

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, 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, 2017, 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.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

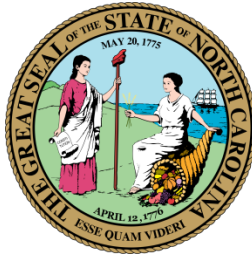


Beth A. Wood, CPA  
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## **INDEPENDENT AUDITOR'S REPORT**

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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 (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, 2017, 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 opinions, insofar as they relate to the amounts included for the Global TransPark Foundation, Inc., are 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 respective financial position of the North Carolina Global TransPark Authority, and its discretely presented component unit, as of June 30, 2017, and the respective 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 and other required supplementary information, as listed in the table of contents, 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 January 16, 2018 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

January 16, 2018



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Overview

Management's Discussion and Analysis (MD&A) provides an overview of the North Carolina Global TransPark Authority's (Authority or Global TransPark) activities during the fiscal year ended June 30, 2017. 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, Statement of Cash Flows, and Notes to the Financial Statements.

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 Authority.

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.

Required Supplementary Information (RSI) follows the basic financial statements and Notes to the Financial Statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes information related to the Authority's participation in the Teachers' and State Employees' Retirement System.

## 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 (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 Authority's net position and cash and cash equivalents.

The fiscal year that ended June 30, 2017, 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, 2017 to that of the prior year yields significant changes.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016 (as restated)	Change	% Change
Assets:				
Current Assets	\$ 2,562,053	\$ 2,109,434	\$ 452,619	21%
Noncurrent Assets - Other	392,640		392,640	
Noncurrent Assets - Capital Assets, Net	149,061,360	153,526,488	(4,465,128)	-3%
Total Assets	152,016,053	155,635,922	(3,619,869)	-2%
Total Deferred Outflows of Resources	156,576	44,969	111,607	248%
Liabilities:				
Current Liabilities	1,037,143	871,353	165,790	19%
Long-Term Liabilities	5,652,201	5,822,083	(169,882)	-3%
Total Liabilities	6,689,344	6,693,436	(4,092)	0%
Total Deferred Inflows of Resources	59,096	33,895	25,201	-74%
Net Position:				
Net Investment in Capital Assets	143,015,355	147,367,502	(4,352,147)	-3%
Restricted	377,640		377,640	
Unrestricted	2,040,355	1,586,058	(454,297)	29%
Total Net Position	\$ 145,433,350	\$ 148,953,560	\$ (3,520,210)	-2%

Total assets decreased 2%, primarily due to routine depreciation of capital assets. Current assets increased 21% due to an overall increase in revenues and a resulting increase in cash. Capital assets (net) decreased 3% due to annual depreciation offset by additions to construction in progress. The increase in other noncurrent assets is the result of construction reimbursements due from the State that were not applicable to the prior year.

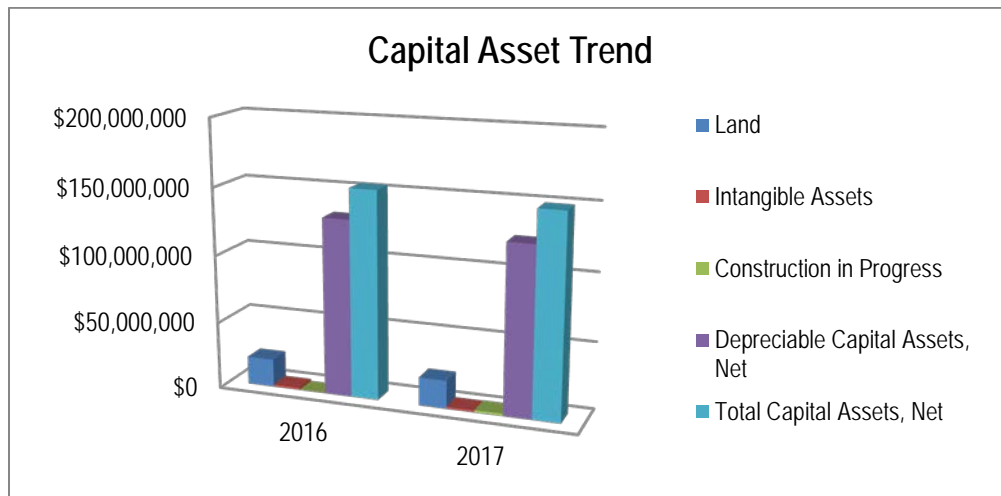
Total liabilities remained consistent with the prior year. At June 30, 2017, the Authority's only remaining debt obligations were amounts due to Southern Bank and the NC Department of Transportation (NCDOT). Current liabilities increased 19% due to construction in progress accruals at year-end that were not applicable to the prior year. The 3% decrease in long-term liabilities represents the effect of principal payments on notes payable, offset by an increase in the net pension liability. Changes in the net pension liability, as well as deferred outflows of resources and deferred inflows of resources were the result of changes in amounts associated with the Authority's position in the Teachers' and State Employees' Retirement System described in Note 10 to the financial statements.

Total net position of the Authority decreased 2% from the prior year. Net investment in capital assets represents the Authority's equity position, net of related liabilities, with regards to land, facilities, and equipment. The decrease from the prior year was due to depreciation expense offset by additions to construction in progress. Unrestricted net position is available for any lawful purpose of the Authority. Unrestricted net position increased 29% primarily as a result of an overall increase in revenues. The increase in restricted net position was the result of amounts due from the State for construction reimbursements as described above.

### Capital Assets

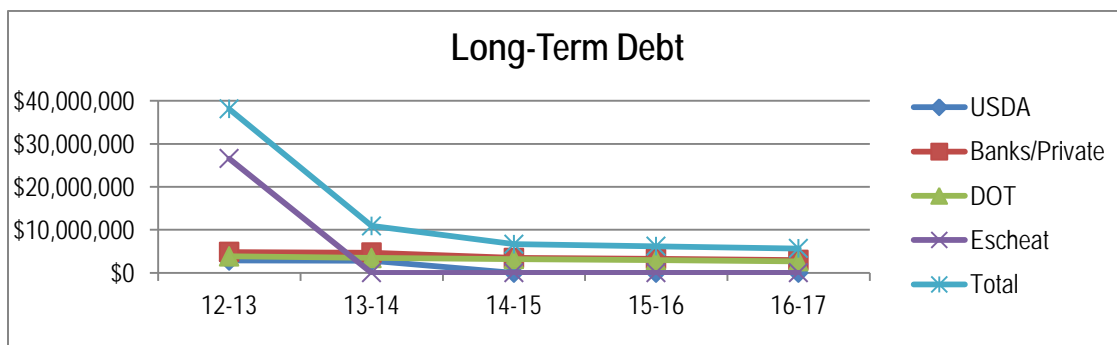
The following graph depicts the trend in capital assets. Total net capital assets include land, intangible assets, construction in progress, and depreciable capital assets net of accumulated depreciation.

Capital activity during the period consisted of \$1.78 million in additions to construction in progress related to the grant-funded airfield lighting improvement project. Other activity was represented by routine depreciation and write-offs of fully depreciated assets no longer used by the Authority. See Note 5 for additional information on capital assets.



### Long-Term Liabilities

Long-term liability activity during the period consisted of planned reductions in notes payable for principal payments, and an increase in the Authority's net pension liability further discussed in Note 10 to the financial statements. The graph below depicts the makeup of debt at June 30, 2017, as compared to prior years. See Note 7 for additional information regarding long-term liabilities.



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

Total operating revenues increased by 15% from the prior year. Rental revenues increased by 16% due a new tenant added mid-year in the prior year, lease expansions by existing tenants during the period, and a temporary lease by the Federal Emergency Management Agency during the prior year to facilitate hurricane relief. Fuel sales increased by 78% due to an increase in landings and related refueling of the Antonov aircraft as compared to the prior

period. Noncapital contributions increased by 215% as a result of additional funding awarded to the Authority in the current year by governmental and nonprofit agencies including the Global TransPark Foundation, Inc. The increase in capital contributions was the result of a grant awarded to the Authority from the Division of Aviation for airfield lighting improvements that was not applicable to the prior year.

The Authority's operating expenses increased by 2% as compared to the prior year primarily due to an increase in repairs and maintenance expense. Repairs and maintenance expense increased by 38% as a result of continued HVAC, roofing, window and fencing repairs to rental facilities that began in 2016 and had not been addressed for several years due to insufficient funding. Other operating and nonoperating expenses remained relatively consistent with the prior year.

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

	June 30, 2017	June 30, 2016 (as restated)	Change	% Change
Operating Revenues:				
Rental Revenues	\$ 1,542,471	\$ 1,325,045	\$ 217,426	16%
Fuel Sales	72,196	40,490	31,706	78%
Client Services	60,693	62,438	(1,745)	-3%
Miscellaneous Revenues	41,898	69,020	(27,122)	-39%
Total Operating Revenues	1,717,258	1,496,993	220,265	15%
Operating Expenses:				
Salaries and Benefits	595,347	580,548	14,799	3%
Professional Services	102,946	73,911	29,035	39%
Rent	10,026	9,925	101	1%
Repairs and Maintenance	319,343	231,218	88,125	38%
Supplies and Materials	81,883	94,927	(13,044)	-14%
Equipment	13,256	6,583	6,673	101%
Insurance	60,988	62,594	(1,606)	-3%
Telephone	25,663	24,995	668	3%
Utilities	222,903	201,233	21,670	11%
Travel and Subsistence	9,468	8,321	1,147	14%
Advertising	2,435	3,421	(986)	-29%
Projects		11,171	(11,171)	-100%
Depreciation	6,246,133	6,285,534	(39,401)	-1%
Other Operating Expenses	128,975	95,817	33,158	35%
Total Operating Expenses	7,819,366	7,690,198	129,168	2%
Operating Loss	(6,102,108)	(6,193,205)	91,097	2%
Nonoperating Revenues (Expenses):				
State Operating Aid	750,000	750,000		
Noncapital Contributions	181,796	57,733	124,063	215%
Investment Earnings	6,870	5,055	1,815	36%
Interest and Fees on Debt	(116,879)	(131,171)	(14,292)	-11%
Net Nonoperating Revenues	821,787	681,617	140,170	21%
Other Revenues:				
Capital Contributions	1,760,111		1,760,111	
Total Revenues	4,416,035	2,309,781	2,106,254	91%
Total Expenses	(7,936,245)	(7,821,369)	(114,876)	-2%
Decrease in Net Position	(3,520,210)	(5,511,588)	1,991,378	36%
Net Position, Beginning of Period	148,953,560	154,465,148	(5,511,588)	
Net Position, End of Period	\$ 145,433,350	\$ 148,953,560	\$ (3,520,210)	

## Highlights and Economic Outlook

The Authority continued to move forward regarding the commitment to achieve annual goals and objectives established in early 2014. The Authority made significant strides in reducing expenditures while adding additional tenants during the period. These efforts included:

- The NC Division of Aviation completed an economic impact study of North Carolina airports statewide, and of 72 public airports examined (including commercial airports) the Global TransPark ranked 6<sup>th</sup> through 14<sup>th</sup> in economic impact for all airports and 2<sup>nd</sup> through 7<sup>th</sup> for general aviation airports. An electronic version of this report is accessible by visiting <https://connect.ncdot.gov/municipalities> and clicking on "State Airport Aid".
- Operating as an emergency response center for Hurricane Matthew response and recovery. Also functioned as back up to Greenville Airport in response to flooding.
- NCDOT Division 2 moved to the Global TransPark and occupied building GTP#5. NC Emergency Management expanded its existing lease agreement to occupy the entirety of the Administration Building.
- Temporarily leasing facilities to the Federal Emergency Management Agency, CrateTech, HondaJet, and the US Marine Corp.
- Training center for Lidl grocery chain fully utilizing the Training Center and building GTP#2.
- Significant revenue from regular use of the Global TransPark by Antonov as transport for Spirit AeroSystems Airbus fuselages and wing spans.
- Continuing to provide significant support to Spirit AeroSystems as it sought to expand production at the North Carolina Business Unit in Kinston. This effort included an in-depth assessment of logistics options along the Highway 70 and North Carolina Railroad corridors between Morehead City and Kinston.
- Continuing to work with the U.S. Army Corps of Engineers (USACE) to include 158 acres of the Authority's property that is currently outside of the USACE administered 404 permit area. This change would ensure that all of the Authority's developable land is available to meet short-notice development opportunities.

Marketing activities for the year focused on establishing new partnerships and fostering existing relationships. Moving forward the Authority will rely on these partners to help expand the sales capacity of the Authority's small staff in order to reach a wider audience. Marketing activities included:

- Submitting proposals for and/or establishing contact with 14 new potential industries for future expansion at the Global TransPark.
- Hosting tours of the Spirit Airbus fabrication plant and Antonov cargo plane for NC State Legislatures and personnel, economic entities, and other local, city, and county government leaders. Leaders discussed economic growth, infrastructure needs, and funding challenges at the Authority.
- Partnering with Lenoir County Manufacturers Association and surrounding economic developers to host Manufacturing Day featuring the Global TransPark Authority. This was a very successful event bringing over 1,000 participants to the Global TransPark and resulting in exposure on all three local television stations.

Other activities included:

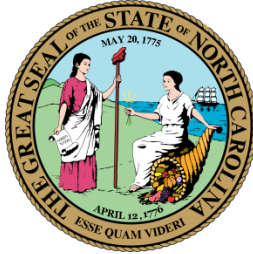
- Participating in an extensive study conducted by the Federal Emergency Management Agency by performing an assessment on the Authority and particularly the airport to determine its suitability and potential future usage as a National Disaster Center to stage resources for the east coast of the USA.
- Working with the NC Rail Division, G&O Railways, Norfolk Southern, and Spirit AeroSystems to simplify logistical issues for rail transportation to the North Carolina State Ports Authority. The Authority and Spirit continue to work together for use of air transportation of Spirit components to France.
- Supporting the military by providing training facilities for multiple branches of our Armed Services.

Despite many challenges and opportunities, the Authority has continued to implement initiatives and projects, as listed below:

- Working in partnership with Carolina Gateway to implement CCX terminal for CSX and connection to the Global TransPark.
- Extension of Harvey Parkway to Highway 11, developing north/south limited access highway connectivity has been approved, funded, and is under implementation.
- Significant progress on comprehensive airfield lighting system rehabilitation and electrical vault relocation, as well as replacement of the approach lighting system.
- The Authority maintained steady job growth in fiscal year 2017. Private sector employment at the Authority increased 15% over the prior year, with a total of 847 employees. These numbers do not reflect the public agencies who are also tenants at the Authority.
- The average annual salary of \$40,623 for private sector jobs at the Authority was slightly less than the previous fiscal year, however these salaries were 29% higher than the average annual private sector salary for Lenoir County. Compared to the \$750,000 in state operating aid the Authority received in fiscal year 2017, the total payroll for private sector companies at the Authority was more than \$41million.
- With 70% 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, building products, and agricultural and energy businesses.

### **Contacting the Authority's Management**

If you have questions about these financial statements or need additional information, contact the Authority's Executive Director, 3800 Highway 58 North, Kinston, NC 28504, or at (252) 523-1351 extension 309.



# FINANCIAL STATEMENTS

**North Carolina Global TransPark Authority**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,419,297
Receivables (Note 4)	142,756
Total Current Assets	2,562,053

Noncurrent Assets:

Restricted Cash and Cash Equivalents	15,000
Restricted Due from Primary Government	377,640
Capital Assets - Nondepreciable (Note 5)	24,345,155
Capital Assets - Depreciable, Net (Note 5)	124,716,205
Total Noncurrent Assets	149,454,000
Total Assets	152,016,053

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	156,576
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	614,963
Interest Payable	9,161
Due to Primary Government	25,039
Funds Held for Others	15,000
Unearned Revenue	83,032
Long-Term Liabilities - Current Portion (Note 7)	280,787
Total Current Liabilities	1,027,982

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	5,652,201
Total Liabilities	6,680,183

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	59,096
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**NET POSITION**

Net Investment in Capital Assets	143,015,355
Restricted for:	
Expendable:	
Capital Projects	377,640
Unrestricted	2,040,355
Total Net Position	\$ 145,433,350

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, 2017**

**Exhibit A-2**

**REVENUES**

Operating Revenues:	
Rental Revenues	\$ 1,542,471
Fuel Sales	72,196
Client Services	60,693
Miscellaneous Revenues	41,898
	<hr/>
Total Operating Revenues	1,717,258
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**EXPENSES**

Operating Expenses:	
Salaries and Benefits	595,347
Professional Services	102,946
Depreciation	6,246,133
Rent	10,026
Repairs and Maintenance	319,343
Supplies and Materials	81,883
Equipment	13,256
Insurance	60,988
Telephone	25,663
Utilities	222,903
Travel and Subsistence	9,468
Advertising	2,435
Other	128,975
	<hr/>
Total Operating Expenses	7,819,366
	<hr/>
Operating Loss	(6,102,108)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Operating Aid	750,000
Noncapital Contributions	181,796
Investment Earnings	6,870
Interest and Fees on Debt	(116,879)
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Net Nonoperating Revenues	821,787
	<hr/>
Loss Before Other Revenues	(5,280,321)
	<hr/>
Capital Contributions	1,760,111
	<hr/>
Decrease in Net Position	(3,520,210)
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**NET POSITION**

Net Position - July 1, 2016, as Restated (Note 16)	148,953,560
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Net Position - June 30, 2017	\$ 145,433,350
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The accompanying notes to the financial statements are an integral part of this statement.

**North Carolina Global TransPark Authority**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,670,579
Payments to Employees and Fringe Benefits	(625,584)
Payments to Vendors and Suppliers	(952,888)
Net Cash Provided by Operating Activities	92,107

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Operating Aid	750,000
Noncapital Contributions	125,594
Related Activity Agency Receipts	15,000
Total Cash Provided by Noncapital Financing Activities	890,594

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Capital Contributions	1,382,471
Acquisition and Construction of Capital Assets	(1,401,828)
Principal Paid on Capital Debt	(492,157)
Interest and Fees Paid on Capital Debt	(124,230)
Net Cash Used by Capital Financing and Related Financing Activities	(635,744)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	6,870
Total Cash Provided by Investing Activities	6,870
Net Increase in Cash and Cash Equivalents	353,827
Cash and Cash Equivalents - July 1, 2016	2,080,470
Cash and Cash Equivalents - June 30, 2017	\$ 2,434,297

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (6,102,108)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	6,246,133
Changes in Assets and Deferred Outflows of Resources:	
Receivables	(57,590)
Deferred Outflows for Pensions	(111,607)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	5,470
Due to Primary Government	2,994
Unearned Revenue	10,911
Net Pension Liability	69,381
Compensated Absences	3,322
Deferred Inflows for Pensions	25,201
Net Cash Provided by Operating Activities	\$ 92,107

**North Carolina Global TransPark Authority**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit A-3**  
**Page 2 of 2**

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:

Cash and Cash Equivalents \$ 2,419,297

Noncurrent Assets:

Restricted Cash and Cash Equivalents 15,000

Total Cash and Cash Equivalents - June 30, 2017 \$ 2,434,297

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through the Assumption of a Liability \$ 379,177

Increase in Receivables Related to Nonoperating Income 377,640

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

**Global TransPark Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**

**Exhibit B-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 5,247,337
Total Current Assets	5,247,337

Noncurrent Assets:

Property and Equipment, Net of Accumulated Depreciation of \$4,442,007	4,056,057
Total Assets	9,303,394

**LIABILITIES**

Current Liabilities:

Accounts Payable	64,240
Total Liabilities	64,240

**NET ASSETS**

Unrestricted	9,239,154
Total Net Assets	9,239,154
Total Liabilities and Net Assets	\$ 9,303,394

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, 2017**

**Exhibit B-2**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Rent Income	\$ 314,694	\$ 0	\$ 314,694
Interest Income	17,696		17,696
Total Support and Revenue	332,390		332,390
<b>EXPENSES</b>			
Program Services	267,034		267,034
Management and General Expenses	25,509		25,509
Total Expenses	292,543		292,543
Change in Net Assets	39,847		39,847
Net Assets at Beginning of Year	9,199,307		9,199,307
Net Assets at End of Year	<u>\$ 9,239,154</u>	<u>\$ 0</u>	<u>\$ 9,239,154</u>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

**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. See below for further discussion of the Authority's component unit.

**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 fundraising 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 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, 2017, the Foundation provided support in the amount of \$56,202 to the Authority in order to upfit the Administration Building for new tenants.

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 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.

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include state operating aid, certain contributions, and interest income. 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. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- E. Receivables** - Receivables consist of charges to customers for services, leases on facilities, and miscellaneous revenues, as well as amounts due from the Foundation. Receivables also include amounts due from the State in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.
- F. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. 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 or cost of \$5,000 or greater at the date of acquisition and an estimated 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 estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Landing Fields and Grounds	20-40 years
Buildings	10-50 years
Equipment	5-25 years

**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 acquisition or construction of capital assets and amounts restricted by Foreign Trade Zone 214.

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

The net pension liability represents the Authority's proportionate share of the collective net pension liability reported in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*. This liability represents the Authority's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the Authority's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources related to pensions.

**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.

There is no liability for unpaid accumulated sick leave because the Authority has no obligation to pay sick leave upon termination or

retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- J. **Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has the following item that qualifies for reporting in this category: deferred outflows related to pensions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority has the following item that qualifies for reporting in this category: deferred inflows related to pensions.

- K. **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 liabilities related to those capital assets.

**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 state operating aid, rental revenues, 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. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources.

- L. **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) rental revenues, (2) charges for services, (3) fuel sales, and (4) landing fees. 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 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.

Cash on hand at June 30, 2017 was \$200. The carrying amount of the Authority's deposits not with the State Treasurer was \$1,438,924, and the bank balance was \$1,445,405. 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, 2017, the Authority's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$257,066.

**Short-Term Investment Fund** - At June 30, 2017, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$995,173, which represents the Authority's equity position in the State Treasurer's Short-Term Investment Fund (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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2017. Assets and shares of the STIF are valued at 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 North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

**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 \$5,247,337. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2017, the Foundation's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$4,247,340.

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Authority's investments are recorded at fair value as of June 30, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
Level 2	Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

**Short-Term Investment Fund** – At year-end, all of the Authority's investments valued at \$995,173 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Amount
Accounts Receivables:	
Due from Customers	\$ 86,554
Due from Global TransPark Foundation, Inc.	56,202
Total Accounts Receivables	<u>\$ 142,756</u>

**NOTE 5 - CAPITAL ASSETS**

**Authority** - A summary of changes in the capital assets for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016 (as Restated)	Increases	Decreases	Balance June 30, 2017
Capital Assets, Nondepreciable:				
Land	\$ 21,017,780	\$ 0	\$ 0	\$ 21,017,780
Construction in Progress		1,781,005		1,781,005
Intangible Assets	1,546,370			1,546,370
<b>Total Capital Assets, Nondepreciable</b>	<b>22,564,150</b>	<b>1,781,005</b>		<b>24,345,155</b>
Capital Assets, Depreciable:				
Landing Fields and Grounds	48,970,423		470,256	48,500,167
Buildings	139,248,949			139,248,949
Equipment	3,012,143		381,511	2,630,632
<b>Total Capital Assets, Depreciable</b>	<b>191,231,515</b>		<b>851,767</b>	<b>190,379,748</b>
Less Accumulated Depreciation for:				
Landing Fields and Grounds	25,215,827	1,608,897	470,256	26,354,468
Buildings	32,381,052	4,541,043		36,922,095
Equipment	2,672,298	96,193	381,511	2,386,980
<b>Total Accumulated Depreciation</b>	<b>60,269,177</b>	<b>6,246,133</b>	<b>851,767</b>	<b>65,663,543</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>130,962,338</b>	<b>(6,246,133)</b>		<b>124,716,205</b>
<b>Capital Assets, Net</b>	<b>\$ 153,526,488</b>	<b>\$ (4,465,128)</b>	<b>\$ 0</b>	<b>\$ 149,061,360</b>

During the year ended June 30, 2017, the Authority incurred \$116,879 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, 2017, is presented as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets, Depreciable:				
Buildings	\$ 8,498,064	\$ 0	\$ 0	\$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	4,229,555	212,452		4,442,007
<b>Total Capital Assets, Net</b>	<b>\$ 4,268,509</b>	<b>\$ (212,452)</b>	<b>\$ 0</b>	<b>\$ 4,056,057</b>

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2017, were as follows:

	Amount
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 457,089
Due to Employees	516
Contract Retainage	157,358
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 614,963</b>

## NOTE 7 - LONG-TERM LIABILITIES

### A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Net Pension Liability	\$ 145,689	\$ 69,381	\$ 0	\$ 215,070	\$ 0
Notes Payable	6,158,986		492,157	5,666,829	251,265
Compensated Absences	47,767	3,322		51,089	29,522
<b>Total Long-Term Liabilities</b>	<b>\$ 6,352,442</b>	<b>\$ 72,703</b>	<b>\$ 492,157</b>	<b>\$ 5,932,988</b>	<b>\$ 280,787</b>

Additional information regarding the net pension liability is included in Note 10.

### B. Notes Payable

**Bank Loans** - The Authority secured the first 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. The Authority secured a second loan to refinance the outstanding balance of other notes payable originally issued to facilitate the expansion of the fixed-base operator building. 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, 2017 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, 2017	Principal Outstanding June 30, 2017
Facility Construction	Southern Bank	5/24/2012	3.75%	5/28/2027	\$ 3,159,207	\$ 571,981	\$ 2,587,226
Refinance USDA FBO Expansion Note	Southern Bank	5/28/2015	3.00%	5/28/2027	453,738	64,750	388,988

The annual requirements to pay principal and interest on the private notes at June 30, 2017 are presented as follows:

Fiscal Year	Principal	Interest
2018	\$ 251,265	\$ 109,933
2019	260,537	100,661
2020	270,152	91,046
2021	280,125	81,073
2022	290,467	70,731
2023-2027	1,623,668	236,234
<b>Total Requirements</b>	<b>\$ 2,976,214</b>	<b>\$ 689,678</b>

**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 operating aid to the Authority by \$100,000. On August 26, 2015 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 aid from the state legislature to the Authority from \$1,000,000 to \$750,000. During the fiscal year ended June 30, 2017, DOT suspended the principal payment scheduled for the fiscal year ending June 30, 2018 to allow the Authority to receive the total operating aid of \$750,000, and the resulting new maturity date is July 1, 2029. Information on the loan at June 30, 2017 is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2017	Principal Outstanding June 30, 2017
0.00%	7/1/2029	\$ 4,440,615	\$ 1,750,000	\$ 2,690,615

The annual requirements to pay principal on the note at June 30, 2017 are presented as follows:

Fiscal Year	Principal
2018	\$ 0
2019	250,000
2020	250,000
2021	250,000
2022	250,000
2023-2027	1,250,000
2028-2029	440,615
Total Requirements	<u>\$ 2,690,615</u>

#### NOTE 8 - 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, 2017:

Fiscal Year	Amount
2018	<u>\$ 6,710</u>

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

# NOTE 9 - FUTURE RENTAL REVENUES

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

Fiscal Year	Amount
2018	\$ 1,114,469
2019	866,002
2020	791,637
2021	758,458
2022	252,679
Total	<u>\$ 3,783,245</u>

The various assets leased were acquired at a cost of \$128,451,235 and have accumulated depreciation totaling \$30,845,938.

The Authority negotiates terms of lease agreements on a case-by-case basis. Lease agreements generally consist of a fixed rate for rental of land and/or facilities, as well as variable charges for utility reimbursements and other related services. Certain lease agreements contain optional extension periods which may include rate escalations. Agreements are generally considered noncancelable once executed, however certain agreements contain specific cancellation terms and conditions. The amounts above represent only those agreements which are noncancelable.

**Component Unit** - The Foundation entered into an amended lease agreement with Mountain Air Cargo, Inc. on October, 15, 2015 to extend the lease of a building owned by the Foundation. The terms of the original lease agreement included a lease rate of \$5.90 per square foot per year (53,388 square feet) and were set to expire on January 31, 2018. The amendment extends the original lease agreement for an additional five years, through January 31, 2023, and provides Mountain Air Cargo, Inc. four options to extend the lease agreement for an additional five years each. The lease rate beginning February 1, 2018 and continuing through the duration of the initial lease term (January 31, 2023) is \$6.15 per square foot, per year. The lease rates for each of the five year options periods are \$6.77 per square foot per year, \$7.45 per square foot per year, \$8.20 per square foot per year, and \$9.02 per square foot per year, respectively. The last option period expires January 31, 2043.

Mountain Air Cargo, Inc. can terminate the lease with 90 days' written notice if the Aircraft Dry Lease and Services Agreement with Federal Express Corporation is terminated without the consent of Mountain Air Cargo, Inc. They can also terminate the lease with 90 days' written notice if there is a material adverse change to the terms of the Aircraft Dry Lease and Services Agreement with Federal Express Corporation, or if Mountain Air Cargo, Inc.'s operations render continuation of the lease economically impracticable, including, without limitation, reduction of more than 50% of the number of ATR aircraft or Cessna aircraft as of the effective date of the lease.

Expected income from leasing arrangements, including the option periods that are expected to be exercised, is as follows:

Fiscal Year	Amount
2018	\$ 320,550
2019	328,028
2020	328,028
2021	328,028
2022	328,028
2023-2027	1,786,199
2028-2032	1,950,870
2033-2037	2,163,524
2038-2042	2,380,031
2043	280,647
Total	<u>\$ 10,193,933</u>

The buildings leased have a total cost of \$8,498,064 and a net book value of \$4,056,057.

#### NOTE 10 - PENSION PLANS

##### Defined Benefit Plan

*Plan Administration:* The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Authority's contractually-required contribution rate for the year ended June 30, 2017 was 9.98% of covered payroll. Employee contributions to the pension plan were \$27,388, and the Authority's contributions were \$45,555 for the year ended June 30, 2017.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2016 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-Term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2016 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2017, the Authority reported a liability of \$215,070 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. The Authority's

proportion of the net pension liability was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2016, the Authority's proportion was .00234%, which was a decrease of .00161 from its proportion measured as of June 30, 2015.

*Actuarial Assumptions:* The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.25%

\* Salary increases include 3.5% inflation and productivity factor.

\*\* Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan at June 30, 2016 calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 404,505	\$ 215,070	\$ 55,781

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2017, the Authority recognized pension expense of \$28,529. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of  
Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 10,165
Changes of Assumptions	31,718	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	76,701	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	2,602	48,931
Contributions Subsequent to the Measurement Date	45,555	
<b>Total</b>	<b>\$ 156,576</b>	<b>\$ 59,096</b>

The amount of \$45,555 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of  
Deferred Outflows of Resources and Deferred Inflows of  
Resources That will be Recognized in Pension Expense:

Year Ended June 30:	Amount
2018	\$ 3,673
2019	3,722
2020	27,797
2021	16,733
<b>Total</b>	<b>\$ 51,925</b>

**NOTE 11 - 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 (TSERS). 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 TSERS 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 period July 1, 2016 through December 31, 2016, the Authority contributed 5.60% of the covered payroll under TSERS to the Fund, and for the period January 1, 2017 through June 30, 2017, the Authority contributed 6.02% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016, and 2015, were 5.60% and 5.49%, respectively. The Authority made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were \$26,547, \$25,039, and \$32,796, 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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 TSERS. 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, 2017, the Authority made a statutory contribution of .38% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016, and 2015, were .41% in both years. The Authority made 100% of its annual required



contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were \$1,735, \$1,833, and \$2,449, 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 12 - 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. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. 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.

### **A. Employee Benefit Plans**

#### **1. State Health Plan**

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 is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

#### **2. Death Benefit Plan of North Carolina**

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.

### **B. Other Risk Management and Insurance Activities**

#### **1. Automobile, Fire, and Other Property Losses**

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. However, some agencies have chosen a higher deductible for a reduction in premium.

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.

**2. Public Officers' and Employees' Liability Insurance**

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.

**3. Employee Dishonesty and Computer Fraud**

The Authority is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Entities are 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 \$100,000 deductible.

**4. Statewide Workers' Compensation Program**

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.

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 13 - COMMITMENTS AND CONTINGENCIES**

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

**Commitments** - The Authority has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were outstanding commitments on construction projects of \$442,759 at June 30, 2017. There are long-range environmental commitments based on the United States Army Corps of Engineers Section 404 permit for the activities described above.

**Concentration of Risk** - 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, 2017 compared to 33% during the prior year.

#### **NOTE 14 - RELATED PARTIES**

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

#### **NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2017, the Authority implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 82, *Pension Issues – An amendment of GASB Statement No. 67, No. 68, and No. 73*

GASB Statement No. 82 addresses certain issues with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of*

*GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE 16 - NET POSITION RESTATEMENT**

As of July 1, 2016, net position as previously reported was restated as follows:

	Amount
July 1, 2016 Net Position as Previously Reported	\$ 148,888,864
Restatement: To Capitalize Equipment Erroneously Expensed in the Prior Period.	<u>64,696</u>
July 1, 2016 Net Position as Restated	<u><u>\$ 148,953,560</u></u>



# **REQUIRED SUPPLEMENTARY INFORMATION**

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of the Proportionate Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Four Fiscal Years**

**Exhibit C-1**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.00234%	0.00395%	0.00481%	0.00477%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 215,070	\$ 145,689	\$ 56,436	\$ 289,317
Covered Payroll	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736
Net Pension Liability as a Percentage of Covered Payroll	48.10%	24.39%	8.04%	49.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Ten Fiscal Years**

**Exhibit C-2**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 45,555	\$ 40,913	\$ 54,660	\$ 61,002	\$ 48,709
Contributions in Relation to the Contractually Determined Contribution	<u>45,555</u>	<u>40,913</u>	<u>54,660</u>	<u>61,002</u>	<u>48,709</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 456,463	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 51,644	\$ 30,216	\$ 21,920	\$ 21,521	\$ 23,088
Contributions in Relation to the Contractually Determined Contribution	<u>51,644</u>	<u>30,216</u>	<u>21,920</u>	<u>21,521</u>	<u>23,088</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 694,145	\$ 612,945	\$ 613,999	\$ 640,515	\$ 756,995
Contributions as a Percentage of Covered Payroll	7.44%	4.93%	3.57%	3.36%	3.05%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

**North Carolina Global TransPark Authority**  
**Notes to Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Ten Fiscal Years**

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*Changes of Benefit Terms:*

<u>Cost of Living Increase</u>									
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

*Changes of assumptions.* In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

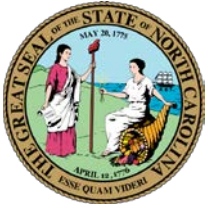
The Notes to Required Supplementary Information reflects information included in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*.





# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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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**

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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 (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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 16, 2018. Our report includes a reference to other auditors who audited the financial statements of the Global TransPark 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 opinions 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.

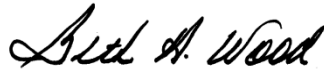
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

January 16, 2018

# ORDERING INFORMATION

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For additional information contact:  
Brad Young  
Director of External Affairs  
**919-807-7513**



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This audit required 200 hours at an approximate cost of \$20,600.