

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, 2019

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

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, 2019, 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 cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Global TransPark Foundation, Inc., the Authority's discretely presented component unit. Those statements were audited by other auditors, whose report 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Global TransPark Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the

financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – 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, 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 December 10, 2019 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

December 10, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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, 2019. 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 *Comprehensive Annual 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.

Statement of Net Position

The following table compares net position as of June 30, 2019 to that of the prior year.

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	Change	% Change
Assets:				
Current Assets	\$ 6,527,045	\$ 3,198,089	\$ 3,328,956	104%
Noncurrent Assets - Other	41,729	3,664,817	(3,623,088)	-99%
Noncurrent Assets - Capital Assets, Net	<u>147,492,614</u>	<u>149,737,530</u>	<u>(2,244,916)</u>	-2%
Total Assets	<u>154,061,388</u>	<u>156,600,436</u>	<u>(2,539,048)</u>	-2%
Total Deferred Outflows of Resources	<u>521,975</u>	<u>195,426</u>	<u>326,549</u>	167%
Liabilities:				
Other Current Liabilities	666,214	3,870,267	(3,204,053)	-83%
Long-Term Liabilities - Current Portion	278,372	264,745	13,627	5%
Long-Term Liabilities	<u>5,560,953</u>	<u>5,619,994</u>	<u>(59,041)</u>	-1%
Total Liabilities	<u>6,505,539</u>	<u>9,755,006</u>	<u>(3,249,467)</u>	-33%
Total Deferred Inflows of Resources	<u>329,185</u>	<u>223,232</u>	<u>105,953</u>	48%
Net Position:				
Net Investment in Capital Assets	142,587,593	140,888,866	1,698,727	1%
Restricted	1,614	3,638,901	(3,637,287)	-100%
Unrestricted	<u>5,159,432</u>	<u>2,289,587</u>	<u>2,869,845</u>	125%
Total Net Position	<u>\$ 147,748,639</u>	<u>\$ 146,817,354</u>	<u>\$ 931,285</u>	1%

The Authority's total assets decreased 2% from the prior year. Current assets increased 104% due primarily to the increase in state operating aid, increased rental revenues and one-time rental incomes for temporary leases for hurricane responders, and a receivable for an economic development incentive. Other noncurrent assets decreased 99% as a result of the collection of a receivable due from NC Department of Transportation (NCDOT) to pay for construction. Construction activity for the runway rehabilitation and lighting projects was completed during the current year, however these increases were offset by depreciation expense and the demolition of certain buildings to make way for an economic development client resulting in only a modest decrease in net capital assets.

Total liabilities decreased by 33% from the prior year due primarily to the payment of contracts payable for the runway rehabilitation and lighting projects. The decrease in long-term liabilities is the decreasing effect of principal payments on notes payable offset by increases in the Authority's net pension and net OPEB liabilities. The changes in the net pension liability, net OPEB liability, and the related 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 1% increase over the prior year represents the net effect of current year asset additions, depreciation expense, and reduced construction

payables. Restricted net position decreased significantly due to the reduction in construction reimbursements due from NCDOT. Unrestricted net position is available for any lawful purpose of the Authority. Unrestricted net position increased by 125% primarily as a result of the increase in state operating aid.

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 \$9.2 million in additions to general infrastructure (\$5.9 million was included in construction in progress in the prior year) related to the completion of the pavement and lighting rehabilitation project. This activity was offset by routine depreciation. 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 planned reductions in notes payable from principal payments, and increases in the Authority's 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, 2019	June 30, 2018	Change	% Change
Operating Revenues:				
Rental Revenues, Net	\$ 1,650,602	\$ 1,405,338	\$ 245,264	17%
Sales and Services	693,504	294,209	399,295	136%
Total Operating Revenues	<u>2,344,106</u>	<u>1,699,547</u>	<u>644,559</u>	38%
Operating Expenses:				
Salaries and Benefits	841,357	803,476	37,881	5%
Supplies and Materials	610,546	59,564	550,982	925%
Services	751,493	514,227	237,266	46%
Utilities	227,271	208,854	18,417	9%
Other		116,012	(116,012)	-100%
Depreciation	6,123,834	6,300,345	(176,511)	-3%
Total Operating Expenses	<u>8,554,501</u>	<u>8,002,478</u>	<u>552,023</u>	7%
Operating Loss	<u>(6,210,395)</u>	<u>(6,302,931)</u>	<u>92,536</u>	-2%
Nonoperating Revenues (Expenses):				
State Operating Aid	3,000,000	1,685,000	1,315,000	78%
Investment Earnings	48,209	19,035	29,174	153%
Interest and Fees on Debt	(100,655)	(110,053)	9,398	-9%
Other Nonoperating Revenues (Expenses)	<u>(109,096)</u>		<u>(109,096)</u>	100%
Other Revenues:				
Capital Aid	<u>4,302,952</u>	<u>6,726,989</u>	<u>(2,424,037)</u>	-36%
Total Revenues	9,695,267	10,130,571	(435,304)	-4%
Total Expenses	(8,764,252)	(8,112,531)	(651,721)	8%
Increase in Net Position	<u>931,015</u>	<u>2,018,040</u>	<u>(1,087,025)</u>	54%
Net Position, Beginning of Period	<u>146,817,624</u>	<u>144,799,584</u>	<u>2,018,040</u>	1%
Net Position, End of Period	<u>\$ 147,748,639</u>	<u>\$ 146,817,624</u>	<u>\$ 931,015</u>	1%

Operating revenues increased over the prior year from one-time rental incomes for temporary leases for hurricane responders and the reimbursement of billable tenant expenses. State operating aid increased by 78% from additional amounts provided to the Authority by the State to fund repairs and renovations.

The Authority's total operating expenses increased by 7% as compared to the prior year due to increases in: salaries and benefits, building repairs, and consulting services. Increases in salaries and benefits resulted from increases to the OPEB and pension expense. The increase to supplies and materials was due to expenses resulting from the rentals regarding the hurricane responders. The increase to services was due to outside consultants assisting in the Finance Department and with marketing efforts for the Authority.

Economic Outlook

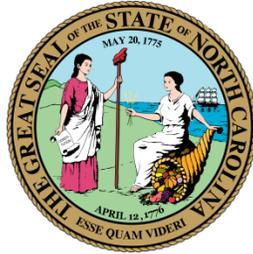
The Authority continues to achieve its potential as a regional economic driver. Given the mission to enhance the economic well-being of North Carolinians, the Authority continues to bring high-impact jobs and investment to eastern North Carolina by recruiting new industries and strategically collaborating with partners to ensure the availability of a skilled workforce.

The average annual salary of \$62,100 for private sector jobs at the Authority was 62% higher than the average annual private sector salary for Lenoir County.

The Authority is embracing its opportunities by: reducing its deferred facility maintenance, focusing on targeted industries and clusters, optimizing its current facilities and developable land, and forming partnerships for workforce development.

Contacting the Authority's Management

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



FINANCIAL STATEMENTS

North Carolina Global TransPark Authority
Statement of Net Position
June 30, 2019

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	6,022,836
Receivables (Note 4)		504,209
Total Current Assets		<u>6,527,045</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents		41,000
Net Other Postemployment Benefits Asset		729
Capital Assets - Nondepreciable (Note 5)		23,271,816
Capital Assets - Depreciable, Net (Note 5)		124,220,798
Total Noncurrent Assets		<u>147,534,343</u>
Total Assets		<u>154,061,388</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		239,929
Deferred Outflows Related to Other Postemployment Benefits (Note 10)		282,046
Total Deferred Outflows of Resources		<u>521,975</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)		89,847
Due to Primary Government		25,674
Due to NC Component Unit		409,269
Funds Held for Others		41,000
Unearned Revenue		100,424
Long-Term Liabilities - Current Portion (Note 7)		278,372
Total Current Liabilities		<u>944,586</u>

Noncurrent Liabilities:

Long-Term Liabilities, Net (Note 7)		<u>5,560,953</u>
Total Liabilities		<u>6,505,539</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions		24,497
Deferred Inflows Related to Other Postemployment Benefits (Note 10)		304,688
Total Deferred Inflows of Resources		<u>329,185</u>

North Carolina Global TransPark Authority
Statement of Net Position
June 30, 2019

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	142,587,593
Restricted for:	
Expendable:	
Disability Income Plan of North Carolina	1,614
Unrestricted	<u>5,159,432</u>
Total Net Position	<u>\$ 147,748,639</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, 2019

Exhibit A-2

OPERATING REVENUES

Rental Revenues	\$ 1,650,602
Sales and Services	693,504
	<hr/>
Total Operating Revenues	2,344,106
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	841,357
Supplies and Materials	610,546
Services	751,493
Utilities	227,271
Depreciation	6,123,834
	<hr/>
Total Operating Expenses	8,554,501
	<hr/>
Operating Loss	(6,210,395)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Operating Aid	3,000,000
Investment Income	48,209
Interest and Fees on Debt	(100,655)
Other Nonoperating Expenses	(109,096)
	<hr/>
Net Nonoperating Revenues	2,838,458
	<hr/>
Loss Before Other Revenues	(3,371,937)
	<hr/>
Capital Contributions	3,152,952
Capital Grants	1,150,000
	<hr/>
Increase in Net Position	931,015

NET POSITION

Net Position - July 1, 2018	146,817,624
	<hr/>
Net Position - June 30, 2019	\$ 147,748,639
	<hr/> <hr/>

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, 2019

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,941,743
Payments to Employees and Fringe Benefits	(845,661)
Payments to Vendors and Suppliers	(1,153,790)
Other Receipts	13,000
	<hr/>
Net Cash Used by Operating Activities	(44,708)
	<hr/>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Operating Aid	3,000,000
	<hr/>
Cash Provided by Noncapital Financing Activities	3,000,000
	<hr/>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	6,788,773
Capital Grants	1,150,000
Acquisition and Construction of Capital Assets	(7,661,832)
Principal Paid on Capital Debt	(260,543)
Interest and Fees Paid on Capital Debt	(91,373)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(74,975)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	48,209
	<hr/>
Cash Provided by Investing Activities	48,209
	<hr/>
Net Increase in Cash and Cash Equivalents	2,928,526
Cash and Cash Equivalents - July 1, 2018	3,135,310
	<hr/>
Cash and Cash Equivalents - June 30, 2019	\$ 6,063,836
	<hr/> <hr/>

North Carolina Global TransPark Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (6,210,395)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,123,834
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(413,545)
Prepaid Items	115
Net Other Postemployment Benefits Asset	267
Deferred Outflows Related to Pensions	(121,033)
Deferred Outflows Related to Other Postemployment Benefits	(205,516)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	35,188
Due to Primary Government	(8,156)
Due to NC Component Unit	409,269
Funds Held for Others	13,000
Unearned Revenue	11,182
Net Pension Liability	131,018
Net Other Postemployment Benefits Liability	83,198
Compensated Absences	913
Deferred Inflows Related to Pensions	(16,801)
Deferred Inflows Related to Other Postemployment Benefits	122,754
Net Cash Used by Operating Activities	<u>\$ (44,708)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	\$ (109,096)
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The accompanying notes to the financial statements are an integral part of this statement.

Global TransPark Foundation, Inc.
Statement of Financial Position
June 30, 2019

Exhibit B-1

	<u>Total</u>
ASSETS	
Cash and Cash Equivalents	\$ 21,839
Property, Plant and Equipment, Net of Accumulated Depreciation of \$4,866,910	3,631,154
Investments	<u>5,798,586</u>
Total Assets	<u>\$ 9,451,579</u>
LIABILITIES	
Accounts Payable	<u>\$ 178</u>
Total Liabilities	<u>178</u>
NET ASSETS	
Without Donor Restrictions:	<u>9,451,401</u>
Total Net Assets	<u>9,451,401</u>
Total Liabilities and Net Assets	<u>\$ 9,451,579</u>

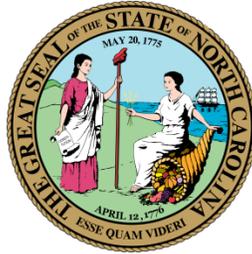
The accompanying notes to the financial statements are an integral part of this statement.

Global TransPark Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit B-2

	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES, GAINS AND LOSSES	
Rent Income	\$ 328,029
Investment Income	126,926
Net Realized and Unrealized Gains on Investments, Net of Investment Fees	<u>114,694</u>
Total Revenues, Gains and Losses	<u>569,649</u>
EXPENSES	
Program Services	212,452
Management and General Expenses	<u>59,316</u>
Total Expenses	<u>271,768</u>
Change in Net Assets Without Donor Restrictions	297,881
NET ASSETS	
Net Assets Without Donor Restrictions at Beginning of Year	<u>9,153,520</u>
Net Assets Without Donor Restrictions at End of Year	<u><u>\$ 9,451,401</u></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. North Carolina Global TransPark Authority (Authority) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds belonging to the Authority and its component unit. The Authority's component unit is discretely presented in the Authority's financial statements. 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 develops 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 past year, the Foundation agreed to fund Project Jetstream in the amount of \$1 million. During the year ended June 30, 2019, no money was distributed to the Authority.

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 GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, 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.

- E. Receivables** - Receivables consist of charges to customers for services, leases on facilities, as well as amounts due from the Foundation. 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. Interest costs incurred are capitalized during the period of construction.

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 and Grounds	20-40 years
Buildings	10-50 years
Equipment	2-25 years

The Authority’s permanent conservation easement on the Frog Hollow site is capitalized at cost as an intangible asset. Because there are no legal or regulatory limits on the useful life of this asset it is considered inexhaustible and therefore is 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 and amounts restricted by Foreign Trade.
- H. 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 2018 *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 2018 *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.

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

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

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.

- J. **Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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. The Authority has the following items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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. The Authority has the following items that qualify for reporting in this category: deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

- K. **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.

- L. 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, 2019, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,027,912, 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, 2019. 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, 2019 was \$200. The carrying amount of the Authority's deposits not with the State Treasurer was \$5,035,724, and the bank balance was \$5,211,858. 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, 2019, the Authority's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$262,967.

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
US Treasury Notes	\$ 1,166,943
Private Company Bonds	169,748
Mutual Funds	4,461,895
Total Investments	\$ 5,798,586

NOTE 3 - FAIR VALUE MEASUREMENTS

Authority - To the extent available, the Authority's investments are recorded at fair value as of June 30, 2019. 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 \$1,027,912. 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 or 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, 2019, 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, 2019, were as follows:

	<u>Amount</u>
Accounts Receivable	
Due From Customers	\$ 94,940
Accounts	<u>409,269</u>
Total Accounts Receivables	<u>\$ 504,209</u>

NOTE 5 - CAPITAL ASSETS

Authority - A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Capital Assets, Nondepreciable:				
Land	\$ 21,017,780	\$ 0	\$ 0	\$ 21,017,780
Construction in Progress	5,898,804	3,988,014	9,179,152	707,666
Intangible Assets	<u>1,546,370</u>			<u>1,546,370</u>
Total Capital Assets, Nondepreciable	<u>28,462,954</u>	<u>3,988,014</u>	<u>9,179,152</u>	<u>23,271,816</u>
Capital Assets, Depreciable:				
Buildings	139,382,485		282,147	139,100,338
Machinery and Equipment	2,583,471			2,583,471
Landing Fields and Grounds	<u>49,898,574</u>	<u>9,179,152</u>		<u>59,077,726</u>
Total Capital Assets, Depreciable	<u>191,864,530</u>	<u>9,179,152</u>	<u>282,147</u>	<u>200,761,535</u>
Less Accumulated Depreciation for:				
Buildings	41,378,236	4,553,717	173,051	45,758,902
Machinery and Equipment	2,425,349	57,597		2,482,946
Landing Fields and Grounds	<u>26,786,369</u>	<u>1,512,520</u>		<u>28,298,889</u>
Total Accumulated Depreciation	<u>70,589,954</u>	<u>6,123,834</u>	<u>173,051</u>	<u>76,540,737</u>
Total Capital Assets, Depreciable, Net	<u>121,274,576</u>	<u>3,055,318</u>	<u>109,096</u>	<u>124,220,798</u>
Capital Assets, Net	<u>\$ 149,737,530</u>	<u>\$ 7,043,332</u>	<u>\$ 9,288,248</u>	<u>\$ 147,492,614</u>

Component Unit - A summary of changes in the Foundation's capital assets for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Depreciable:				
Buildings	\$ 8,498,064	\$ 0	\$ 0	\$ 8,498,064
Less Accumulated Depreciation for:				
Buildings	4,654,458	212,452		4,866,910
Capital Assets, Net	<u>\$ 3,843,606</u>	<u>\$ (212,452)</u>	<u>\$ 0</u>	<u>\$ 3,631,154</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019, were as follows:

	Amount
Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 77,385
Accrued Payroll	3,180
Interest Payable	9,282
Total Accounts Payable and Accrued Liabilities	<u>\$ 89,847</u>

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, 2019, is presented as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Long-Term Debt					
Notes from Direct Borrowings	\$ 5,165,564	\$ 0	\$ 260,543	\$ 4,905,021	\$ 260,534
Total Long-Term Debt	5,165,564		260,543	4,905,021	260,534
Other Long-Term Liabilities					
Employee Benefits					
Compensated Absences	40,857	41,770	40,857	41,770	17,838
Net Pension Liability	154,722	131,018		285,740	
Net Other Postemployment Benefits Liability	523,596	83,198		606,794	
Total Other Long-Term Liabilities	719,175	255,986	40,857	934,304	17,838
Total Long-Term Liabilities, Net	<u>\$ 5,884,739</u>	<u>\$ 255,986</u>	<u>\$ 301,400</u>	<u>\$ 5,839,325</u>	<u>\$ 278,372</u>

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 Lender	Interest Rate	Final Maturity Date	Original Amount of Issuance	Principal Paid Through June 30, 2019	Principal Outstanding June 30, 2019
<u>Notes from Direct Borrowings</u>						
Facility Construction	Southern Bank	3.75%	05/28/2017	\$ 3,159,207	\$ 1,015,877	\$ 2,143,330
Refinance USDA FBO Expansion Note	Southern Bank	3.00%	05/28/2027	453,738	132,662	321,076
GTP-1 Renovation	NCDOT	0.00%	07/01/2029	4,440,615	2,000,000	2,440,615
Total Notes from Direct Borrowings				<u>\$ 8,053,560</u>	<u>\$ 3,148,539</u>	<u>\$ 4,905,021</u>

The Authority has pledged future revenues, net of specific operating expenses, to repay notes from direct borrowings as shown in the table below.

Revenue Source	Total Future Revenues Pledged	Current Year			Estimate of % of Revenues Pledged
		Revenues Net of Expenses	Principal	Interest	
Operating & Non-Operating Revenues	\$ 2,888,411	\$ 1,650,602	\$ 260,543	\$ 100,655	21.88%

C. Debt Authorized but Unissued - At June 30, 2019, the Authority had \$2,500,000 in authorized but unissued loan from First Citizens Bank. In addition, the Authority also had \$2,000,000 in authorized but unissued loan from the North Carolina Division of Aviation. Loan Draws may begin as early as November 2019.

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 pledged the GTP-7 facility and the land upon which the facility is located with a carrying value of \$3,184,089 as security for the notes payable to Southern Bank.

E. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2019, are as follows:

Fiscal Year	Annual Requirements	
	Notes from Direct Borrowings	
	Principal	Interest
2020	\$ 260,534	\$ 91,046
2021	530,468	80,730
2022	541,114	70,084
2023	551,839	59,359
2024	562,933	48,265
2025-2029	2,458,133	74,521
Total Requirements	<u>\$ 4,905,021</u>	<u>\$ 424,005</u>

NOTE 8 - NET POSITION

The unrestricted net position of \$5,159,432 has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	TSERS	Retiree Health Benefit Fund	Total
Deferred Outflows Related to Pensions	\$ 239,929	\$ 0	\$ 239,929
Deferred Outflows Related to OPEB		278,718	278,718
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	285,740		285,740
Net OPEB Liability		606,794	606,794
Deferred Inflows Related to Pensions	24,497		24,497
Deferred Inflows Related to OPEB		304,373	304,373
Net Effect on Unrestricted Net Position	<u>\$ (70,308)</u>	<u>\$ (632,449)</u>	<u>\$ (702,757)</u>

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

A. 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 creditable 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 creditable 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, 2019 was 12.29% of covered payroll. Employee contributions to the pension plan were \$37,948, and the Authority's contributions were \$77,730 for the year ended June 30, 2019.

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 2018 *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 are the sole participants 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 2018 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2019, the Authority reported a liability of \$285,740 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018, the Authority's proportion was 0.00287%, which was an increase of 0.00092 from its proportion measured as of June 30, 2017, which was 0.00195%.

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	12/31/2017
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* 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, 2017 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, 2018 (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, 2018 is 1.5%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.20% to 7.00% for the December 31, 2017 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, 2018 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:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 544,954	\$ 285,740	\$ 68,233

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the Authority recognized pension expense of \$70,913. At June 30, 2019, 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	\$ 20,853	\$ 2,868
Changes of Assumptions	57,341	
Net Difference Between Projected and Actual Earnings on Plan Investments	27,231	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	56,774	21,629
Contributions Subsequent to the Measurement Date	77,730	
Total	\$ 239,929	\$ 24,497

The amount of \$77,730 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 ended June 30, 2020. 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

Year Ended June 30:	Amount
2020	\$ 64,859
2021	49,649
2022	23,694
2023	(500)
Total	\$ 137,702

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 2018 *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 2018 *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.

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, 2019 was 6.27% of covered payroll. The Authority's contributions to the RHBF were \$39,656 for the year ended June 30, 2019.

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, 2019 was 0.14% of covered payroll. The Authority's contributions to DIPNC were \$885 for the year ended June 30, 2019.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2019, the Authority reported a liability of \$606,794 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. 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, 2018, the Authority's proportion was 0.00213%, which was an increase of 0.00053 from its proportion measured as of June 30, 2017, which was 0.00160%.

Net OPEB Asset: At June 30, 2019, the Authority reported an asset of \$729 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. 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, 2018, the Authority's proportion was 0.00240%, which was an increase of 0.00077 from its proportion measured as of June 30, 2017, which was 0.00163%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2017	12/31/2017
Inflation	3.00%	3.00%
Salary Increases*	8.10% grading down to 3.50% depending on employee class	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	7.25% grading down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* 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, 2018.

Best estimates of real rates of return for each major asset class included in RHBF’s target asset allocation as of June 30, 2018 (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, 2018 is 1.5%.

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, 2017 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 3.87%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

The discount rate used to measure the total OPEB asset 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 asset.

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 (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
RHBF	\$	716,938	\$ 606,794	\$ 518,509
		1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$	(559)	\$ (729)	\$ (893)

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:

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 6.25%, Med. Advantage - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 7.25%, Med. Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 8.25%, Med. Advantage - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability	\$ 500,593	\$ 606,794	\$ 746,225
	1% Decrease (5.50% grading down to 4.00% in 2024)	Current Healthcare Cost Trend Rates (6.50% grading down to 5.00% in 2024)	1% Increase (7.50% grading down to 6.00% in 2024)
DIPNC Net OPEB Asset	\$ (731)	\$ (729)	\$ (727)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the Authority recognized OPEB expense of \$41,022 for RHBF and expense of \$225 for DIPNC. At June 30, 2019, 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	\$ 0	\$ 1,272	\$ 1,272
Changes of Assumptions		138	138
Net Difference Between Projected and Actual Earnings on Plan Investments	65	568	633
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	238,997	465	239,462
Contributions Subsequent to the Measurement Date	39,656	885	40,541
Total	\$ 278,718	\$ 3,328	\$ 282,046

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 41,495	\$ 0	\$ 41,495
Changes of Assumptions	262,878		262,878
Net Difference Between Projected and Actual Earnings on Plan Investments			
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		315	315
Total	\$ 304,373	\$ 315	\$ 304,688

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 ended June 30, 2020. 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:

Year Ended June 30:	RHBF	DIPNC
2020	\$ (21,342)	\$ 665
2021	(21,342)	666
2022	(21,342)	299
2023	(21,277)	219
2024	19,992	137
Thereafter		142
Total	\$ (65,311)	\$ 2,128

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 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 contributions. Certain plans also require contributions from employees. 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. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% 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 up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. 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 fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the Authority for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. 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 \$10,000,000 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 *Comprehensive Annual 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 \$9,790,840 at June 30, 2019. There are long-range environmental 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

Component Unit - For the fiscal year ended June 30, 2019, the Foundation implemented Financial Accounting Standards Board Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update amends the requirements related to net asset classifications for not-for-profit entities. With this update, net assets on the face of the statement of financial position and changes in net assets on the face of the statement of activities are presented using two classes: *net assets with donor restrictions* and *net assets without donor restrictions*, in addition to the previously required total net assets and changes in total net assets.



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 Six Fiscal Years***

Exhibit C-1

Teachers' and State Employees' Retirement System	2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	0.00287%	0.00195%	0.00234%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 285,740	\$ 154,722	\$ 215,070
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	44.63%	33.90%	48.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%
	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.00395%	0.00481%	0.00477%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 145,689	\$ 56,436	\$ 289,317
Covered Payroll	\$ 597,375	\$ 701,974	\$ 584,736
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	24.39%	8.04%	49.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 ending 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

Teachers' and State Employees' Retirement System	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 77,730	\$ 69,011	\$ 45,555	\$ 40,913	\$ 54,660
Contributions in Relation to the Contractually Determined Contribution	<u>77,730</u>	<u>69,011</u>	<u>45,555</u>	<u>40,913</u>	<u>54,660</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	\$ 632,465	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%
	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 61,002	\$ 48,709	\$ 51,644	\$ 30,216	\$ 21,920
Contributions in Relation to the Contractually Determined Contribution	<u>61,002</u>	<u>48,709</u>	<u>51,644</u>	<u>30,216</u>	<u>21,920</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>				
Covered Payroll	\$ 701,974	\$ 584,736	\$ 694,145	\$ 612,945	\$ 613,999
Contributions as a Percentage of Covered Payroll	8.69%	8.33%	7.44%	4.93%	3.57%

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
Last Ten Fiscal Years

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Teachers' and State Employees' Retirement System	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%

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 7.25% to 7.20% for the December 31, 2016 valuation. For the December 31, 2017 valuation, the discount rate was lowered to 7.00%.

The Board 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 the most recent available information included in the State of North Carolina's 2018 *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 Three Fiscal Years***

Exhibit C-3

Retiree Health Benefit Fund	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.00213%	0.00160%	0.00152%
Proportionate Share of Collective Net OPEB Liability	\$ 606,794	\$ 523,596	\$ 661,252
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	94.79%	114.71%	147.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina			
Proportionate Share Percentage of Collective Net OPEB Asset	0.00240%	0.00163%	0.00195%
Proportionate Share of Collective Net OPEB Asset	\$ 729	\$ 996	\$ 1,211
Covered Payroll	\$ 640,176	\$ 456,463	\$ 447,137
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.11%	0.22%	0.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	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 ending 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

Retiree Health Benefit Fund	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 39,656	\$ 38,731	\$ 26,521	\$ 25,039	\$ 32,796
Contributions in Relation to the Contractually Determined Contribution	39,656	38,731	26,521	25,039	32,796
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 632,465	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%
	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 37,907	\$ 30,991	\$ 34,707	\$ 30,034	\$ 27,630
Contributions in Relation to the Contractually Determined Contribution	37,907	30,991	34,707	30,034	27,630
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 701,974	\$ 584,736	\$ 694,145	\$ 612,945	\$ 613,999
Contributions as a Percentage of Covered Payroll	5.40%	5.30%	5.00%	4.90%	4.50%
	2019	2018	2017	2016	2015
Disability Income Plan of North Carolina					
Contractually Required Contribution	\$ 885	\$ 896	\$ 1,735	\$ 1,833	\$ 2,449
Contributions in Relation to the Contractually Determined Contribution	885	896	1,735	1,833	2,449
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 632,465	\$ 640,176	\$ 456,463	\$ 447,137	\$ 597,375
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%
	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 3,089	\$ 2,573	\$ 3,610	\$ 3,187	\$ 3,193
Contributions in Relation to the Contractually Determined Contribution	3,089	2,573	3,610	3,187	3,193
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 701,974	\$ 584,736	\$ 694,145	\$ 612,945	\$ 613,999
Contributions as a Percentage of Covered Payroll	0.44%	0.44%	0.52%	0.52%	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
Last Ten Fiscal Years

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

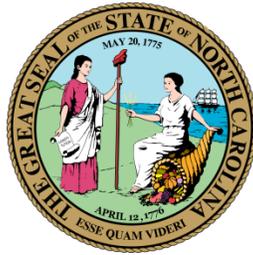
Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer 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 University 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 Disability Income Plan of North Carolina (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.

In 2018, for the December 31, 2017 actuarial valuation, the discount rate for the RHBF was updated to 3.87% and the medical and prescription drug claims cost were changed based on most recent experience. Enrollment assumptions were updated to model expected migrations among RHBF plan options and trend assumptions for the RHBF include contribution changes for the 2019 period as those amounts have been finalized.

Additionally, the December 31, 2017 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.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2018 *Comprehensive Annual Financial Report*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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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**

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 the 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2019. 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 instances of reportable noncompliance 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) to determine the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 10, 2019

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For additional information, contact the
North Carolina Office of the State Auditor at 919-807-7666.



This audit required 240 hours at an approximate cost of \$24,960.