Financial Statement Report

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

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
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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, 2008. 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 Merritt

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

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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 and its discretely presented component unit, as of June 30, 2008, 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 as listed in the table of contents 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 opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the report of other auditors provide a reasonable basis for our opinions.

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 and its discretely presented component unit as of June 30, 2008, 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 19, 2008, 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 of internal control 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 $33,933,088 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, 2008, the Authority's amortized potential liability to the FAA was approximately $17.6 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
November 19, 2008

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, 2008. 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 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 non-financial information will be highlighted for the reader.

Financial Highlights and Analysis

The fiscal year that ended June 30, 2008, was an historical year for the Authority, as well as for Eastern North Carolina, and the State.

- Interest in FTZ 214 continued to grow. The Foreign Trade Zone now has three general purpose sites and two sub zones. Recently, the National Association of Foreign Trade Zones issued its report for 2006. Of the six FTZs in North Carolina, FTZ subzone 214A, Consolidated Diesel, employed a total of 1,622 people or 19% of all employees in N.C. foreign trade zones and handled 14% of exports from North Carolina. Activities for FTZ 214 for the fiscal year included the following:

    - NACCO Materials Handling Group in Greenville activated its sub zone site, #214B.

    - Kanban Logistics, a general purpose site in Tarboro, activated its site.

- The Authority continued Phase II initiatives of the environmental mitigation plan. Phase II, a requirement by the Army Corps of Engineers to maintain the 404 permit, includes acquiring, through conservation easement, approximately 1,100 acres of wetlands. The Authority has signed an agreement to acquire the wetlands and will execute the agreement upon approval from the Army Corps of Engineers.

- Although the passenger load factors averaged approximately 90%, the twice weekly round trip flights to Orlando, Florida, ended in March 2008 when Allegiant Air discontinued service at the Kinston Regional Jetport.

The Global TransPark also:

- Completed the office expansion project on hangars leased by fixed base operator Segrave Aviation.

- Renovated the General Aviation Terminal for fixed base operator Segrave Aviation.

- Accepted a donation by the West Pharmaceutical Company of 26 acres of land adjacent to the Global TransPark (TransPark/GTP).

- Completed GTP-5, a 20,000 SF facility, for tenant Spatial Integrated Systems (SIS). SIS moved into the facility in January of 2008.

- Completed an agreement with tenant Commerce Overseas Corporation (COC) to permanently lease 19,030 SF in GTP-2. COC is in the process of having the space up fitted.

- Workhorse Aviation Manufacturing closed its doors in December. Although the start-up company, a manufacturer of structural component parts for aging military aircraft, could not make a go of it, the concept is still valid.

- The highlight of the year was May 14th when Governor Mike Easley announced that Spirit AeroSystems (Spirit) would expand to the TransPark. Spirit is the world's largest independent supplier of aero components, including fuselages and wing systems for commercial and military aircraft. The manufacturer is also the largest independent supplier of these components to both Boeing and Airbus.

  Spirit will create a mega-site in phases, resulting in a state-of-the art composites manufacturing center for aircraft parts and assemblies. The company will create a minimum of 1,031 jobs over the next six years with an average annual salary of $48,000.

  The 18-month project, led by Secretary Jim Fain of the North Carolina Department of Commerce (DOC), was developed by many partners that worked together to close the deal. The major partners included the DOC and the Authority, the Golden LEAF Foundation, the North Carolina Department of Transportation, the North Carolina University and Community College Systems, and the Global TransPark Foundation.

  Spirit plans to develop and train its own engineers through partnerships with the University System. Workforce development training will be through Lenoir Community College in Kinston. In fact, much of the training will take place at the TransPark Center, to be renamed Spirit AeroSystems Advanced Technology Center.

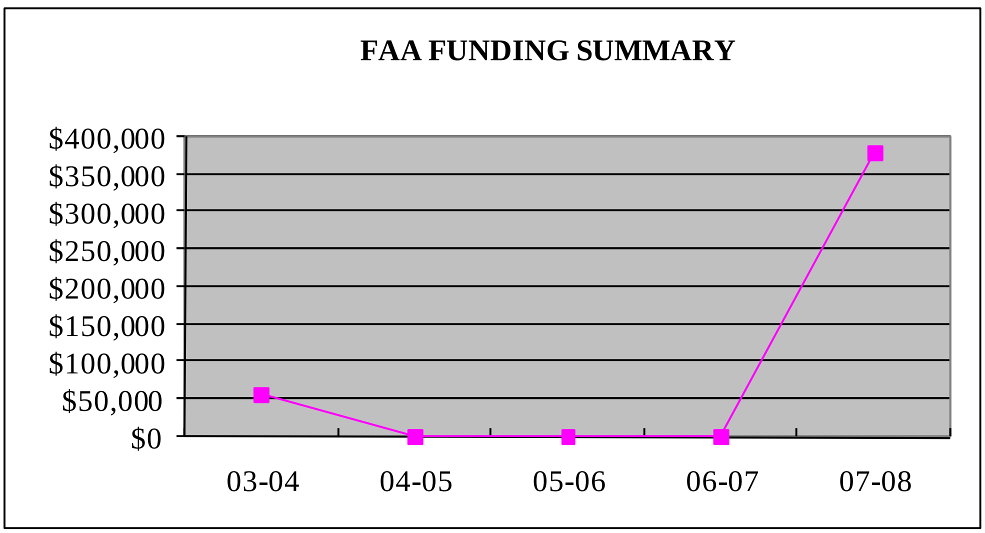
  Located in the industrial park on 304 acres, Spirit will bring together all the facets of multimodal transportation to the TransPark; that is, air, highways, rail, and the ports.

> The company plans for the facility to be operational in 2010. There will be a transload rail site for Spirit until a permanent rail spur to the TransPark is completed in 2012.
>
> Spirit's current customer for this project is Airbus. Spirit already has two contracts with Airbus to manufacture the fuselage panels, S15, and wing spars for the A350 aircraft. The parts will be loaded onto rail, transported to the Port of Morehead, and then taken by ship to France for final assembly.
>
> Spirit is the catapult for the Global TransPark to become the aerospace business address not only for Eastern North Carolina, but also for the State. The GTP can well be a linchpin for economic resurgence in Eastern North Carolina.

The Global TransPark Foundation and its leadership played not only a major role in assisting with recruitment of Spirit through private funding, but also assisted the Authority this past fiscal year with marketing, client visits, and tradeshow representative expenses.

FAA Funding Summary

The following graph illustrates FAA funding for fiscal years 2004–2008. The Authority's Kinston Regional Jetport was awarded an entitlement grant for fiscal year ended June 30, 2008. Funding received on this grant totaled $379,533.



Net Assets

A comparison of net assets at June 30, 2008 compared to June 30, 2007, depicts a 10% decrease in current assets. This was due to expenditures for capital projects such as ongoing environmental work; continued investment in the instrument landing system; and completion of construction costs for an office addition and GTP-5.

There was an approximate 93% increase in other noncurrent assets. This increase was a result of the Authority's requirement to hold amounts in reserve as collateral for loans.

The 21% decrease in current liabilities is due in part to the transfer of a short-term line of credit to long-term debt. Long-term debt outstanding increased 10% because of the acquisition of two loans for the construction of GTP-5.

An increase in Net Assets Restricted for Debt Service is directly related to the Authority depositing $205,944 in a money market account for a loan the Authority obtained in association with the construction of GTP-5. Overall, Total Net Assets had an immaterial change from the prior fiscal year.

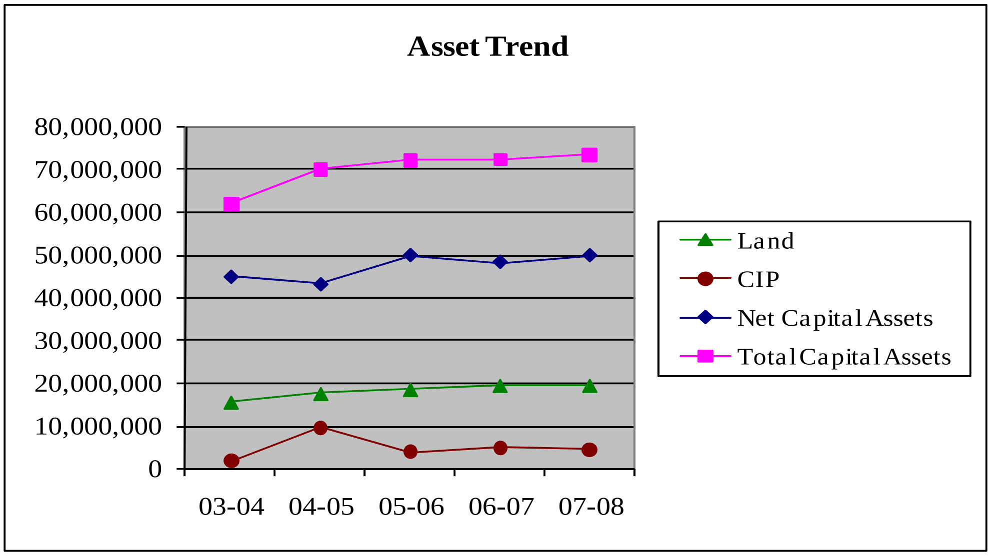
Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	Change	% Change
Current Assets	$ 7,036,467	$ 7,825,889	$ (789,422)	-10.09%
Capital Assets	73,209,911	72,107,996	1,101,915	1.53%
Other Noncurrent Assets	479,974	248,406	231,568	93.22%
Total Assets	80,726,352	80,182,291	544,061	0.68%
Current Liabilities	594,043	754,468	(160,425)	-21.26%
Long-term debt outstanding	38,776,945	35,136,131	3,640,814	10.36%
Other Noncurrent Liabilities	47,489	45,798	1,691	3.69%
Total Liabilities	39,418,477	35,936,397	3,482,080	9.69%
Net Assets				
Invested in Capital Assets, Net of Related Debt	48,402,304	48,728,658	(326,354)	-0.67%
Restricted for Debt Service	479,974	248,406	231,568	93.22%
Unrestricted	(7,574,403)	(4,731,170)	(2,843,233)	60.10%
Total Net Assets	$ 41,307,875	$ 44,245,894	$ (2,938,019)	-6.64%

Capital Asset and Debt Administration

Capital Assets

The following graph depicts the trend in net assets, particularly total capital assets. Total net capital assets include land, construction in progress, and depreciable capital assets. Net capital assets represent capital assets less depreciation. There was a decrease in construction in progress of approximately $400,000. Net assets increased by approximately $1,500,000 and total assets increased approximately $1,100,000 due to the purchase of a 20,000 square foot hangar from a former tenant.



Long-Term Debt

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2008:

	July 1, 2007	Additions	Payments	June 30, 2008	Due in Less Than One year
Notes payable	$ 35,161,789	$ 3,796,800	$ 139,582	$ 38,819,007	$ 42,062
Compensated Absences	91,597	94,978	91,597	94,978	47,489
	$ 35,253,386	$ 3,891,778	$ 231,179	$ 38,913,985	$ 89,551

North Carolina Escheat Fund - The $21,741,952 principal and net accrued interest expense of $12,191,136 represent a balance of $33,933,088 due to the North Carolina Escheat Fund at June 30, 2008. 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, 2008, 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 $1,984,106 for the year ended June 30, 2008.

United States Department of Agriculture (USDA) - The Authority was indebted for a total of four USDA loans at June 30, 2008. 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 of leased space. 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 6/30/2008	Principal Outstanding 6/30/2008
4.75%	6/21/2041	$ 666,500	$ 47,392	$ 619,108
4.63%	10/25/2032	673,350	59,273	614,077
4.13%	8/18/2046	1,345,000	-	1,345,000
4.25%	11/7/2046	500,000	4,960	495,040

Private Loans - The Authority has secured two loans to finance the construction of a 20,000 square foot facility for a tenant. Interest on these loans is payable monthly. Funding for the construction of the facility was originally secured as a line of credit with a maximum of $1,606,750. The line of credit expired on November 8, 2007. Information on the loans at June 30, 2008 is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2008	Principal Outstanding 6/30/2008
7.50%	11/8/2012	$ 1,606,750	$ -	$ 1,606,750
7.00%	11/8/2010	205,944	-	205,944

Revenues, Expenses and Changes in Net Assets

For the fiscal year the Authority showed a 39% decrease in miscellaneous revenues due to nonrecurring miscellaneous revenue payments received for FYE June 30, 2007. Operating expenses increased in total by 4%, mainly because of increases in legal and accounting fees, repairs and maintenance, equipment purchases, travel, and client services. However there were decreases in professional services, printing and binding and advertising. Nonoperating Revenues (Expenses) decreased significantly due to decreased noncapital grants and an increase in interest expense for the current fiscal year compared to the prior fiscal year. Capital contributions increased materially because of increased activity with Airport Improvement Projects. Overall, the decrease in net assets compared to the prior year was insignificant.

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

	2008	2007	Change	% Change
Operating Revenues				
Rental Revenue	$ 982,076	$ 954,789	$ 27,287	3%
Miscellaneous Revenues	205,211	337,196	(131,985)	-39%
Total Operating Revenues	1,187,287	1,291,985	(104,698)	-8%
Operating Expenses				
Salaries and Benefits	1,006,924	930,959	75,965	8%
Professional Services	170,955	241,345	(70,390)	-29%
Depreciation	2,243,193	2,166,615	76,578	4%
Utilities	298,501	304,962	(6,461)	-2%
Other	776,151	688,821	87,330	13%
Total Operating Expenses	4,495,724	4,332,702	163,022	4%
Operating Loss	(3,308,437)	(3,040,717)	(267,720)	9%
Nonoperating Revenues (Expenses)				
State Operating Aid	1,600,000	1,600,000	-	0%
Noncapital Grants	160,000	236,514	(76,514)	-32%
Investment Earnings	389,795	397,493	(7,698)	-2%
Interest Expense	(2,296,292)	(1,813,246)	(483,046)	27%
Net Nonoperating Revenues (Expenses)	(146,497)	420,761	(567,258)	-135%
Loss Before Capital Contributions	(3,454,934)	(2,619,956)	(834,978)	32%
Capital Contributions	516,915	52,807	464,108	879%
Increase (Decrease) in Net Assets	(2,938,019)	(2,567,149)	(370,870)	14%
Net Assets -- July 1	44,245,894	46,813,043	(2,567,149)	-5%
Net Assets -- June 30	$ 41,307,875	$ 44,245,894	(2,938,019)	-7%

Cash Flows

There was an approximate overall increase of 15% in cash used for operating activities due to an approximate 8% increase in payments to employees and fringe benefits and a 5% increase in payments to vendors. Overall, there was a 9% 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, 2008 and June 30, 2007:

Condensed Statement of Cash Flows

	June 30, 2008	June 30, 2007	Change	% Change
Net Cash Provided From (Used For):				
Operating Activities	$ (1,034,373)	$ (902,924)	$ (131,449)	14.56%
Noncapital Financing Activities	1,774,422	1,843,884	(69,462)	-3.77%
Capital and Related Financing Activities	(1,686,168)	(1,807,511)	121,343	-6.71%
Investing Activities	389,795	397,493	(7,698)	-1.94%
Net Increase (Decrease)	(556,324)	(469,058)	(87,266)	
Cash and Cash Equivalents at beginning of year	6,154,625	6,623,683	(469,058)	-7.08%
Cash and Cash Equivalents at end of year	$ 5,598,301	$ 6,154,625	$ (556,324)	-9.04%

Economic Outlook

The increased interest in the TransPark as an aviation-aerospace economic development project is evidenced by two announcements this fiscal year. The Governor announced in July that Commerce Overseas Corporation, a broker of aircraft parts, would relocate its headquarters from California to the TransPark. In May the Governor announced Spirit AeroSystems, a tier one supplier to aerospace companies such as Boeing and Airbus, would expand to the TransPark. This announcement was an historic event for the Authority, Eastern North Carolina and the State.

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

The team continues to build relationships and works closely with its partners, including the North Carolina Department of Commerce, North Carolina Department of Transportation, Golden LEAF Foundation, Global TransPark Foundation, Lenoir Community College, Lenoir County, City of Kinston, North Carolina's Eastern Region, consultants, tenants, and others.

The Authority needs to develop land owned on the north side of the Kinston Regional Jetport, as well as build more facilities for potential tenants, not only for manufacturing and distribution, but also for aviation/aersopace. Eighty per cent of companies interested in locating to North Carolina look at existing facilities. The rail spur to the TransPark will be completed in 2012; having this needed infrastructure will certainly make this economic development project more competitive.

The TransPark will soon be known as Eastern North Carolina's new aerospace address. Although there are concerns about the economic outlook for the country as a whole, the economic outlook for the TransPark is very positive. The Authority will continue on its mission to create jobs and work on its goal to become self-sufficient. Positive momentum continues.

North Carolina Global TransPark Authority - Primary Government
Statement of Net Assets
June 30, 2008 *Exhibit A*

ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$	5,118,327
Investment on Deposit with State Treasurer (Note 2)		1,820,262
Accounts Receivable (Net)		97,878
Total Current Assets		7,036,467
Non-current Assets:		
Restricted Cash and Cash Equivalents (Note 2)		479,974
Capital Assets - Non-depreciable (Note 3)		23,546,433
Capital Assets - Depreciable, net (Note 3)		49,663,478
Total Non-current Assets		73,689,885
Total Assets		80,726,352
LIABILITIES		
Current Liabilities:		
Accounts Payable		261,907
Accrued Interest Payable		213,005
Due to Primary Government		29,580
Compensated Absences (Note 6)		47,489
Note Payable - USDA (Note 6)		42,062
Total Current Liabilities		594,043
Non-current Liabilities:		
Note Payable - USDA (Note 6)		3,031,163
Note Payable - FCB (Note 6)		1,812,694
Note Payable - Due to NC Escheat Fund (Note 6)		33,933,088
Compensated Absences (Note 6)		47,489
Total Non-current Liabilities		38,824,434
Total Liabilities		39,418,477
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		48,402,304
Restricted for Debt Service		479,974
Unrestricted		(7,574,403)
Total Net Assets	$	41,307,875

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

North Carolina Global TransPark Authority - Primary Government
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008 ***Exhibit B***

OPERATING REVENUES	
Rental Revenue	$ 982,076
Miscellaneous Revenues	205,211
Total Operating Revenues	1,187,287
OPERATING EXPENSES	
Salaries and Benefits	1,006,924
Professional Services	170,955
Legal and Accounting	136,491
Depreciation	2,243,193
Rent	15,505
Repairs and Maintenance	88,209
Supplies and Materials	79,109
Equipment	26,157
Insurance	73,000
Printing and Binding	4,259
Telephone	27,264
Utilities	298,501
Travel and Subsistence	13,428
Advertising	72,782
Projects	43,650
Economic Development	160,000
Other	36,297
Total Operating Expenses	4,495,724
Operating Loss	(3,308,437)
NONOPERATING REVENUES (EXPENSES)	
State Operating Aid	1,600,000
Non-capital Grants	160,000
Investment Earnings	389,795
Interest Expense	(2,296,292)
Net Nonoperating Revenues (Expenses)	(146,497)
Loss Before Capital Contributions	(3,454,934)
Capital Contributions	516,915
Decrease in Net Assets	(2,938,019)
Net Assets -- July 1	44,245,894
Net Assets -- June 30	$ 41,307,875

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

North Carolina Global TransPark Authority - Primary Government
Statement of Cash Flows
For the Year Ended June 30, 2008 *Exhibit C*

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$	1,209,227
Payments to Vendors		(1,238,473)
Payments to Employees and Fringe Benefits		(1,005,127)
Net Cash Used For Operating Activities		(1,034,373)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		1,600,000
Other		174,422
Net Cash Provided From Non-capital Financing Activities		1,774,422
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(3,302,242)
Proceeds from Capital Debt		1,453,929
Grants		482,802
Principal Payments on Capital Debt		(25,658)
Interest Payments on Capital Debt		(294,999)
Net Cash Provided For Capital and Related Financing Activities		(1,686,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received		389,795
Net Cash Provided From Investing Activities		389,795
Net Decrease in Cash and Cash Equivalents		(556,324)
Cash and Cash Equivalents, July 1		6,154,625
Cash and Cash Equivalents, June 30	$	5,598,301

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$	(3,308,437)
Adjustments to Reconcile Operating Loss to Net Cash Flows form Operating Activities:		
Depreciation		2,243,193
Decrease in Accounts Receivables		21,221
Decrease in Accounts Payable		(20,212)
Increase in Due to Primary Government		26,656
Increase in Accrued Vacation		3,381
Decrease in Deferred Revenue		(175)
Net Cash Used by Operating Activities	$	(1,034,373)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets acquired through the assumption of a liability	$	1,453,929
Change in Capital Assets as a Result of Accrual Accounts Payable		42,868

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

Composition of Cash and Cash Equivalents		
Current Assets:		
Cash and Cash Equivalents	$	5,118,327
Non-current Assets:		
Restricted Cash and Cash Equivalents		479,974
Total Cash and Cash Equivalents	$	5,598,301

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

Global TransPark Foundation, Inc. - Discretely Presented Component Unit
Statement of Financial Position
June 30, 2008 — *Exhibit D*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 4,029,691
Total Current Assets	4,029,691
Property and Equipment, Net of Accumulated Depreciation of $2,535,036	5,968,439
TOTAL ASSETS	9,998,130
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	5,643
Total Current Liabilities	5,643
TOTAL LIABILITIES	5,643
Net Assets:	
Unrestricted Net Assets	9,992,487
Total Net Assets	9,992,487
TOTAL LIABILITIES AND NET ASSETS	$ 9,998,130

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

Global TransPark Foundation, Inc. - Discretely Presented Component Unit
Statement of Activities
For the year ended June 30, 2008 ***Exhibit E***

	Unrestricted	Temporarily Restricted	Total June 30, 2008
SUPPORT AND REVENUE:			
Interest Income	$ 191,880		$ 191,880
Rent Income	208,907		208,907
Other Income	1,625		1,625
Total Support and Revenue	402,412	-	402,412
EXPENSES:			
Program Services (Note 1)	411,814		411,814
Management and General Expenses (Note 1)	81,738		81,738
Total Expenses	493,552	-	493,552
Changes in Net Assets	(91,140)	-	(91,140)
Net Assets at Beginning of Year	10,083,627		10,083,627
Net Assets at End of Year	$ 9,992,487	$ -	$ 9,992,487

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

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.

Component Unit Information

The Global TransPark Foundation, Inc. (Foundation) was established in 1992 as a nonprofit corporation. The purpose of the Foundation is to engage in major fund-raising activities and to assist the North Carolina Global TransPark Authority (Authority) with the development of the Global TransPark.

The Foundation is a not-for-profit organization exempt from income taxation under Section 501 (c)(3) of the Internal Revenue Code. During the prior year, the Foundation received approval from the Internal Revenue Service to be classified as a public charity under Section 509 (a)(1). The Foundation had previously been classified as a public charity under IRC Section 509 (a)(3).

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 (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Global TransPark Authority 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 its component unit. The Global TransPark Foundation, Inc. (Foundation) has been determined to be a component unit of the Authority under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*. The Authority is “financially accountable” for the Foundation pursuant to the accounting principles generally accepted in the United States of America.

The Foundation is a legally separate, tax-exempt component unit of the Authority and acts primarily as a fund-raising organization to supplement available resources. The Foundation is governed by a 31-member board, consisting of four (4) ex officio directors and twenty-six (26) elected directors and one (1) director appointed by the Chairperson of North Carolina’s Eastern Region, formerly the Global TransPark Development Commission. Although the Authority does not control the timing or amount of receipts from the Foundation, the majority of resources that the Foundation holds and invests are restricted to the activities of the Authority. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Authority, the Foundation is considered a component unit of the Authority and is reported in separate financial statements because of the difference in its reporting model, as described below.

During the year ended June 30, 2008, the Foundation paid the Authority a total of $231,752. Of this amount, $198,982 was related to economic development commitments and the remaining $32,770 were for various operating expenses. The Foundation has remaining commitments with the Authority to provide financial incentives on behalf of a tenant that has chosen to locate in the TransPark. Payments totaling $130,075 each year for the next five years are expected to be paid by the Foundation. In total, the Foundation has $650,375 in unpaid commitments.

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).

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

Component Unit Information

The Foundation's financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not for Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

For prior periods, the Foundation presented its financial statements 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. Due to changes in the manner board members are elected, the Foundation no longer meets the definition of a government for reporting purposes.

Use of Estimates - The preparation of the Foundation's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

D. **Basis of Accounting** - The financial statements of the Authority and the Foundation have been prepared using the economic resource measurement focus and the accrual basis of accounting, respectively. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority does not apply Financial Accounting Standards Board (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 includes petty cash, cash on deposit with private bank accounts, money market accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Authority and the Foundation consider all highly liquid investments to be cash equivalents, including certificates of deposit.

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 $97,878 are shown in the accompanying financial statements net $6,311 of allowance for doubtful accounts.

Component Unit Information

During the year ended June 30, 2008, certain pledges were deemed to be uncollectible with a net present value of $66,500, which includes an adjustment for pledges due in future years of $0. The gross pledges deemed uncollectible were $66,500. Uncollectible pledges relating to payments currently due are charged against unrestricted net assets. However, uncollectible pledges relating to payments due in the future are charged as a temporarily restricted bad debt loss since the time restriction has not yet expired.

H. **Capital Assets and Depreciation** - Capital assets are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. The Authority capitalizes assets that have a value of $5,000 or more at the date of acquisition and an expected useful life of more than one year. Depreciation is computed using the straight-line method over the following useful lives of the assets, generally 10 to 50 years for buildings, 20 to 40 years for landing fields and grounds and 5 to 10 years for equipment.

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 financial statements, interest expense in the amount of $7,787 has been capitalized to Construction in Progress and Land.

Component Unit Information

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

I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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 no employees. Therefore, no liability for compensated absences exists at the balance sheet date.

L. **Net Assets** - The Authority's net assets are classified as follows:

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

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

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

Component Unit Information

At June 30, 2008, all Foundation net assets were classified as unrestricted. Unrestricted net assets represent funds that are available at the discretion of management and the Board of Directors.

M. **Revenue and Expense Recognition** - The Authority classifies 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 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 non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Non-operating revenues include activities that have the characteristics of non-exchange transactions. Revenues from non-exchange transactions and State aid that represent subsidies to the Authority, as well as investment income, are considered non-operating since these are investing, capital or non-capital financing activities. Capital contributions are presented separately after non-operating revenues and expenses.

Component Unit Information

Expenses for the Foundation have been summarized on a functional basis. Directly identifiable expenses, such as economic development expenses and depreciation of the Mountain Air Cargo building have been charged to program services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Foundation.

Functional expenses are classified as follows:

	Program Services	Management and General	Total
Economic Development	$ 198,982	$ -	$ 198,982
Travel and Subsistence		1,963	1,963
Management Fees		3,000	3,000
Professional and Consulting Services		68,581	68,581
Other Expenses		8,194	8,194
Depreciation	212,832		212,832
	$ 411,814	**$ 81,738**	**$ 493,552**

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 includes deposits in private bank accounts with a carrying value of $758,120 and a bank balance of $789,866. Of the bank balance, $200,000 was covered by federal depository insurance and $589,866 was uninsured and uncollateralized. The Authority has 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 $4,839,981, 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 weighted average maturity of 2.9 years as of June 30, 2008. 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, 2008. Interest earned on the investment on deposit with the State Treasurer totaled $113,924 for the year ended June 30, 2008. 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.

Component Unit Information

The Foundation maintains its cash balances in several financial institutions located in Kinston, NC. The Federal Deposit Insurance Corporation insures the balances up to $100,000. At June 30, 2008, the amount shown on the Statement of Financial Position as cash and cash equivalents for the Foundation includes deposits with a carrying value of $4,029,691 and a bank balance of $4,030,478. Of the bank balance, $405,148 was covered by federal depository insurance and $3,625,330 was uninsured and uncollateralized.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets, Non-depreciable				
Land	$ 19,173,054	$ 9,698	$ -	$ 19,182,752
Construction in Progress	4,781,229	1,766,724	(2,184,272)	4,363,681
Total Capital Assets, Non-depreciable	23,954,283	1,776,422	(2,184,272)	23,546,433
Capital Assets, Depreciable				
Landing Fields and Grounds	39,818,863	-	-	39,818,863
Buildings	23,931,094	3,743,158	-	27,674,252
Equipment	3,375,393	9,800	-	3,385,193
Total Capital Assets, Depreciable	67,125,350	3,752,958	-	70,878,308
Less Accumulated Depreciation for:				
Landings Fields and Grounds	(11,353,900)	(1,341,563)	-	(12,695,463)
Buildings	(4,750,693)	(823,770)	-	(5,574,463)
Equipment	(2,867,044)	(77,860)	-	(2,944,904)
	(18,971,637)	(2,243,193)	-	(21,214,830)
Total Capital Assets, Depreciable, Net	48,153,713	1,509,765	-	49,663,478
Total Capital Assets, Net	$ 72,107,996	$ 3,286,187	$ (2,184,272)	$ 73,209,911

At June 30, 2008, depreciation expense for the Authority was $2,243,193.

Component Unit Information

A summary of changes in capital assets for the year ended June 30, 2008 for the Foundation, is presented as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets, Non-depreciable				
Buildings	$ 8,498,064	$ -	$ -	$ 8,498,064
Equipment	5,411	-	-	5,411
Total Capital Assets, Depreciable	8,503,475	-	-	8,503,475
Less Accumulated Depreciation for:				
Buildings	(2,317,111)	(212,514)	-	(2,529,625)
Equipment	(5,093)	(318)	-	(5,411)
	(2,322,204)	(212,832)	-	(2,535,036)
Total Capital Assets, Depreciable, Net	6,181,271	(212,832)	-	5,968,439
Total Capital Assets, Net	$ 6,181,271	$ (212,832)	$ -	$ 5,968,439

At June 30, 2008, depreciation expense for the Foundation was $212,832.

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
2009	$ 871,857
2010	892,783
2011	812,187
2012	448,149
2013	337,402
Total	$ 3,362,378

The various buildings leased were acquired at a cost of $27,674,252 and have accumulated depreciation totaling $5,574,463.

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 leased square footage is approximately 53,338 square feet. Mountain Air Cargo, Inc. may terminate the lease early with ninety (90) days notice if certain conditions relating to their business are not met. These conditions relate to the termination of a contract with Federal Express Corporation or a reduction by 50% of Mountain Air Cargo, Inc.'s F-27 aircraft operations.

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

Fiscal Year	Amount
2009	$ 240,246
2010	240,246
2011	240,246
2012	240,246
2013	271,385
Total	$ 1,232,369

The building leased was constructed in 1995 at a cost of $8,498,064 and has accumulated depreciation totaling $2,529,625.

NOTE 5 – SHORT-TERM DEBT

In the prior fiscal year, the Authority secured a line of credit to finance the construction of a facility. The maximum amount of the line of credit was $1,606,750 with interest to be paid monthly at the rate of 7.5%. The line of credit expired on November 8, 2007 and was converted to long-term debt. Short-term debt activity for the year ended June 30, 2008, was as follows:

	July 1, 2007	Additions	Payments	June 30, 2008
Line of Credit	$ 358,765	$ -	$ 358,765	$ -

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2008:

	July 1, 2007	Additions	Payments	June 30, 2008	Due in Less Than One year
Notes payable	$ 35,161,789	$ 3,796,800	$ 139,582	$ 38,819,007	$ 42,062
Compensated Absences	91,597	94,978	91,597	94,978	47,489
	$ 35,253,386	$ 3,891,778	$ 231,179	$ 38,913,985	$ 89,551

A. **North Carolina Escheat Fund** - The $21,741,952 principal and net accrued interest expense of $12,191,136 represent a balance of $33,933,088 due to the North Carolina Escheat Fund at June 30, 2008. 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, 2008 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 $1,984,106 for the year ended June 30, 2008. 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, 2008. 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 of leased space. 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 6/30/2008	Principal Outstanding 6/30/2008
4.75%	6/21/2041	$ 666,500	$ 47,392	$ 619,108
4.63%	10/25/2032	673,350	59,273	614,077
4.13%	8/18/2046	1,345,000	-	1,345,000
4.25%	11/7/2046	500,000	4,960	495,040

The annual requirements to pay principal and interest on the USDA notes at June 30, 2008 are presented as follows:

Fiscal Year	Principal	Interest
2009	$ 42,062	134,329
2010	43,923	132,468
2011	45,865	130,526
2012	47,894	128,497
2013	50,013	126,378
2014-2018	285,288	596,667
2019-2023	354,293	527,662
2024-2028	440,069	441,886
2029-2033	546,573	335,382
2034-2038	449,166	223,039
2039-2043	478,546	118,611
2044-2048	289,533	26,518
Total Requirements	$ 3,073,225	$ 2,921,963

C. **Private Loans** - The Authority has secured two loans to finance the construction of a 20,000 square foot facility for a tenant. Interest on these loans is payable monthly and the entire principal amount is paid at final maturity. Funding for the construction of the facility was originally secured as a line of credit with a maximum of $1,606,750. The line of credit expired on November 8, 2007. Information on the loans at June 30, 2008 is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2008	Principal Outstanding 6/30/2008
7.50%	11/8/2012	$ 1,606,750	$ -	$ 1,606,750
7.00%	11/8/2010	205,944	-	205,944

NOTE 7 – OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2008:

Fiscal Year	Amount
2009	$ 10,473
2010	10,473
2011	4,737
2012	1,368
2013	-
Total	$ 27,051

Rental expenses for all operating leases during the year were $10,244.

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 $1,000,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $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 health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

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

Term life insurance of $25,000 to $50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year. Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

Component Unit Information

Financial instruments that potentially subject the Foundation to credit risk consist of pledges receivable. Pledges receivable are unconditional promises to give over a period of time. The Foundation receives pledges from large companies and corporations as well as private individuals. Pledges receivable are unsecured. The Foundation provides an allowance for doubtful accounts equal to the estimated losses expected in the collection of the pledges receivable. The accounting loss related to the pledges receivable is limited to the net balance outstanding at June 30, 2008.

NOTE 9 – 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. The Teachers' and State Employees' Retirement System (System) is a cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the Authority had a total payroll of $812,638, of which $756,995 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were $45,420 and $23,088, respectively. The Authority made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were $23,088, $18,146, and $15,337 respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ 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 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 $26,550 for the year ended June 30, 2008.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Authority. The voluntary contributions by employees amounted to $30,707 for the year ended June 30, 2008.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The Authority participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill.

For the current fiscal year the Authority contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The Authority made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were $31,037, $25,923, and $24,906, respectively. The Authority assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. **Disability Income** - The Authority participates in the Disability Income Plan of North Carolina (DIPNC) a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, the Authority made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were $3,936, $3,504, and $3,408, respectively. There were 16 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 DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 11 – RELATED PARTIES

North Carolina's Eastern Region - North Carolina's Eastern Region (Region), formerly the Global TransPark Development Commission, is a corporate body created on November 29, 1993, by North Carolina General Statute 158-31. It is composed of a nineteen (19) member board; thirteen (13) members are appointed by the county commissioners of each of the counties; two members are appointed by the Governor; two members are appointed by the President Pro Tempore of the Senate; and two members are appointed by the Speaker of the House of Representatives. Although not directly connected with the development of the Global TransPark itself, the Region supports economic development initiatives in its thirteen-member counties. A principal objective of the Region is to accommodate businesses drawn to the area by the Global TransPark. No significant financial transactions occurred between the Authority and the Region during the year ended June 30, 2008.

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

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 $1,041,595 at June 30, 2008. These commitments were for capital improvement projects for the Kinston Regional Jetport and other construction projects. As of September 2008, the Authority has entered into additional construction contracts totaling $819,523. There are long-range environmental commitments based on the 404 permit. At June 30, 2008, the Authority committed to acquire a conservation easement for 1,100 acres of wetlands at an estimated cost of $1,600,000 to complete the requirements of 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, 2008, the Authority received approximately 42% of its financial support from the State.

D. Going Concern Consideration - As of June 30, 2008, the Authority also has a loan outstanding including accrued interest payable totaling $33,933,088 to the North Carolina Escheat Fund. The maturity date is October 1, 2009. As of October 15, 2008, the investment balance in the State Treasurer's Long-Term Investment Fund was $155,621. 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, 2008, the Authority has an amortized commitment of approximately $17.6 million from the FAA.

NOTE 13 – SUBSEQUENT EVENTS

On May 14, 2008, the Authority was awarded a $100,000,000 grant from the Golden LEAF Foundation to be used to construct the Spirit AeroSystems approximately 500,000 square foot manufacturing center. The funds were deposited into an escrow account on October 15, 2008. In addition, the City of Kinston/County of Lenoir committed $1,000,000 to construct the associated storm water system for the Spirit site. The funds will be made available on a request-for-reimbursement basis.

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, 2008 and have issued our report thereon dated November 19, 2008. 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.

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.

Cherry, Bekaert & Holland, L.L.P.

Raleigh, North Carolina
November 19, 2008

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