



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

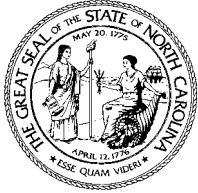
FINANCIAL STATEMENT AUDIT REPORT OF
NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
KINSTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

CHAIRMAN OF THE BOARD OF DIRECTORS

THE HONORABLE JAMES B. HUNT, JR.

ADMINISTRATIVE OFFICER

ADMIRAL PAUL E. BUSICK, PRESIDENT AND EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The Members of the North Carolina General Assembly
The Board of Directors, North Carolina Global TransPark Authority

This report presents the results of our financial statement audit of the North Carolina Global TransPark Authority (the Authority), a component unit of the State of North Carolina, for the year ended June 30, 2001. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the Authority are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report* (CAFR) and the State's *Single Audit Report*. In those reports the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the Authority were subject to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to the Authority. The audit procedures were conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements.

Results - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with generally accepted accounting principles. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** - Present significant deficiencies, if any, in internal controls which could adversely affect the Authority's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts or grants.

Results - Our tests disclosed no material weaknesses in internal control and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These matters are described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

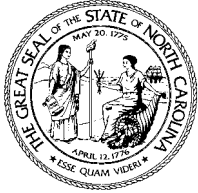
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying Balance Sheet of the North Carolina Global TransPark Authority (Authority), a component unit of the State of North Carolina, as of June 30, 2001 and the related Statement of Revenues, Expenses and Changes in Fund Equity and the Statement of Cash Flows. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Global TransPark Authority as of June 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11A to the financial statements, the Authority changed its method of accounting for securities lending transactions during the year ended June 30, 2001. As discussed in Note 11B to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* during the year ended June 30, 2001.

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS (CONCLUDED)**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2002, on the results of 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 grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.



Ralph Campbell, Jr.
State Auditor
February 12, 2002

North Carolina Global TransPark Authority

Balance Sheet

June 30, 2001

Exhibit A

ASSETS			
	Cash and Cash Equivalents (Note 2)	\$	12,332,246
	Investment on Deposit with State Treasurer (Note 2)		19,673,070
	Accounts Receivable (Net)		39,548
	Accrued Interest Receivable		50,626
	Fixed Assets (Note 4)		44,802,182
	Total Assets	\$	76,897,672
LIABILITIES AND FUND EQUITY			
Liabilities:			
	Accounts Payable	\$	3,174,025
	Due to Primary Government		5,987
	Note Payable - USDA (Note 3)		666,500
	Note Payable - Due to N.C. Escheat Fund (Note 3)		26,756,852
	Accrued Vacation Leave		129,470
	Deferred Revenue		950
	Total Liabilities		30,733,784
Fund Equity:			
	Contributed Capital		40,807,350
	Retained Earnings		5,356,538
	Total Fund Equity		46,163,888
	Total Liabilities and Fund Equity	\$	76,897,672
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 Fund Equity			
For the Fiscal Year Ended June 30, 2001			Exhibit B
	Operating Revenues:		
	Rental Revenue	\$	189,624
	Miscellaneous Revenues		114,080
	Total Operating Revenues		303,704
	Operating Expenses:		
	Salaries and Benefits		1,497,427
	Contract Services		275,789
	Legal and Accounting		132,456
	Utilities		164,317
	Repairs and Maintenance		51,564
	Rent		48,588
	Travel and Subsistence		49,198
	Telephone		56,325
	Insurance		20,130
	Printing and Binding		5,873
	Advertising		49,782
	Supplies and Materials		100,844
	Landing fields and grounds		4,431
	Equipment		84,544
	Depreciation		1,251,008
	Other		56,426
	Total Operating Expenses		3,848,702
	Operating loss		(3,544,998)
	Nonoperating Revenues (Expenses):		
	Investment Earnings		2,265,451
	Interest Expense		(2,069,509)
	Capital Grants and Contributions		4,981,204
	Nonoperating Revenues (Expenses)		5,177,146
	Gain before operating transfers		1,632,148
	Operating Transfers:		
	Operating Transfers from the State of North Carolina		3,400,342
	Net Gain		5,032,490
	Fund Equity - July 1		41,131,398
	Fund Equity - June 30	\$	46,163,888

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, 2001

Exhibit C

Cash Flows From Operating Activities:	
Operating Loss	\$ (3,544,998)
Adjustments to Reconcile Changes in Fund Equity to Net Cash Provided by Operating Activities:	
Depreciation	1,251,008
Decrease In Accounts Receivables	198,519
Increase in Accounts Payable	55,590
Increase in Accrued Vacation	16,886
Decrease in Due to Primary Government	(4,948)
Decrease in Deferred Revenue	(2,486)
Net Cash Provided From Operating Activities	(2,030,429)
Cash Flows From Noncapital Financing Activities:	
Operating Contributions from the State of North Carolina	3,400,342
Net Cash Provided (Used) by Noncapital Financing Activities	3,400,342
Cash Flows From Investing Activities:	
Interest Received	2,274,208
Net Cash Provided From Investing Activities	2,274,208
Cash Flows Provided From (Used For) Capital and Related Financing Activities:	
Proceeds from Notes Payable	666,500
Acquisition of Real Property	(79,479)
Acquisition of Equipment	(513,047)
Capital Grant Received from Federal Government	3,087,549
Capital Contributions Received from Private Donors	35,000
Capital Contributions Received from the State	1,858,655
Construction Payments	(7,591,603)
Interest Paid	(1,535,504)
Net Cash Provided From (Used For) Capital and Related Financing Activities	(4,071,929)
Net Increase in Cash and Cash Equivalents	(427,808)
Cash and Cash Equivalents at Beginning of Year	12,760,054
Cash and Cash Equivalents at End of Year	\$ 12,332,246
Noncash Investing and Financing Activities:	
Change in construction in progress as a result of accrued accounts payable	\$ 1,151,875
The accompanying notes to the financial statements are an integral part of this statement.	

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES**

A. Organization and Purpose – The North Carolina Global TransPark Authority (Authority), formerly the North Carolina Air Cargo Airport Authority was created on July 16, 1991, upon ratification by the General Assembly of North Carolina of Senate Bill 649. The Authority is a state agency located within the North Carolina Department of Transportation but exercises its powers independent of the Secretary of Transportation. It was created to administer the development of the North Carolina Global TransPark, an international Global TransPark complete with transportation links, dedicated intrafacility distribution systems and state of the art communication systems. By law, the Authority is empowered to acquire all property required for the project and issue bonds and notes to finance the project.

B. Financial Reporting Entity - The North Carolina Global TransPark Authority is an integral part of the State’s reporting entity and is included as a component unit in the State of North Carolina’s *Comprehensive Annual Financial Report* (CAFR). Component units are legally separate entities for which the State is financially accountable. Accountability is defined as the State’s substantive appointment of a majority of the component unit’s governing board. Furthermore, the State must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific benefits to, or impose specific financial burdens on, the State.

As required by General Statute 63A-3, certain elected State officials appoint thirteen of the North Carolina Global TransPark Authority’s twenty board members. Three board members serve by virtue of their State positions, two serve at the pleasure of the President of the University of North Carolina and the President of the North Carolina System of Community Colleges. The remaining two board members are appointed by the Kinston City Council and the Lenoir County Commissioners.

Kinston Regional Jetport - On October 12, 1998, the Authority exercised its option to purchase substantially all of the assets of the Lenoir County-City of Kinston Airport Commission. The transfer of property occurred on December 31, 1998.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The accompanying financial statements present all funds for which the Authority's board of directors is accountable.

- C. Basis of Presentation** - The accompanying financial statements are presented in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which consist of GASB Statements and Interpretations, as well as American Institute of Certified Public Accountants (AICPA), and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to state and local government entities by GASB Statements and Interpretations. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Authority does not apply FASB pronouncements issued after November 30, 1989 for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.
- D. Basis of Accounting** - The accompanying financial statements were prepared on the accrual basis of accounting.
- E. Cash and Cash Equivalents** - This classification consists of the Authority's equity position in the Short-term Investment Fund managed by the North Carolina State Treasurer, cash on hand, and cash on deposit in private bank accounts. The funds on deposit with the State Treasurer are available on demand. This classification also appears on the accompanying statement of cash flows.
- F. Investments** - This classification consists of the Authority's equity position in the Long-term Investment Fund managed by the North Carolina State Treasurer. This investment is stated at cost because the Authority does not participate in the gains or losses resulting from the activity of the Long-term investment fund.
- G. Fixed Assets and Depreciation** - The Authority capitalizes all assets that have a value or cost greater than or equal to \$5000 at the date of acquisition. Depreciation is computed using the straight-line method over the following useful lives; buildings range from 10-50 years, landing fields and grounds range from 20-40 years and equipment ranges from 5-10 years.
- H. Vacation and Sick Leave** - The Authority's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

The Authority has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

- I. **Contributed Capital** – Contributed Capital was first recorded by the Authority as of fiscal year ended June 30, 1999. Sources of the contributed capital amounts recorded are from federal capital construction grants, nonroutine contributions of state appropriations, and private grants.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. **State Treasurer's Short-Term Investment Fund** – The amount shown on the balance sheet as cash and cash equivalents includes \$11,657,326 which represents the Authority's equity position in the Short-term Investment Fund managed by the North Carolina State Treasurer. Credit and custodial risk disclosures and the authorized investments for funds managed by the State Treasurer can be found in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. **Private Bank Accounts** – The amount shown on the balance sheet as cash and cash equivalents includes deposits in private bank accounts with a carrying value of \$674,820 and a bank balance of \$1,319,759. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,219,759 was uninsured.
- C. **Authority Investments – Long-Term Investment Fund** - As authorized by General Statute 63A-4(a)(22), the Authority borrowed \$25,000,000 from the North Carolina Escheat Fund on August 31, 1994. As required by the loan agreement, the proceeds were deposited with the State Treasurer in the State Treasurer's Long-term Investment Fund and have been pledged as collateral for the loan. Interest earned on the investment on deposit with the State Treasurer totaled \$1,535,504 for the year ended June 30, 2001. Credit and custodial risk disclosures and the authorized investments for funds managed by the State Treasurer can be found in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - NOTES PAYABLE

- A. North Carolina Escheat Fund** - The \$25,000,000 plus the net accrued interest expense of \$1,756,852, represents a balance of \$26,756,852 due to the North Carolina Escheat Fund at June 30, 2001. It is payable on September 1, 2004, bears interest at a variable rate based upon the earnings record of the State Treasurer's Long-term Investment Fund and is collateralized at June 30, 2001 by the \$19,673,070 deposit in the Long-Term Investment Fund with the State Treasurer and by real property. Additional collateral can be substituted for the deposit with the State Treasurer when the Authority deems it necessary to withdraw funds for its statutory purpose. Interest expense on the loan with the State Treasurer was \$2,069,509 for the year ended June 30, 2001. Interest earned on the invested portion of the loan is disclosed in Note 2C.
- B. United States Department of Agriculture (USDA)** - The Authority obtained two USDA loans totaling \$666,500 for the year ended June 30, 2001. The purpose of the loans was for construction of Fixed Base Operator (FBO) hangars at the Global TransPark. The interest rate is 4.75% and principal and interest payments are due June 21 of each year for forty years.

The annual requirements to pay principal and interest on the notes at June 30, 2001 are presented as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2002	\$ 37,524
2003	37,524
2004	37,524
2005	37,524
2006	37,524
2007-2011	187,620
2012-2016	187,620
2017-2021	187,620
2022-2026	187,620
2027-2031	187,620
2032-2036	187,620
2037-2041	187,367
Total	<u>\$ 1,500,707</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - FIXED ASSETS

A summary of changes in fixed assets is presented as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 7,223,323	\$ 140,715	\$ (25,000)	\$ 7,339,038
Landing Fields and Grounds	17,874,729			17,874,729
Buildings	9,670,875	1,768,012		11,438,887
Equipment	1,918,149	512,919		2,431,068
Total Depreciable Assets	36,687,076	2,421,646	(25,000)	39,083,722
Accumulated Depreciation	(6,294,276)	(1,251,008)		(7,545,284)
Construction in Progress	6,324,386	8,659,202	(1,719,844)	13,263,744
Total Fixed Assets	\$ 36,717,186	\$ 9,829,840	\$ (1,744,844)	\$ 44,802,182

NOTE 5 - OPERATING LEASES

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2001:

Fiscal Year	Amount
2002	\$ 29,197
2003	27,842
2004	27,842
2005	27,842
2006	24,403
Total Minimum Lease Payments	\$ 137,126

Rental expenses for all operating leases during the year was \$31,827.

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries insurance through the North Carolina Department of Insurance for risks of loss.

Tort claims of up to \$500,000 are self insured under the authority of the State Tort Claims Act. In addition, the State provides an additional \$11,000,000 public officers' and employees' liability insurance via contract with a private insurance company. The premium, based on a composite rate, is paid by the Authority directly to the insurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The State Property Fire Insurance Fund (Fund), an internal service fund of the State, insures all State owned buildings and contents for fire and various other property losses up to \$2,500,000 per occurrence. The Fund purchases excess insurance from private insurers to cover losses over the amounts insured by the Fund. Losses covered by the Fund are subject to a \$500 per occurrence deductible except for theft losses which carry a \$1,000 per occurrence deductible. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

All State owned vehicles are covered by liability insurance handled by the North Carolina Department of Insurance. The State is self-insured for the first \$500,000 of any loss through a retrospective rated plan. Excess insurance coverage is purchased through a private insurer to cover losses greater than \$500,000. The liability limits for losses occurring in state are \$500,000 per claimant and \$5,000,000 per occurrence. The Authority is charged premiums to cover the cost of excess insurance and to pay for those losses falling under the self-insured retention.

Blanket public employee dishonesty and computer fraud insurance is provided for agencies of the State with a limit of \$5,000,000 per occurrence, subject to a \$50,000 deductible and a 10% participation in each loss above the deductible. The coverage is placed with a private insurance company and is handled by the North Carolina Department of Insurance.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a proprietary component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several health maintenance organizations.

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State 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 to pay medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Authority is self-insured for workers' compensation.

Term life insurance of \$25,000 to \$50,000 is provided to eligible employees. This self insured death benefit program is administered by the Department of the State Treasurer and funded via employer contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 7 - PENSION PLANS

A. Retirement Plans – All full-time employees participate in the Teachers' and State Employees' Retirement System (the System) of North Carolina which is a multiple-employer, cost sharing defined benefit pension plan administered by the North Carolina State Treasurer. Additional detail information about the System is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

Benefits and contribution provisions for the System are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2001, these rates were set at 5.33% of covered payroll for employers and 6% of covered payroll for members.

Total payroll for the year was \$1,265,618, of which \$1,212,100 was covered under the System. The following presents the three-year trend of annual required contributions (ARC) the Authority made to the System:

<u>Fiscal Year</u>	<u>Authority's ARC as an Employer</u>	<u>Percentage of ARC Contributed</u>
2001	\$ 64,605	100%
2000	77,542	100%
1999	44,923	100%

In accordance with constitutional provisions requiring a balanced budget for the State of North Carolina, the Governor issued an executive order requiring the employers' share of retirement contributions for the months February 2001 through June 2001 to be transferred to a reserve account rather than paid to the Retirement System. A portion of those funds were ultimately used by the State of North Carolina for general fund purposes and not released to the retirement system. The total amount of employer contributions paid by the Authority has been recognized as pension costs in the financial statements. The contributions, which were not released to the System, are considered immaterial to the Authority's financial statements taken as a whole. The Authority has no liability for pension costs beyond the contributions already made. The System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- B. Supplemental Retirement Income Plans - IRC Section 401(k) Plan -** All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the plan participants. No costs are incurred by the Authority. The voluntary contributions by employees amounted to \$43,335 for the year ended June 30, 2001.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The Authority participates in state administered programs which provide post employment health care benefits to eligible former employees. Additional detailed information about these programs is disclosed in the State of North Carolina's Comprehensive Annual Financial Report. For the fiscal year ended June 30, 2001, the Authority's total contribution to the Comprehensive Major Medical Plan was \$15,515. The Authority assumes no liability for these health care benefits provided by the programs other than its contribution.
- B. Long-Term Disability -** The Authority participates in the Disability Income Plan of North Carolina (the Plan). Established by Chapter 135, Article 6, of the General Statutes, the Plan provides disability income to eligible members of the Teachers' and State Employees' Retirement System. Additional detailed information about the Plan is disclosed in the State of North Carolina's Comprehensive Annual Financial Report. For the fiscal year ended June 30, 2001, the Authority contributed .52% of covered payroll, or \$6,303, to the Plan. The Authority assumes no liability for long-term disability benefits under the Plan other than its contribution.

NOTE 9 - RELATED PARTIES

- A. Global TransPark Foundation, Inc. -** The Global TransPark Foundation, Inc. (Foundation) was established in 1992 as a nonprofit corporation. The Foundation was organized to support the development of the Global TransPark. The Foundation's revenues are generated primarily through private donation. The Foundation shares several common directors with the Authority. During the year ended June 30, 2001, the Foundation paid the final installment of \$200,000 on a \$500,000 pledge for the construction of a Fixed Base Operator (FBO) hangar at the Global TransPark.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- B. Global TransPark Development Commission** – The Global TransPark Development Commission (Commission) is a corporate body created on November 29, 1993 by North Carolina General Statute 158-31. Although not directly connected with the development of the Global TransPark itself, the Commission supports economic development initiatives in the member counties to accommodate business drawn to the region by the Global TransPark. The Authority appoints at least three but not more than seven of the Commission's 41 member board. No significant financial transactions occurred between the Authority and the Commission during the year ended June 30, 2001.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

Before constructing a major federal action significantly affecting the environment, the TransPark must complete an environmental review and permitting process pursuant to applicable federal and state law and regulation. On September 8, 1997, the Federal Aviation Administration granted a favorable Record of Decision satisfactorily concluding the FAA's actions on the environmental process. On October 21, 1998, the Army Corps of Engineers issued a permit to discharge dredge or fill material for the initial construction of the Global TransPark. This permit will allow the Authority to proceed with construction.

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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

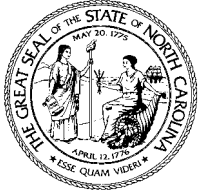
Additionally, unforeseeable legislative actions by federal, state or local governments regarding new environmental laws or regulations could increase the cost of and/or delay developing the TransPark.

- B. Construction Commitments** – The Authority had outstanding commitments of \$9,991,009 at June 30, 2001 for capital improvements projects that include a cargo building, FBO hangar, and the Runway Extension Project.

NOTE 11 - ACCOUNTING CHANGES

- A. Securities Lending Transactions** – The Authority deposits certain funds with the State Treasurer’s Investment Pool, which participates in securities lending activities. In prior years, it was the State’s policy to allocate the Investment Pool’s securities lending assets and liabilities to each component unit. For the year ended June 30, 2001, the State changed its policy to report the related securities lending assets and liabilities as part of the State of North Carolina’s agency funds rather than to allocate the securities lending transactions to component units. The effect of this change removes from the Authority issued financial statements the assets and liabilities associated with the State Treasurer’s securities lending program. This change does not affect the Authority’s beginning fund equity.
- B. New GASB Pronouncement** - Effective July 1, 2000, the Authority implemented the new accounting and reporting standards required in GASB No. 33, Accounting and Reporting for Nonexchange Transactions. This new statement provides guidance on the accounting for nonexchange transactions involving financial or capital resources, such as grants and donations. This statement defines “transactions” as external events in which something of value passes between two or more parties.

In prior years, the Authority had recognized external capital contributions as contributed capital. Based on this new statement, external capital contributions are recognized as revenues in the current year.



Ralph Campbell, Jr.
State Auditor

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

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

We have audited the financial statements of the North Carolina Global TransPark Authority as of and for the year ended June 30, 2001, and have issued our report thereon dated February 12, 2001.

As discussed in Note 11A to the financial statements, the Authority changed its method of accounting for securities lending transactions during the year ended June 30, 2001. As discussed in Note 11B to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* during the year ended June 30, 2001.

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.

Compliance

As part of obtaining reasonable assurance about whether the North Carolina Global TransPark Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Carolina Global TransPark Authority's internal control over financial reporting in order to determine our auditing

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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Authority, the Governor, the Office of State Budget, Planning and Management, the Office of the State Controller, and the General Assembly and is not intended to be, and should not be, used by anyone other than those specified parties.



Ralph Campbell, Jr.
State Auditor

February 12, 2002

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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Director, Fiscal Research Division

April 11, 2002

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