

# **Financial Statement Report**

**NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY  
KINSTON, NORTH CAROLINA**

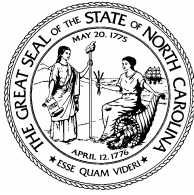
**FOR THE YEAR ENDED JUNE 30, 2007**

**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**

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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, 2007. 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.

A handwritten signature in cursive script that reads "Leslie W. Merritt, Jr.".

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

December 17, 2007

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## INDEPENDENT AUDITORS' REPORT

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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, 2007, 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, 2007, 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 November 9, 2007, 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.

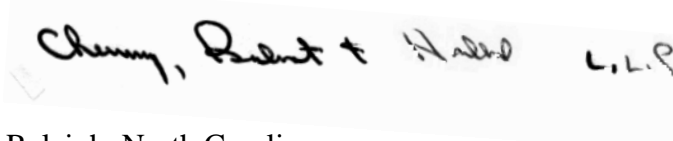
## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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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 13D of the financial statements, the Authority has a loan outstanding including accrued interest totaling \$32,062,906 to the North Carolina Escheat Fund. The maturity date of the loan has been extended to October 1, 2009. 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, 2007, the Authority's amortized potential liability to the FAA was approximately \$18.1 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.**

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." The signature is written in a cursive, flowing style.

Raleigh, North Carolina

November 9, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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, 2007. 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 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 organized and raised funds from private individuals and corporations for the sole purpose of increasing business and jobs at the Global 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 nonfinancial information will be highlighted for the reader.

### Financial Highlights and Analysis

The fiscal year ended June 30, 2007, was a year of continuing positive momentum at the TransPark involving developments such as:

- Adopting the Authority's updated business plan, including the following:
  - Renaming the Educating and Training Center the TransPark Center (TPC) to better reflect the agency's mission.
  - Creating new marketing materials for the TPC, as well as a new website: [www.transparkcenter.com](http://www.transparkcenter.com).
  - Updating marketing videos for both the Authority and the TPC.
  - Updating the display booth that is used at trade shows and conferences such as the Aging Aircraft Conference.
  - Initiated target marketing campaigns in the logistics, air cargo, and appropriate sector manufacturing areas.
- An Exclusive Development Ordinance for the land owned by the Authority was adopted, as well as a Development Ordinance for land the Authority has control over in the 5,775 acre environmentally permitted area.
- An agreement was put in place between the Authority and the City of Kinston Department of Public Safety for the Department to be the first responder for emergency fire protection

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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services at the TransPark. This will give the Authority fire protection services with an ISO-3 rating. In exchange, the Authority will allow personnel from the City to be housed at the Authority's Airport Rescue and Fire Fighting Facility, GTP-2.

- Partnered with the NC Ports Authority in developing and printing a Foreign Trade Zone (FTZ) brochure for respective FTZs.
- Interest in FTZ 214 continues to grow. Recently, the National Association of Foreign Trade Zones issued their report for 2005. Of the six (6) FTZs in North Carolina, FTZ 214's sub zone Consolidated Diesel employed 45% of employees in NC foreign trade zones, as well as handled 56% of exports from North Carolina. The Foreign Trade Zones Board received applications for FTZ 214 for the following:
  - Amendment to original sub zone application for NACCO Materials Handling Group in Greenville to include a general purpose expansion site modification.
  - A minor boundary modification to include a general purpose site for sub zone Consolidated Diesel in Whitakers.
  - A general purpose expansion site for Crown Logistics LSP in Rocky Mount.
- Initiated Phase II of the environmental mitigation plan. The environmental plan, a requirement by the Army Corps of Engineers to maintain the 404 permit, includes acquiring, through conservation easement or fee simple, approximately 1,100 acres of wetlands.
- An environmental update was hosted at the TransPark Center in the fall of 2006.
- A cemetery in the industrial park was removed and relocated.
- Allegiant Air, a leisure-travel airline based in Las Vegas, began two flights weekly to Orlando from the Kinston Regional Jetport. Allegiant is part of an overall aviation commitment we continue to call JetKinston.
- The up fit expansion for GTP tenant NC Division of Emergency Management was completed. Emergency Management is housed in our Administration Building, adjacent to the TransPark Center.
- Completed another expansion project in September 2006 for GTP tenant Segrave Aviation, and another expansion project for additional office space has already begun. Segrave is the Fixed Base Operator at the Kinston Regional Jetport and provides comprehensive aviation services, as well.
- Formulated the concept of a **State Agency Complex** at the TransPark for existing state agency tenants Division of Forest Resources, Emergency Management and Highway Patrol. These agencies would be housed in a new location at the TransPark with runway access. The purpose of this concept is to provide new facilities for the Division of Forest Resources, a new hangar for the Highway Patrol, free existing Highway Patrol space for growing tenant Segrave Aviation, and house all emergency State-agency tenants in the same complex. More than 20 acres of runway accessible land would be available for corporate aviation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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- The Governor made an announcement in July 2006 that Spatial Integrated Systems (SIS) would be coming to the TransPark. SIS, a privately-owned engineering and Information Technology company, plans to expand its business coverage and technological capabilities in the areas of engineering design and analysis, reverse engineering, networking, and digital manufacturing at the TransPark. The company will employ approximately 37 people over a three-year period. Annual salaries will range from \$35K to \$100K. Temporarily housed in the TransPark Center since the announcement, SIS plans to move into a new 20,000 SF facility in mid October 2007. The Authority is building the facility for SIS.
- Completed negotiations at fiscal year end for another company to transfer its headquarters from California to the TransPark. Governor Easley announced in August 2007 that Commerce Overseas Corporation (COC), a leading military aviation parts manufacturer and supplier, will employ 72 people over a three-year period. Currently temporarily housed in GTP-2 and the Foundation's hangar offices, COC will build its own facilities.
- Another example of the continuing positive momentum at the TransPark is Lenoir Community College's (LCC) **Advanced Machining Center**, housed in one of the high bays at the TransPark Center. A cornerstone of the NC Aerospace Alliance initiatives, it has been utilized by 300 students and workers thus far through LCC's curriculum, continuing education and workforce development training programs.
- Recruitment efforts continue for new tenants to the TransPark, and our economic development team works closely with the N.C. Department of Commerce, Lenoir County Economic Development Department, the Global TransPark Foundation, NCER, NRDA, the Rural Center, Golden Leaf Foundation, consultants, as well as our newest partner, the NC Military Foundation.

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 relocation costs for both SIS and COC. The Foundation also financially assisted the Authority with marketing, client visits, and tradeshow representative expenses.

### **FAA Funding Summary**

There has been no funding from the FAA since the balance of existing grant funding for the runway projects was 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 a one million dollar FAA grant for capital projects in the state fiscal year 2007-2008.

### **Net Assets**

A comparison of net assets at June 30, 2007, compared to June 30, 2006, depicts a 69% decrease in other noncurrent assets. This was due to the Authority's resolution in the current fiscal year of land deposits compared to the prior fiscal year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The 32% decrease in current liabilities is because of the completion of construction projects in the current fiscal year. The substantial increase in Restricted for Debt Service for Net Assets is due to the Authority depositing \$200,000 in a money market account for a loan the Authority obtained to construct GTP-5 for SIS. Overall, Total Net Assets had an immaterial change from the prior fiscal year.

### Condensed Statement of Net Assets

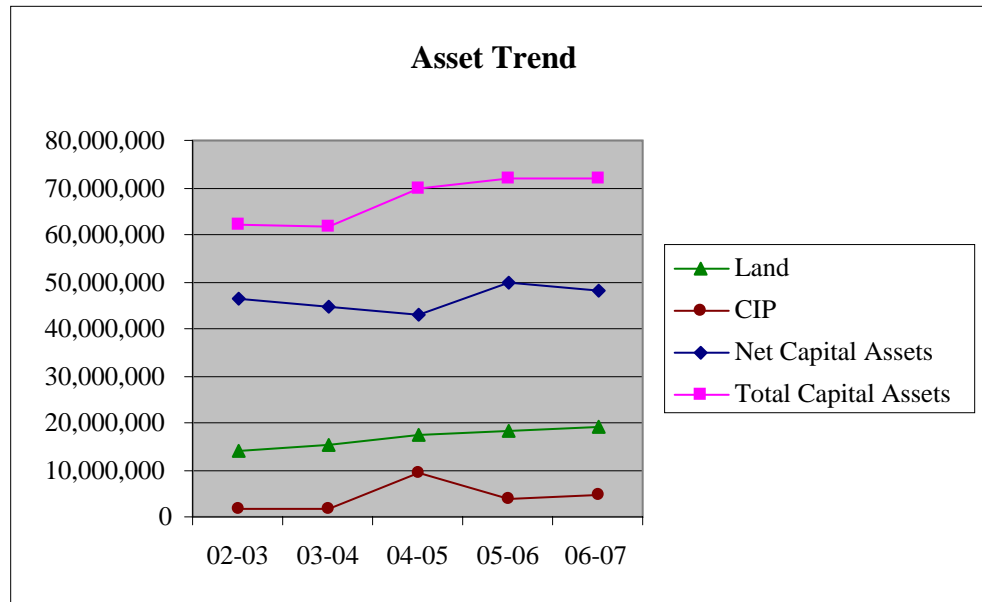
	June 30, 2007	June 30, 2006	Change	% Change
Current Assets	\$ 7,825,889	\$ 8,465,955	\$ (640,066)	-7.56%
Capital Assets	72,107,996	71,768,016	339,980	0.47%
Other Noncurrent Assets	248,406	808,305	(559,899)	-69.27%
Total Assets	<u>80,182,291</u>	<u>81,042,276</u>	<u>(859,985)</u>	-1.06%
Current Liabilities	754,468	1,116,506	(362,038)	-32.43%
Long-term Debt Outstanding	35,136,131	33,068,561	2,067,570	6.25%
Other Noncurrent Liabilities	45,798	44,166	1,632	3.70%
Total Liabilities	<u>35,936,397</u>	<u>34,229,233</u>	<u>1,707,164</u>	4.99%
Net Assets				
Invested in Capital Assets, Net of Related Debt	48,728,658	49,227,669	(499,011)	-1.01%
Restricted for Debt Service	248,406	32,255	216,151	670.13%
Unrestricted	<u>(4,731,170)</u>	<u>(2,446,881)</u>	<u>(2,284,289)</u>	93.36%
Total Net Assets	<u>\$ 44,245,894</u>	<u>\$ 46,813,043</u>	<u>\$ (2,567,149)</u>	-5.48%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Asset and Debt Administration

#### Capital Assets

The following graph depicts the trend in net assets, particularly total capital assets. Total capital net 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 an increase in construction in progress of approximately \$1,000,000.



#### Long-Term Debt

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2007:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2007</u>	<u>Due in Less Than One Year</u>
Notes Payable	\$ 33,088,336	\$ 2,196,363	\$ 122,910	\$ 35,161,789	\$ 25,658
Compensated Absences	88,333	91,597	88,333	91,597	45,799
	<u>\$ 33,176,669</u>	<u>\$ 2,287,960</u>	<u>\$ 211,243</u>	<u>\$ 35,253,386</u>	<u>\$ 71,457</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**North Carolina Escheat Fund** – The \$21,741,952 principal plus the net accrued interest expense of \$10,320,954 represent a balance of \$32,062,906 due to the North Carolina Escheat Fund at June 30, 2007. It is payable on October 1, 2009, 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, 2007 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 \$1,696,362 for the year ended June 30, 2007. 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 TransPark. The Authority was indebted for a USDA loan for the construction of an Administration Building, and a loan for the Airport Rescue and Fire Fighting Facility (GTP-2). Additionally, the Authority acquired a new USDA loan for the expansion of the FBO hangars. The loan information on the notes is shown in the following table:

<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Original Amount of Issue</b>	<b>Principal Paid Through 6/30/2007</b>	<b>Principal Outstanding 6/30/2007</b>
4.75%	6/21/41	\$ 666,500	\$ 39,644	\$ 626,856
4.63%	10/25/32	\$ 673,350	\$ 46,323	\$ 627,027
4.13%	8/18/46	\$ 1,345,000	\$ 0	\$ 1,345,000
4.25%	11/7/46	\$ 500,000	\$ 0	\$ 500,000

### Revenues, Expenses, and Changes in Net Assets

For the fiscal year the Authority showed a 30% increase in operating revenues due to increases in rental revenues, as well as a nonrecurring miscellaneous revenue payment. Operating expenses increased in total by 2%, mainly because of the 5% increase in depreciation and a non-cash transaction. However there were decreases in repairs and maintenance, equipment costs and landing fields and grounds. There was a significant increase in Other Operating Expenses due to increased relocation expenses payments to a new tenant. Nonoperating Revenues (Expenses) decreased significantly due to not having any loss on disposal for the current fiscal year compared to the prior fiscal year. Capital contributions decreased approximately 93% because of a decrease in the amount paid by the Foundation for a rent subsidy for GTP-1 and relocation payments for new tenants SIS. Additionally, FedEx donated aircraft to the airport for training purposes. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Rental Revenue	\$ 954,789	\$ 751,229	\$ 203,560	27 %
Miscellaneous Revenues	337,196	242,188	95,008	39 %
Total Operating Revenues	<u>1,291,985</u>	<u>993,417</u>	<u>298,568</u>	<u>30 %</u>
<b>Operating Expenses</b>				
Salaries and Benefits	930,959	961,044	(30,085)	(3) %
Professional Services	241,345	244,177	(2,832)	(1) %
Depreciation	2,166,615	2,061,668	104,947	5 %
Utilities	304,962	308,132	(3,170)	(1) %
Other	688,821	663,376	25,445	4 %
Total Operating Expenses	<u>4,332,702</u>	<u>4,238,397</u>	<u>94,305</u>	<u>2 %</u>
Operating Loss	<u>(3,040,717)</u>	<u>(3,244,980)</u>	<u>204,263</u>	<u>(6) %</u>
Nonoperating Revenues (Expenses)				
State Operating Aid	1,600,000	1,600,000		0 %
Loss on Disposal		(523,503)	523,503	(100) %
Noncapital Grants	236,514	221,449	15,065	7 %
Investment Earnings	397,493	386,893	10,600	3 %
Interest Expense	(1,813,246)	(1,810,179)	(3,067)	0 %
Net Nonoperating Revenues (Expenses)	<u>420,761</u>	<u>(125,340)</u>	<u>546,101</u>	<u>(436) %</u>
Loss Before Capital Contributions	<u>(2,619,956)</u>	<u>(3,370,320)</u>	<u>750,364</u>	<u>(22) %</u>
Capital Contributions	52,807	714,949	(662,142)	(93) %
Decrease in Net Assets	<u>(2,567,149)</u>	<u>(2,655,371)</u>	<u>88,222</u>	<u>(3) %</u>
Net Assets - July 1	<u>46,813,043</u>	<u>49,468,414</u>	<u>(2,655,371)</u>	<u>(5) %</u>
Net Assets - June 30	<u>\$ 44,245,894</u>	<u>\$ 46,813,043</u>	<u>\$ (2,567,149)</u>	<u>(5) %</u>

### Cash Flows

There was an overall 31% decrease in cash used for operating activities due to an approximate 23% increase in cash received from customers and a decrease in payments to vendors of approximately 12%. There was a more than 42% decrease in Capital and Related Financing Activities due to a decrease in acquisition and construction of capital assets; proceeds from Capital Debt decreased significantly. There was also a significant decrease in Capital Grants received from the State; this was due to a combination of timing differences, as well as in the prior fiscal year, there were two state grants in one year compared to one in the current year. There was a 400% decrease in federal government grants in the current year; in the prior year there was federal grant funding for marketing the airport. The 94% decrease in investing activities is due to the prior year's decrease in the investment balance with the Treasurer's office by \$6,000,000 compared to the current fiscal year's activity. Overall, there was a 7%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

decrease in cash and cash equivalents at the end of the fiscal year compared to the prior fiscal year.

The following is a summary of the change in cash and cash equivalents for the fiscal year ended June 30, 2007, and June 30, 2006:

### Condensed Statement of Cash Flows

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>% Change</u>
Net Cash Provided From (Used For):				
Operating Activities	\$ (902,924)	\$ (1,306,074)	\$ 403,150	(30.87) %
Noncapital Financing Activities	1,843,884	1,858,081	(14,197)	(0.76) %
Capital and Related Financing Activities	(1,807,511)	(3,132,624)	1,325,113	(42.30) %
Investing Activities	<u>397,493</u>	<u>6,386,893</u>	<u>(5,989,400)</u>	<u>(93.78) %</u>
Net Increase (Decrease)	(469,058)	3,806,276	(4,275,334)	
Cash and Cash Equivalents at Beginning of Year	<u>6,623,683</u>	<u>2,817,407</u>	<u>3,806,276</u>	135.10 %
Cash and Cash Equivalents at End of Year	<u>\$ 6,154,625</u>	<u>\$ 6,623,683</u>	<u>\$ (469,058)</u>	(7.08) %

### 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 to generate revenues. The GTP team has seen a significant increase in interest in the TransPark, particularly with the aerospace industry, and already has had an announcement for a tenant in the new fiscal year.

There continues to be increasing interest in Foreign Trade Zone #214. Having foreign trade zone designation is a major asset to have in place as the TransPark markets globally.

The team continues to build relationships and works closely with its partners, including the North Carolina Department of Commerce, Golden Leaf Foundation, Neuse River Development Authority, the Rural Ventures Fund, Global TransPark Foundation, Lenoir County, City of Kinston, North Carolina's Eastern Region, North Carolina Military Foundation, consultants, tenants, and others.

The Authority needs more facilities for potential tenants, not only for manufacturing and distribution, but also for aviation. The master plan for the TransPark shows a rail spur, and there will be continued efforts by Authority Board members and North Carolina Department of Transportation to secure funding and partners for this needed infrastructure.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

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

This financial report is designed to provide a general overview of the TransPark's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Executive Director, Post Office Box 1476, Kinston, NC 28503-1476.

***North Carolina Global TransPark Authority***  
***Statement of Net Assets***  
***June 30, 2007***

***Exhibit A***

	<u><i>NCGTPA</i></u>	<u><i>NCGTPF</i></u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 5,906,219	\$ 3,910,179
Investment on Deposit with State Treasurer (Note 2)	1,820,262	
Accounts Receivable (Net)	99,408	
Total Current Assets	<u>7,825,889</u>	<u>3,910,179</u>
Non-current Assets:		
Restricted Cash and Cash Equivalents (Note 2)	248,406	
Capital Asset - Nondepreciable (Note 3)	23,954,283	
Capital Assets - Depreciable, Net (Note 3)	<u>48,153,713</u>	<u>6,181,271</u>
Total Noncurrent Assets	<u>72,356,402</u>	<u>6,181,271</u>
Total Assets	<u>80,182,291</u>	<u>10,091,450</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable (Note 5)	239,253	7,822
Accrued Interest Payable (Note 5)	81,894	
Due to Primary Government (Note 5)	2,924	
Compensated Absences (Note 7)	45,799	
Deferred Revenue	175	
Note Payable - (Note 6)	358,765	
Note Payable - USDA (Note 7)	<u>25,658</u>	
Total Current Liabilities	<u>754,468</u>	<u>7,822</u>
Noncurrent Liabilities:		
Note Payable - USDA (Note 7)	3,073,225	
Note Payable - Due to NC Escheat Fund (Note 7)	32,062,906	
Compensated Absences (Note 7)	<u>45,798</u>	
Total Noncurrent Liabilities	<u>35,181,929</u>	
Total Liabilities	<u>35,936,397</u>	<u>7,822</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	48,728,658	6,181,271
Restricted for Debt Service	248,406	
Unrestricted	<u>(4,731,170)</u>	<u>3,902,357</u>
Total Net Assets	<u>\$ 44,245,894</u>	<u>\$ 10,083,628</u>

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, 2007***

***Exhibit B***

	<u><i>NCGTPA</i></u>	<u><i>NCGTPF</i></u>
<b>OPERATING REVENUES</b>		
Rental Revenue	\$ 954,789	\$ 186,683
Miscellaneous Revenues	337,196	2,273
Total Operating Revenues	<u>1,291,985</u>	<u>188,956</u>
<b>OPERATING EXPENSES</b>		
Salaries and Benefits	930,959	241,180
Professional Services	241,345	82,537
Legal and Accounting	55,216	
Depreciation	2,166,615	214,912
Rent	15,409	
Repairs and Maintenance	58,209	
Supplies and Materials	76,284	277
Equipment	6,864	
Insurance	65,546	
Printing and Binding	9,077	
Telephone	26,656	2,062
Utilities	304,962	
Travel and Subsistence	8,488	1,439
Advertising	142,070	
Projects	90,485	
Economic Development		282,919
Other	134,517	992
Total Operating Expenses	<u>4,332,702</u>	<u>826,318</u>
Operating Loss	<u>(3,040,717)</u>	<u>(637,362)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Operating Aid	1,600,000	
Contributions and Donations		67,350
Loss on Disposal		(14,484)
Noncapital Grants	236,514	
Investment Earnings	397,493	241,157
Interest Expense	(1,813,246)	
Net Nonoperating Revenues	<u>420,761</u>	<u>294,023</u>
Loss Before Capital Contributions	(2,619,956)	(343,339)
Capital Contributions	<u>52,807</u>	
Decrease in Net Assets	(2,567,149)	(343,339)
Net Assets - July 1	<u>46,813,043</u>	<u>10,426,967</u>
Net Assets - June 30	<u>\$ 44,245,894</u>	<u>\$ 10,083,628</u>

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, 2007**

**Exhibit C**

	<b>NCGTPA</b>	<b>NCGTPF</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,209,643	\$ 186,683
Cash Received from Others		2,273
Payments for Economic Development Activities		(275,123)
Payments to Vendors	(1,184,451)	(87,281)
Payments to Employees and Fringe Benefits	(928,116)	(241,180)
Net Cash Used For Operating Activities	(902,924)	(414,628)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	1,600,000	
Other	243,884	122,000
Net Cash Provided From Noncapital Financing Activities	1,843,884	122,000
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(2,492,066)	
Proceeds from Capital Debt	858,765	
Grants	52,807	
Principal Payments on Capital Debt	(19,775)	
Interest Payments on Capital Debt	(207,242)	
Net Cash Provided For Capital and Related Financing Activities	(1,807,511)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	397,493	241,157
Net Cash Provided From Investing Activities	397,493	241,157
Net Increase (Decrease) in Cash and Cash Equivalents	(469,058)	(51,471)
Cash and Cash Equivalents, July 1	6,623,683	3,961,650
Cash and Cash Equivalents, June 30	\$ 6,154,625	\$ 3,910,179
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (3,040,717)	\$ (637,362)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation	2,166,615	214,912
Increase in Accounts Receivables	(69,513)	
Increase in Accounts Payable	44,509	7,822
Increase in Due to Primary Government	1,195	
Increase in Accrued Vacation	3,264	
Decrease in Deferred Revenue	(8,277)	
Net Cash Used by Operating Activities	\$ (902,924)	\$ (414,628)
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Transfer of an Asset	\$ 0	\$ (14,484)
Assets Acquired Through the Assumption of a Liability	858,765	
Change in Capital Assets as a Result of Accrual Accounts Payable	(2,471)	

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, 2007***

***Exhibit C***

	<u>NCGTPA</u>	<u>NCGTPF</u>
<b>COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,906,219	\$ 3,910,179
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	<u>248,406</u>	
Total Cash and Cash Equivalents	<u>\$ 6,154,625</u>	<u>\$ 3,910,179</u>

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

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**NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 North Carolina Eastern Region's 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, 2007, are as follows:

<u>Fiscal Year</u>	<u>Commitment</u>
2008	\$ 243,162
2009	44,184
2010	15,002
	<u>\$ 302,348</u>

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Nonexchange 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 \$99,408 are shown in the accompanying financial statements net of allowances for doubtful accounts in the amount of \$7,901. Contributions receivable in the amount of \$190,500 are shown in the accompanying financial statements net of allowances for doubtful accounts in the amount of \$190,500.
- H. 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.

Interest expense is capitalized on assets during the period of construction with tax-exempt debt, if material. The amount of interest expense to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In the accompanying

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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financial statements, interest expense in the amount of \$10,515 has been capitalized to Construction in Progress.

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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### Component Unit Information

The Foundation currently has no employee. Therefore, no liability for compensated absences exists at the balance sheet date. During the year, the Foundation paid \$11,846 to a retiring employee for unused vacation leave at the employee's retirement date.

#### L. **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 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 is 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 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.

#### M. **Revenue and Expense Recognition** – The Authority and the Foundation classify revenues and expenses as operating or non-operating 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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 \$4,377,704 and a bank balance of \$4,657,478. Of the bank balance, \$605,153 was covered by federal depository insurance and \$4,052,325 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 \$5,686,690, 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 1.6 years as of June 30, 2007. 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, 2007. Interest earned on the investment on deposit with the State Treasurer totaled \$103,135 for the year ended June 30, 2007. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2006	Additions	Deletions	Balance June 30, 2007
Capital Assets, Nondepreciable				
Land	\$ 18,240,383	\$ 932,671	\$ 0	\$ 19,173,054
Construction in Progress	3,834,714	1,575,913	(629,398)	4,781,229
Total Capital Assets, Nondepreciable	22,075,097	2,508,584	(629,398)	23,954,283
Capital Assets, Depreciable				
Landing Fields and Grounds	39,758,124	60,739		39,818,863
Buildings	31,928,361	500,797		32,429,158
Equipment	3,339,534	65,873	(24,605)	3,380,802
Total Capital Assets, Depreciable	75,026,019	627,409	(24,605)	75,628,823
Less Accumulated Depreciation for:				
Landing Fields and Grounds	(10,017,482)	(1,336,419)		(11,353,901)
Buildings	(6,102,117)	(965,689)		(7,067,806)
Equipment	(2,802,834)	(79,419)	10,121	(2,872,132)
	(18,922,433)	(2,381,527)	10,121	(21,293,839)
Total Capital Assets, Depreciable, Net	56,103,586	(1,754,118)	(14,484)	54,334,984
Total Capital Assets, Net	\$ 78,178,683	\$ 754,466	\$ (643,882)	\$ 78,289,267

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Authority	\$ 2,166,615
The Foundation	<u>214,912</u>
Total	<u><u>\$ 2,381,527</u></u>

### 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:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 685,290
2009	603,262
2010	538,814
2011	342,837
2012	<u>214,564</u>
Total	<u><u>\$ 2,384,767</u></u>

The various buildings leased at a cost of \$21,301,589 and have accumulated depreciation totaling \$4,535,522.

#### 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 18 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 208,907
2009	240,021
2010	240,021
2011	240,021
2012	240,021
Total	<u>\$ 1,168,991</u>

The building leased was constructed in 1995 at a cost of \$8,498,064 and has accumulated depreciation totaling \$2,317,111.

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable at June 30, 2007, were as follows:

	<u>Amount</u>
Accounts Payable	\$ 190,679
Accrued Interest Payable	81,894
Contract Retainage	53,308
Intergovernmental Payables	2,924
Deposit Liability	3,088
Total Accounts Payable	<u>\$ 331,893</u>

### NOTE 6 - SHORT-TERM DEBT

The Authority has a secured line of credit to finance the construction of a facility. The maximum amount is \$1,606,750, and interest is payable monthly at the rate of 7.5%. The line of credit expires on November 8, 2007.

Short-term debt activity for the year ended June 30, 2007, was as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2007</u>
Line of Credit	<u>\$ 0</u>	<u>\$ 358,765</u>	<u>\$ 0</u>	<u>\$ 358,765</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2007:

	July 1, 2006	Additions	Payments	June 30, 2007	Due in Less Than One year
Notes Payable	\$ 33,088,336	\$ 2,196,363	\$ 122,910	\$ 35,161,789	\$ 25,658
Compensated Absences	88,333	91,597	88,333	91,597	45,799
	<u>\$ 33,176,669</u>	<u>\$ 2,287,960</u>	<u>\$ 211,243</u>	<u>\$ 35,253,386</u>	<u>\$ 71,457</u>

**A. North Carolina Escheat Fund** – The \$21,741,952 principal and net accrued interest expense of \$10,320,954 represent a balance of \$32,062,906 due to the North Carolina Escheat Fund at June 30, 2007. It is payable on October 1, 2009, 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, 2007 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 \$1,696,362 for the year ended June 30, 2007. 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 four USDA loans at June 30, 2007. 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 Airport Rescue and Fire Fighting Facility (ARFF) that has approximately 20,000 square feet available for lease. The fourth loan was for an expansion of the FBO hangars. The loan information on the notes is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/2007	Principal Outstanding 6/30/2007
4.75%	6/21/41	\$ 666,500	\$ 39,644	\$ 626,856
4.63%	10/25/32	\$ 673,350	\$ 46,323	\$ 627,027
4.13%	8/18/46	\$ 1,345,000	\$ 0	\$ 1,345,000
4.25%	11/7/46	\$ 500,000	\$ 0	\$ 500,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to pay principal and interest on the notes at June 30, 2007, are presented as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 25,658	\$ 134,899
2009	42,062	134,329
2010	43,923	132,468
2011	45,865	130,526
2012	47,894	128,497
2013-2017	273,196	608,759
2018-2022	339,267	542,688
2023-2027	421,390	460,565
2028-2032	523,473	358,482
2033-2037	470,443	243,712
2038-2042	494,710	139,971
2043-2047	371,002	41,966
Total Requirements	<u>\$ 3,098,883</u>	<u>\$ 3,056,862</u>

### NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 10,439
2009	10,439
2010	10,439
2011	4,734
2012	1,368
Total	<u>\$ 37,418</u>

Rental expenses for all operating leases during the year were \$14,993.

### NOTE 9 - 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. 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. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first \$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.

The Authority is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$75,000 deductible.

The Authority purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

Authority employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan has contracted with third parties to process claims.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Term life insurance (death benefits) 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. The employer contribution rate was .16% for the current fiscal year.

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

### NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the TSER are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2007, these rates were set at 2.66% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2007, the Authority had a total payroll of \$756,187, of which \$682,195 was covered under the TSERS. Total employee and employer contributions for pension benefits for the year were \$40,932 and \$18,146, respectively. The Authority made 100% of its annual required contributions for the years ended June 30, 2007, 2006, and 2005, which were \$18,146, \$15,337, and \$11,580, respectively.

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

- B. Deferred Compensation and Supplemental Retirement Income Plans** – IRC Section 457 Plan – The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the Authority. The voluntary contributions by employees amounted to \$9,190 for the year ended June 30, 2007.

IRC Section 401(k) Plan – All members of the TSERS and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Authority. The voluntary contributions by employees amounted to \$26,840 for the year ended June 30, 2007.

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, 2007, the Foundation contributed \$107,000 to the plan on behalf of its former employee. Of the total, \$100,000 was contributed as directed by a “Retirement Agreement and Release” between the Foundation and its former employee.

### NOTE 11 - OTHER POSTEMPLOYMENT 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*. The Authority contributed 3.8% of covered payroll under the TSERS for these health care benefits. For the fiscal year ended June 30, 2007, the Authority's total contribution to the Plan was \$25,923. The Authority assumes no liability for these health care benefits provided by the programs other than its contribution. There were 18 employees eligible for this benefit.
- B. Disability Income –** The Authority participates in the Disability Income Plan of North Carolina (the Plan). Established by chapter 135, Article 6,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2007, the Authority's total contribution to the Plan was \$3,504. There were 18 employees eligible for this benefit. 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 12 - RELATED PARTIES

**North Carolina's Eastern Region Commission** – North Carolina's Eastern Region (Region), formerly the Global TransPark Development Commission, is a corporate body created on November 29, 1993, by North Carolina General Statute 158-31. It is composed of a nineteen (19) member board; thirteen (13) members are appointed by the county commissioners of each of the counties; two members are appointed by the Governor; two members are appointed by the President Pro Tempore of the Senate; and two members are appointed by the Speaker of the House of Representatives. Although not directly connected with the development of the Global TransPark itself, the Region supports economic development initiatives in its thirteen-member counties. A principal objective of the Region is to accommodate businesses drawn to the area by the Global TransPark. No significant financial transactions occurred between the Authority and the Region during the year ended June 30, 2007.

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

### NOTE 13 - 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$1,435,260 at June 30, 2007. These commitments were for capital improvement projects for the Kinston Regional Jetport and other construction projects. As of August 2007, the Authority has entered into additional construction contracts totaling \$1,198,771. There are long-range environmental commitments 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, 2007, the Authority received approximately 45% of its financial support from the State.
- D. Going Concern Consideration** – As of June 30, 2007, the Authority has a loan outstanding including accrued interest payable totaling \$32,062,906 to the North Carolina Escheat Fund. The maturity date is October 1, 2009. As of October 16, 2007, the investment balance of \$1,820,262 was unchanged from June 30. 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

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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- E.** Federal Aviation Administration (the “FAA”) may be required to be paid back. As of June 30, 2007, the Authority has an amortized commitment of approximately \$18.1 million from the FAA.

### **NOTE 14 - SUBSEQUENT EVENTS**

On October 8, 2007, the Authority purchased a 20,000 square foot hangar from a former tenant. With approval from the Authority’s Executive Committee of the Board of Directors, the hangar was purchased for \$1,500,000.

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**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***

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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, 2007, and have issued our report thereon dated November 9, 2007. 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 as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

**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)**

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control

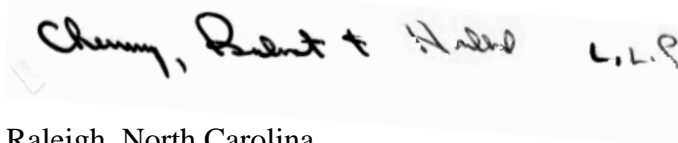
Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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. 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*.

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.**

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." The signature is written in a cursive, flowing style.

Raleigh, North Carolina

November 9, 2007

## **ORDERING INFORMATION**

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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