

# STATE OF NORTH CAROLINA

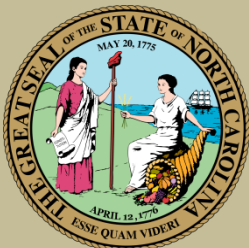
OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA  
FINANCIAL STATEMENT AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NCOSA**  
The Taxpayers' Watchdog

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



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
The General Assembly of North Carolina  
Board of Directors, North Carolina Global TransPark Authority

We have completed a financial statement audit of the North Carolina Global TransPark Authority for the year ended June 30, 2021, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

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

Beth A. Wood, CPA  
State Auditor



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

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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



# **INDEPENDENT AUDITOR'S REPORT**

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



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

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the North Carolina Global TransPark Authority (Authority), which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of North Carolina Global TransPark Authority, and its discretely presented component unit, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Global TransPark Foundation, Inc., are based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Carolina Global TransPark Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our

audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As discussed in Note 13 to the financial statements, during the year ended June 30, 2021, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### *Required Supplementary Information*

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

#### **Other Reporting Required by Government Auditing Standards**

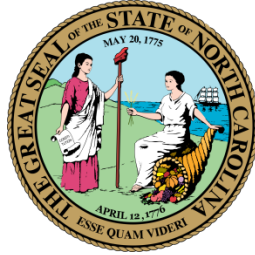
In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

January 12, 2022



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



Management's 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, 2021. In addition to Management's Discussion and Analysis, management has prepared the accompanying Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

Although the Global TransPark Foundation, Inc. (Foundation) is included in the financial statements as a discretely presented component unit to comply with the accounting rules that are generally accepted in the United States of America, the accompanying statements in the overview are of the Authority only. The Foundation's and the Authority's financial information are shown separately. The Foundation organizes and raises funds from private individuals and corporations for the sole purpose of increasing business and jobs at the Authority. Refer to Note 1A to the financial statements for additional information regarding the Foundation.

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

Required Supplementary Information (RSI) follows the basic financial statements and Notes to the Financial Statements. The RSI is mandated by the Governmental Accounting Standards Board (GASB) and includes information related to the Authority's participation in the State's pension and other postemployment benefits (OPEB) plans.

### **Financial Highlights and Analysis**

The GASB, established as an independent nonprofit organization in 1984, is charged with establishing and maintaining accounting policy, procedure, and disclosure standards as they pertain to state and local governments. These standards are most commonly referred to as generally accepted accounting principles (GAAP). Governmental GAAP accounting requires the application of the GASB Statement No. 34 reporting model whose intent is to make financial statements more useful to and easier to understand by oversight bodies, investors, creditors, and citizens. This improvement in utility is accomplished principally through the MD&A and a reformatting and consolidating of the basic financial statements for the main types 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 *Annual Comprehensive Financial Report*.

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

For the fiscal year ended June 30, 2021, the Authority has been impacted by COVID-19 but managed to have adequate cash flows from operations to meet all current obligations as well as debt service requirements.

## Statement of Net Position

The following table compares net position as of June 30, 2021 to that of the prior year.

Condensed Statement of Net Position				
	June 30, 2021	June 30, 2020 (As Restated)	Change	% Change
Assets:				
Current Assets	\$ 4,317,230	\$ 5,466,669	\$ (1,149,439)	-21%
Noncurrent Assets - Other	4,868,407	5,266,328	(397,921)	-8%
Noncurrent Assets - Capital Assets, Net	149,404,941	147,207,432	2,197,509	2%
Total Assets	158,590,578	157,940,429	650,149	0%
Total Deferred Outflows of Resources	727,529	831,925	(104,396)	-13%
Liabilities:				
Other Current Liabilities	1,405,136	855,033	550,103	64%
Other Noncurrent Liabilities	3,298,854	3,711,210	(412,356)	-11%
Long-Term Liabilities - Current Portion	2,995,307	754,471	2,240,836	297%
Long-Term Liabilities	9,633,978	8,367,746	1,266,232	15%
Total Liabilities	17,333,275	13,688,460	3,644,815	27%
Total Deferred Inflows of Resources	481,200	298,482	182,718	61%
Net Position:				
Net Investment in Capital Assets	137,055,062	139,123,560	(2,068,498)	-1%
Restricted	1,502,825	1,503,673	(848)	0%
Unrestricted	2,945,745	4,158,179	(1,212,434)	-29%
Total Net Position	\$ 141,503,632	\$ 144,785,412	\$ (3,281,780)	-2%

There was minimal change in the Authority's total assets from the prior year. Current assets decreased due to a decrease in cash and cash equivalents from payments for a legal settlement, increased salaries for four additional positions, and the replacement of a roof. Other noncurrent assets decreased due to the paydown of a receivable from Spirit AeroSystems, Inc. (Spirit). Spirit is obligated to repay the Authority for not fulfilling requirements of the Spirit Inducement Agreement (Agreement). The Agreement included provisions whereby the Authority would receive a grant from the Golden Leaf Foundation to build a facility to be used by Spirit. In exchange, Spirit would create a certain number of jobs and if that number of jobs was not met, a payment would be owed to the Authority. These payments to the Authority would then be returned to the Golden Leaf Foundation. Noncurrent assets - capital assets, net increased 2% from the completion of Project Jetstream, Fleet Readiness Center East (FRC East), West Pharma and Draken projects.

Total liabilities increased by 27% from the prior year. The increase to current liabilities was primarily the result of payments due to the North Carolina Department of Transportation (NC DOT) for expenses related to the Authority's terminal paving project. The Authority's notes from direct borrowings increased from borrowing to fund construction projects (see Long-Term Liabilities discussion). The Authority experienced decreases in net pension and net OPEB liabilities. The changes in the net pension and net OPEB liability and the related changes in deferred outflows and deferred inflows were the result of changes in actuarial valuations of the State's pension and OPEB plans in which the Authority participates. See Notes 9 and 10 for further information regarding pension and OPEB plans.

Total net position of the Authority remained relatively consistent with the prior year. Net investment in capital assets represents the Authority's equity position, net of related liabilities, with regards to land, facilities, and equipment. The minor 1% decrease compared to the prior year results primarily from the net effect of additions to capital projects and depreciation expense incurred during the year and additions to notes from direct borrowings for projects.

Unrestricted net position is available for any lawful purpose of the Authority. Unrestricted net position decreased by 29% due to the reduction in current assets discussed above.

### Capital Assets

Total net capital assets include land, intangible assets, construction in progress, and depreciable capital assets net of accumulated depreciation.

Capital activity during the year included additions to construction in progress and \$15.21 million in additions to buildings and landing fields and grounds. The additions to buildings include the completion of Project Jetstream, FRC East, West Pharma and Draken. Project Jetstream will provide a state-of-the-art electrostatic paint and coating facility. FRC East has relocated its maintenance, repair and operations facility from Cherry Point, NC to the Global TransPark. Draken is a maintenance, repair and operations facility that has expanded its operations by opening a new facility at the North Carolina Global TransPark. Additions to landing fields and grounds include the completion of the terminal paving project. See Note 5 to the financial statements for additional information on capital assets.

### Long-Term Liabilities

Long-term liability activity during the period consisted of increases of \$4.5 million in notes from direct borrowings to the Foundation and the NC DOT Division of Aviation for Project Jetstream, Project FRC East and Draken. The increase to long-term liabilities was offset by loan payments made during the year and decreases in the net pension and net OPEB liabilities due to changes in actuarial valuations. See Note 7 to the financial statements for additional information regarding long-term liabilities.

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

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

	June 30, 2021	June 30, 2020	Change	% Change
Operating Revenues:				
Rental Revenues	\$ 1,999,655	\$ 1,525,217	\$ 474,438	31%
Sales and Services	268,274	346,093	(77,819)	-23%
Total Operating Revenues	2,267,929	1,871,310	396,619	21%
Operating Expenses:				
Salaries and Benefits	1,263,724	1,037,429	226,295	22%
Supplies and Services	1,519,118	1,002,139	516,979	52%
Utilities	146,408	124,792	21,616	17%
Depreciation	6,581,169	6,516,779	64,390	1%
Total Operating Expenses	9,510,419	8,681,139	829,280	10%
Operating Loss	(7,242,490)	(6,809,829)	(432,661)	6%
Nonoperating Revenues (Expenses):				
State Operating Aid	862,833	750,000	112,833	15%
Investment Income	47,961	63,773	(15,812)	-25%
Interest and Fees on Debt	(169,357)	(126,357)	(43,000)	34%
Federal Aid - COVID 19	-	69,000	(69,000)	-100%
Noncapital Contributions	225,250	135,618	89,632	66%
Other Nonoperating Revenues (Expenses)	(28,690)	163,689	(192,379)	-118%
Net Nonoperating Revenues	937,997	1,055,723	(117,726)	-11%
Other Revenues:				
Capital Appropriations and Contributions	3,022,713	2,790,879	231,834	8%
Total Revenues	6,426,686	5,844,269	582,417	10%
Total Expenses	(9,708,466)	(8,807,496)	(900,970)	10%
Decrease in Net Position	(3,281,780)	(2,963,227)	(318,553)	11%
Net Position, July 1	144,785,412	147,748,639	(2,963,227)	-2%
Net Position, June 30	\$ 141,503,632	\$ 144,785,412	\$ (3,281,780)	-2%

Operating revenues increased over the prior year from new tenants FRC East, Draken and West Pharma. State operating aid also increased 15% due to additional funding provided by the NC Department of Transportation. During the year, the Authority received noncapital contributions from Greene County, Lenoir County and Wayne County for the addition of four economic development positions. Capital contributions include nonrecurring funds from the Golden Leaf Foundation and the Global TransPark Foundation to fund the Authority's capital projects. The change in other nonoperating revenues (expenses) is the net effect of miscellaneous income reported in the prior year and the loss on disposal reported in the current year.

The Authority's total operating expenses increased by 10% as compared to the prior year due to an increase in salaries and benefits, legal services (settlement of employment and contract claims), utilities (increase from new tenants), and the expense of replacing the Training Center roof. The increase in salaries and benefits was due to the addition of four new Economic Development positions, pension and OPEB expenses, and salary increases.

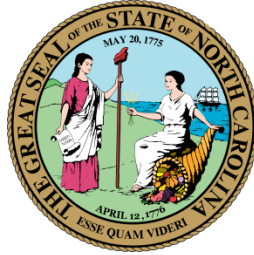
### **Economic Outlook**

In March 2020, the World Health Organization declared a pandemic due to the spread of the coronavirus disease (COVID-19). COVID-19 impacted the Authority in that the Authority experienced increases in the cost of capital construction materials due to disrupted supply chains.

The Authority; however, continues to be an economic driver as it continues to bring high-impact jobs and investment to eastern North Carolina by recruiting new industries and strategically collaborating with partners to ensure the availability of a skilled workforce.

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

If you have questions about these financial statements or need additional information, contact the Authority's President/CEO, 2780 Jetport Rd, Kinston, NC 28504, or at (252) 775-6180.



# **FINANCIAL STATEMENTS**

**North Carolina Global TransPark Authority**  
**Statement of Net Position**  
**June 30, 2021**

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

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,647,596
Receivables (Note 4)	669,634
Total Current Assets	<u>4,317,230</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,567,000
Account Receivable	3,298,854
Net Other Postemployment Benefits Asset	2,553
Capital Assets - Nondepreciable (Note 5)	23,096,353
Capital Assets - Depreciable, Net (Note 5)	<u>126,308,588</u>
Total Noncurrent Assets	<u>154,273,348</u>

Total Assets	<u>158,590,578</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	243,444
Deferred Outflows Related to Other Postemployment Benefits (Note 10)	<u>484,085</u>
Total Deferred Outflows of Resources	<u>727,529</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	163,473
Due to Primary Government	651,484
Due to State of North Carolina Component Unit	412,357
Funds Held for Others	67,000
Unearned Revenue	110,822
Long-Term Liabilities - Current Portion (Note 7)	<u>2,995,307</u>
Total Current Liabilities	<u>4,400,443</u>

Noncurrent Liabilities:

Due to State of North Carolina Component Unit	3,298,854
Long-Term Liabilities (Note 7)	<u>9,633,978</u>
Total Noncurrent Liabilities	<u>12,932,832</u>

Total Liabilities	<u>17,333,275</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	22,015
Deferred Inflows Related to Other Postemployment Benefits (Note 10)	<u>459,185</u>
Total Deferred Inflows of Resources	<u>481,200</u>

**North Carolina Global TransPark Authority**  
**Statement of Net Position**  
**June 30, 2021**

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

**NET POSITION**

Net Investment in Capital Assets	137,055,062
Restricted:	
Expendable	1,502,825
Unrestricted	<u>2,945,745</u>
Total Net Position	<u><u>\$ 141,503,632</u></u>

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

**North Carolina Global TransPark Authority**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit A-2**

**OPERATING REVENUES**

Rental Revenues	\$ 1,999,655
Sales and Services	268,274
	<hr/>
Total Operating Revenues	2,267,929
	<hr/>

**OPERATING EXPENSES**

Salaries and Benefits	1,263,724
Supplies and Services	1,519,118
Utilities	146,408
Depreciation	6,581,169
	<hr/>
Total Operating Expenses	9,510,419
	<hr/>
Operating Loss	(7,242,490)
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**NONOPERATING REVENUES (EXPENSES)**

State Operating Aid	862,833
Noncapital Contributions	225,250
Investment Income	47,961
Interest and Fees on Debt	(169,357)
Other Nonoperating Expenses	(28,690)
	<hr/>
Net Nonoperating Revenues	937,997
	<hr/>
Loss Before Other Revenues	(6,304,493)
	<hr/>
Capital Contributions	3,022,713
	<hr/>
Decrease in Net Position	(3,281,780)

**NET POSITION**

Net Position - July 1, 2020	144,785,412
	<hr/>
Net Position - June 30, 2021	\$ 141,503,632
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The accompanying notes to the financial statements are an integral part of this statement.



**North Carolina Global TransPark Authority**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2021**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 2,078,198
Payments to Employees and Fringe Benefits	(1,260,594)
Payments to Vendors and Suppliers	(1,615,980)
Other Receipts	12,817
	<hr/>
Net Cash Used by Operating Activities	(785,559)
	<hr/>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Operating Aid	862,833
Noncapital Contributions	216,023
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Total Cash Provided by Noncapital Financing Activities	1,078,856
	<hr/>

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

Proceeds from Capital Debt	4,495,750
Capital Contributions	3,022,713
Acquisition and Construction of Capital Assets	(8,349,340)
Principal Paid on Capital Debt	(687,771)
Interest and Fees Paid on Capital Debt	(169,911)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(1,688,559)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	47,961
	<hr/>
Total Cash Provided by Investing Activities	47,961
	<hr/>
Net Decrease in Cash and Cash Equivalents	(1,347,301)
Cash and Cash Equivalents - July 1, 2020	6,561,897
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Cash and Cash Equivalents - June 30, 2021	\$ 5,214,596
	<hr/>

**North Carolina Global TransPark Authority**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2021**

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

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

Operating Loss	\$ (7,242,490)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,581,169
Changes in Assets and Deferred Outflows of Resources:	
Receivables	201,494
Net Other Postemployment Benefits Asset	(1,435)
Deferred Outflows Related to Pensions	(4,359)
Deferred Outflows Related to Other Postemployment Benefits	108,755
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	30,257
Due to Primary Government	28,241
Due to State of North Carolina Component Unit	(412,356)
Funds Held for Others	13,000
Unearned Revenue	21,131
Net Pension Liability	(34,339)
Net Other Postemployment Benefits Liability	(279,011)
Compensated Absences	21,666
Deferred Inflows Related to Pensions	14,188
Deferred Inflows Related to Other Postemployment Benefits	168,530
Net Cash Used by Operating Activities	<u>\$ (785,559)</u>

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

Assets Acquired through the Assumption of a Liability	\$ 686,056
Loss on Disposal of Capital Assets	(28,690)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(9,227)

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

**Global TransPark Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2021**

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$	55,730
Loans Receivable (Related Party)		3,200,000
Investments		2,682,422
Property and Equipment, Net of Accumulated Depreciation of \$5,291,814.		<u>3,206,250</u>
Total Assets	\$	<u><u>9,144,402</u></u>

**LIABILITIES**

Accounts Payable	\$	<u>175</u>
Total Liabilities		<u>175</u>

**NET ASSETS**

Without Donor Restrictions		<u>9,144,227</u>
Total Net Assets		<u>9,144,227</u>
Total Liabilities and Net Assets	\$	<u><u>9,144,402</u></u>

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, 2021**

**Exhibit B-2**

**NET ASSETS WITHOUT DONOR RESTRICTIONS:**

**REVENUES, GAINS AND LOSSES**

Rent Income	\$ 306,021
Investment Income	43,821
Net Realized and Unrealized Gains (Losses) on Investments, Net of Investment Fees	<u>213,527</u>
Total Revenue, Gains and Losses	<u>563,369</u>

**EXPENSES**

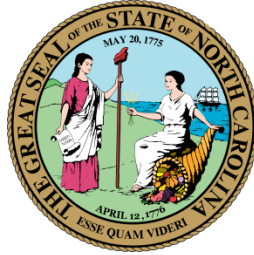
Program Services	1,212,452
Management and General Expenses	<u>39,330</u>
Total Expenses	<u>1,251,782</u>

Change in Net Assets Without Donor Restrictions (688,413)

**NET ASSETS**

Net Assets Without Donor Restrictions at Beginning of Year	<u>9,832,640</u>
Net Assets Without Donor Restrictions at End of Year	<u>\$ 9,144,227</u>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds belonging to the Authority and its component unit. The Authority's component unit is discretely presented in the Authority's financial statements. See below for further discussion of the Authority's component unit. Other related foundations and similar nonprofit corporations for which the Authority is not financially accountable are not part of the accompanying financial statements.

**Discretely Presented Component Unit** - The Global TransPark Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the Authority.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Authority as it develops projects for the Global TransPark (Park). The Foundation has raised approximately \$18 million of private funds to supplement the Authority funding and pay the Authority as it developed projects at the Park. The Foundation is a nonprofit organization exempt from income taxation under section 501(c)(3). Although the Authority does not control the timing or amount of receipts from the Foundation, the activities of the Foundation are limited to those which benefit the Authority. Because the 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.

The Foundation reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Authority's financial reporting entity for these differences.

During the year ended June 30, 2021, the Foundation provided support in the way of loans in the amount of \$3,200,000.00. See Note 7 for further

information. Complete financial statements for the Foundation can be obtained from the North Carolina Global TransPark, 2780 Jetport Road, Kinston, NC 28504, or by calling (252) 775-6180.

- 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* and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the Authority's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.
- C. Basis of Accounting** - The financial statements of the Authority have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The Authority's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- E. Receivables** - Receivables consist of charges to customers for services and leases on facilities. Receivables also include amounts due from Spirit Aerosystems, Inc. (Spirit) in connection with the Spirit Inducement Agreement. Receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded.
- F. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Landing Fields & Grounds	20-40 years
Buildings	10-50 years
Machinery and Equipment	2-25 years

The Authority's permanent conservation easement on the Frog Hollow site is capitalized at cost as an intangible asset. This easement is considered inexhaustible and is therefore not depreciated.

- 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, resources legally segregated for the payment of principal and interest as required by debt covenants, and amounts restricted by Foreign Trade Zone 214.
- H. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.
- There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes only notes from direct borrowings. Other long-term liabilities include: compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the Authority's proportionate share of the collective net pension liability reported in the State of North Carolina's



*2020 Comprehensive Annual Financial Report.* This liability represents the Authority's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 9 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the Authority's proportionate share of the collective net OPEB liability reported in the State of North Carolina's *2020 Comprehensive Annual Financial Report.* This liability represents the Authority's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 10 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

There is no liability for unpaid accumulated sick leave because the Authority has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- K. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

**L. Net Position** - The Authority's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the Authority's total investment in capital assets, net of outstanding liabilities related to those capital assets.

**Restricted Net Position - Expendable** - Expendable restricted net position includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Position** - Unrestricted net position includes resources derived from operating aid, rental revenues, sales and services, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked separately. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Authority. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 8 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

**M. Revenue and Expense Recognition** - The Authority classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) rental revenues, (2) charges for services, (3) fuel sales, and (4) landing fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the Authority, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

## NOTE 2 - DEPOSITS AND INVESTMENTS

**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. Although specifically exempted, the Authority may voluntarily deposit funds with the State Treasurer.

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,052,091, which represents the Authority's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2021 was \$200. The carrying amount of the Authority's deposits not with the State Treasurer was \$4,162,305 and the bank balance was \$4,474,905. 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, 2021, the Authority's bank balance was exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$266,832.

**Component Unit** - Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Fair Value
Mutual Funds	\$ 2,682,422

## NOTE 3 - FAIR VALUE MEASUREMENTS

**Authority** - To the extent available, the Authority's investments are recorded at fair value as of June 30, 2021. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market

participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

**Short-Term Investment Fund** - At year-end, the Authority's investments held in the STIF were valued at \$1,052,091. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The Authority's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

**Component Unit** - Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

Level 1	Quoted prices in active markets for identical securities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

As of June 30, 2021, all of the Foundation's investments were reported at fair value based on Level 1 inputs represented by quoted prices in active markets for identical securities.

#### NOTE 4 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	Amount
<b>Current Receivables:</b>	
Due from Customers	\$ 257,277
Account	412,357
<b>Total Current Receivables</b>	<b>\$ 669,634</b>

#### NOTE 5 - CAPITAL ASSETS

**Authority** - A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	\$ 21,017,780	\$ -	\$ -	\$ 21,017,780
Construction in Progress	6,931,807	8,807,368	15,206,972	532,203
Intangible Assets	1,546,370	-	-	1,546,370
<b>Total Capital Assets, Nondepreciable</b>	<b>29,495,957</b>	<b>8,807,368</b>	<b>15,206,972</b>	<b>23,096,353</b>
Capital Assets, Depreciable:				
Buildings	139,107,794	14,548,972	-	153,656,766
Machinery and Equipment	2,364,790	-	93,897	2,270,893
Landing Fields and Grounds	59,077,726	658,000	-	59,735,726
<b>Total Capital Assets, Depreciable</b>	<b>200,550,310</b>	<b>15,206,972</b>	<b>93,897</b>	<b>215,663,385</b>
Less Accumulated Depreciation for:				
Buildings	50,308,416	4,610,137	-	54,918,553
Machinery and Equipment	2,291,608	26,823	65,207	2,253,224
Landing Fields and Grounds	30,238,811	1,944,209	-	32,183,020
<b>Total Accumulated Depreciation</b>	<b>82,838,835</b>	<b>6,581,169</b>	<b>65,207</b>	<b>89,354,797</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>117,711,475</b>	<b>8,625,803</b>	<b>28,690</b>	<b>126,308,588</b>
<b>Capital Assets, Net</b>	<b>\$ 147,207,432</b>	<b>\$ 17,433,171</b>	<b>\$ 15,235,662</b>	<b>\$ 149,404,941</b>

**Component Unit** - A summary of changes in the Foundation's capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Depreciable:				
Buildings	\$ 8,498,064	\$ -	\$ -	\$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	5,079,362	212,452	-	5,291,814
<b>Capital Assets, Net</b>	<b>\$ 3,418,702</b>	<b>\$ (212,452)</b>	<b>\$ -</b>	<b>\$ 3,206,250</b>

## NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	Amount
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 45,203
Accounts Payable - Capital Assets	87,017
Accrued Payroll	18,242
Interest Payable	13,011
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 163,473</b>

## NOTE 7 - LONG-TERM LIABILITIES

**A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Debt					
Notes from Direct Borrowings	\$ 7,855,844	\$ 4,495,750	\$ 687,771	\$ 11,663,823	\$ 2,964,708
Total Long-Term Debt	7,855,844	4,495,750	687,771	11,663,823	2,964,708
Other Long-Term Liabilities					
Employee Benefits					
Compensated Absences	121,239	69,498	47,832	142,905	30,599
Net Pension Liability	318,266	-	34,339	283,927	-
Net Other Postemployment Benefits Liability	826,868	-	288,238	538,630	-
Total Other Long-Term Liabilities	1,266,373	69,498	370,409	965,462	30,599
<b>Total Long-Term Liabilities</b>	<b>\$ 9,122,217</b>	<b>\$ 4,565,248</b>	<b>\$ 1,058,180</b>	<b>\$ 12,629,285</b>	<b>\$ 2,995,307</b>

Additional information regarding the net pension liability is included in Note 9.

Additional information regarding the net other postemployment benefits liability is included in Note 10.

**B. Notes from Direct Borrowings** - The Authority was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2021
Facility Construction	Southern Bank	3.75%	05/28/2027	\$ 3,159,207	\$ 1,720,678
Refinance USDA FBO Expansion Note	Southern Bank	3.00%	05/28/2027	453,738	210,831
GTP-1 Renovation	NCDOT	0.00%	07/01/2029	4,440,615	2,190,615
Facility Construction - Jetstream	First Citizens Bank	3.50%	11/01/2025	2,500,000	2,441,699
Facility Construction - Jetstream	NC DOT Division of Aviation	0.00%	06/30/2039	2,000,000	1,900,000
GTP-2 & GTP-4 Upfit - FRCE	GTP Foundation	0.00%	12/31/2021	2,200,000	2,200,000
North Cargo Upfit - Draken	GTP Foundation	3.00%	12/31/2033	1,000,000	1,000,000
<b>Total Notes from Direct Borrowings</b>				<b>\$ 15,753,560</b>	<b>\$ 11,663,823</b>

**C. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

Annual Requirements		
Notes from Direct Borrowings		
Fiscal Year	Principal	Interest
2022	\$ 2,964,708	\$ 170,911
2023	815,115	170,131
2024	831,641	153,604
2025	849,033	136,212
2026	2,836,171	118,327
2027-2031	2,228,191	82,291
2032-2036	738,964	9,373
2037-2041	400,000	-
<b>Total Requirements</b>	<b>\$ 11,663,823</b>	<b>\$ 840,849</b>

**D. Terms of Debt Agreements** - The Authority's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

**Notes from Direct Borrowings** - The Authority has pledged land known as GTP-3 and GTP-5 as security for the notes from direct borrowing to First Citizens Bank. Upon the occurrence of any event of default, the First Citizens Bank may, without any further demand or notice, declare the unpaid principal plus any accrued and unpaid interest be due and payable immediately. The GTP-7 facility and the land upon which the facility is located is security for the notes from direct borrowing to Southern Bank and the North Carolina Department of Transportation (NC DOT). The notes are secured by land and facilities with a carrying value of \$8,576,610.

**NOTE 8 - NET POSITION**

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (62,498)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(514,002)
Effect on Unrestricted Net Position	(576,500)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	3,522,245
<b>Total Unrestricted Net Position</b>	<b>\$ 2,945,745</b>

See Notes 9 and 10 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

**NOTE 9 - PENSION PLANS****Defined Benefit Plan**

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

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also



have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The Authority's contractually-required contribution rate for the year ended June 30, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were \$54,551, and the Authority's contributions were \$134,378 for the year ended June 30, 2021.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2021, the Authority reported a liability of \$283,927 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The Authority's proportion of the net pension liability was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.00235%, which was a decrease of 0.00072 from its proportion measured as of June 30, 2019, which was 0.00307%.

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

Valuation Date	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

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

\*\* Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected

inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

**Discount Rate:** The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following presents the net pension liability of the plan at June 30, 2020 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

<u>Net Pension Liability</u>		
<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 511,002	\$ 283,927	\$ 93,458

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2021, the Authority recognized pension expense of \$103,211. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 15,646	\$ -
Changes of Assumptions	9,621	-
Net Difference Between Projected and Actual Earnings on Plan Investments	31,399	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	52,400	22,015
Contributions Subsequent to the Measurement Date	134,378	-
<b>Total</b>	<b>\$ 243,444</b>	<b>\$ 22,015</b>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2022	\$ 47,884
2023	24,643
2024	5,170
2025	9,354
<b>Total</b>	<b>\$ 87,051</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

The Authority participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the

State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

### A. Summary of Significant Accounting Policies and Plan Asset Matters

*Basis of Accounting:* The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

*Methods Used to Value Plan Investments:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

### B. Plan Descriptions

#### 1. Health Benefits

*Plan Administration:* The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina

System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

*Benefits Provided:* Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 11. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the



Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

*Contributions:* Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The Authority's contractually-required contribution rate for the year ended June 30, 2021 was 6.68% of covered payroll. The Authority's contributions to the RHBF were \$60,734 for the year ended June 30, 2021.

In fiscal year 2020, the State Health Plan (the Plan) transferred \$475.2 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2021, the Authority recognized noncapital contributions for RHBF of \$9,227.

## 2. Disability Income

*Plan Administration:* As discussed in Note 11, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

*Benefits Provided:* Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the

employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.



*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The Authority's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The Authority's contributions to DIPNC were \$818 for the year ended June 30, 2021.

**C. Net OPEB Liability (Asset)**

*Net OPEB Liability:* At June 30, 2021, the Authority reported a liability of \$538,630 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The Authority's proportion of the net OPEB liability was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.00194%, which was a decrease of 0.00067 from its proportion measured as of June 30, 2019, which was 0.00261%.

*Net OPEB Asset:* At June 30, 2021, the Authority reported an asset of \$2,553 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The Authority's proportion of the net OPEB asset was based on the present value of future salaries for the Authority relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the Authority's proportion was 0.00519%, which was an increase of 0.00260 from its proportion measured as of June 30, 2019, which was 0.00259%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

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

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2019 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan

members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:** The following presents the Authority's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability (Asset)			
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	\$ 638,239	\$ 538,630	\$ 457,552
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (2,205)	\$ (2,553)	\$ (2,891)

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates:** The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 433,864	\$ 538,630	\$ 677,594
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (2,557)	\$ (2,553)	\$ (2,549)

*OPEB Expense:* For the fiscal year ended June 30, 2021, the Authority recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ 54,285
DIPNC	1,900
<b>Total OPEB Expense</b>	<b>\$ 56,185</b>

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Employer Balances of Deferred Outflows of Resources  
Related to OPEB by Classification:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 488	\$ 1,850	\$ 2,338
Changes of Assumptions	23,622	199	23,821
Net Difference Between Projected and Actual Earnings on Plan Investments	1,135	-	1,135
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	394,741	498	395,239
Contributions Subsequent to the Measurement Date	60,734	818	61,552
<b>Total</b>	<b>\$ 480,720</b>	<b>\$ 3,365</b>	<b>\$ 484,085</b>

**Employer Balances of Deferred Inflows of Resources  
Related to OPEB by Classification:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 21,072	\$ -	\$ 21,072
Changes of Assumptions	218,585	201	218,786
Net Difference Between Projected and Actual Earnings on Plan Investments	-	433	433
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	216,435	2,459	218,894
<b>Total</b>	<b>\$ 456,092</b>	<b>\$ 3,093</b>	<b>\$ 459,185</b>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending

June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2022	(6,818)	255
2023	(6,759)	82
2024	30,231	(95)
2025	8,196	21
2026	(60,956)	(186)
Thereafter	-	(623)
<b>Total</b>	<b><u>(36,106)</u></b>	<b><u>(546)</u></b>

**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. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

**A. Employee Benefit Plans**

**1. State Health Plan**

Authority employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 10, Other Postemployment Benefits, for additional information regarding retiree health benefits.

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

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

### **3. Disability Income Plan**

Short-term and long-term disability benefits are provided to Authority employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Authority for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 10, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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

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

The Authority is required to maintain all risk 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 coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. The Authority has also chosen to obtain additional all-risk coverage for its buildings and their contents through the North Carolina Department of Insurance. This policy covers a broader range of losses and is also 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.

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

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$5,000,000 in the aggregate per fiscal year via contract with a private insurance company. The Authority pays the premium, based on a composite rate, directly to the private insurer.

### **3. Employee Dishonesty and Computer Fraud**

The Authority is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company



and is handled by the North Carolina Department of Insurance. 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 \$100,000 deductible.

#### 4. Statewide Workers' Compensation Program

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

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

#### NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

Before constructing a major federal action significantly affecting the environment, the Authority must complete an environmental review and permitting process pursuant to applicable federal and state law and regulations. On September 8, 1997, the Federal Aviation Administration (FAA) granted a favorable Record of Decision satisfactorily concluding the FAA's actions on the environmental process. The United States Army Corps of Engineers originally issued a Section 404 permit on October 21, 1998 to discharge dredge or fill material for the initial and future construction of the Global TransPark. The permit has been extended to October 21, 2028.

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



or local governments regarding new environmental laws or regulation could increase the cost of and/or delay in developing the Global TransPark.

- B. Commitments** - The Authority has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$3,562,473 at June 30, 2021. There are also long-range environment commitments based on the United States Army Corps of Engineers Section 404 permit for the activities described above.

#### NOTE 13 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the Authority implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 84, Fiduciary Activities*

*GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

*GASB Statement No. 98, The Annual Comprehensive Financial Report*

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation

plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan**  
**Last Eight Fiscal Years\***

**Exhibit C-1**

<b>Teachers' and State Employees' Retirement System</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.00235%	0.00307%	0.00287%	0.00195%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 283,927	\$ 318,266	\$ 285,740	\$ 154,722
Covered Payroll	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	43.64%	50.32%	44.63%	33.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.00234%	0.00395%	0.00481%	0.00477%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 215,070	\$ 145,689	\$ 56,436	\$ 289,317
Covered Payroll	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	48.10%	24.39%	8.04%	49.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan**  
**Last Ten Fiscal Years**

**Exhibit C-2**

<b>Teachers' and State Employees' Retirement System</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 134,378	\$ 84,385	\$ 77,730	\$ 69,011	\$ 45,555
Contributions in Relation to the Contractually Determined Contribution	134,378	84,385	77,730	69,011	45,555
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contribution	\$ 40,913	\$ 54,660	\$ 61,002	\$ 48,709	\$ 51,644
Contributions in Relation to the Contractually Determined Contribution	40,913	54,660	61,002	48,709	51,644
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736	\$ 694,145
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

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

**North Carolina Global TransPark Authority**  
**Notes to Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan**  
**For the Fiscal Year Ended June 30, 2021**

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*Changes of Benefit Terms:*

	<u>Cost of Living Increase</u>									
<b>Teachers' and State Employees' Retirement System</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

*Changes of Assumptions:* In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net OPEB Liability or Asset**  
**Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans**  
**Last Five Fiscal Years\***

**Exhibit C-3**

<b>Retiree Health Benefit Fund</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.00194%	0.00261%	0.00213%	0.00160%	0.00152%
Proportionate Share of Collective Net OPEB Liability	\$ 538,630	\$ 826,868	\$ 606,794	\$ 523,596	\$ 661,252
Covered Payroll	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463	\$ 447,137
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	82.79%	130.74%	94.79%	114.71%	147.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
<b>Disability Income Plan of North Carolina</b>					
Proportionate Share Percentage of Collective Net OPEB Asset	0.00519%	0.00259%	0.00240%	0.00163%	0.00195%
Proportionate Share of Collective Net OPEB Asset	\$ 2,553	\$ 1,118	\$ 729	\$ 996	\$ 1,211
Covered Payroll	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463	\$ 447,137
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.39%	0.18%	0.11%	0.22%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**North Carolina Global TransPark Authority**  
**Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans**  
**Last Ten Fiscal Years**

**Exhibit C-4**

<b>Retiree Health Benefit Fund</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 60,734	\$ 42,095	\$ 39,656	\$ 38,731	\$ 26,521
Contributions in Relation to the Contractually Determined Contribution	60,734	42,095	39,656	38,731	26,521
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contribution	\$ 25,039	\$ 32,796	\$ 37,907	\$ 30,991	\$ 34,707
Contributions in Relation to the Contractually Determined Contribution	25,039	32,796	37,907	30,991	34,707
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736	\$ 694,145
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%
<b>Disability Income Plan of North Carolina</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 818	\$ 651	\$ 885	\$ 896	\$ 1,735
Contributions in Relation to the Contractually Determined Contribution	818	651	885	896	1,735
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 909,187	\$ 650,616	\$ 632,465	\$ 640,176	\$ 456,463
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contribution	\$ 1,833	\$ 2,449	\$ 3,089	\$ 2,573	\$ 3,610
Contributions in Relation to the Contractually Determined Contribution	1,833	2,449	3,089	2,573	3,610
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 447,137	\$ 597,375	\$ 701,974	\$ 584,736	\$ 694,145
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	0.52%

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



**North Carolina Global TransPark Authority**  
**Notes to Required Supplementary Information**  
**Schedule of Authority Contributions**  
**Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans**  
**For the Fiscal Year Ended June 30, 2021**

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*Changes of Benefit Terms:* Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 10 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

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

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.



# **INDEPENDENT AUDITOR'S REPORT**

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Carolina Global TransPark Authority (Authority), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 12, 2022. Our report includes a reference to other auditors who audited the financial statements of the Global TransPark Foundation, Inc., as described in our report on the Authority's financial statements. The financial statements of the Global TransPark Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Global TransPark Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

January 12, 2022

# ORDERING INFORMATION

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For additional information contact the  
North Carolina Office of the State Auditor at:

**919-807-7666**



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This audit required 335 hours at an approximate cost of \$35,510.