Financial Statement Report

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2006

Performed under contract with
the North Carolina Office of the State Auditor
Leslie W. Merritt, Jr., CPA, CFP – State Auditor

CHAIRMAN OF THE BOARD OF DIRECTORS

THE HONORABLE MICHAEL F. EASLEY

DARLENE A. WADDELL, EXECUTIVE DIRECTOR

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Local Government Commission
Board of Directors, North Carolina Global TransPark Authority

This report presents the results of the financial statement audit of the North Carolina Global TransPark Authority (the Authority), a component unit of the State of North Carolina, for the year ended June 30, 2006. Cherry, Bekaert, and Holland, L.L.P. performed this audit under contract with the Office of the State Auditor and their report is submitted herewith.

The audit of the Authority was conducted in accordance with *North Carolina General Statute* 63A, the North Carolina Global TransPark Authority Act. That legislation created the Authority and a governing Board of Directors. The Authority is required by General Statute 63A-23 to submit an annual report, accompanied by an audit conducted by the State Auditor of its books and accounts, to the Governor, General Assembly, and the Local Government Commission. General Statute 147-64.7 allows the State Auditor to obtain the services of independent public accountants to carry out its duties and functions.

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.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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CHERRY BEKAERT & HOLLAND

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

We have audited the accompanying Statement of Net Assets of the North Carolina Global TransPark Authority ("the Authority"), a component unit of the State of North Carolina, as of June 30, 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the North Carolina Global TransPark Foundation ("the Foundation"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2006, and the results of its operations and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Authority. The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 12D of the financial statements, the Authority has a loan outstanding including accrued interest totaling $30,469,678 to the North Carolina Escheat Fund. The maturity date of the loan has been extended to October 1, 2007. The current amount of operating cash held by the Authority is not sufficient to pay the balance due to the North Carolina Escheat Fund and as such, substantial doubt about the Authority's ability to continue as a going concern exists. In addition, if the Authority declares bankruptcy, funding received to date from the Federal Aviation Administration (the "FAA") may be required to be paid back. As of June 30, 2006, the Authority's amortized potential liability to the FAA was at a minimum, $19.4 million. These conditions raise substantial doubt about the Authority's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Raleigh, North Carolina

December 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

The discussion and analysis (MD&A) provides an overview of the North Carolina Global TransPark Authority's (Authority) activities during the fiscal year ended June 30, 2006. In addition to the Management's Discussion and Analysis, management has prepared the accompanying Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows.

Although the North Carolina Global TransPark Foundation, Inc. (Foundation), is included in the financial statements as a component unit to satisfy 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 organized and raised private money to assist in economic development at the TransPark. The money was raised from private individuals and corporations and is used exclusively for economic development. The Foundation's funds are separate from the Authority's funds and are for the sole purpose of increasing business and jobs at the TransPark.

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

Financial Highlights and Analysis

The fiscal year ended June 30, 2006, was a year of continuing positive momentum at the TransPark, including developments such as:

- Continuation of beautification program with the planting of trees and shrubbery in the industrial park and into other TransPark areas.
- The Airport Rescue and Fire Fighting Facility (ARFF), as well as the old maintenance shop, was demolished, lending way to prime real estate with runway accessibility.
- Near completion of GTP tenant Segrave Aviation hangars' expansion and renovation.
- Celebrated first year of jet service to Atlanta via Delta Connection carrier Atlantic Southeast Airlines. During the first year, passenger loads factors averaged 74% and more than 65,000 passengers utilized the airport terminal with almost a million miles flown.
- Near completion of up fit expansion for tenant NC Division of Emergency Management, Eastern Branch.
- Completion of up fit work on GTP-1, a 120,000 SF facility in the industrial park, for tenant New Breed. New Breed, a supply chain and logistics company, is headquartered in High Point, North Carolina. New Breed moved into the new facility on March 1, 2006.

- Completion of GTP-3, a 27,500 SF facility for tenant Workhorse Aviation Manufacturing. Workhorse opened its doors on December 7, 2005, and plans to create 50 jobs over a three-year period.
- Opening of Lenoir Community College's Advanced Machining Center (AMC), housed in one of the high bays at the GTP Education & Training Center. The AMC is equipped with high tech equipment, which is helping regional companies with workforce development, thanks to a grant from the Golden LEAF Foundation.
- Completion of Phase I of the GTP's environmental plan, which included the acquisition, restoration and enhancement of approximately 3,500 acres of wetlands at Stonyton Creek and Dover Bay. The North Carolina Wildlife Resources Commission has accepted responsibility for holding a conservation easement on the Dover Bay mitigation lands.
- Ongoing construction of upgrading the KRJ's instrument landing system (ILS) from Category I to Category III.
- Held second foreign trade zone seminar for regional companies.
- Submitted an application to the Foreign Trade Zones Board for a second sub zone for FTZ #214.
- Upgraded telecommunications infrastructure at the KRJ and the ETC, including wireless internet access, paving the way for eventual T-3 access for tenants.
- Through the services of Duke Fuqua School of Business masters degree students, updated the Authority's Strategic Business Plan.
- Hired an in-house economic developer, as well as two North Carolina Aerospace Alliance consultants to help with recruiting and economic development at the GTP.
- Completed negotiations for a new tenant at the GTP, Spatial Integrated Systems, Inc. (SIS). SIS will be in charge of the information technology backbone for the North Carolina Aerospace Alliance companies that locate to the GTP.

The Global TransPark Foundation and its leadership played a major role in assisting with recruitment efforts through private funding this past fiscal year. The Foundation approved financial incentives for Workhorse Aviation Manufacturing and New Breed. These incentives include rent abatement, utility upgrades for Workhorse, as well as construction up fit for New Breed. The Foundation also financially assisted the Authority with marketing, client visits, tradeshow representative expenses, and updating the strategic business plan.

FAA Funding Summary

There has been no funding from FAA since the balance of existing grant funding for the runway projects were received in the fiscal year ended June 30, 2004. These funds represented the balance of the FAA's commitment towards the $35 million joint funding agreement between the FAA and the State of North Carolina. Since the Authority regained passenger airline service and met enplanement requirements in October 2005, the airport will be eligible for FAA funding for capital projects in the federal fiscal year 2006-2007.

Net Assets

A comparison of net assets at June 30, 2006, compared to June 30, 2005, depicts a 21% change in current assets. This was due to the Authority's decrease in cash for capital projects, such as the ongoing environmental work, construction of the instrument landing system, and completion of construction costs for three facilities: GTP One, GTP Two and GTP Three.

The 40% decrease in other noncurrent assets is due to the decrease in deposits for land compared to the prior fiscal year.

The 48% decrease in current liabilities is because of the completion of construction projects in the current fiscal year. The reduction in total net assets relates to the loss incurred by the Authority during the fiscal year.

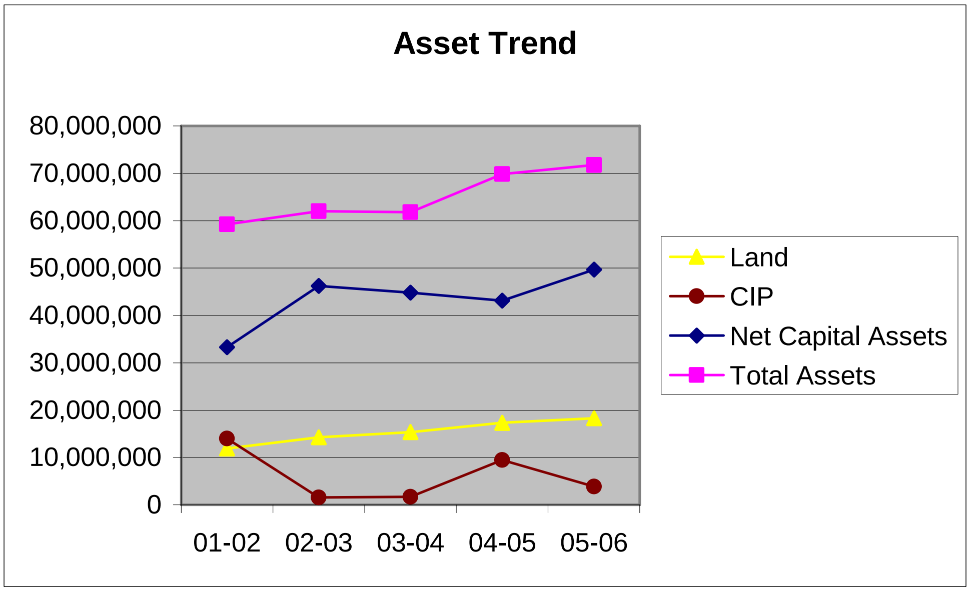
Condensed Statement of Net Assets

	June 30, 2006	June 30, 2005	Change	% Change
Current Assets	$ 8,465,955	$ 10,681,104	$ (2,215,149)	(20.74) %
Capital Assets	71,768,016	69,847,010	1,921,006	2.75 %
Other Noncurrent Assets	808,305	1,344,634	(536,329)	(39.89) %
Total Assets	81,042,276	81,872,748	(830,472)	(1.01) %
Current Liabilities	1,116,506	2,161,661	(1,045,155)	(48.35) %
Long-Term Debt Outstanding	33,068,561	30,205,852	2,862,709	9.48 %
Other Noncurrent Liabilities	44,166	36,821	7,345	19.95 %
Total Liabilities	34,229,233	32,404,334	1,824,899	5.63 %
Net Assets				
Invested in Capital Assets, Net of Related Debt	49,227,669	47,442,528	1,785,141	3.76 %
Restricted for Debt Service	32,255	23,757	8,498	35.77 %
Unrestricted	(2,446,881)	2,002,129	(4,449,010)	(222.21) %
Total Net Assets	$ 46,813,043	$ 49,468,414	$ (2,655,371)	(5.37) %

Capital Asset and Debt Administration

Capital Assets

The following graph depicts the trend in net assets, particularly total capital assets. Total capital nets assets include land, construction in progress, and depreciable capital assets. Net Assets represent capital assets less depreciation. There was an increase in land/land costs of approximately $1,000,000 and a decrease in construction in progress of approximately $5,600,000. The significant decrease in construction in progress, and approximately the same increase in net assets, is due to three new facilities being added to depreciable assets in the current year.



Long-Term Debt

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2006:

	July 1, 2005	Additions	Payments	June 30, 2006	Due in Less Than One year
Notes payable	$ 30,224,743	$ 2,943,067	$ 79,474	$ 33,088,336	$ 19,775
Compensated Absences	73,642	88,333	73,642	88,333	44,167
	$ 30,298,385	$ 3,031,400	$ 153,116	$ 33,176,669	$ 63,942

North Carolina Escheat Fund – The $21,741,952 principal plus the net accrued interest expense of $8,727,726 represents a balance of $30,469,678 due to the North Carolina Escheat Fund at June 30, 2006. It is payable on October 1, 2007, bears interest at a variable rate based upon the earnings record of the State Treasurer's Long-Term Investment Fund and is collateralized at June 30, 2006, by the $1,820,262 deposit in the Long-Term Investment Fund with the State Treasurer and by real property. Additional collateral can be substituted for the deposit with the State Treasurer when the Authority deems it necessary to withdraw funds for its statutory purpose. Interest expense on the loan with the State Treasurer was $1,680,478 for the year ended June 30, 2006. Interest earned on the invested portion of the loan is disclosed in Note 2.

United States Department of Agriculture (USDA) – The Authority was indebted for a USDA loan for the construction of Fixed Base Operator (FBO) hangars at the Global TransPark. Additionally, the Authority was indebted for a USDA loan for the construction of an Administration Building, as well as a new loan in the amount of $1,345,000 for the construction of an Airport Rescue and Fire Fighting Facility (GTP Two). The loan information on the notes is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2006	Principal Outstanding 6/30/2006
4.75%	6/21/41	$ 666,500	$ 32,247	$ 634,253
4.63%	10/25/32	$ 673,350	$ 33,945	$ 639,405
4.13%	8/18/46	$ 1,345,000	$ 0	$ 1,345,000

Revenues, Expenses and Changes in Net Assets

For the fiscal year the Authority showed a 44% increase in operating revenues due to increases in rental revenues from the new tenants. Operating expenses were essentially the same overall compared to the prior fiscal year. The increase in salaries and benefits was due to an addition of a full time employee, as well as the state pay raise for employees and increase in medical insurance. Professional services decreased by approximately the same percentage as the salary increase. There was a significant increase in utilities because of an increase in utility rates, as well as an increase in activity at the Kinston Regional Jetport. The overall 1% increase can be attributed to the utility increase, as well as the increase in depreciation due to the addition of three facilities to depreciable assets. Nonoperating revenues decreased substantially because of the continuing beautification program at the TransPark with demolishing old facilities, as well as the decrease in investment earnings due to an investment balance decrease of $6,000,000 and lower interest rates. Capital contributions increased significantly because of the Global TransPark Foundation's generous financial support to the Authority for the up fit costs of GTP One for new tenant New Breed. Overall, the decrease in net assets compared to the prior year was insignificant. The Authority continues its mission of economic development, creating jobs and, at the same time, looking for ways to become more efficient.

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

	2006	2005	Change	% Change
Operating Revenues				
Rental Revenue	$ 751,229	$ 438,273	$ 312,956	71 %
Miscellaneous Revenues	242,188	252,093	(9,905)	(4) %
Total Operating Revenues	993,417	690,366	303,051	44 %
Operating Expenses				
Salaries and Benefits	961,044	736,647	224,397	30 %
Professional Services	244,177	335,225	(91,048)	(27) %
Depreciation	2,061,668	1,980,855	80,813	4 %
Utilities	308,132	239,246	68,886	29 %
Other	663,376	604,215	59,161	10 %
Total Operating Expenses	4,238,397	3,896,188	342,209	9 %
Operating Loss	(3,244,980)	(3,205,822)	(39,158)	1 %
Nonoperating Revenues (Expenses)				
State Operating Aid	1,600,000	1,600,000		0 %
Loss on Disposal	(523,503)	(74,668)	(448,835)	601 %
Noncapital Grants	221,449	83,384	138,065	166 %
Investment Earnings	386,893	848,376	(461,483)	(54) %
Interest Expense	(1,810,179)	(2,120,955)	310,776	(15) %
Net Nonoperating Revenues (Expenses)	(125,340)	336,137	(461,477)	(137) %
Loss Before Capital Contributions	(3,370,320)	(2,869,685)	(500,635)	17 %
Capital Contributions	714,949	300,000	414,949	138 %
Decrease in Net Assets	(2,655,371)	(2,569,685)	(85,686)	3 %
Net Assets - July 1	49,468,414	52,038,099	(2,569,685)	(5) %
Net Assets - June 30	$ 46,813,043	$ 49,468,414	$ (2,655,371)	(5) %

Cash Flows

There were significant changes in the use of cash during the fiscal year compared to the prior fiscal year. There was more than a 300% increase in the use of cash for operating activities due to payments to vendors from liabilities at June 30, 2005. Most of the liabilities were for land transactions. The 71% decrease in capital and related financing activities is due to a decrease in construction activity in the current year, as well as an increase in proceeds from capital debt.

The increase in investing activities is due to a decrease in the investment balance with the Treasurer's office by $6,000,000. Overall, the 135% increase in cash and cash equivalents is due to the proceeds from investing activities.

The following is a summary of the change in cash and cash equivalents for the fiscal year ended June 30, 2006 and June 30, 2005:

Condensed Statement of Cash Flows

	June 30, 2006	June 30, 2005	Change	% Change
Net Cash Provided From (Used For):				
Operating Activities	$ (1,306,074)	$ (312,215)	$ (993,859)	318.83 %
Noncapital Financing Activities	1,858,081	1,624,960	233,121	14.35 %
Capital and Related Financing Activities	(3,132,624)	(10,949,106)	7,816,482	(71.39) %
Investing Activities	6,386,893	848,376	5,538,517	652.84 %
Net Increase (Decrease)	3,806,276	(8,787,985)	12,594,261	
Cash and Cash Equivalents at Beginning of Year	2,817,407	11,605,392	(8,787,985)	(75.72) %
Cash and Cash Equivalents at End of Year	$ 6,623,683	$ 2,817,407	$ 3,806,276	135.10 %

Economic Outlook

The decrease in state appropriations for operations to the Authority continues to put pressure on the organization to become self-sufficient. While there has been a conscientious effort to decrease operating expenses, it is apparent that continued aggressive marketing efforts are essential in order to increase activity at the TransPark and generate revenues. The GTP team has seen a significant increase in interest in the TransPark and already has had an announcement for a tenant in the new fiscal year.

There has been an increasing interest in Foreign Trade Zone #214, Site 1 at the Kinston Regional Jetport, as well as Site 2 at Tarboro. There is strong indication that both sites will be activated in the new fiscal year, thus increasing economic development in the Region, as well as increasing activity for the TransPark globally.

Additionally, the team continues to build relationships and "widen the net" of partners to move the project forward more efficiently and effectively.

The Authority's facilities will be essentially 100% leased in the new fiscal year and is in need of more product. With the continued interest, the team is confident that GTP Four, a proposed 120,000 square foot facility for the industrial park that will mirror GTP One, will become a reality soon.

The TransPark is showing strong signs of becoming the economic engine in Eastern North Carolina that is was designed to be several years ago, while striving to meet its goal to become self-sufficient.

North Carolina Global TransPark Authority
Statement of Net Assets
June 30, 2006 — *Exhibit A*

	NCGTPA	*NCGTPF*
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 6,591,428	$ 3,961,650
Investment on Deposit with State Treasurer (Note 2)	1,820,262	
Accounts Receivable (Net)	54,265	
Contributions Receivable		54,650
Total Current Assets	8,465,955	4,016,300
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note 2)	32,255	
Deposits for Land	776,050	
Capital Asset - Nondepreciable (Note 3)	22,075,097	
Capital Assets - Depreciable, Net (Note 3)	49,692,919	6,410,667
Total Noncurrent Assets	72,576,321	6,410,667
Total Assets	81,042,276	10,426,967
LIABILITIES		
Current Liabilities:		
Accounts Payable (Note 5)	973,265	
Accrued Interest Payable (Note 5)	69,118	
Due to Primary Government (Note 5)	1,729	
Compensated Absences (Note 6)	44,167	
Deferred Revenue	8,452	
Note Payable - USDA (Note 6)	19,775	
Total Current Liabilities	1,116,506	
Noncurrent Liabilities:		
Note Payable - USDA (Note 6)	2,598,883	
Note Payable - Due to NC Escheat Fund (Note 6)	30,469,678	
Compensated Absences (Note 6)	44,166	
Total Noncurrent Liabilities	33,112,727	
Total Liabilities	34,229,233	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	49,227,669	6,410,667
Restricted for Debt Service	32,255	
Unrestricted	(2,446,881)	4,016,300
Total Net Assets	$ 46,813,043	$ 10,426,967

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 Assets
For the Year Ended June 30, 2006 — *Exhibit B*

	NCGTPA	NCGTPF
OPERATING REVENUES		
Rental Revenue	$ 751,229	$ 186,683
Miscellaneous Revenues	242,188	2,869
Total Operating Revenues	993,417	189,552
EXPENSES		
Salaries and Benefits	961,044	109,653
Professional Services	244,177	47,679
Legal and Accounting	62,331	
Depreciation	2,061,668	217,151
Rent	18,333	
Repairs and Maintenance	150,474	
Supplies and Materials	69,240	758
Equipment	22,321	
Insurance	64,254	
Printing and Binding	11,661	
Telephone	32,789	3,119
Utilities	308,132	
Travel and Subsistence	10,245	8,048
Advertising	130,345	
Landing Fields and Grounds	36,384	
Projects	1,424	
Economic Development		590,503
Other	53,575	5,526
Total Operating Expenses	4,238,397	982,437
Operating Loss	(3,244,980)	(792,885)
NONOPERATING REVENUES (EXPENSES)		
State Operating Aid	1,600,000	
Contributions		38,012
Loss on Disposal	(523,503)	
Noncapital Grants	221,449	
Investment Earnings	386,893	128,024
Interest Expense	(1,810,179)	
Net Nonoperating Revenues	(125,340)	166,036
Loss Before Capital Contributions	(3,370,320)	(626,849)
Capital Contributions	714,949	
Decrease in Net Assets	(2,655,371)	(626,849)
Net Assets - July 1	49,468,414	11,053,816
Net Assets - June 30	$ 46,813,043	$ 10,426,967

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 Year Ended June 30, 2006 ***Exhibit C***

		NCGTPA		NCGTPF
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$	980,850	$	186,683
Cash Received from Others				2,869
Payments for Economic Development Activities				(590,503)
Payments to Vendors		(1,341,042)		(65,130)
Payments to Employees and Fringe Benefits		(945,882)		(109,653)
Net Cash Used For Operating Activities		(1,306,074)		(575,734)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Appropriations		1,600,000		
Other		258,081		111,500
Net Cash Provided From Noncapital Financing Activities		1,858,081		111,500
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets		(4,971,105)		
Proceeds from Sale of Capital Assets		11,500		
Proceeds from Capital Debt		1,345,000		
Federal Capital Appropriations		300,000		
Grants		404,449		
Principal Payments on Capital Debt		(18,891)		
Interest Payments on Capital Debt		(203,577)		
Net Cash Provided For Capital and Related Financing Activities		(3,132,624)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of Investments		6,000,000		
Interest Received		386,893		128,024
Net Cash Provided From Investing Activities		6,386,893		128,024
Net Increase (Decrease) in Cash and Cash Equivalents		3,806,276		(336,210)
Cash and Cash Equivalents, July 1		2,817,407		4,297,860
Cash and Cash Equivalents, June 30	$	6,623,683	$	3,961,650
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Loss	$	(3,244,980)	$	(792,885)
Adjustments to Reconcile Operating Loss to Net Cash Flows form Operating Activities:				
Depreciation		2,061,668		217,151
Increase in Accounts Receivables		(6,704)		
Decrease in Accounts Payable		(118,331)		
Decrease in Due to Primary Government		(1,043)		
Increase in Accrued Vacation		14,691		
Decrease in Deferred Revenue		(14,463)		
Increase in Deposits Payable		3,088		
Net Cash Used by Operating Activities	$	(1,306,074)	$	(575,734)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Assets Acquired Through the Assumption of a Liability	$	1,345,000	$	0

	NCGTPA	NCGTPF
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	$ 6,591,428	$ 3,961,650
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	32,255	
Total Cash and Cash Equivalents	$ 6,623,683	$ 3,961,650

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Organization and Purpose –** The North Carolina Global TransPark Authority (Authority), formerly the North Carolina Air Cargo Airport Authority, was created on July 16, 1991, upon ratification by the General Assembly of North Carolina of Senate Bill 649. The Authority is a State agency located within the North Carolina Department of Transportation, but exercises its powers independent of the Secretary of Transportation. It was created to administer the development of the North Carolina Global TransPark, an international Global TransPark complete with transportation links, dedicated intrafacility distribution systems and state-of-the-art communication systems. By law, the Authority is empowered to acquire all required property for the project and issue bonds and notes to finance the project.

B. **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, 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 is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

As required by General Statute 63A-3, certain elected State officials appoint thirteen of the North Carolina Global TransPark Authority's twenty board members. Three board members serve by virtue of their State positions, two serve at the pleasure of the President of the University of North Carolina and the President of the North Carolina Community College System. The remaining two board members are appointed by the Kinston City Council and the Lenoir County Commissioners.

The accompanying financial statements present the funds of the Authority and of the component unit for the Authority, the North Carolina Global TransPark Foundation, Inc. (Foundation). The Authority is "financially accountable" for the Foundation pursuant to the accounting principles generally accepted in the United States of America.

The Foundation, a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code is a legally separate entity from the Authority. The Foundation is governed by a 29-member board, consisting of four (4) ex officio directors and twenty-five (25) appointed directors. Eleven (11) directors of the Foundation are appointed by the members of the Authority Board of Directors; four (4) directors of the Foundation are ex officio members; one (1) director is appointed by the Global TransPark Development Commission Board of Directors; and thirteen (13) directors are appointed by the Foundation Board of Directors. The Foundation's purpose is to benefit the Authority in the economic development at the North Carolina Global TransPark.

The Foundation has commitments to the Authority to provide financial incentives to three tenants that are locating or have located at the TransPark. Estimated payments related to these commitments at June 30, 2006, are as follows:

Fiscal Year	Commitment
2007	$ 382,751
2008	75,366
2009	44,183
2010	15,002
	$ 517,302

C. **Basis of Presentation –** The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), which consist of GASB Statements and Interpretations, as well as American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to state and local government entities by GASB Statements and Interpretations. The full scope of the Authority's and Foundation's activities are considered to be separate business-type activities and accordingly, are reported in separate columns in the basic financial statements.

D. **Basis of Accounting –** The Authority and the Foundation are accounted for as proprietary fund types (enterprise funds) in conformity with the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB). The financial statements were prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Non-exchange transactions, in which the Authority or the Foundation gives (or receives) value without directly giving (or receiving) equal value in exchange, include contributions and donations. Revenue from contributions and donations is recognized in the fiscal year in which all requirements have been satisfied.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Fund Accounting, the Authority or the Foundation does not apply FASB pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

E. Cash and Cash Equivalents – This classification consists of petty cash, the Authority's equity position in the short-term investment fund managed by the North Carolina State Treasurer, and cash on deposit in private bank accounts. The funds on deposit with the State Treasurer are available on demand. This classification also appears on the accompanying statement of cash flows. The Authority and the Foundation considers highly liquid temporary cash investments with an initial maturity of six months or less to be cash equivalents.

F. Investments – This classification consists of the Authority's equity position in the Long-Term Investment Fund managed by the North Carolina State Treasurer. This investment is stated at cost because the Authority does not participate in the gains or losses resulting from the activity of the long-term investment fund.

G. Receivables – Accounts receivable in the amount of $54,265 are shown in the accompanying financial statements net of allowances for doubtful accounts. Contributions receivable in the amount of $54,650 are shown in the accompanying financial statements net of allowances for doubtful accounts.

H. Deposits – Deposits include the potential estimated costs of condemnation of two parcels of land.

I. Capital Assets and Depreciation – The Authority capitalizes all assets that have a value or cost greater than or equal to $5,000 at the date of acquisition. Depreciation is computed using the straight-line method over the following useful lives: buildings range from 10-50 years, landing fields and grounds range from 20-40 years and equipment ranges from 5-10 years.

The Foundation capitalizes all assets that have a value or cost greater than or equal to $100 at the date of acquisition. Depreciation is computed using the straight-line method over the following useful lives: buildings range from 30-50 years and equipment ranges from 5-7 years.

J. Restricted Assets – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

K. Noncurrent Long-Term Liabilities – Noncurrent long-term liabilities include notes payable and compensated absences that are not expected to be paid within the next fiscal year.

L. 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 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonuses awarded by the Authority to all full-time permanent employees as of September 30, 2002, July 1, 2003, and as of September 1, 2005. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying unused vacation leave into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method.

The Authority has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

Component Unit Information

The Foundation currently has one employee. The employee agreement with that employee provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which the employee can be paid upon termination of employment. Also any accumulated vacation leave in excess of 30 days at year-end is forfeited. At June 30, 2006, the liability related to compensated absences payable is immaterial and has not been recorded.

The employee agreement with the Foundation's employee allows for ten (10) days of paid sick leave per year. The sick leave does not accumulate, and any unused sick leave at year-end is forfeited. The employee cannot be compensated for any unused sick leave upon termination or retirement.

M. **Net Assets –** The Authority's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Invested in Capital Assets, Net of Related Debt.

Restricted Net Assets – Restricted net assets include resources in which the Authority legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from operating state appropriations, tenant revenues, donations, contributions, and interest income.

Component Unit Information

The Foundation's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets such amounts are not included as a component of Investment in Capital Assets, Net of Related Debt.

Unrestricted Net Assets – Unrestricted net assets include resources derived from donations and contributions, tenant revenues, and interest income.

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies to the Authority and the Foundation, 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 AND INVESTMENTS

Private Bank Accounts – The amount shown on the Statement of Net Assets as cash and cash equivalents for the Authority and the Foundation includes deposits in private bank accounts with a carrying value of $4,053,473 and a bank balance of $4,169,288. Of the bank balance, $410,712 was covered by federal depository insurance and $3,758,482 was uninsured and uncollateralized. The Authority and the Foundation have no deposit policy concerning credit risk.

State Treasurer's Short-Term Investment Fund – The amount shown on the Statement of Net Assets as cash and cash equivalents includes $6,531,436, which represents the Authority's equity position in the Short-Term Investment Fund managed by the North Carolina State Treasurer (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating). The Short-Term Investment Fund had a weighed average maturity of 1.2 years as of June 30, 2006. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value.

State Treasurer's Long-Term Investment Fund – As authorized by General Statute 63A-4(a)(22), the Authority borrowed $25,000,000 from the North Carolina Escheat Fund on August 31, 1994. As required by the loan agreement, the proceeds were deposited with the State Treasurer in the State Treasurer's Long-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool described above) and have been pledged as collateral for the loan. The investment is valued at $1,820,262 at June 30, 2006. Interest earned on the investment on deposit with the State Treasurer totaled $142,994 for the year ended June 30, 2006. As stipulated in the loan agreement, the Authority does not participate in changes to the fair value of the investments. Consequently, the Authority's shares in the Long-Term Investment Fund are valued at cost, and the Authority is not exposed to interest rate risk.

The financial statements and disclosures for the State Treasurer's Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.state.nc.us/ and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets is presented as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets, Nondepreciable				
Land	$ 17,299,749	$ 940,634	$ 0	$ 18,240,383
Construction in Progress	9,445,903	3,905,965	(9,517,154)	3,834,714
Total Capital Assets, Nondepreciable	26,745,652	4,846,599	(9,517,154)	22,075,097
Capital Assets, Depreciable				
Landing Fields and Grounds	38,903,325		854,799	39,758,124
Buildings	24,378,244	8,287,817	(737,700)	31,928,361
Equipment	3,293,916	45,618		3,339,534
Total Capital Assets, Depreciable	66,575,485	8,333,435	117,099	75,026,019
Less Accumulated Depreciation for:				
Landings Fields and Grounds	(8,701,423)	(1,316,059)		(10,017,482)
Buildings	(5,481,542)	(823,271)	202,696	(6,102,117)
Equipment	(2,663,344)	(139,490)		(2,802,834)
Total Accumulated Depreciation	(16,846,309)	(2,278,820)	202,696	(18,922,433)
Total Capital Assets, Depreciable, Net	49,729,176	6,054,615	319,795	56,103,586
Total Capital Assets, Net	$ 76,474,828	$ 10,901,214	$ (9,197,359)	$ 78,178,683

Depreciation expense was charged to the components of the Authority as follows:

The Authority	$ 2,061,668
The Foundation	217,151
Total	$ 2,278,819

NOTE 4 - LEASE AGREEMENTS

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

Fiscal Year	Amount
2007	$ 908,988
2008	878,018
2009	775,366
2010	725,509
2011	717,567
Total	$ 4,005,448

Component Unit Information

The Foundation has entered into a lease agreement with Mountain Air Cargo, Inc., to lease a building owned by the Foundation. The term of the lease is 21 years and 6 months after the date of beneficial occupancy by the lessee. Mountain Air Cargo, Inc. occupied the building during the current year. Under the terms of the agreement, Mountain Air Cargo, Inc. will pay no lease payments for the first 18 months. At the end of eighteen months, lease payments are $2.25, $3.50, $4.50, and $5.90 per square foot for each five-year period until the lease terminates. The lease square footage is approximately 53,338 square feet. Mountain Air Cargo, Inc. may terminate the lease early with ninety (90) days notice if certain conditions relating to their business are not met. These conditions relate to the termination of a contract with Federal Express Corporation or a reduction by 50% of Mountain Air Cargo, Inc.'s F-27 aircraft operations.

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

Fiscal Year	Amount
2007	$ 186,683
2008	208,907
2009	240,021
2010	240,021
2011	240,021
Total	$ 1,115,653

The building leased was constructed in 1995 at a cost of $8,498,064 and has accumulated depreciation totaling $2,104,659.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006 were as follows:

	Amount
Accounts Payable	$ 939,834
Accrued Interest Payable	69,118
Contract Retainage	30,343
Intergovernmental Payables	1,729
Deposit Liability	3,088
Total Accounts Payable	$ 1,044,112

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2006:

	July 1, 2005	Additions	Payments	June 30, 2006	Due in Less Than One year
Notes payable	$ 30,224,743	$ 3,025,478	$ 161,885	$ 33,088,336	$ 19,775
Compensated Absences	73,642	88,333	73,642	88,333	44,167
	$ 30,298,385	$ 3,113,811	$ 235,527	$ 33,176,669	$ 63,942

A. **North Carolina Escheat Fund –** The $21,741,952 principle plus the net accrued interest expense of $8,727,726 represents a balance of

$30,469,678 due to the North Carolina Escheat Fund at June 30, 2006. It is payable on October 1, 2007, bears interest at a variable rate based upon the earnings record of the State Treasurer's Long-Term Investment Fund and is collateralized at June 30, 2006, by the $1,820,262 deposit in the Long-Term Investment Fund with the State Treasurer and by real property. Additional collateral can be substituted for the deposit with the State Treasurer when the Authority deems it necessary to withdraw funds for its statutory purpose. Interest expense on the loan with the State Treasurer was $1,680,478 for the year ended June 30, 2006. Interest earned on the invested portion of the loan is disclosed in Note 2.

B. United States Department of Agriculture (USDA) – The Authority was indebted for a total of three USDA loans at June 30, 2006. One USDA loan was for the construction of Fixed Base Operator (FBO) hangars at the Global TransPark. Another USDA loan was for the construction of an Administration Building. The third loan was for the construction of an Airport Rescue and Fire Fighting Facility (ARFF) that has approximately 20,000 square feet available for lease. The loan information on the notes is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2006	Principal Outstanding 6/30/2006
4.75%	6/21/41	$ 666,500	$ 32,247	$ 634,253
4.63%	10/25/32	$ 673,350	$ 33,945	$ 639,405
4.13%	8/18/46	$ 1,345,000	$ 0	$ 1,345,000

The annual requirements to pay principle and interest on the notes at June 30, 2006 are presented as follows:

Fiscal Year	Principal	Interest
2007	$ 19,775	$ 115,180
2008	20,698	114,257
2009	36,891	113,290
2010	38,532	111,649
2011	40,245	109,936
2012-2016	229,727	521,178
2017-2021	285,610	465,295
2022-2026	355,153	395,752
2027-2031	441,702	309,203
2032-2036	417,537	207,518
2037-2041	419,784	121,371
2042-2046	313,004	39,712
Total Requirements	$ 2,618,658	$ 2,624,341

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2006:

Fiscal Year	Amount
2007	$ 10,046
2008	9,290
2009	9,038
2010	9,038
2011	3,826
Total Minimum Lease Payments	$ 41,238

Rental expenses for all operating leases during the year were $18,333.

NOTE 8 - RISK MANAGEMENT

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

Tort claims of up to $500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the Authority directly to the insurer.

The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire and various other property losses up to $2,500,000 per occurrence. The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Losses covered by the Fund are subject to a $500 per occurrence deductible except for theft losses that carry a $1,000 per occurrence deductible. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

All State owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first $500,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than $500,000. The liability limits for losses occurring in state are $500,000 per claimant and $5,000,000 per occurrence. The Authority is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

Blanket public employee dishonesty and computer fraud insurance is provided for agencies of the State with a limit of $5,000,000 per occurrence, subject to a $50,000 deductible and a 10% participation in each loss above the deductible. The coverage is placed with a private insurance company and is handled by the North Carolina Department of Insurance. In addition, the Authority has a separate public employee dishonesty and faithful performance policy with a limit of $1,000,000.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a Pension and Other Employee Benefit Trust Fund of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several health maintenance organizations.

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

Term life insurance of $25,000 to $50,000 is provided to eligible employees. This self-insured death benefit program is administered by the Department of the State Treasurer and funded via employer contributions. Employer contributions were not required for 2006.

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 9 - PENSION PLAN

A. Teachers' and State Employees' Retirement Plans – The Authority contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost sharing defined benefit pension plan administered by the North Carolina State Treasurer. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The TSERS is included in the *Comprehensive Annual Financial Report* (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained in writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Plan members are required to contribute 6% of their annual covered salary, and the Authority is required to contribute an actuarially determined rate. The current rate is 2.34% of covered payroll. The contribution requirements of the plan members and the Authority are established and may be amended by the North Carolina General Assembly. The Authority's contributions to TSERS for the years ended June 30, 2006, 2005, and 2004 were $15,337, $11,580, and $18,062, respectively, equal to the required contributions for each year.

401(b) Plan – The Foundation maintains a 401(b) plan for the benefit of all employees that meet certain age and employment criteria. Contributions are made on a discretionary basis as authorized by the Board of Directors. For the year ended June 30, 2006, the Foundation contributed $12,000 to the plan on behalf of its employee.

NOTE 10 - OTHER EMPLOYMENT BENEFITS

A. Health Care for Long-Term Disability Beneficiaries and Retirees – The Authority participates in state administered programs that provide post employment health insurance to eligible former employees. Additional detailed information about these programs is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*. For the fiscal year ended June 30, 2006, the Authority contributed 3.8% of covered payroll to the Comprehensive Major Medical Plan, or $24,906. The Authority assumes no liability for these health care benefits provided by the programs other than its contribution.

B. Disability Income – The Authority participates in the Disability Income Plan of North Carolina (the Plan). Established by chapter 135, Article 6, of the General Statutes, the Plan provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The Authority contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the Plan. For the year ended June 30, 2006, the Authority's total contribution to the Plan was $3,408. The Authority assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the Disability Income Plan of North Carolina is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 11 - RELATED PARTIES

North Carolina's Eastern Region Commission – North Carolina's Eastern Region Commission (Region), formerly the Global TransPark Development Commission, is a corporate body created on November 29, 1993, by *North Carolina General Statute* 158-31. It is composed of a nineteen (19) member board; thirteen (13) members are appointed by the county commissioners of each of the counties; two members are appointed by the Governor; two members are appointed by the President Pro Tempore of the Senate; and two members are appointed by the Speaker of the House of Representatives. Although not directly connected with the development of the Global TransPark itself, the Region supports economic development initiatives in its thirteen-member counties. A principal objective of the Region is to accommodate businesses drawn to the area by the Global TransPark. No significant financial transactions occurred between the Authority and the Region during the year ended June 30, 2006.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

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

B. Construction and Environmental Commitments – The Authority has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $722,317 at June 30, 2006. These commitments were for capital improvement projects for the Runway Extension Project and other construction projects. As of November 2006, the Authority has entered into additional construction contracts totaling $1,741,706. There are long-range commitments on environmental, based on the 404 permit.

C. Concentration of Risk and Potential Refinancing Commitment – The Authority is a State agency for the State of North Carolina and, therefore, receives the majority of its financial support from the State. For the year ended June 30, 2006, the Authority received approximately 41% of its financial support from the State.

D. Going Concern Consideration – As of June 30, 2006, the Authority also has a loan outstanding including accrued interest payable totaling $30,469,678 to the North Carolina Escheat Fund. The maturity date is October 1, 2007. As of October 31, 2006, the investment balance had decreased from $7,820,262 at June 30 to $1,820,262. The current amount of operating cash held by the Authority is not sufficient to pay the balance due to the NC Escheat Fund and as such, substantial doubt about the Authority's ability to continue as a going concern exists. In addition, if the Authority declares bankruptcy, funding received to date from the Federal Aviation Administration (the "FAA") may be required to be paid back. As of June 30, 2006, the Authority has an amortized commitment of approximately $19.4 million from the FAA.

E. Pending Litigation and Claims – The Authority is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of all of these matters, no provision for a liability has been made in the financial statements for litigation that is not probable and cannot be reasonably estimated. Litigation that is both probable of payment by the Authority and can be reasonably estimated total $776,050 at June 30, 2006. As of the report date, amounts in dispute for land acquisitions have been settled for $776,050.

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the North Carolina Global TransPark Authority ("the Authority") as of and for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. We did not audit the financial statements of the North Carolina Global TransPark Foundation ("the Foundation"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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.

INDEPENDENT AUDITORS' 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* (CONCLUDED)

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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Authority in a separate letter dated December 1, 2006.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Raleigh, North Carolina

December 1, 2006

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