

STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF
NORTH CAROLINA STATE PORTS AUTHORITY
WILMINGTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002**

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

NORTH CAROLINA STATE PORTS AUTHORITY

WILMINGTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

J. RICHARD FUTRELL, JR., CHAIRMAN

**JOHN C. CURRY
DOUGLAS A. FOX
DAVID FRESHWATER
DERRYL GARNER
THURMAN LEE GAUSE**

**ALEX G. MACFADYEN, JR.
LOUISE MCCOLL
BETTY MEDLIN
J. BRYNN THOMAS
WILLIAM KINCHELOE, EX-OFFICIO**

ERIK STROMBERG, EXECUTIVE DIRECTOR

JEFF STRADER, CHIEF FINANCIAL OFFICER

JAMES T. FAIN, III, SECRETARY, DEPARTMENT OF COMMERCE



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, North Carolina State Ports Authority

This report presents the results of our financial statement audit of the North Carolina State Ports Authority, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the North Carolina State Ports 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 North Carolina State Ports 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 North Carolina State Ports Authority. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America 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 that relate solely to the North Carolina State Ports Authority. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements that relate solely to the North Carolina State Ports Authority.

Results - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. We did not audit the accompanying Management Discussion and Analysis. These results are more fully described in the Independent Auditor's Report.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Authorities 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 over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These results are more fully described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

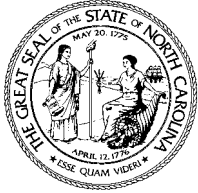
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Exhibits	
A Statement of Net Assets	6
B Statement of Revenues, Expenses, and Changes in Net Assets	8
C Statement of Cash Flows	9
Notes to the Financial Statements	11
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
DISTRIBUTION OF AUDIT REPORT	29



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

INDEPENDENT AUDITOR'S REPORT

Mr. Erik Stromberg, Executive Director
North Carolina State Ports Authority
Wilmington, North Carolina

We have audited the accompanying Statement of Net Assets of the North Carolina State Ports Authority (the Authority), a component unit of the State of North Carolina, as of June 30, 2002 and the related Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 Authority as of June 30, 2002, 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 11 to the financial statements, the Authority implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2002 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 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Ralph Campbell, Jr.
State Auditor

September 17, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

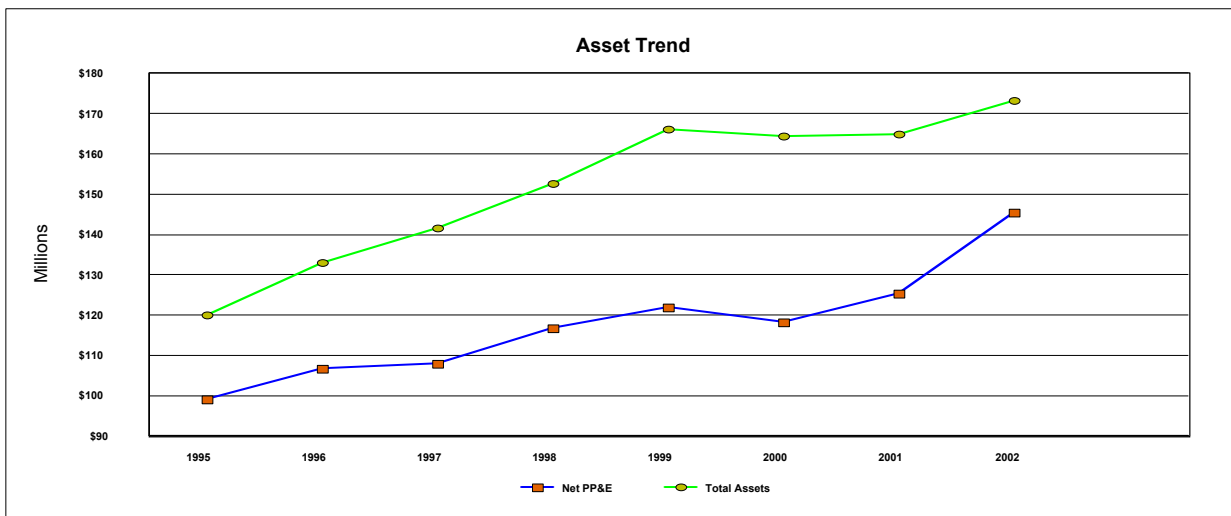
This discussion and analysis provides an overview of the Authority's activities during the fiscal year ending June 30, 2002. Management in addition to this analysis has prepared the accompanying Statement of Net Assets, Statement Revenues, Expenses and Changes in Fund Net Assets, Statement of Cash Flows (financial statements) and related footnote disclosures.

Financial Highlights

Beginning late fiscal year 1995 and early 1996 the Authority implemented an aggressive capital investment program. This program was based on a number of motivating factors including the needs to address an aging infrastructure system, new business development ventures, and general growth opportunities. During 2001 the Authority updated its Strategic Plan and began the implementation during 2002. This process has and continues to guide business development, operations and capital investing priorities.

As a result of the capital investment program the Authority has continued to see the rise in depreciation expense both in real dollars (approximately \$7.6 million) and as percentage of total expense (approximately 26%). This continued increase represents the significant contributing factor to a decrease in Net Assets of approximately \$2.9 million during the fiscal year 2002. It is anticipated that this decrease will continue for another 12 month cycle at which point an number of the strategic initiatives will be in place resulting in increased operating revenues.

The following graph illustrates the overall growth both in total assets as well as net property, plant and equipment.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Statement Analysis

Taken in whole the Statement of Net Assets, Statement Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows are one measure of an organizations overall financial health and value. Individually, the Statement of Net Assets is a static view of financial value while the other two depicts the movement of key elements from one view to the next, specifically Net Assets and Cash and Cash Equivalents.

For the fiscal year ending June 30, 2002 the Authority experience a decline in both operating and non-operating revenues. The decline in operating revenues here relates to the general global economic downturn, a strong dollar, depressed ocean carrier pricing environment and intense port completion. Reduced interest rates domestically accounted for the decline in non-operating revenues.

In response to the decline in revenues the Authority through a number of efficiency and cost reduction measures reduced operating expenses for the fiscal year 2002. These measures combined with reduced debt carrying cost and a gain recognized on the disposal of land aided to offset a substantial portion revenue declines.

The following table summarizes the changes noted above:

Significant Financial Statement Line Item Changes

	<u>2002</u>	<u>2001</u>	<u>Difference</u>
Operating revenues	\$26,277,108.72	\$27,502,295.95	(\$1,225,187.23)
Non-operating revenues	666,817.51	1,584,938.90	(918,121.39)
			<u>(\$2,143,308.62)</u>
Operating expenses (includes depreciation)	30,091,834.52	30,515,858.35	424,023.83
Non-operating expenses (interest expense)	245,738.77	487,215.35	241,476.58
Gain on sale of property and equipment	465,327.15	2,918.25	462,408.90
			<u>\$1,127,909.31</u>

The Authority's overall liquidity position declined during the fiscal year ending June 30, 2002, with a decrease to cash and cash equivalents of approximately 4.6 million. This decline in general is related to significant capital asset acquisitions. Typical sources of cash for the Authority are found in results of operations, sale of investment securities and debt issuances. Uses of cash typically are found in the purchase of investment securities and the acquisition of capital assets. During the fiscal year 2002 the Authority generated significant

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

in flows of cash from the issuance of bonds (\$11.0 million), net security investing activities (\$7.0 million) and operating activities (\$6.0 million). Significant uses of cash during the same time period included the acquisition of capital assets (\$27.0 million) and retirement of debt (\$2.2 million).

The following is a summary of the change in cash and cash equivalents for the fiscal year ending June 30, 2002.

Cash Flows for the Year

Cash provided (used) by:	
Operating activities	\$5,961,301.57
Capital and related financing activities	(\$17,483,123.26)
Investing activities	\$6,951,024.22
	<hr/>
Net change in cash	(\$4,570,797.47)
Cash, beginning of year	\$7,010,158.96
	<hr/>
Cash, end of year	\$2,439,361.49
	<hr/> <hr/>

North Carolina State Ports Authority

Statement of Net Assets

June 30, 2002

Exhibit A

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	790,908.87
Restricted Pooled Cash		1,503,281.93
Restricted Cash and Cash Equivalents		145,170.69
Investments		16,006,355.44
Receivables:		
Accounts Receivables, Net		4,071,608.48
Interest Receivable		160,268.00
Inventories		1,127,944.68
Prepaid Items		458,107.69
Total Current Assets		24,263,645.78

Noncurrent Assets:

Restricted Investments		2,190,817.88
Deferred Charges		994,742.06
Capital Assets, Net		145,649,684.63
Total Noncurrent Assets		148,835,244.57
Total Assets	\$	173,098,890.35

North Carolina State Ports Authority
Statement of Net Assets
June 30, 2002

Exhibit A
Page 2

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities:

Accounts Payable	\$	4,062,883.76
Accrued Payroll		128,588.21
Notes Payable		72,475.47
Bonds Payable, Net		565,000.00
Bond Interest Payable		9,374.30
Compensated Absences		76,209.27
Deferred Revenue		654,875.64

Total Current Liabilities 5,569,406.65

Noncurrent Liabilities:

Notes Payable		410,579.05
Bonds Payable, Net		18,890,000.00
Compensated Absences		821,720.80

Total Noncurrent Liabilities 20,122,299.85

Total Liabilities 25,691,706.50

NET ASSETS

Invested in Capital Assets, Net of Related Debt		125,711,630.11
Restricted for Expendable Capital Projects		3,839,270.50
Unrestricted		17,856,283.24

Total Net Assets \$ 147,407,183.85

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

North Carolina State Ports Authority

Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2002

Exhibit B

OPERATING REVENUES:

Sales and Services, Net	\$ 22,453,979.80
Rental and Lease Earnings	3,823,128.92
Total Operating Revenues	26,277,108.72

OPERATING EXPENSES:

Personal Services	14,571,817.40
Supplies and Materials	1,503,109.74
Services	4,354,938.39
Depreciation/Amortization	8,051,618.02
Insurance and Bonding	908,558.96
Other	701,792.01
Total Operating Expenses	30,091,834.52

Operating Loss (3,814,725.80)

NONOPERATING REVENUES (EXPENSES)

Interest and Fees on Capital Asset-Related Debt	(245,738.77)
Gain on Sale of Property & Equipment	465,327.15
Investment Income, Net	666,817.51

Net Nonoperating Revenues 886,405.89

Decrease in Net Assets (2,928,319.91)

Net Assets, July 1, 2001 150,335,503.76

Net Assets, June 30, 2002 \$ 147,407,183.85

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

***North Carolina State Ports Authority
Statement of Cash Flows
Year Ended June 30, 2002***

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 27,314,712.23
Payments to Employees and Fringe Benefits	(14,688,776.22)
Payments to Vendors and Suppliers	(5,756,075.48)
Payments for Insurance and Bonding	(908,558.96)
Net Cash Provided by Operating Activities	<u>5,961,301.57</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	11,000,000.00
Proceeds from Sale of Capital Assets	1,008,933.32
Acquisition and Construction of Capital Assets	(26,960,094.06)
Principal Paid on Capital Debt and Leases	(2,243,489.44)
Interest and Fees Paid on Capital Debt and Leases	(288,473.08)
Net Cash Used by Capital and Related Financing Activities	<u>(17,483,123.26)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	63,242,611.73
Interest on Investments	715,288.55
Purchase of Investments and Related Fees	(57,006,876.06)
Net Cash Provided by Investing Activities	<u>6,951,024.22</u>

Net Decrease in Cash and Cash Equivalents	(4,570,797.47)
Cash and Cash Equivalents, July 1, 2001	<u>7,010,158.96</u>
Cash and Cash Equivalents, June 30, 2002	<u>\$ 2,439,361.49</u>

North Carolina State Ports Authority
Statement of Cash Flows
Year Ended June 30, 2002

Exhibit C
Page 2

***Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities:***

Operating Loss	(3,814,725.80)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation/Amortization Expense	8,051,618.02
Changes in Assets and Liabilities:	
Accounts Receivables, Net	1,010,435.84
Inventories	(150,706.94)
Prepaid Items	289,652.21
Accounts Payable and Accrued Liabilities	637,293.26
Deferred Revenue	27,167.67
Compensated Absences	(89,432.69)
Net Cash Provided by Operating Activities	<u>\$ 5,961,301.57</u>

Noncash Investing, Capital and Financing Activities:

Assets Acquired through the Assumption of a Liability	\$ 12,768,657.44
Change in Fair Value of Investments	4,114.60
Total Noncash Investing, Capital and Financing Activities	<u>\$ 12,772,772.04</u>

Reconciliation of Cash and Cash Equivalent Balances:

Current Assets	
Cash and Cash Equivalents	\$ 790,908.87
Restricted Pooled Cash	1,503,281.93
Restricted Cash and Cash Equivalents	145,170.69
Total Cash and Cash Equivalent Balances	<u>\$ 2,439,361.49</u>

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

NORTH CAROLINA STATE PORTS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SUMMARY OF 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, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina State Ports 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 for which the Authority's Board of Directors is financially accountable.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). 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 Authority is accounted for as a proprietary fund type (enterprise fund) in conformity with the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB). 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

D. Cash and Cash Equivalents - This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, money market accounts, cash on deposit with fiscal agents, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio 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. Investments - This classification includes money market funds, certificates of deposit and governmental securities. Except for money market funds and certificates of deposit, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market funds and certificates of deposit not held by a governmental external investment pool and other asset holdings are reported at cost, if purchased, or at fair market value or appraised value at date of gift, if donated.

F. Receivables - Receivables are shown in the accompanying financial statements net of allowances for doubtful accounts of \$50,710.40. All receivables are expected to be collected within one year.

G. Inventories - Inventories held by the Authority are stated at the lower of cost or market on a moving weighted average cost basis which approximates cost on a first-in, first-out (FIFO) basis.

H. Capital Assets – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts and net of accumulated depreciation. The Authority capitalizes assets that have a value or cost in excess of \$500 at the date of acquisition and an expected useful life of one or more years.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally, 20 to 50 years for buildings, 50 years for wharves, 10-25 years for improvements other than buildings, and 4 to 25 years for machinery and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. **Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.
- J. **Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations and compensated absences that will not be paid within the next fiscal year.

Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The Authority amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs are not considered material, and therefore, are expensed.

- K. **Compensated Absences** - The Authority's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 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.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last in, first out method.

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

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

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

Unrestricted Net Assets – Unrestricted net assets include resources derived from sales and services and interest income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Restricted and unrestricted resources and the use of those resources are accounted for separately. When both restricted and unrestricted funds are available for expenditure, management determines on a case by case basis which funds to expend.

- M. Revenue and Expense Recognition** – The Authority presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the Authority. Operating revenues include all charges to customers. Revenues from nonexchange transactions and state appropriations 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. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - Deposits include cash and cash equivalents, certificates of deposit totaling \$12,442,279.43. At year end, cash on hand was \$1,660.00. The Authority's unexpended state appropriation with the State Treasurer's Cash and Investment Pool was \$1,503,281.93.

It is the State Treasurer's policy and practice for his deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for his investments to be held by the State's agent in the State's name. The carrying amount of the Authority's deposits not with the State Treasurer was \$934,419.56 and the bank balance was \$1,634,931.07. Of the bank balance, \$366,485.73 was covered by federal depository insurance and \$1,268,445.34 was uninsured and uncollateralized.

North Carolina General Statutes 147-69.1(c), applicable to the State's General Fund and 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; time deposits of specified institutions; prime quality commercial paper and asset-backed securities with specified ratings. Also, General Statute 147-69.1(c) authorizes the following: specified bills of exchange or time drafts and corporate bonds and notes with specified ratings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

General Statute 147-69.2 authorizes the following: general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/OSC> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Investments** - As outlined in its cash management plan, the Authority is authorized to invest excess funds for the purposes of earning additional income.

Credit Risk Categories - The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. There are three categories of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent, but not in the Authority's name.

A summary of the Authority's investments at June 30, 2002 is presented below:

	Fair Value			
	Risk Category			Total
	1	2	3	
Investments Categorized:				
U.S. Government Securities	\$ 0.00	\$ 0.00	\$ 6,003,437.50	\$ 6,003,437.50
Investments Not Categorized:				
Certificates of Deposit				10,002,917.94
Money Market Funds				2,190,817.88
Total Investments				\$ 18,197,173.32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The above certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

Derivative and Similar Transactions - A derivative is a financial instrument created from, or whose value depends on (is derived from), the value of one or more underlying assets, reference rates, or indexes of asset values. These instruments may include forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters and caps/floors/collars. During the year the Authority did not invest in derivative investments but did invest in transactions similar to a derivative instrument. Investment transactions similar to a derivative may include securitized assets, such as mortgage-backed securities and other asset backed securities. As required by generally accepted accounting principles generally accepted in the United States of America, the nature of derivative or similar transactions entered into by the Authority, and the reasons for entering into those transactions follow:

Mortgage-Backed Securities - The Authority invests in mortgage-backed securities issued by government sponsored enterprises including the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The Authority invests in these securities to increase the yield and return on its investment portfolio given the available alternative investment opportunities.

The values of mortgage-backed securities are generally based on the cash flows from principal and interest receipts on the underlying mortgage pools. These securities may include mortgage pass-through securities and collateralized mortgage obligations (CMOs). Mortgage pass-through securities pay the holder of the security the principal and interest amounts received from the underlying pool of mortgages as these amounts are collected from the mortgage holders. In a CMO, the cash flows from principal and interest payments from one or more mortgage pass-through securities or a pool of mortgages may be reallocated to multiple security classes with different priority claims and payment streams (commonly referred to as tranches). A holder of the CMO security thus chooses the class of security that best meet its risk and return objectives. Both pass-through securities and CMOs are subject to significant market risk due to fluctuations in interest rates, prepayment rates and various liquidity factors related to their specific markets.

The mortgage pass-through securities issued by FNMA and FHLMC are classified by the Authority as U.S. government securities. The FNMA and FHLMC securities are collateralized by underlying pools of mortgages primarily issued by FNMA and FHLMC which guarantee full and timely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The CMOs held by the Authority include mortgage backed securities also issued by FNMA and FHLMC. In addition, non-traditional mortgage pass-through securities, such “interest-only strips” and “principal-only strips”, if held by the Authority, are classified as CMOs. The Authority did not hold any non-traditional pass-through securities during the year.

As of June 30, 2002, the Authority was holding \$500,781.25 in mortgage-backed securities valued at fair (market) value representing approximately 2.75% of its total investments.

NOTE 3- CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

Capital Assets, Non-Depreciable:	Balance July 1, 2001	Adjustments	Increases	Decreases	Balance June 30, 2002
Land	\$ 19,795,450.66	\$ 0.00	\$ 1,879,643.05	\$ (543,310.85)	\$ 21,131,782.86
Construction in Progress	8,827,140.93		24,105,886.57	(9,711,911.92)	23,221,115.58
Total Capital Assets, Non-Depreciable	<u>\$ 28,622,591.59</u>	<u>\$ 0.00</u>	<u>\$ 25,985,529.62</u>	<u>\$ (10,255,222.77)</u>	<u>\$ 44,352,898.44</u>
Capital Assets, Depreciable:					
Buildings	\$ 111,545,028.61	\$ (63,926,809.23)	\$ 9,164,804.44	\$ (430,648.12)	\$ 56,783,023.82
Machinery and Equipment	54,599,471.80	(13,351,747.18)	1,477,492.01	(430,648.12)	42,294,568.51
General Infrastructure	39,732,071.74	77,278,556.41	1,482,291.41		118,492,919.56
Totals	<u>\$ 205,876,572.15</u>	<u>\$ 0.00</u>	<u>\$ 12,124,587.86</u>	<u>\$ (430,648.12)</u>	<u>\$ 217,570,511.89</u>
Less Accumulated Depreciation/Amortization for:					
Buildings	\$ (42,761,801.53)	\$ 19,394,696.87	\$ (1,606,216.57)		\$ (24,973,321.23)
Machinery and Equipment	(30,595,297.53)	4,445,470.58	(1,835,676.08)	430,352.80	(27,555,150.23)
General Infrastructure	(35,698,329.09)	(23,840,167.45)	(4,206,757.70)		(63,745,254.24)
Totals	<u>(109,055,428.15)</u>	<u>0.00</u>	<u>(7,648,650.35)</u>	<u>430,352.80</u>	<u>(116,273,725.70)</u>
Total Capital Assets, Depreciable, Net	<u>96,821,144.00</u>	<u>0.00</u>	<u>4,475,937.51</u>	<u>(295.32)</u>	<u>101,296,786.19</u>
Capital Assets, Net	<u>\$ 125,443,735.59</u>	<u>\$ 0.00</u>	<u>\$ 30,461,467.13</u>	<u>\$ (10,255,518.09)</u>	<u>\$ 145,649,684.63</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - FUTURE RENTAL REVENUE

The Authority leases to others certain land areas and facilities. These leases are accounted for as operating leases; revenues are recorded when earned and depreciation is provided, where appropriate, on leased facilities. Minimum future revenues to be received under non-cancelable agreements treated as operating leases as of June 30, 2002 are as follows:

Fiscal Year	Amount
2003	\$ 1,624,086.79
2004	542,331.36
2005	338,870.88
2006	268,924.44
2007	228,788.44
2008 and thereafter	2,249,750.82
	\$ 5,252,752.73

NOTE 5 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Notes and Bonds Payable					
Notes Payable	\$ 551,543.96	\$ 0.00	\$ 68,489.44	\$ 483,054.52	\$ 72,475.47
Bonds Payable	10,630,000.00	11,000,000.00	2,175,000.00	19,455,000.00	565,000.00
Total Notes and Bonds	11,181,543.96	11,000,000.00	2,243,489.44	19,938,054.52	637,475.47
Compensated Absences	987,362.76	598,280.37	687,713.06	897,930.07	76,209.27
Total Long-Term Liabilities	\$ 12,168,906.72	\$ 11,598,280.37	\$ 2,931,202.50	\$ 20,835,984.59	\$ 713,684.74

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Notes Payable - The Authority was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2002	Principal Outstanding 6/30/2002
Real Estate Acquisition	First Citizens Bank	6.80%	02/2008	\$ 746,508.32	\$ 263,453.80	\$ 483,054.52

C. Bonds Payable - The Authority was indebted for bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/2002	Principal Outstanding 6/30/2002
<u>Bulk Handling Facility</u>						
Construct Phosphate Facility	1968	4%	1/1/2008	\$ 11,400,000.00	\$ 11,400,000.00	\$ 0.00
<u>Woodchip Exempt Facility</u>						
Construct Woodchip Facility	1995	2% - 15%	12/1/2015	5,080,000.00	1,325,000.00	3,755,000.00
<u>Docks and Wharves Facility</u>						
Construct Docks and Wharves	1996	1.75% - 15%	1/1/2016	6,500,000.00	1,800,000.00	4,700,000.00
<u>Bulk Grain Facility</u>						
Construct Bulk Grain Facility	2001	2.5% - 15%	9/1/2022	11,000,000.00		11,000,000.00
Total Bonds Payable (Principal Only)				<u>\$ 33,980,000.00</u>	<u>\$ 14,525,000.00</u>	<u>\$ 19,455,000.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2002 are as follows:

<u>Fiscal Year</u>	Annual Requirements			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2003	\$ 565,000.00	\$ 426,633.38	\$ 72,475.47	\$ 30,616.53
2004	1,115,000.00	209,976.66	77,560.33	25,531.67
2005	1,115,000.00	394,797.70	83,001.96	20,090.04
2006	1,115,000.00	370,339.07	88,825.35	14,266.65
2007	1,115,000.00	345,880.40	95,057.32	8,034.68
2008-2012	5,675,000.00	1,361,647.26	66,134.09	1,679.56
2013-2017	5,455,000.00	725,597.64		
2018 and thereafter	3,300,000.00	292,081.67		
Total Requirements	\$ 19,455,000.00	4,126,953.78	\$ 483,054.52	\$ 100,219.13

Interest on the variable rate Exempt Facility Revenue Bonds, the Dock and Wharves Facility Revenue Bonds and the Bulk Grain Facility Revenue Bonds is calculated at 2%, 1.75%, and 2.5% respectively, at June 30, 2002.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 75,755.52
2004	207.66
Total Minimum Lease Payments	\$ 75,963.18

Rental expenses for all operating leases during the year was \$72,011.62.

NOTE 7 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

After five years of creditable service, members of the Teachers' and State Employees' Retirement System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

Benefit and contribution provisions for Teachers' and State Employees' Retirement 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, 2002, these rates were set at 1.97% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2002, the Authority had a total payroll of \$11,563,664.79 of which \$10,858,680.85 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$651,520.85 and \$213,916.01, respectively. The Authority made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$213,916.01, \$596,171.02 and \$902,857.64, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plan - IRC Section 457 Plan -** The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The plan permits each participating employee to defer a portion of his or her salary until future

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

years. The deferred compensation is available to employees upon separation from service, death, disability, and retirement or due to financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the Authority. The voluntary contributions by employees amounted to \$75,438.26 for the year ended June 30, 2002.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the Plan participants. No costs are incurred by the Authority except for a 5% employer contribution for the Authority's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of Authority law enforcement officers for the year ended June 30, 2002 were \$25,260.29. The voluntary contributions by employees amounted to \$110,352.00 for the year ended June 30, 2002.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The Authority participates in state administered programs which provide postemployment health care insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina, and retirees of the Teachers' and State Employee's Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The Authority contributed 2.35% of the covered payroll under the Teachers' and State Employees Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the Authority's total contribution to the Plan was \$255,178.99. The Authority assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Long-Term Disability - The Authority participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. The Plan provides disability income to eligible participants. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The Authority contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2002, the Authority's total contribution to the DIPNC was \$56,465.14. The Authority assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 9 - 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. 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.

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

The Authority is required to maintain fire and lightning coverage on all State-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. The Authority also purchased through the Fund extended coverage and other property coverage such as limited business interruption for the Bulk Handling Facility. Losses covered by the Fund are subject to a \$500 per occurrence deductible except theft losses carry a \$1,000 per occurrence deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 occurring in state are \$500,000 per claimant and \$5,000,000 per occurrence. The Authority pays premiums to the Department of Insurance for the coverage.

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. Coverage limit is \$5,000,000 per occurrence and a \$50,000 deductible.

Other coverage not handled by the North Carolina Department of Insurance is purchased through the State's agent of record.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), of the State, a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Effective for the October, 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through HMO plans.

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 to pay medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Authority is self-insured for workers' compensation except for a separate policy that covers Bulk Handling Facility employees.

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

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 10 - COMMITMENTS

At June 30, 2002, the Authority has committed \$13,476,793.00 in contractual obligations for the purchase or expansion of facilities and equipment.

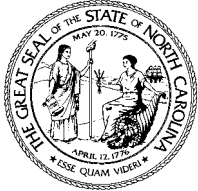
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 11- ACCOUNTING CHANGE

Effective July 1, 2001, the Authority implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant accounting changes in order to comply with the new requirements include classifying assets and liabilities as current or noncurrent and using the direct method to present cash flows.

In addition, the Authority implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. New disclosures include more detailed information on debt service requirements and variable debt instrument information.

[This Page Left Blank Intentionally]



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

**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**

Mr. Erik Stromberg, Executive Director
North Carolina State Ports Authority
Wilmington, North Carolina

We have audited the financial statements of the North Carolina State Ports Authority, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 17, 2002.

As discussed in Note 11 to the financial statements, the Authority implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

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 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 Authority's internal control over financial reporting in order to determine our auditing 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

**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 (CONCLUDED)**

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 Board of Directors, management and staff of the Authority, the Governor, the State Controller, the Department of Commerce, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.
State Auditor

September 17, 2002

DISTRIBUTION OF AUDIT REPORT

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.

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. James T. Fain, III	Secretary, Department of Commerce
Mr. Erik Stromberg	Executive Director
	North Carolina State Ports Authority
Mr. Jeff Strader.	Chief Financial Officer
	North Carolina State Ports Authority
Mr. J. Richard Futrell, Jr.	Chairman, Board of Directors
	North Carolina State Ports Authority

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Charlie Albertson	Representative Martha B. Alexander
Senator Frank W. Ballance, Jr.	Representative Flossie Boyd-McIntyre
Senator Charles Carter	Representative E. Nelson Cole
Senator Kever M. Clark	Representative James W. Crawford, Jr.
Senator Daniel G. Clodfelter	Representative William T. Culpepper, III
Senator Walter H. Dalton	Representative W. Pete Cunningham
Senator James Forrester	Representative Beverly M. Earle
Senator Linda Garrou	Representative Ruth M. Easterling
Senator Wilbur P. Gulley	Representative Stanley H. Fox
Senator Kay R. Hagan	Representative R. Phillip Haire
Senator David W. Hoyle	Representative Dewey L. Hill
Senator Ellie Kinnaird	Representative Mary L. Jarrell
Senator Howard N. Lee	Representative Maggie Jeffus
Senator Jeanne H. Lucas	Representative Larry T. Justus
Senator R. L. Martin	Representative Edd Nye
Senator William N. Martin	Representative Warren C. Oldham
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Fountain Odom	Representative E. David Redwine
Senator Aaron W. Plyler	Representative R. Eugene Rogers
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Dan Robinson	Representative Wilma M. Sherrill
Senator Larry Shaw	Representative Ronald L. Smith
Senator Robert G. Shaw	Representative Gregg Thompson
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator Ed N. Warren	Representative Russell E. Tucker
Senator David F. Weinstein	Representative Thomas E. Wright
Senator Allen H. Wellons	Representative Douglas Y. Yongue

DISTRIBUTION OF AUDIT REPORT (CONCLUDED)

Other Legislative Officials

Representative Philip A. Baddour, Jr.
Senator Anthony E. Rand
Senator Patrick J. Ballantine
Representative N. Leo Daughtry
Representative Joe Hackney
Mr. James D. Johnson

Majority Leader of the N.C. House of Representatives
Majority Leader of the N.C. Senate
Minority Leader of the N.C. Senate
Minority Leader of the N.C. House of Representatives
N. C. House Speaker Pro-Tem
Director, Fiscal Research Division

October 10, 2002

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647