt Service	895,479	896,683	(1,204)	-0.13%
Unrestricted	4,253,313	3,903,663	349,650	9%
Total Net Position	$ 160,392,037	$ 139,061,632	$ 21,330,405	15%

Total assets decreased 3%, largely due to the depreciation of capital assets. Current assets increased 7% due an overall improvement in operations, reductions of expenses, and the timely collection of amounts due to the Authority. Capital assets decreased 4% due to the net effect of current year acquisitions and annual depreciation. Total liabilities decreased by 71% due to the payment in full of the note payable to the Escheat Fund. Current liabilities increased 414% because, upon recommendation of the GTP Board Finance Committee, the Secretary approved the advanced debt pay off of all notes payable with the exception of Southern Bank, DOT, and one USDA note.

Total net position of the Authority increased 15% from the prior year. The first category, net investment in capital assets, represents the Authority's equity position, net of related debt, with regards to land, facilities, and equipment. The 16% increase from the prior year was due to the net effect of, depreciation expense and repayment of capital debt. The second category, restricted for debt service, is restricted by debt covenants. The final category, unrestricted, is available for any lawful purpose of the Authority.

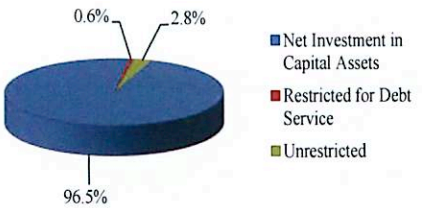
Net Position

FY 2014



	2014
Net Investment in Capital Assets	$ 155,243,245
Restricted for Debt Service	895,479
Unrestricted	4,253,313
Net Position	$ 160,392,037

FY 2013

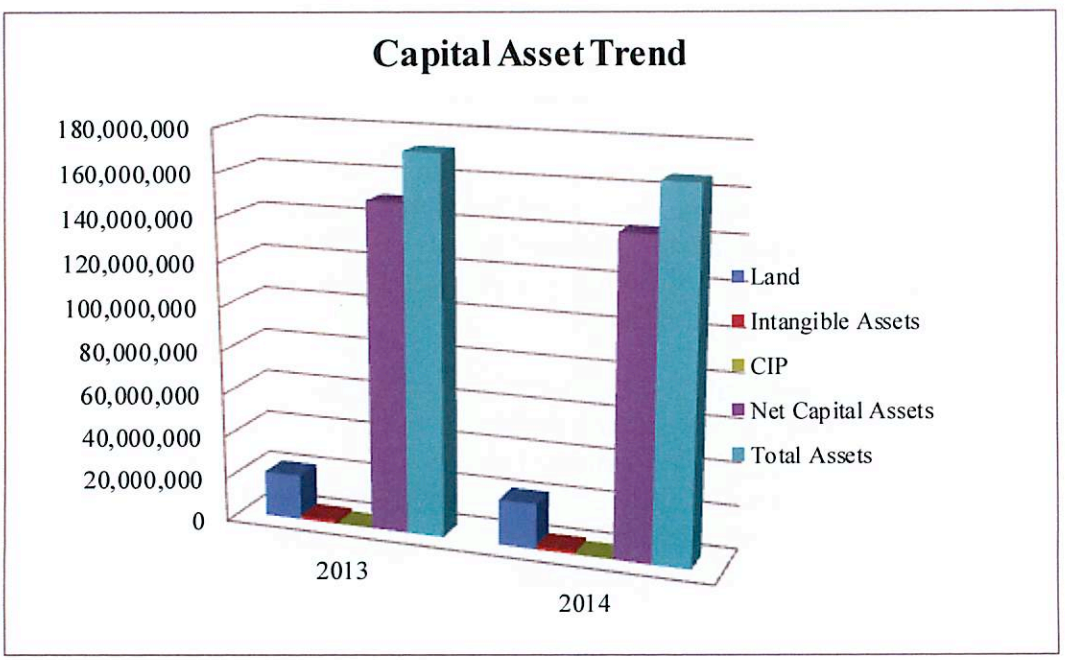


	2013
Net Investment in Capital Assets	$ 134,261,286
Restricted for Debt Service	896,683
Unrestricted	3,903,663
Net Position	$ 139,061,632

Capital Assets

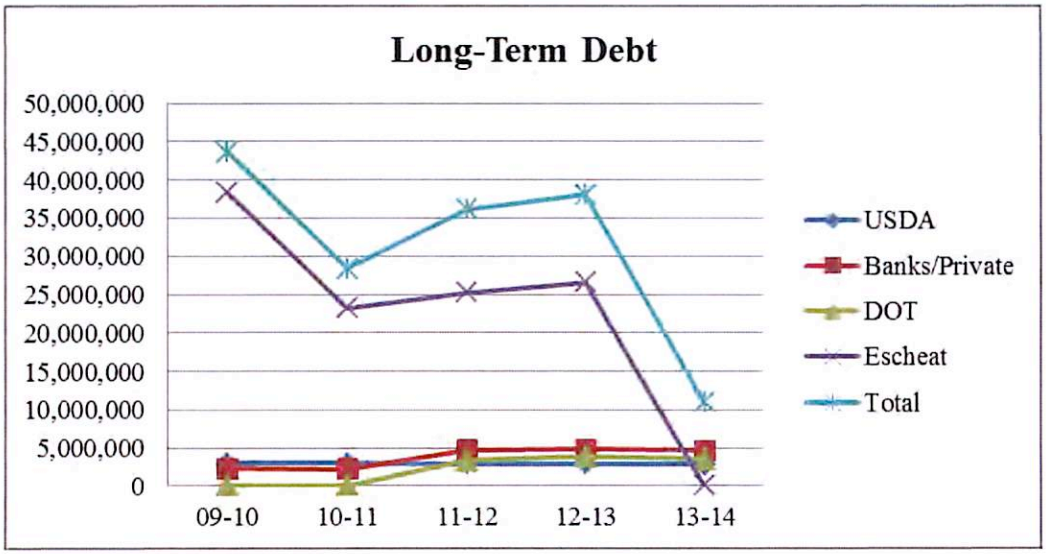
The following graph depicts the trend in capital assets. Total net capital assets include land, intangible assets, construction in progress, and depreciable capital assets. Net capital assets represent depreciable capital assets less depreciation. There was no significant capital asset activity during the period.

Additionally, as of June 30, 2014, Spirit AeroSystems reported total capital improvements to date of $83,697,570 and $1,145,048 to the GTP-6 and GTP-1 facilities, respectively. These capital improvements are not recorded on the Authority's financial statements.



Long-Term Debt

Long-term debt activity during the period consisted of reductions in notes payable for principal payments. On July 26, 2014, the General Assembly directed the Office of State Budget and Management to transfer funds to the Escheat Fund as a payment-in-full for the Authority's outstanding loan. This payoff was made on September 20, 2013, and will give the Authority an opportunity to manage existing debt and work towards becoming self-sufficient in future periods. The graph below depicts the makeup of debt at June 30, 2014, as compared to prior years.



Revenues, Expenses and Changes in Net Position

The Authority's financial condition, overall, compared to the prior fiscal year improved by 15%. Operating revenues decreased by 16% due to unoccupied rental space, however this decline was offset by a reduction in total expenses and increases in nonoperating revenues.

Working to improve its efficiency and the bottom line, the Authority's operating expenses decreased 2%. Professional services increased 117% in response to hiring a contractor to fulfill the duties of the fixed-base-operator (FBO) until replacement. Salaries and benefits increased 11% due to an employee being charged entirely to the Authority's payroll rather than being charged as professional services on an as-needed basis.

The increase in other nonoperating revenues was due to the Authority's receipt of a one-time settlement payment related to the early departure of the former FBO before their contract term was complete. The 76% reduction in interest expense and increase in state capital appropriations were due to the payoff of the Escheat fund note payable.

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

	June 30, 2014	June 30, 2013	Change	% Change
Operating Revenues:				
Rental Revenues	$ 1,225,210	$ 1,456,057	$ (230,847)	-16%
Miscellaneous Revenues	403,336	473,309	(69,973)	-15%
Total Operating Revenues	1,628,546	1,929,366	(300,820)	-16%
Operating Expenses:				
Salaries and Benefits	941,119	849,030	92,089	11%
Professional Services	374,927	172,660	202,267	117%
Depreciation	6,290,292	6,306,594	(16,302)	-0.30%
Other Operating Expenses	802,178	1,204,673	(402,495)	-33%
Total Operating Expenses	8,408,516	8,532,957	(124,441)	-2%
Operating Loss	(6,779,970)	(6,603,591)	(176,379)	-3%
Nonoperating Revenues (Expenses):				
State Operating Aid	1,000,000	1,000,000		
Noncapital Contributions		26,810	(26,810)	-100%
Investment Earnings	19,257	24,151	(4,894)	-20%
Interest Expense	(444,146)	(1,832,046)	(1,387,900)	-76%
Other Nonoperating Revenues	954,254		954,254	
Net Nonoperating Revenues (Expenses)	1,529,365	(781,085)	(2,310,450)	-296%
Other Revenues:				
State Capital Appropriations	26,572,610		26,572,610	
Capital Contributions	8,400	130,573	(122,173)	-94%
Total Revenues	30,183,067	3,110,900	27,072,167	870%
Total Expenses	(8,852,662)	(10,365,003)	(1,512,341)	-15%
Increase (Decrease) in Net Position	21,330,405	(7,254,103)	28,584,508	394%
Net Position, Beginning of Period	139,061,632	146,315,735	(7,254,103)	-5%
Net Position, End of Period	$ 160,392,037	$ 139,061,632	$ 21,330,405	15%

Highlights and Economic Outlook

The Authority continued to experience another year of transition. Some of the highlights, activities and plans are included below.

- Significant emphasis and effort was placed on identifying areas where the Authority can reduce expenses, reduce remaining debt, and increase revenues while planning for future economic development opportunities.
- The Authority continued to support and sustain tenant needs at the GTP. GTP has continued to support Spirit AeroSystems in its efforts to install a second autoclave for A350 component production. Staff also supported Mountain Air Cargo and the

North Carolina Forestry Service in the development of fuel spill control plans for their organizations.

- A major milestone for the Authority was the repayment of the Escheat Fund loan as directed by Senate Bill 402 (Session Law 2013-360).
- The Authority continued to work on its portion of the Senate Bill 402 Infrastructure Study for the Global TransPark. The Authority Staff has identified a realistic set of projects suitable for GTP and the accompanying infrastructure that would be required to support those projects.
- In order to ensure that all of GTP's developable land is available to meet short-notice development opportunities, the Authority petitioned the U.S. Army Corps of Engineers (USACE) to include 158 acres of GTP property currently outside of the USACE administered 404 permit area. The results of that request are pending.
- With an already small staff, three staff positions have been reduced to part time, a supervisor position has been defunded and a part time maintenance position has been eliminated in order to present a balanced budget to the Authority Finance Committee and Board Chairman. The Authority's Administrative Policies were also updated.
- Final design and program plan for way finding signage in and around the TransPark campus was completed. Phase I of construction and installation of signage has been postponed with implementation expected for fiscal year 2016.
- Marketing activities for the year were focused on establishing new partnerships and fostering existing relationships. Going forward the Authority will rely on these partners to help expand the sales capacity of the agency's small staff in order to reach a wider audience. Marketing activities included:
    - Continued development of a redesigned website. The new site went live on August 31, 2013 and includes an interactive map and links to TransPark-related documents.
    - Partnered with the North Carolina Department of Commerce and North Carolina's Eastern Region for the June 2014 Farnborough Air Show.
    - Hosted economic development meetings, as well as quarterly tenant luncheons.
    - Attended several aviation/aerospace trade shows, as well as participation in Friends of North Carolina events.
    - Coordinated participation with economic development partners for advertising in US Airways magazine, Eastern NC Economic Development Guide, and Southern Business & Development.
    - Renewed GTP trademarks.
- Kinston Regional Jetport (ISO), headquarters of the Global TransPark, faced another hurdle with the decision of the airport's fixed base operator (FBO) to consolidate operations in another location. The Authority facilitated a seamless transition between

the previous FBO and a temporary FBO management company. This effort was critical to ensuring an uninterrupted source of aviation fuel for GTP and airport customers and preserving jobs on the airport while continuing to meet FAA part 139 Airport requirements. The Authority negotiated a lease and operating agreement with LGM Enterprises who commenced operations August 1, 2014. This marked the first addition of a new tenant in over 3 years.

  - Supported flight-testing for the HondaJet at ISO. The HondaJet, manufactured and assembled in Greensboro, NC, is progressing toward final FAA airframe and engine certification. GTP has been a ready partner in facilitating certification efforts.
  - Supported joint training exercises for the North Carolina Air National Guard, U.S. Forest Service, North Carolina Forest Service and other military units.
  - Due to it 11,500 foot runways and its proximity to numerous military airbases, the airport continues to provide daily support to military aviation training events that cannot be performed at other locations. The airport routinely supports the Presidential Support Squadron, C5 training sorties from Dover AFB in Delaware and local training events that originate at Seymour-Johnson AFB, MCAS New River, MCAS Cherry Point and CGAS Elizabeth City. F15s from Seymour-Johnson Air Force Base routinely use GTP as an emergency divert airfield.

- The Federal Aviation Administration (FAA) contracted air traffic control tower at ISO, along with 251 other towers across the country and five others in North Carolina, faced immediate or short-term closure in April due to budget cuts within the FAA. The towers are currently being funded through the 2015 fiscal year.
- Despite many challenges and opportunities, ISO has continued to implement initiatives and projects, as listed below:

  - Assisted with showcasing aviation-related careers to local students. First, as part of the NC GEAR UP Aviation Career Day, and again as part of the Dobbs Youth Development Centers Career Exposition.
  - Continued to investigate the potential for commercial air service to a hub airport from the ISO. Although the airport does not currently have scheduled airline service, there are several charter flights weekly, and ISO has a long-term agreement in place for the military to utilize the runway for training.
  - Submitted the airport security program manual and airport certification manual for review. Submitted the Historical Preservation Program Report, US Army Corps of Engineers Annual Report, and Storm Water Monitoring Program Report to the appropriate state and federal agencies,
  - Completed numerous airport maintenance and repair projects; continuing with multiyear clearing and grubbing project to maintain clear, unobstructed runway approaches.

  - Established an airport tenants' user group to discuss and inform airport users on issues related to operation of the airport. Implementing training programs for airport tenants with a focus on airport operations, security and adherence to proper procedures.

- Foreign Trade Zone (FTZ) #214 continued to be an economic driver for the state economy with between $200 million - $500 million in goods shipped into the Zone during calendar year 2013. FTZ activities included:

  - Foreign Trade Zones #66, #67, #214 located at the Ports of Wilmington, Morehead City, and GTP respectively were consolidated into one zone under FTZ #214, by action of the US Foreign Trade Zone Board. In that same Board action, FTZ #214 was also transferred to the North Carolina Department of Transportation as Grantee.
  - Drafted and filed an application to the US FTZ Board, requesting that the operation of FTZ #214 be redesignated under the Alternative Site Framework, a new and more streamlined framework established by the FTZ Board.
  - Developed a Communications and Marketing Plan for FTZ #214.
  - FTZ #214 Administrator appeared as a panelist at the Spring Conference of the Foreign Trade Promotions Council in Wilmington, NC.

- Increased coordination among the Authority, the Ports, DOT personnel, and the logistics team to spur economic development activity.
- Development committee meetings, as well as meetings with city and county officials, regarding zoning were held.
- Completion of environmental reporting required for certified sites documentation, parcel development estimates, and the actual site certification process on 877 acres of land at the GTP.
- Despite experiencing some private sector job losses due to consolidation, the TransPark maintained steady job growth in fiscal year 2014. Private sector employment at the TransPark decreased 6% over the prior year, with a total of 456 employees. These numbers do not reflect the public agencies who are also tenants at the TransPark.
- The average annual $48,185 salary for private sector jobs at the TransPark was slightly less than the previous fiscal year. These salaries are 7% higher than the average annual private sector salary for the State. Compared to the $1 million in state operating aid the Authority received in fiscal year 2014, the total payroll for private sector companies at the TransPark was more than $21.9 million.
- With 83% of facilities currently leased, the Authority continues to receive interest from prospects in several targeted industries, including Tier 1 and Tier 2 aerospace suppliers, technical service firms, federal government contractors, aviation

maintenance, repair and overhaul (MRO) companies, as well as manufacturers in paper, metal, and building products.

Contacting the Authority's Management

If you have questions about these financial statements or need additional information, contact the Authority's Executive Director, 3800 Hwy 58, Kinston, NC 28504, or at (919) 707-2512.

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North Carolina Global TransPark Authority
Statement of Net Position
June 30, 2014

Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$	4,541,526
Accounts Receivable (Note 3)		25,164
Total Current Assets		4,566,690
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note 2)		895,479
Capital Assets - Nondepreciable (Note 4)		22,665,098
Capital Assets - Depreciable, Net (Note 4)		143,477,410
Total Noncurrent Assets		167,037,987
Total Assets		171,604,677
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources		0
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		77,476
Due to Primary Government		33,940
Unearned Revenue		10,623
Accrued Interest Payable		89,664
Compensated Absences (Note 6)		50,837
Note Payable - USDA (Note 6)		2,335,962
Note Payable - PNG (Note 6)		97,611
Note Payable - FCB (Note 6)		1,426,445
Note Payable - Southern Bank (Note 6)		180,923
Note Payable - Due to NC DOT (Note 6)		400,000
Total Current Liabilities		4,703,481
Noncurrent Liabilities:		
Compensated Absences (Note 6)		50,837
Note Payable - USDA (Note 6)		453,738
Note Payable - Due to NC DOT (Note 6)		3,040,615
Note Payable - Southern Bank (Note 6)		2,963,969
Total Noncurrent Liabilities		6,509,159
Total Liabilities		11,212,640
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources		0
NET POSITION		
Net Investment in Capital Assets		155,243,245
Restricted for:		
Expendable:		
Debt Service		895,479
Unrestricted		4,253,313
Total Net Position	$	160,392,037

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

North Carolina Global TransPark Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Exhibit A-2

REVENUES		
Operating Revenues:		
Rental Revenues	$	1,225,210
Miscellaneous Revenues		403,336
Total Operating Revenues		1,628,546
EXPENSES		
Operating Expenses:		
Salaries and Benefits		941,119
Professional Services		374,927
Legal and Accounting		58,093
Depreciation		6,290,292
Rent		10,834
Repairs and Maintenance		107,901
Supplies and Materials		76,062
Equipment		302
Insurance		81,045
Telephone		29,715
Utilities		308,743
Travel and Subsistence		14,838
Advertising		21,422
Projects		65,878
Other		27,345
Total Operating Expenses		8,408,516
Operating Loss		(6,779,970)
NONOPERATING REVENUES (EXPENSES)		
State Operating Aid		1,000,000
Investment Earnings		19,257
Interest Expense		(444,146)
Other Nonoperating Revenues		954,254
Net Nonoperating Revenues		1,529,365
Loss Before Other Revenues		(5,250,605)
State Capital Appropriations		26,572,610
Capital Contributions		8,400
Increase in Net Position		21,330,405
NET POSITION		
Net Position - July 1, 2013		139,061,632
Net Position - June 30, 2014	$	160,392,037

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	2,574,531
Payments to Employees and Fringe Benefits		(905,580)
Payments to Vendors and Suppliers		(1,034,573)
Net Cash Provided by Operating Activities		634,378
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Operating Aid		1,000,000
Net Cash Provided by Noncapital Financing Activities		1,000,000
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Capital Contributions		113,906
Acquisition and Construction of Capital Assets		(71,254)
Principal Paid on Capital Debt		(633,013)
Interest Paid on Capital Debt		(446,175)
Net Cash Used by Capital Financing and Related Financing Activities		(1,036,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received		19,257
Net Cash Provided by Investing Activities		19,257
Net Increase in Cash and Cash Equivalents		617,099
Cash and Cash Equivalents - July 1, 2013		4,819,906
Cash and Cash Equivalents - June 30, 2014	$	5,437,005
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(6,779,970)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation Expense		6,290,292
Allowances, Write-Offs, and Amortizations		3,445
Other Nonoperating Revenues		954,254
Changes in Assets and Liabilities:		
Receivables		195,964
Accounts Payable and Accrued Liabilities		(49,652)
Due to Primary Government		(599)
Unearned Revenue		2,787
Compensated Absences		20,945
Deposits Liability		(3,088)
Net Cash Provided by Operating Activities	$	634,378

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	4,541,526
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		895,479
Total Cash and Cash Equivalents - June 30, 2014	$	5,437,005

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

State Capital Appropriation for Reduction of Debt	$	26,572,610

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

Global TransPark Foundation, Inc.
Statement of Financial Position
June 30, 2014

Exhibit B-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	4,405,201
Total Current Assets		4,405,201
Noncurrent Assets:		
Property and Equipment, Net of Accumulated Depreciation of $3,804,652		4,693,412
Total Assets	$	9,098,613
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	38,699
Total Liabilities		38,699
NET ASSETS		
Unrestricted		9,059,914
Total Net Assets		9,059,914
Total Liabilities and Net Assets	$	9,098,613

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

Global TransPark Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Exhibit B-2

	Unrestricted	Total June 30, 2014
SUPPORT AND REVENUE:		
Rent Income	$ 314,694	$ 314,694
Interest Income	8,725	8,725
Other Income	43	43
Total Support and Revenue	323,462	323,462
EXPENSES:		
Program Services	212,452	212,452
Management and General Expenses	45,846	45,846
Total Expenses	258,298	258,298
Change in Net Assets	65,164	65,164
Net Assets at Beginning of Year	8,994,750	8,994,750
Net Assets at End of Year	$ 9,059,914	$ 9,059,914

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **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 (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 North Carolina Global TransPark Authority (Authority) is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

The accompanying financial statements present all funds belonging to the Authority and its component unit. The Authority's component unit is discretely presented in the Authority's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit - The Global TransPark Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the Authority.

The Foundation was established in 1992 as a nonprofit corporation. The purpose of the Foundation is to engage in major fund-raising activities and to assist the North Carolina Global TransPark Authority with the development of the Global TransPark. The Foundation is a nonprofit organization exempt from income taxation under Section 501 (c)(3) of the Internal Revenue Code.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Authority's financial reporting entity for these differences.

During the year ended June 30, 2014, there were no significant transactions between the Authority and Foundation. The Foundation has no remaining commitments with the Authority to provide financial incentives.

Complete financial statements for the Foundation may be obtained from the North Carolina Global TransPark, P.O. Box 1476, Kinston, NC 28503-1476, or by calling (252) 522-4929.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the full scope of the Authority's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. Basis of Accounting - The financial statements of the Authority have been prepared using the economic resource 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, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, includes certain grants, appropriations, and contributions. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF 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.

E. Receivables - Receivables consist of charges to customers for services, leases on facilities, and miscellaneous revenues. Receivables also include amounts due from the Foundation. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has recorded.

F. **Capital Assets and Depreciation** - Capital assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The Authority capitalizes assets that have a value of $5,000 or more at the date of acquisition and an expected useful life of more than one year. The Authority capitalizes intangible assets under these same provisions.

Depreciation is computed using the straight-line method over the following useful lives of the assets: generally 10 to 50 years for buildings, 20 to 40 years for landing fields and grounds, and 5 to 20 years for equipment.

G. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the payment of principal and interest as required by debt covenants.

H. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts on notes payable and compensated absences that will not be paid within the next fiscal year.

I. **Compensated Absences** - The Authority'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. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. 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, compensated absences include 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 the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

The Authority has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. There is no liability for unpaid accumulated sick leave because the Authority has no obligation to pay sick leave upon termination or retirement. The policy provides for unlimited accumulation of sick leave. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

J. **Net Position** - The Authority's net position is classified as follows:

Net Investment in Capital Assets - This represents the Authority's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from state appropriations, rental revenues, contributions, and interest income.

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is determined by management on a case-by-case basis.

K. **Revenue and Expense Recognition** - The Authority classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and collecting rents in connection with the Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) building space rents, (2) land rents, (3) janitorial services, and (4) computer networking. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the Authority, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

NOTE 2 - DEPOSITS

Authority - Unless specifically exempt, the Authority is required by *North Carolina General Statute* 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer.

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes $3,238,568 which represents the Authority's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2014. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) 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.osc.nc.gov/ and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Cash on hand at June 30, 2014 was $200. The carrying amount of the Authority's deposits not with the State Treasurer was $2,198,237 and the bank balance was $2,222,932. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2014, the Authority's bank balance was exposed to custodial credit risk as follows:

Uninsured and Collateralized	$ 1,331,438

Component Unit - The Global TransPark Foundation, Inc. (Foundation) maintains its cash balances in several financial institutions located in Kinston, NC. The carrying amount of the Foundation's deposits and the bank balances were $4,405,201. The Foundation does not have a deposit

policy for custodial credit risk. As of June 30, 2014, the Foundation's bank balance was exposed to custodial credit risk, as follows:

Uninsured and Collateralized	$ 3,405,201

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Amount
Current Receivables:	
Due from Customers	$ 23,454
Due from Global TransPark Foundation, Inc.	1,710
Total Current Receivables	$ 25,164

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	$ 20,972,245	$ 45,535		$ 21,017,780
Intangible Assets	1,546,370			1,546,370
Construction in Progress	66,404	34,544		100,948
Total Capital Assets, Nondepreciable	22,585,019	80,079	0	22,665,098
Capital Assets, Depreciable:				
Landing Fields and Grounds	49,034,063			49,034,063
Buildings	139,391,808			139,391,808
Equipment	4,141,880			4,141,880
Total Capital Assets, Depreciable	192,567,751	0	0	192,567,751
Less Accumulated Depreciation for:				
Landing Fields and Grounds	20,334,347	1,605,562		21,939,909
Buildings	18,906,255	4,531,050		23,437,305
Equipment	3,559,447	153,680		3,713,127
Total Accumulated Depreciation	42,800,049	6,290,292	0	49,090,341
Total Capital Assets, Depreciable, Net	149,767,702	(6,290,292)	0	143,477,410
Capital Assets, Net	$ 172,352,721	$ (6,210,213)	$ 0	$ 166,142,508

During the year ended June 30, 2014, the Authority incurred $444,146 in interest expense related to the acquisition and construction of capital assets.

Component Unit - A summary of changes in the Foundation's capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Depreciable:				
Buildings	$ 8,498,064	$ 0	$ 0	$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	3,592,200	212,452		3,804,652
Total Capital Assets, Net	$ 4,905,864	$ (212,452)	$ 0	$ 4,693,412

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 47,390
Accrued Payroll	30,086
Total	$ 77,476

NOTE 6 - LONG-TERM LIABILITIES

A. **Summary of Changes** - A summary of changes in the Authority's long-term liabilities for the year ended June 30, 2014 is presented as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Notes Payable	$ 38,091,435	$	27,192,172	$ 10,899,263	$ 4,440,941
Compensated Absences	80,730	101,675	80,731	101,674	50,837
Total Long-Term Liabilities	$ 38,172,165	$ 101,675	$ 27,272,903	$ 11,000,937	$ 4,491,778

B. Notes Payable Summary

Notes Payable - North Carolina Escheat Fund – Effective July 1, 2013, Senate Bill 402, Session Law 2013, directed the Office of State Budget and Management to transfer funds from the Reserve for Global TransPark Loan Repayment to the Escheat Fund as payment-in-full for the Authority's outstanding loan. On September 20, 2013, the total amount of the loan was transferred to the State Treasurer as payment in full.

Notes Payable - United States Department of Agriculture (USDA) - The Authority was indebted for a total of four USDA loans at June 30, 2014. One USDA loan was for the construction of Fixed Base Operator (FBO) hangars at the Global TransPark at an interest rate of 4.75%. Another USDA loan was for the construction of an Administration Building at an interest rate of 4.63%. The third loan was for the Airport Rescue and Fire Fighting Facility (ARFF) that has approximately 20,000 square feet of leased space at an interest rate of 4.13%. The fourth loan was for an expansion of the FBO hangars at an interest rate of 4.25%. These loans are collateralized by the assets acquired with the loan proceeds. The loan information on the USDA notes payable is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2014	Principal Outstanding June 30, 2014
4.75%	6/21/2041	$ 666,500	$ 103,129	$ 563,371
4.63%	10/25/2032	673,350	151,032	522,318
4.13%	8/18/2046	1,345,000	101,365	1,243,635
4.25%	11/7/2046	500,000	39,624	460,376

The annual requirements to pay principal and interest on the USDA notes at June 30, 2014 are presented as follows:

Fiscal Year	Principal	Interest
2015	2,335,962	86,519
2016	6,920	19,290
2017	7,214	18,996
2018	7,521	18,689
2019	7,840	18,370
2020-2024	44,491	86,559
2025-2029	54,784	76,266
2030-2034	67,458	63,592
2035-2039	83,065	47,985
2040-2044	102,282	28,768
2045-2047	72,163	6,228
Total Requirements	$ 2,789,700	$ 471,262

Additional information regarding the USDA notes payable is provided in Note 14.

Notes Payable - Bank and Private Loans - The Authority secured the first loan to finance the construction of a 20,000 square foot facility for a tenant. Principal and interest on the first loan are payable monthly. The Authority secured a second loan to finance the installation of an 8" gas line for a tenant. Principal and interest payments on this loan are paid

annually. The Authority secured a third loan to construct GTP-7, a 100,000 square foot shell building. The Authority borrowed $3,159,207 of the maximum of $4,000,000, with the first two years of the loan payments being interest only. These loans are collateralized by the assets acquired with the loan proceeds, as well as the land on which the assets are located.

Information on the loans at June 30, 2014 is shown in the following table:

Purpose	Financial Lender	Issue Date	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2014	Principal Outstanding June 30, 2014
Facility Construction	First Citizens	11/8/2006	7.00%	11/8/2030	$ 1,606,750	$ 180,305	$ 1,426,445
Gas Line Construction	PNG Gas Co.	10/6/2009	7.00%	8/4/2014	488,055	390,444	97,611
Facility Construction	Southern Bank	5/24/2012	5.75%	9/24/2026	3,159,207	14,315	3,144,892

The annual requirements to pay principal and interest on the private notes at June 30, 2014 are presented as follows:

Fiscal Year	Principal	Interest
2015	1,704,975	185,406
2016	191,296	168,200
2017	203,212	156,284
2018	215,380	144,116
2019	228,278	131,221
2020-2024	1,363,015	434,476
2025-2027	762,792	53,463
Total Requirements	$ 4,668,948	$ 1,273,166

In June 2014, upon recommendation of the Authority's Board Finance Committee, the Secretary approved the advanced debt pay off of all notes payable with the exception of Southern Bank, DOT, and one USDA note. The notes identified for advance repayment were paid-in-full in July and August of 2014.

Notes Payable - North Carolina Department of Transportation (DOT) Loan - On September 29, 2011, the Authority signed an agreement with DOT to draw down a maximum of $5,000,000 for the renovation of GTP-1, a 120,000 square foot facility to be converted from warehousing to industrial fabrication for a tenant. On April 17, 2012, the agreement was amended to require the Authority to repay DOT $400,000 annually at 0% interest until the loan is paid in full by reducing quarterly appropriations to the Authority by $100,000. The total amount borrowed

was $4,440,615, and the final maturity date is July 1, 2023. Information on the loan at June 30, 2014 is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2014	Principal Outstanding June 30, 2014
0.00%	7/1/2023	$ 4,440,615	$ 1,000,000	$ 3,440,615

The annual requirements to pay principal on the note at June 30, 2014 are presented as follows:

Fiscal Year	Principal
2015	400,000
2016	400,000
2017	400,000
2018	400,000
2019-2028	1,840,615
Total Requirements	$ 3,440,615

Additional information regarding the DOT loan payable is provided in Note 14.

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Authority entered into operating leases for facilities and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	9,360
2016	9,360
2017	8,018
Total Minimum Lease Payments	$ 26,738

Rental expense for all operating leases during the year was $9,360.

NOTE 8 - FUTURE RENTAL REVENUES

Authority - The Authority has entered into several long-term lease agreements for facilities. Expected income from leasing arrangements over the next five years is as follows:

Fiscal Year	Amount
2015	1,124,673
2016	987,838
2017	930,015
2018	815,428
2019	594,716
Total	$ 4,452,670

The various buildings leased were acquired at a cost of $133,670,553 and have accumulated depreciation totaling $24,437,306.

Component Unit - The Foundation has entered into a lease agreement with Mountain Air Cargo, Inc. to lease a building owned by the Foundation. The term of the lease is 21 years and 6 months after the date of beneficial occupancy by the lessee.

Under the terms of the agreement, Mountain Air Cargo, Inc. paid no lease payments for the first 18 months. At the end of eighteen months, lease payments are $2.25, $3.50, $4.50, and $5.90 per square foot for each five-year period until the lease terminates. The leased square footage is approximately 53,338 square feet. Mountain Air Cargo, Inc. may terminate the lease early with ninety (90) days' notice if certain conditions relating to their business are not met. These conditions relate to the termination of a contract with Federal Express Corporation or a reduction by 50% of Mountain Air Cargo, Inc.'s F-27 aircraft operations.

Expected income from leasing arrangements over the next five years is as follows:

Fiscal Year	Amount
2015	314,694
2016	314,694
2017	314,694
2018	183,572
Total	$ 1,127,654

The building leased was constructed in 1995 at a cost of $8,498,064 and has accumulated depreciation totaling $3,804,652.

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 (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. TSERS is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS 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 year ended June 30, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the Authority had a total payroll of $716,055, of which $701,974 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were $61,002 and $42,118, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The Authority made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were $61,002, $48,709, and $51,644, , respectively.

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.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

A. **Health Benefits** - The Authority participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of 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 Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

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 those 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 established by the General Assembly.

For the current fiscal year the Authority contributed 5.4% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.3% and 5.0%, respectively. The Authority made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were $37,907 $30,991, and $34,707, respectively. The Authority 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.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Disability Income - The Authority 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 Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2014, the Authority made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The Authority made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were $3,089, $2,573, and $3,610, respectively. The Authority assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report.*

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries insurance through the North Carolina Department of Insurance 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.

The risk of tort claims of up to $1,000,000 per claimant is retained 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 Authority pays the premium, based on a composite rate, directly to the private insurer.

The Authority is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Authority for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a $5,000 per occurrence deductible.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The Authority pays premiums to the North Carolina Department of Insurance for the coverage.

The Authority 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. The Authority is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible.

Authority employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

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

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 12 - RELATED PARTIES

North Carolina's Eastern Region - North Carolina's Eastern Region (Region), formerly the Global TransPark Development Commission, is a corporate body created on November 29, 1993, by *North Carolina General Statute* 158-31. It is composed of a nineteen (19) member board; thirteen (13) members are appointed by the county commissioners of each of the counties; two members are appointed by the Governor; two members are appointed by the President Pro Tempore of the Senate; and two members are appointed by the Speaker of the House of Representatives. Although not directly connected with the development of the Global TransPark itself, the Region supports economic development initiatives in its thirteen-member counties. A principal objective of the Region is to accommodate businesses drawn to the area by the Global TransPark. No significant financial transactions occurred between the Authority and the Region during the year ended June 30, 2014.

Global TransPark Foundation, Inc. - The Foundation's operating bank accounts are with a bank owned by one of the directors of the Foundation.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Environmental - The Global TransPark is subject to a number of federal, state, and local environmental laws, regulations, and policies. The environmental laws and regulations most applicable to the TransPark relate to wetlands, air emissions, wastewater discharges, and the handling, disposal, and release of solid and/or hazardous wastes. More specifically, the TransPark may be subject to the Comprehensive Environmental Response, Compensation and Liability Act, which imposes retroactive liability upon owners and operators of facilities, including the TransPark, for the release or threatened release of hazardous substances at on-site or off-site locations.

Before constructing a major federal action significantly affecting the environment, the TransPark must complete an environmental review and permitting process pursuant to applicable federal and state law and regulations. On September 8, 1997, the Federal Aviation Administration (FAA) granted a favorable Record of Decision satisfactorily concluding the FAA's actions on the environmental process. The United States Army Corps of Engineers originally issued a Section 404 permit on October 21, 1998 to discharge dredge or fill material for the initial and future construction of the Global TransPark. The permit has been extended to October 21, 2018.

The Authority will continue to fully comply with all applicable environmental laws, regulations, and policies and does not currently anticipate any material adverse effects on its continued operations or financial condition as a result of its compliance therewith. The possibility that environmental liability may arise is an inherent risk in any development such as the TransPark. Additionally, unforeseeable legislative actions by federal, state, or local governments regarding new environmental laws or regulations could increase the cost of and/or delay in developing the TransPark.

Construction and Environmental Commitments - The Authority has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $19,252 at June 30, 2014. These commitments were for capital improvement projects for the Kinston Regional Jetport and other construction projects. As of June 30, 2014, the Authority had not entered into additional construction contracts. There are also long-range environmental commitments based on the United States Army Corps of Engineers Section 404 permit for the activities described above.

Concentration of Risk and Potential Refinancing Commitment - The Authority is a state agency for the State of North Carolina and, therefore, receives financial support from the State. Excluding capital contributions and

investment earnings, the Authority received 28% of its financial support from the State for the year ended June 30, 2014 compared to 34% during the prior year.

NOTE 14 - SUBSEQUENT EVENTS

On August 26, 2014 the Authority and DOT amended the annual payment on the DOT note payable from $400,000 to $250,000, and extended the repayment terms by 5 years. This was to help mitigate the impact of the reduction in appropriations from the state legislature to the Authority from $1,000,000 to $750,000. As repayment for the note the Authority's quarterly appropriation will be reduced by $62,500, resulting in an annual payment of $250,000 and a new maturity date of July 1, 2028.

Effective on July 31, 2014, the Authority and its new fixed base operator (FBO) signed a long-term lease providing FBO service for the next 5 years with three five-year options.

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INDEPENDENT AUDITOR'S REPORT 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 Global TransPark Authority
Kinston, North Carolina

We have audited, in accordance with the 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, the financial statements of the North Carolina Global TransPark Authority, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 13, 2014. Our report includes a reference to other auditors who audited the financial statements of the Global TransPark Authority Foundation, Inc., as described in our report on the Authority's financial statements. The financial statements of the Global TransPark Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Global TransPark Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 13, 2014

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For additional information contact:

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This audit required 245 audit hours at an approximate cost of $23,030.