STATE OF NORTH CAROLINA

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

BOARD OF DIRECTORS

EUGENE A. CONTI, CHAIRMAN

ADMINISTRATIVE OFFICERS

THOMAS BRADSHAW, EXECUTIVE DIRECTOR

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, North Carolina Global TransPark Authority

We have completed a financial statement audit of North Carolina Global TransPark Authority for the year ended June 30, 2012, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the North Carolina Global TransPark Authority, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Global TransPark Foundation, Inc., the Authority's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for this entity, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Global TransPark Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 the 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 respective financial position of the North Carolina Global TransPark Authority and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 13 of the financial statements, the Authority has a loan outstanding including accrued interest totaling $25,190,868 to the North Carolina Escheat Fund. The maturity date is October 1, 2014. The current amount of operating cash held by the Authority is not sufficient to pay the balance due to the North Carolina Escheat Fund. This condition raises substantial doubt about the Authority's ability to continue as a going concern. In addition, if the Authority were to declare bankruptcy, funding received to date from the Federal Aviation Administration (FAA) and the Economic Development Administration (EDA) may be required to be repaid. As of June 30, 2012, the Authority has an amortized commitment of approximately $14.1 million from the FAA and EDA.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

December 17, 2012

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, 2012. 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 organizes and raises funds from private individuals and corporations for the sole purpose of increasing business and jobs at the Global TransPark (GTP).

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

Financial Highlights and Analysis

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

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

The fiscal year that ended June 30, 2012, was a year in transition for the Authority. Some of the significant activities regarding capital assets and related debt activities are described below.

Statement of Net Assets

A comparison of total net assets at June 30, 2012 compared to June 30, 2011, depicts a decrease of 2%. There was a 14% decrease in current assets, mainly due to a decrease in cash. This decrease was caused primarily by the Authority's $1,000,000 investment in its new 100,000 square foot shell building, GTP-7, of which $800,000 was made in the current fiscal year. Also, other noncurrent assets increased 24% primarily due to the transfer of $500,000 to noncurrent restricted cash, a requirement of the loan received to help finance the shell building. Total liabilities increased by 28% due to two factors: the 87% increase in current liabilities consisted of increases to accounts payable related to project payments, as well as an increase in the current portion of notes payable due within the year; the second factor is a 26% increase in long-term debt outstanding because of two new loans and the additional interest on the Escheats Loan. Lastly, net assets restricted for debt service increased 95% due to the requirements of two loans the agency acquired for the up fit of GTP-1 and the construction of GTP-7. Additional information can be found in the notes to the financial statements. There was a 100% decrease in net assets restricted for construction because a project was completed. These factors caused unrestricted net assets to decrease 85%.

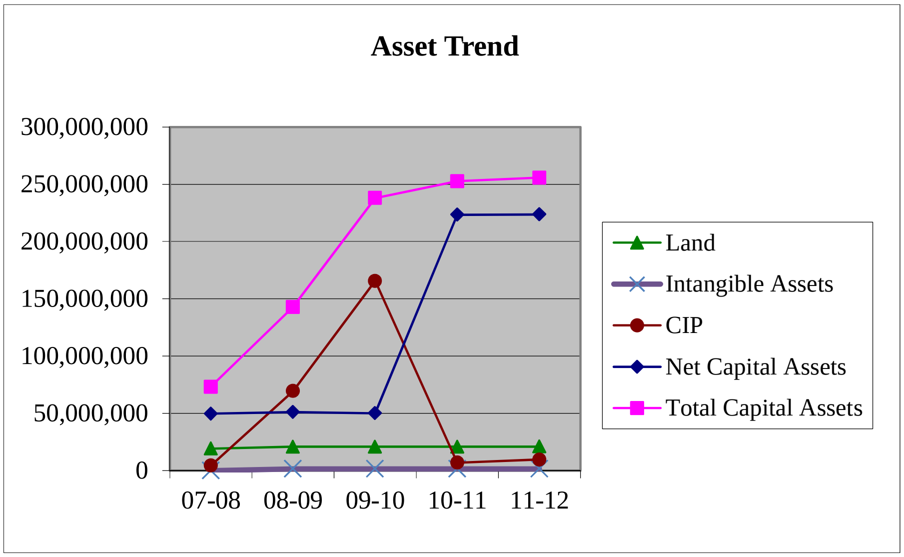
Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011	Change	% Change
Current Assets	$ 5,363,339	$ 6,266,807	$ (903,468)	-14%
Other Noncurrent Assets	840,573	678,349	162,224	24%
Capital Assets	255,753,918	252,615,536	3,138,382	1%
Total Assets	261,957,830	259,560,692	2,397,138	1%
Current Liabilities	1,944,650	1,039,708	904,942	87%
Long-term Debt Outstanding	35,291,488	28,096,265	7,195,223	26%
Other Noncurrent Liabilities	44,696	44,539	157	0%
Total Liabilities	37,280,834	29,180,512	8,100,322	28%
Net Assets				
Invested in Capital Assets, Net of Related Debt	223,107,611	226,149,320	(3,041,709)	-1%
Restricted for Debt Service	1,053,850	540,964	512,886	95%
Restricted for Construction		137,385	(137,385)	-100%
Unrestricted	515,535	3,552,511	(3,036,976)	-85%
Total Net Assets	$ 224,676,996	$ 230,380,180	$ (5,703,184)	-2%

Capital Asset

Capital Assets

The following graph depicts the trend in capital assets. Total net capital assets include land, intangible assets, construction in progress, and depreciable capital assets. Net capital assets represent depreciable capital assets less depreciation. While total net capital assets remained fairly consistent with only a 1% increase, there was an approximate 10% increase in nondepreciable capital assets due to an increase in construction in progress, mostly because of the up fit of GTP-1 ongoing at fiscal year-end. Depreciation expense increased 54% because of a full year's depreciation on GTP-6, the Spirit facility capitalized in the prior year, and the capitalization of GTP-7, the new shell building.



Revenues, Expenses and Changes in Net Assets

The Authority's financial condition overall compared to the prior fiscal year decreased 2%. However, the 21% increase in total operating revenues was due to an increase in the percentage of leasable space at the TransPark, as well as an increase in miscellaneous revenues, some of which were unusual and non-recurring such as an agreement to assign Section 179D depreciation benefits to the designer of GTP-6, a 600,000 square foot energy efficient facility at the Global TransPark, for a one-time fee. The 47% increase in operating expenses is attributable to a 54% increase in depreciation and due to the capitalization of part of the completed up fit for GTP-1 and GTP-7, along with a full year's depreciation on the Spirit facility, GTP-6, which was capitalized in the prior year. There was an increase in professional services due to an increased use of contracted services for various operational purposes. This year's increase in projects expenses was due to non-capitalizable costs associated with the GTP-1 and GTP-7 projects. The combination of these factors caused operating expenses to increase 47%, which resulted in a 54% increase in operating loss for the fiscal year.

Net nonoperating expenses and capital contributions decreased 91% due to capital contributions that decreased significantly by 89% or $33,332,026. In the prior year capital contributions consisted of grants and significant gifts from the State (including $17,500,000 repayment to the Escheat Fund debt), the North Carolina Division of Aviation for an airport project, Spirit Aero Systems (Spirit) and other entities that totaled $37,564,794. In the current year capital contributions only consist of grants and gifts from Spirit, North Carolina Division of Aviation for airfield signage, and other entities totaling $4,232,768.

An Inducement Agreement between the GTP and Spirit states that by 2014 Spirit will make capital improvements to its facility, GTP-6, totaling $100,000,000. At June 30, 2012, Spirit was ahead of schedule and has already contributed a total of $81,945,349 towards the commitment, with $4,076,523 contributed this fiscal year. The Grant Agreement between the GTP and the Golden LEAF Foundation also stipulates Spirit's commitment.

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

	June 30, 2012	June 30, 2011	Change	% Change
Operating Revenues	$ 2,055,524	$ 1,702,143	$ 353,381	21%
Operating Expenses				
Salaries and Benefits	949,701	881,304	68,397	8%
Professional Services	522,554	277,017	245,537	89%
Depreciation	8,488,055	5,495,599	2,992,456	54%
Other Operating Expenses	1,074,155	878,878	195,277	22%
Total Operating Expenses	11,034,465	7,532,798	3,501,667	46%
Operating Loss	(8,978,941)	(5,830,655)	(3,148,286)	54%
Nonoperating Revenues	1,349,693	1,348,528	1,165	0%
Nonoperating Expenses - Interest Expense	(2,306,704)	(2,597,007)	290,303	-11%
Capital Contributions	4,232,768	37,564,794	(33,332,026)	-89%
Net Nonoperating Expenses and Capital Contributions	3,275,757	36,316,315	(33,040,558)	-91%
Increase (Decrease) in Net Assets	(5,703,184)	30,485,660	36,188,844	-119%
Net Assets, Beginning of Period	230,380,180	199,894,520	30,485,660	-15%
Net Assets, End of Period	$ 224,676,996	$ 230,380,180	$ (5,703,184)	-2%

Highlights and Economic Outlook

The Authority has experienced a year of transition. Some of the highlights, activities and plans are included in the following:

- Senate Bill 409, Session Law 2011-340, transferred the Authority directly to the North Carolina Department of Transportation (DOT). The transition included the utilization of the same computer systems at DOT for doing business, including all aspects of accounting and payroll data entry. Employees were trained within their respective areas of expertise, the most complex of which being within the accounting sections.

- The session law also made substantial changes to the makeup of the Authority's Board of Directors, which created a turnover with several new members. The session law also gave the Secretary of Transportation greater responsibilities regarding the management of the Authority.
- In addition to the transition of the computerized functions to synergize with those of DOT, the Authority's staff underwent many changes due to retirements, transfers, and resignations of four long-time staff members.
- Spirit AeroSystems' (Spirit) announced in July 2011 that it would relocate its Gulfstream G280 wing production operations to the GTP.
- The Authority provided facilities for the airlift of the first six A350 XWB fuselage sets from the GTP to Spirit's facility in St. Nazaire, France.
- Marketing activities were expanded to include:
  - Increased activity among the Authority, the North Carolina State Ports Authority (Ports), DOT personnel, and the logistics team to spur economic development activity.
  - Attendance at several aviation/aerospace trade shows, as well as participated in Friends of North Carolina events.
  - Marketing committee meetings, tenant meetings, media editorials, prospect visits, numerous speaking engagements, as well as website development.
  - The GTP was featured in the March 2012 issue of *Site Selection* magazine.
  - The GTP was named among the top ten aviation clusters in the south by *Southern Business and Development*.
- Foreign Trade Zone (FTZ) activities included:
  - Hosting FTZ information sessions for both the Authority and the Ports.
  - Drafting an FTZ marketing plan for the Authority and the Ports.
  - The Authority's FTZ Administrator applied to the FTZ Board for the Ports' foreign trade zones (FTZ #66 and #67) to be transferred to the DOT, with concurrence from both DOT and the North Carolina Department of Commerce.
  - Participated in FTZ conferences and seminars.
- Staff participated in strategic planning sessions for the Authority's strategic plan that is being updated.
- Management participated in strategic planning sessions with its sister agency, the North Carolina Ports Authority, as well as with the logistics team.
- Operational activities included:
  - Development committee meetings regarding zoning, as well as meetings with city and county officials.

  - Completion of the environmental reporting necessary for certified sites documentation, parcel development estimates, and the actual site certification process on 877 acres of land at the GTP.
  - Air service development meetings with consultant and committee members composed of board members and community leaders.

- Awarded bid for way finding and arrival signage plan development for the GTP. Momentum continued for workforce development training for Spirit, as Lenoir Community College (LCC) held several classes at the Composite Center of Excellence. The aerospace manufacturing readiness curriculum consists of 120 hours of training in composite layup and fabrication and sheet metal fabrication to support Spirit's work packages for the Airbus A350 and Gulfstream G280/G650. The LCC staff also supports post-hire training for new Spirit employees, providing qualification and certification in Airbus and Gulfstream work processes.
- Private sector employment at the GTP increased to 437 employees as compared to 357 employees for the prior year. These numbers do not reflect the public agencies who are also tenants at the GTP.

Additionally, the loss of a significant number of long-time staff members within a short period of time has led to remaining staff members taking on additional responsibilities until vacancies are filled.

For the eastern region of North Carolina, the presence of Spirit AeroSystems (Spirit) at the TransPark has continued to provide new opportunities for both revenue and job growth. In July 2011 Spirit announced that it would be relocating its production of the Gulfstream G280 wing from Oklahoma to North Carolina.

The TransPark's recently constructed 100,000 square foot shell building, GTP-7, has received significant interest from potential customers representing several industries, including manufacturers in medical devices, aerospace, building products, metal fabrication, and food processing. In June 2012, Crate Tech, Inc. signed a lease for 25,000 square feet in the facility. Crate Tech provides customized packaging solutions for Spirit and has been operating temporarily in another facility at the TransPark while their space is being up fit. In addition to the completion of the GTP-7 shell building, several other development milestones were reached at the TransPark. The 5.8-mile rail spur entered its final stages of construction and will be completed in fall 2012. The Authority also completed the extensive process of certifying 877 acres of property as "shovel ready" as part of the North Carolina Department of Commerce's certified sites program. The availability of sites with this certification will make the TransPark more attractive to prospective industrial tenants.

The Authority is working with the DOT Logistics Division and is in the process of updating its strategic plan. Performance metrics that align with those of the DOT are being added, with completion of the plan expected in December 2012.

In summary, the future is promising for the Authority as it continues to work with its partners to bring economic prosperity to the citizens of eastern North Carolina.

North Carolina Global TransPark Authority
Statement of Net Assets
June 30, 2012 ***Exhibit A-1***

ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$	3,329,579
Restricted Cash and Cash Equivalents (Note 2)		213,277
Accounts Receivable, Net (Note 3)		261,424
Due from Primary Government		1,559,059
Total Current Assets		5,363,339
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note 2)		840,573
Capital Assets - Nondepreciable (Note 4)		32,098,484
Capital Assets - Depreciable, Net (Note 4)		223,655,434
Total Noncurrent Assets		256,594,491
Total Assets		261,957,830
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		945,443
Due to Primary Government		38,430
Unearned Revenue		16,667
Accrued Interest Payable		95,679
Compensated Absences (Note 6)		44,696
Note Payable - USDA (Note 6)		50,013
Note Payable - PNG (Note 6)		97,611
Note Payable - FCB (Note 6)		256,111
Note Payable - Due to NC DOT (Note 6)		400,000
Total Current Liabilities		1,944,650
Noncurrent Liabilities:		
Compensated Absences		44,696
Note Payable - USDA (Note 6)		2,843,468
Note Payable - PNG (Note 6)		195,222
Note Payable - FCB (Note 6)		1,480,326
Note Payable - Due to NC DOT (Note 6)		2,880,612
Note Payable - Southern Bank (Note 6)		2,700,992
Note Payable - Due to NC Escheat Fund (Note 6)		25,190,868
Total Noncurrent Liabilities		35,336,184
Total Liabilities		37,280,834
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		223,107,611
Restricted for:		
Expendable:		
Debt Service		1,053,850
Unrestricted		515,535
Total Net Assets	$	224,676,996

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 Fiscal Year Ended June 30, 2012 ***Exhibit A-2***

REVENUES		
Operating Revenues:		
Rental Revenues	$	1,486,897
Miscellaneous Revenues		568,627
Total Operating Revenues		2,055,524
EXPENSES		
Operating Expenses:		
Salaries and Benefits		949,701
Professional Services		522,554
Legal and Accounting		149,884
Depreciation		8,488,055
Rent		15,548
Repairs and Maintenance		139,224
Supplies and Materials		71,732
Equipment		6,477
Insurance		76,481
Telephone		22,814
Utilities		282,549
Travel and Subsistence		18,047
Advertising		88,622
Projects		170,454
Other		32,323
Total Operating Expenses		11,034,465
Operating Loss		(8,978,941)
NONOPERATING REVENUES (EXPENSES)		
State Operating Aid		1,152,000
Noncapital Contributions		158,678
Investment Earnings		39,015
Interest Expense		(2,306,704)
Net Nonoperating Expenses		(957,011)
Loss Before Other Revenues		(9,935,952)
Capital Contributions		4,232,768
Decrease in Net Assets		(5,703,184)
NET ASSETS		
Net Assets - July 1, 2011		230,380,180
Net Assets - June 30, 2012	$	224,676,996

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

North Carolina Global TransPark Authority
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2012 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	2,090,615
Payments to Employees and Fringe Benefits		(892,426)
Payments to Vendors and Suppliers		(1,687,805)
Net Cash Used by Operating Activities		(489,616)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Operating Aid		1,152,000
Noncapital Contributions		158,678
Cash Provided by Noncapital Financing Activities		1,310,678
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt		4,542,987
Federal Capital Contributions		190,703
Capital Contributions		56,333
Acquisition and Construction of Capital Assets		(7,232,985)
Principal Payments on Capital Debt		(391,957)
Interest Payments on Capital Debt		(321,697)
Net Cash Used by Capital Financing and Related Financing Activities		(3,156,616)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received		39,015
Cash Provided by Investing Activities		39,015
Decrease in Cash and Cash Equivalents		(2,296,539)
Cash and Cash Equivalents - July 1, 2011		6,679,968
Cash and Cash Equivalents - June 30, 2012	$	4,383,429
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(8,978,941)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		8,488,055
Changes in Assets and Liabilities:		
Accounts Receivable (Net)		(27,970)
Accounts Payable and Accrued Liabilities		(20,511)
Due to Primary Government		34,758
Unearned Revenue		14,681
Compensated Absences		312
Net Cash Used by Operating Activities	$	(489,616)

North Carolina Global TransPark Authority
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2012 — *Page 2 of 2*

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	3,329,579
Restricted Cash and Cash Equivalents		213,277
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		840,573
Total Cash and Cash Equivalents - June 30, 2012	$	4,383,429

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Capital Assets as a Result of Accounts Payable Accruals	$	833,338
Assets Acquired through Capital Contributions		4,028,190
Assets Acquired through the Assumption of a Liability		1,638,617

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

Global TransPark Foundation, Inc.
Statement of Financial Position
June 30, 2012 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	3,982,699
Accrued Interest Receivable		6,675
Unconditional Promises to Give - Net of Allowance for Uncollectible Promises to Give of $66,500		
Total Current Assets		3,989,374
Noncurrent Assets:		
Property and Equipment, Net of Accumulated Depreciation of $3,379,749		5,118,315
Total Assets	$	9,107,689
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	5,600
Total Liabilities		5,600
NET ASSETS		
Unrestricted		8,972,014
Unrestricted - Board Designated		130,075
Total Net Assets		9,102,089
Total Liabilities and Net Assets	$	9,107,689

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

Global TransPark Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2012 *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Total June 30, 2012
SUPPORT AND REVENUE:			
Contributions	$ 0	$ 5,000	$ 5,000
Interest Income	31,810		31,810
Rent Income	240,021		240,021
Other Income	346		346
Net Assets Released from Restrictions	5,000	(5,000)	
Total Support and Revenue	277,177		277,177
EXPENSES:			
Program Services	342,527		342,527
Management and General Expenses	141,673		141,673
Total Expenses	484,200		484,200
Change in Net Assets	(207,023)		(207,023)
Net Assets at Beginning of Year	9,309,112		9,309,112
Net Assets at End of Year	$ 9,102,089	$ 0	$ 9,102,089

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Global TransPark Authority (Authority) is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

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

Discretely Presented Component Unit - The Global TransPark Foundation, Inc. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the Authority.

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

The Foundation is a not-for-profit organization exempt from income taxation under Section 501 (c)(3) of the Internal Revenue Code.

During the year ended June 30, 2012, the Foundation paid the Authority $230,075 for economic development commitments and other 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.

Complete financial statements for the Corporation may be obtained from the North Carolina Global TransPark, P.O. Box 1476, Kinston, NC 28503-1476 or by calling (252) 522-1037.

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

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

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.

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

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

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

E. **Receivables** - Receivables consist of charges to customers for services, leases on facilities, and miscellaneous revenues. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, amounts due from creditors for construction, and amounts due from the Foundation. Receivables are recorded net of estimated uncollectible amounts.

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

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

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

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

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

I. **Compensated Absences** - The Authority's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

When classifying unused vacation leave into current and noncurrent, leave is considered taken using the 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. There is no liability for unpaid accumulated sick leave because the Authority has no obligation to pay sick leave upon termination or retirement. The policy provides for unlimited accumulation of sick leave. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

J. Net 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 as a component of invested in capital assets, net of related debt.

Restricted Net Assets - Expendable - Expendable 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, rental revenues, contributions, and interest income.

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

K. Revenue and Expense Recognition - The Authority classifies revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in 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 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, 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

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

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $2,409,480 which represents the Authority's equity position in the Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2012. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Short-Term Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Cash on hand at June 30, 2012 was $200. The carrying amount of the Authority's deposits not with the State Treasurer was $1,973,749, and the bank balances were $3,221,663. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2012, the Authority's bank balance was exposed to custodial credit risk, as follows:

Uninsured and Collateralized	$ 2,168,130

Component Unit - The North Carolina TransPark Foundation (Foundation) maintains its cash balances in several financial institutions located in Kinston, NC. The carrying amount of the Foundation's deposits and the bank balances were $3,982,699. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2012, the Foundation's bank balance was exposed to custodial credit risk, as follows:

Uninsured and Collateralized	$ 3,000,691

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Due from Customers	$ 30,438	$ 6,311	$ 24,127
Due from Southern Bank for Construction Invoices	76,027		76,027
Due from Foundation	13,025		13,025
Intergovernmental	148,245		148,245
Total Current Receivables	$ 267,736	$ 6,311	$ 261,424

NOTE 4 - CAPITAL ASSETS

Authority - A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land	$ 20,781,796	$ 134,996	$ 136	$ 20,916,656
Intangible Assets	1,546,370			1,546,370
Construction in Progress	6,865,538	11,589,885	8,819,965	9,635,458
Total Capital Assets, Nondepreciable	29,193,704	11,724,881	8,820,101	32,098,484
Capital Assets, Depreciable:				
Landing Fields and Grounds	48,774,517			48,774,517
Buildings	202,172,483	8,684,969		210,857,452
Equipment	4,064,317	36,688		4,101,005
Total Capital Assets, Depreciable	255,011,317	8,721,657		263,732,974
Less Accumulated Depreciation for:				
Landing Fields and Grounds	17,049,975	1,632,285		18,682,260
Buildings	11,221,980	6,728,932		17,950,912
Equipment	3,317,530	126,838		3,444,368
Total Accumulated Depreciation	31,589,485	8,488,055		40,077,540
Total Capital Assets, Depreciable, Net	223,421,832	233,602		223,655,434
Capital Assets, Net	$ 252,615,536	$ 11,958,483	$ 8,820,101	$ 255,753,918

Component Unit - A summary of changes in the Foundation's capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Depreciable:				
Buildings	$ 8,498,064	$ 0	$ 0	$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	3,167,297	212,452		3,379,749
Total Capital Assets, Net	$ 5,330,767	$ (212,452)	$ 0	$ 5,118,315

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	Amount
Accounts Payable	$ 591,131
Accrued Payroll	19,945
Contract Retainage	331,279
Deposit Liability	3,088
Total Accounts Payable and Accrued Liabilities	$ 945,443

NOTE 6 - LONG-TERM LIABILITIES

A. Summary of Changes - A summary of changes in the Authority's long-term liabilities for the year ended June 30, 2012 is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Notes Payable	$ 28,288,531	$ 8,203,304	$ 396,612	$ 36,095,223	$ 803,735
Compensated Absences	89,079	89,392	89,079	89,392	44,696
Total Long-Term Liabilities	$ 28,377,610	$ 8,292,696	$ 485,691	$ 36,184,615	$ 848,431

B. Notes Payable Summary

Notes Payable - North Carolina Escheat Fund - The $21,741,952 principal and net accrued interest expense of $3,448,916 represent a balance of $25,190,868 due to the North Carolina Escheat Fund at June 30, 2012. It is payable on October 1, 2014, 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, 2012, by real property. Its interest rate is variable and was 7.037% at

June 30, 2012. Additional collateral can be substituted for the deposit with the State. Interest expense on the loan with the State Treasurer was $2,021,700 for the year ended June 30, 2012.

Notes Payable - United States Department of Agriculture (USDA) - The Authority was indebted for a total of four USDA loans at June 30, 2012. One USDA loan was for the construction of Fixed Base Operator (FBO) hangars at the Global TransPark at an interest rate of 4.75%. Another USDA loan was for the construction of an Administration Building at an interest rate of 4.63%. The third loan was for the Airport Rescue and Fire Fighting Facility (ARFF) that has approximately 20,000 square feet of leased space at an interest rate of 4.13%. The fourth loan was for an expansion of the FBO hangars at an interest rate of 4.25%. The loan information on the USDA notes payable is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
4.75%	6/21/2041	$ 666,500	$ 82,245	$ 584,255
4.63%	10/25/2032	673,350	117,346	556,004
4.13%	8/18/2046	1,345,000	64,777	1,280,223
4.25%	11/7/2046	500,000	27,001	472,999

The annual requirements to pay principal and interest on the USDA notes at June 30, 2012 are presented as follows:

Fiscal Year	Principal	Interest
2013	$ 50,013	$ 126,378
2014	52,225	124,166
2015	54,537	121,854
2016	56,950	119,441
2017	59,471	116,920
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	$ 2,893,481	$ 2,396,143

Notes Payable - Bank and Private Loans - The Authority secured two loans to finance the construction of a 20,000 square foot facility for a tenant. Principal and interest on the first loan are payable monthly; interest on the second loan is payable monthly, and the entire principal amount is paid at final maturity. The Authority secured a third loan to finance the installation of an 8" gas line for a tenant. Principal and interest payments on this loan are paid annually. The Authority secured a fourth loan to construct GTP-7, a 100,000 square foot shell building. The Authority may draw down a maximum of $4,000,000, and the first two years of the loan are interest only. Principal and interest payments on this loan are paid monthly. At year end the loan balance was $2,700,992.

Information on the loans at June 30, 2012 is shown in the following table:

Purpose	Financial Lender	Issue Date	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
Facility Construction	First Citizens	11/8/2006	7.00%	11/8/2030	$ 1,606,750	$ 76,257	$ 1,530,493
Facility Construction	First Citizens	1/31/2008	3.50%	2/8/2013	205,944		205,944
Gas Line Construction	PNG Gas Co.	10/6/2009	7.00%	8/4/2014	488,055	195,222	292,833
Facility Construction	South Bank	5/24/2012	6.75%	5/24/2032	2,700,992		2,700,992

The annual requirements to pay principal and interest on the private notes at June 30, 2012 are presented as follows:

Fiscal Year	Principal	Interest
2013	$ 353,722	$ 312,380
2014	157,950	301,869
2015	236,225	285,648
2016	148,479	268,950
2017	159,046	258,382
2018-2022	982,052	1,105,092
2023-2027	1,385,069	702,074
2028-2032	1,307,719	201,447
Total requirements	$ 4,730,262	$ 3,435,842

Notes Payable - North Carolina Department of Transportation (DOT) Loan - On September 29, 2011, the Authority signed an agreement with DOT to draw down a maximum of $5,000,000 for the renovation of GTP-1, a 120,000 square foot facility to be converted from warehousing to industrial fabrication for a tenant. On April 17, 2012, the agreement was amended to require the Authority to repay DOT $400,000 annually at 0% interest until the loan is paid in full by reducing quarterly appropriations to the Authority by $100,000. It was further agreed that the Authority would repay DOT $200,000 during the fiscal year ended June 30, 2012. The final maturity date of this loan is dependent on the total amount borrowed and the date presented below is based on the loan balance at June 30, 2012. At year end the loan balance was $3,280,612. Information on the loan at June 30, 2012 is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
0.00%	7/1/2021	$ 3,480,612	$ 200,000	$ 3,280,612

The annual requirements to pay principal on the note at June 30, 2012 are presented as follows:

Fiscal Year	Principal
2013	$ 400,000
2014	400,000
2015	400,000
2016	400,000
2017	400,000
2018-2022	1,280,612
Total requirements	$ 3,280,612

NOTE 7 - OPERATING LEASE OBLIGATIONS

The Authority entered into operating leases for facilities and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	$ 9,478
2014	9,478
2015	5,555
2016	1,956
Total Minimum Lease Payments	$ 26,467

Rental expense for all operating leases during the year was $9,538.

NOTE 8 - FUTURE RENTAL REVENUES

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

Fiscal Year		Amount
2013	$	1,388,301
2014		1,023,766
2015		926,974
2016		833,039
2017		808,854
Total	$	4,980,934

The various buildings leased were acquired at a cost of $205,128,851 and have accumulated depreciation totaling $15,589,808.

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

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

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

Fiscal Year		Amount
2013	$	271,132
2014		314,694
2015		314,694
2016		314,694
2017		314,694
Total	$	1,529,908

The building leased was constructed in 1995 at a cost of $8,498,064 and has accumulated depreciation totaling $3,379,749.

NOTE 9 - PENSION PLANS

Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System (Plan) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. The plan is 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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the Authority had a total payroll of $734,452, of which $694,145 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were $41,649 and $51,644, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The Authority made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were $51,644, $30,218, and $21,920, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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 $5,630 for the year ended June 30, 2012.

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 $3,224 for the year ended June 30, 2012.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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 State

Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the Authority contributed 5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The Authority made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were $34,707, $30,034, and $27,630, respectively. The Authority assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2012, 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, 2011, and 2010, were .52% and .52%, respectively. The Authority made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were $3,610, $3,187, and $3,193, respectively. The Authority assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 11 - RISK MANAGEMENT

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

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The Authority pays the premium, based on a composite rate, directly to the private insurer.

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

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

The Authority is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The Authority is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible.

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

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

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State

Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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

NOTE 12 - RELATED PARTIES

North Carolina's Eastern Region - North Carolina's Eastern Region (Region), formerly the Global TransPark Development Commission, is a corporate body created on November 29, 1993, by *North Carolina General Statute* 158-31. It is composed of a nineteen (19) member board; thirteen (13) members are appointed by the county commissioners of each of the counties; two members are appointed by the Governor; two members are appointed by the President Pro Tempore of the Senate; and two members are appointed by the Speaker of the House of Representatives. Although not directly connected with the development of the Global TransPark itself, the Region supports economic development initiatives in its thirteen-member counties. A principal objective of the Region is to accommodate businesses drawn to the area by the Global TransPark. No significant financial transactions occurred between the Authority and the Region during the year ended June 30, 2012.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

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

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

Construction and Environmental Commitments - The Authority has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $1,099,821 at June 30, 2012. These commitments were for capital improvement projects for the Kinston Regional Jetport and other construction projects. As of June 30, 2012, the Authority had not entered into additional construction contracts. There are also long-range environmental commitments based on the United States Army Corps of Engineers Section 404 permit for the activities described above.

Concentration of Risk and Potential Refinancing Commitment - The Authority is a state agency for the State of North Carolina and, therefore, receives financial support from the State. Excluding capital contributions and investment earnings, the Authority received 43% of its financial support from the State for the year ended June 30, 2012 compared to 46% during the prior year.

Going Concern Consideration - As of June 30, 2012, the Authority also has a loan outstanding including accrued interest payable totaling $25,190,868 to the North Carolina Escheat Fund described in Note 6. The maturity date is October 1, 2014. 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. It is anticipated the General Assembly will determine how to repay the balance by the maturity date.

If the Authority were to declare bankruptcy, funding received to date from the Federal Aviation Administration (FAA) and the Economic Development Administration (EDA) may be required to be repaid. As of June 30, 2012, the Authority has an amortized commitment of approximately $14.1 million from the FAA and EDA.

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

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

We have audited the financial statements of the North Carolina Global TransPark Authority, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 17, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the Authority's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

The Authority's management is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management of the Authority, the Board of Directors, others within the entity, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

December 17, 2012

ORDERING INFORMATION

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This audit required 327 audit hours at an approximate cost of $23,544. The cost represents .009% of the Authority's total assets and .176% of total expenses subjected to audit.