

Financial Statement Report

**NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
(a Component Unit of the State of North Carolina)**

KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

**Performed under contract with
the North Carolina Office of the State Auditor
Ralph Campbell, Jr., State Auditor**

CHAIRMAN OF THE BOARD OF DIRECTORS

THE HONORABLE MICHAEL F. EASLEY

DARLENE A. WADDELL, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Local Government Commission
Board of Directors, North Carolina Global TransPark Authority

This report presents the results of the 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, 2003. Cherry, Bekaert & Holland, L.L.P. performed this audit under contract with the Office of the State Auditor and their report is submitted herewith.

The audit of the Authority was conducted in accordance with North Carolina General Statute 63A, the North Carolina Global TransPark Authority Act. That legislation created the Authority and a governing Board of Directors. The Authority is required by General Statute 63A-23 to submit an annual report, accompanied by an audit conducted by the State Auditor of its books and accounts, to the Governor, General Assembly, and the Local Government Commission. General Statute 147-64.7 allows the State Auditor to obtain the services of independent public accountants to carry out its duties and functions.

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

A handwritten signature in black ink that reads 'Ralph Campbell, Jr.'.

Ralph Campbell, Jr.
State Auditor

Table of Contents

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
Exhibits	
A Statement of Net Assets	6
B Statement of Revenues, Expenses, and Changes in Fund Net Assets	7
C Statement of Cash Flows	8 - 9
Notes to the Financial Statements	10 - 20
Distribution of Audit Report	21
Ordering information	22



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the North Carolina Global Transpark Authority ("the Authority"), as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2003, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

CHERRY, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." with a small square mark to the left.

Raleigh, North Carolina
November 21, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

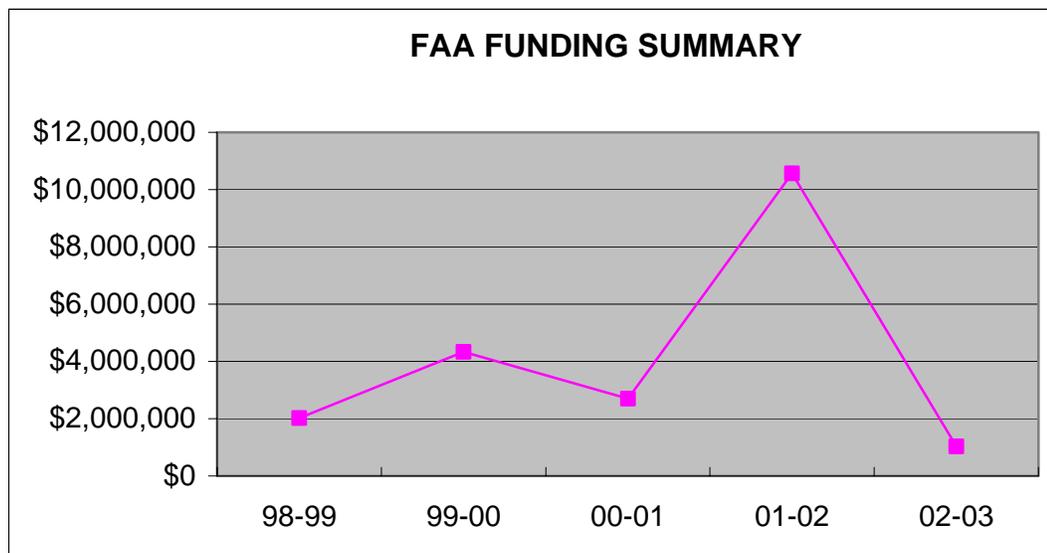
The discussion and analysis (MD&A) provides an overview of the North Carolina Global TransPark Authority's (the "Authority") activities during the fiscal years ended June 30, 2003 and June 30, 2002, respectfully. In addition to the management's discussion and analysis, management has prepared the accompanying Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows.

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

Financial Highlights and Analysis

The fiscal year ended June 30, 2003, was a year of change for the Authority, as it transformed from being in a development mode to a marketing mode. Many ongoing runway projects were completed; however, the environmental plan was ongoing as projected.

The following graph illustrates the FAA funding since 1999; total funding for this time span is \$21.5 million. The Authority received the balance of existing grant funding for the runway projects in the amount of \$1 million for fiscal year ended June 30, 2003; this funding was a sharp decline of \$9.6 million from the previous fiscal year. The funds received represented the balance of FAA's commitment towards the \$35 million joint funding agreement between the FAA and the state of North Carolina.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

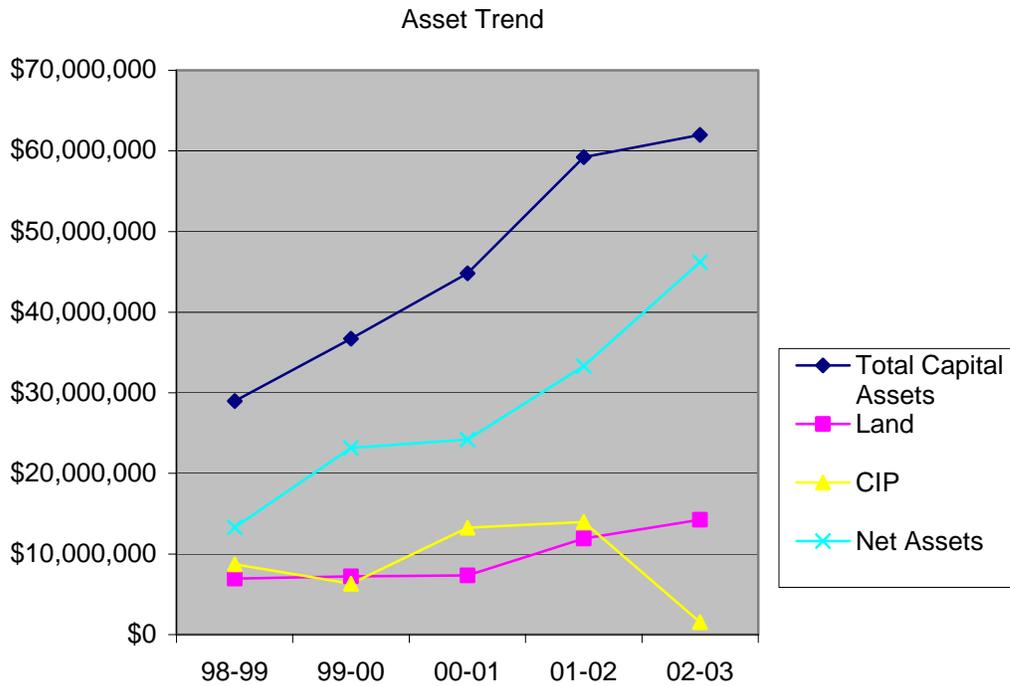
A comparison of net assets at June 30, 2003 compared to June 30, 2002 depicts some significant changes. The reduction in current assets is due to the decrease in cash and cash equivalents and the Investment on Deposit with State Treasurer. The reduction was due mainly to payments to contractors for construction projects and payments for land/land services. The increase in capital assets is explained later in this analysis. The increase in other noncurrent assets relates to a USDA requirement that 10% of debt payments be deposited in a restricted interest-bearing savings account until the balance equals one year's debt payment. The reduction in current liabilities is due to the decrease in construction projects. The reduction in total net assets relates to the loss incurred by the Authority during the fiscal year.

Condensed Statement of Net Assets

	June 30, 2003	June 30, 2002	Change	% Change
Current Assets	\$ 23,367,476	\$ 27,210,012	-\$ 3,842,536	-14.12%
Capital Assets	61,983,358	59,218,610	2,764,748	4.66%
Other Noncurrent Assets	7,538	3,754	3,784	100.80%
Total Assets	85,358,372	86,432,376	-1,074,004	-1.24%
Current Liabilities	403,218	1,414,548	-1,011,330	-71.49%
Noncurrent Liabilities	29,674,532	28,351,011	1,323,521	4.67%
Total Liabilities	30,077,750	29,765,559	312,191	1.04%
Net Assets	\$ 55,280,622	\$ 56,666,817	-\$ 1,386,195	-2.45%

The following graph depicts the trend in net assets, particularly total capital assets. Total capital net assets include land, construction in progress, and depreciable capital assets. Net Assets represents capital assets less depreciation. There was an increase in land/land costs of approximately \$2.9 and a decrease in construction in progress of approximately \$12.4 million due to completion of prior year projects; consequently, there was an increase in depreciable assets of approximately \$14.9 million. The anticipated slow-growth pattern materialized from the prior fiscal year, with a change in total net assets of approximately \$2.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



For the fiscal year the Authority showed a 95% increase in operating revenues due to an increase in tenant revenues and nonrecurring miscellaneous revenues of approximately \$130,000, while there was only a slight change in operating expenses due to an increase in depreciation expense. Excluding depreciation, there is an 11% decrease. Nonoperating revenues and expenses showed a decrease of 84% due mainly to the decrease in federal and state funding. The following table depicts these changes:

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

	June 30, 2003	June 30, 2002	Change	% Change
Operating Revenues	\$740,229	\$379,641	\$360,588	95%
Operating Expenses	4,285,781	4,190,801	94,980	2%
Operating Loss	<u>-3,545,552</u>	<u>-3,811,160</u>	265,608	-7%
Nonoperating and Capital Contributions	<u>2,159,357</u>	<u>13,667,408</u>	<u>-11,508,051</u>	-84%
Increase (Decrease) in Net Assets	<u><u>-\$1,386,195</u></u>	<u><u>\$9,856,248</u></u>	<u><u>-\$11,242,443</u></u>	-114%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The Authority's overall liquidity position declined during the fiscal year with a decrease in cash and cash equivalents of approximately \$1.7 million. This compares to an increase of \$.9 million for the prior year. The decrease in cash used for operating activities is due to an increase in cash received from customers and a decrease in payments to vendors and employees. The 32% decrease in noncapital financing activities is due to the reduction in operating contributions from the state. The increase in capital and related financing costs is due to the decrease in federal funding and proceeds from capital debt and an increase in principal and interest payments on capital debt.

The following is a summary of the change in cash and cash equivalents for the fiscal year ended June 30, 2003 and June 30, 2002:

Cash Flows

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>Change</u>	<u>% Change</u>
Net Cash Provided From (Used For):				
Operating Activities	-\$1,755,488	-\$2,395,230	\$639,742	-26.71%
Noncapital Financing Activities	1,692,958	2,478,833	-785,875	-31.70%
Capital and Related Financing Activities	-3,408,787	-1,185,198	-2,223,589	187.61%
Investing Activities	<u>1,792,799</u>	<u>2,032,196</u>	<u>-239,397</u>	<u>-11.78%</u>
Net Increase (Decrease)	-1,678,518	930,601	-2,609,119	
Cash and Cash Equivalents at beginning of year	<u>13,262,847</u>	<u>12,332,246</u>	<u>930,601</u>	<u>7.55%</u>
Cash and Cash Equivalents at end of year	<u>\$11,584,329</u>	<u>\$13,262,847</u>	<u>-\$1,678,518</u>	<u>-12.66%</u>

Economic Outlook

The decrease in state appropriations for operations to the Authority has put pressure on the organization to become self-sufficient quickly. The slow down in the economy since 2001 has added to that burden. In the future the Authority will have to become leaner in its organizational structure and market the assets the TransPark has to offer in order to not only meet its goal to become self-sufficient, but also to compete in the market place.

North Carolina Global TransPark Authority

Statement of Net Assets

June 30, 2003

Exhibit A

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	\$	11,576,791
Investment on Deposit with State Treasurer (Note 2)		11,632,942
Accounts Receivable (Net)		121,911
Accrued Interest Receivable		35,832

Total Current Assets 23,367,476

Noncurrent Assets:

Restricted Cash and Cash Equivalents (Note 2)		7,538
Capital Asset - Nondepreciable (Note 3)		15,778,654
Capital Assets - Depreciable, net (Note 3)		46,204,704

Total Noncurrent Assets 61,990,896

Total Assets 85,358,372

LIABILITIES

Current Liabilities:

Accounts Payable		324,114
Due to Primary Government		1,262
Compensated Absences		34,099
Unearned Revenue		26,499
Note Payable - USDA (Note 4)		17,244

Total Current Liabilities 403,218

Noncurrent Liabilities:

Note Payable - USDA (Note 4)		1,310,597
Note Payable - Due to NC Escheat Fund (Note 4)		28,329,836
Compensated Absences		34,099

Total Noncurrent Liabilities 29,674,532

Total Liabilities 30,077,750

NET ASSETS

Invested in Capital Assets, Net of Related Debt		48,046,507
Restricted for Debt Service		7,538
Unrestricted		7,226,577

Total Net Assets \$ 55,280,622

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 Net Assets
Year Ended June 30, 2003

Exhibit B

Operating Revenues	
Rental Revenue	\$ 534,491
Miscellaneous Revenues	<u>205,738</u>
Total Operating Revenues	<u>740,229</u>
Operating Expenses	
Salaries and Benefits	1,209,902
Professional Services	314,529
Legal and Accounting	122,003
Depreciation	1,886,951
Rent	31,023
Repairs and Maintenance	58,596
Supplies and Materials	57,948
Equipment	33,877
Insurance	31,350
Printing and Binding	22,534
Telephone	51,548
Utilities	190,007
Travel and Subsistence	25,348
Advertising	56,051
Landing Fields and Grounds	43,664
Other	<u>150,450</u>
Total Operating Expenses	<u>4,285,781</u>
Operating Loss	<u>(3,545,552)</u>
Nonoperating Revenues (Expenses)	
State Operating Aid	1,600,000
Noncapital Grants	143,500
Gain on sale of property	268,743
Investment Earnings	1,774,485
Interest Expense	<u>(2,801,308)</u>
Net Nonoperating Revenues	<u>985,420</u>
Loss Before Capital Contributions	(2,560,132)
Capital Contributions	<u>1,173,937</u>
Decrease in Net Assets	(1,386,195)
Net Assets -- July 1	<u>56,666,817</u>
Net Assets -- June 30	<u>\$ 55,280,622</u>

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

North Carolina Global TransPark Authority
Statement of Cash Flows
Year Ended June 30, 2003

Exhibit C

Cash Flows From Operating Activities	
Cash Received from Customers	\$ 724,742
Payments to Vendors	(1,249,972)
Payments to Employees and Fringe Benefits	<u>(1,230,258)</u>
Net Cash Used For Operating Activities	<u>(1,755,488)</u>
Cash Flows From Noncapital Financing Activities	
State Appropriations	1,600,000
Other	<u>92,958</u>
Net Cash Provided From Noncapital Financing Activities	<u>1,692,958</u>
Cash Flows From Capital And Related Financing Activities	
Acquisition and Construction of Capital Assets	(5,706,874)
Proceeds from Sale of Capital Assets	355,775
Proceeds from Capital Debt	2,854,899
Federal Capital Appropriations	1,031,687
Grants	182,250
Principal Payments on Capital Debt	(764,192)
Interest Payments on Capital Debt	<u>(1,362,332)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(3,408,787)</u>
Cash Flows From Investing Activities	
Interest Received	<u>1,792,799</u>
Net Cash Provided From Investing Activities	<u>1,792,799</u>
Net Decrease in Cash and Cash Equivalents	(1,678,518)
Cash and Cash Equivalents, July 1	<u>13,262,847</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 11,584,329</u></u>

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

**Reconciliation of Operating Income to Net Cash
Used By Operating Activities**

Operating Loss	\$	(3,545,552)
Adjustments to Reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation		1,886,951
Increase in Accounts Receivables		(8,801)
Decrease in Accounts Payable		(43,287)
Decrease in Due to Primary Government		(7,586)
Decrease in Compensated Absences		(27,707)
Increase in Unearned Revenue		1,494
Decrease in Deposit Liability		<u>(11,000)</u>
Net Cash Used by Operating Activities	\$	<u><u>(1,755,488)</u></u>

Noncash Investing, Capital, and Financing Activities

Assets acquired through the assumption of a liability	\$	<u><u>2,854,899</u></u>
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Composition of Cash and Cash Equivalents

Current Assets:		
Cash and Cash Equivalents	\$	11,576,791
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		<u>7,538</u>
Total Cash and Cash Equivalents	\$	<u><u>11,584,329</u></u>

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, 2003

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 Community College System. The remaining two board members are appointed by the Kinston City Council and the Lenoir County Commissioners.

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 accounting principles generally accepted in the United States of America 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. 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.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. 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 were prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rent. Operating expenses include the cost of rental, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

- E. Cash and Cash Equivalents** – This classification consists petty cash, the Authority's equity position in the Short-Term Investment Fund managed by the North Carolina State Treasurer, 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. Accounts Receivable** – Accounts Receivable are shown in the accompanying financial statements net of allowances for doubtful accounts of \$9,085.
- H. Capital Assets and Depreciation** – The Authority capitalizes all assets that have a value or cost greater than or equal to \$5,000 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.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (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 notes payable and unused vacation leave that is not expected to be paid within the next fiscal year.
- 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 1 and June 30.

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

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 or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- 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 – 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 operating state appropriations, tenant revenues, and interest income.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. Use Of Estimates** – The preparation of these basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of basic financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

All of the Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by their agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

State Treasurer's Short-Term Investment Fund – The amount shown on the Statement of Net Assets as cash and cash equivalents includes \$11,422,972 which represents the Authority's equity position in the Short-Term Investment Fund managed by the North Carolina State Treasurer.

Private Bank Accounts – The amount shown on the Statement of Net Assets as cash and cash equivalents includes deposits in private bank accounts with a carrying value of \$161,157 and a bank balance of \$277,026. Of the bank balance, \$100,000 was covered by federal depository insurance and \$177,026 was uninsured.

At June 30, 2003, the Authority's investments were as follows:

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 \$1,240,533 for the year ended June 30, 2003. The Authority's investment in this fund is exempt from risk categorization because the Authority does not own any identifiable security.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 3 – CAPITAL ASSETS – NET

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

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital Assets, Non-depreciable				
Land	\$ 11,914,576	\$ 2,422,971	\$ (87,032)	\$ 14,250,515
Construction in Progress	13,984,255	2,609,003	(15,065,119)	1,528,139
Total Capital Assets, Non-depreciable	<u>25,898,831</u>	<u>5,031,974</u>	<u>(15,152,151)</u>	<u>15,778,654</u>
Capital Assets, Depreciable				
Landing Fields and Grounds	23,672,386	14,381,346	-	38,053,732
Buildings	16,042,987	64,655	-	16,107,642
Equipment	2,635,164	325,875	-	2,961,039
Total Capital Assets, Depreciable	<u>42,350,537</u>	<u>14,771,876</u>	<u>-</u>	<u>57,122,413</u>
Less Accumulated Depreciation for:				
Landing Fields and Grounds	(5,175,667)	(1,053,522)	-	(6,229,189)
Buildings	(2,248,057)	(503,130)	-	(2,751,187)
Equipment	(1,607,034)	(330,299)	-	(1,937,333)
	<u>(9,030,758)</u>	<u>(1,886,951)</u>	<u>-</u>	<u>(10,917,709)</u>
Total Capital Assets, Depreciable, Net	<u>33,319,779</u>	<u>12,884,925</u>	<u>-</u>	<u>46,204,704</u>
Total Capital Assets, Net	<u>\$ 59,218,610</u>	<u>\$ 17,916,899</u>	<u>\$ (15,152,151)</u>	<u>\$ 61,983,358</u>

NOTE 4 – NOTES PAYABLE

The following is a summary of changes in the Authority's long-term obligations as of June 30, 2003:

	July 1, 2002	Additions	Payments	June 30, 2003	Due in Less Than One Year
Notes payable	\$ 28,309,543	\$ 3,443,278	\$ 2,095,144	\$ 29,657,677	\$ 17,244
Accrued vacation	95,905	68,198	95,905	68,198	34,099
Total	<u>\$ 28,405,448</u>	<u>\$ 3,511,476</u>	<u>\$ 2,191,049</u>	<u>\$ 29,725,875</u>	<u>\$ 51,343</u>

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 4 – NOTES PAYABLE (Continued)

- A. North Carolina Escheat Fund** - The \$24,241,952 plus the net accrued interest expense of \$4,087,884 represents a balance of \$28,329,836 due to the North Carolina Escheat Fund at June 30, 2003. 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, 2003 by the \$11,632,942 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 \$2,769,928 for the year ended June 30, 2003. Interest earned on the invested portion of the loan is disclosed in Note 2.
- B. United States Department of Agriculture (USDA)** – The Authority was indebted for two USDA loans for the construction of Fixed Base Operator (FBO) hangars at the Global TransPark. Additionally, the Authority was indebted for a USDA loan for the construction of an Administration Building. The loan information on the notes is shown in the following table:

Interest Rate	Final Maturity Date	Original Amount Of Issue	Principal Paid Through 6/30/2003	Principal Outstanding 6/30/2003
4.75%	6/21/41	\$666,500	\$12,009	\$654,491
4.625%	10/25/32	\$673,350	\$0	\$673,350

The annual requirements to pay principal and interest on the notes at June 30, 2003 are presented as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 17,244	\$ 62,230
2005	18,048	61,426
2006	18,891	60,583
2007	19,775	59,699
2008	20,698	58,776
2009-2013	118,933	278,437
2014-2018	149,436	247,934
2019-2023	187,760	209,610
2024-2028	235,920	161,450
2029-2033	296,312	101,058
2034-2038	142,374	45,246
2039-2041	102,450	10,122
Total Requirements	<u>\$1,327,841</u>	<u>\$1,356,571</u>

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 5 – OPERATING LEASES

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 18,127
2005	18,127
2006	<u>14,655</u>
Total Minimum Lease Payments	<u>\$ 50,909</u>

Rental expenses for all operating leases during the year were \$28,023.

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.

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 that 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.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 6 – RISK MANAGEMENT (Continued)

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. In addition, the Authority has a separate public employee dishonesty and faithful performance policy with a limit of \$1,000,000.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a Pension and Other Employee Benefit Trust Fund 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.

NOTE 7 – PENSION PLAN

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. The System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefit and contribution provisions for the System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 7 – PENSION PLAN (Continued)

For the year ended June 30, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members. Total payroll for the year was \$1,067,651 of which \$955,368 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>
2003	\$ 22,451	100%
2002	22,041	100%
2001	64,605	100%

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 \$31,260 for the year ended June 30, 2003.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees** – The Authority participates in state administered programs that provide post employment health insurance 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, 2003, the Authority contributed 2.35% of covered payroll to the Comprehensive Major Medical Plan, or \$22,451. The Authority assumes no liability for these health care benefits provided by the programs other than its contribution.

- B. Disability Income**– 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 short-term and long-term disability benefits 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, 2003 the Authority contributed .52% of covered payroll, or \$4,968 to the Plan. The Authority assumes no liability for long-term disability benefits under the plan other than its contribution.

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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. No significant financial transactions occurred between the Authority and the Foundation during the year ended June 30, 2003.
- 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 its 13-member counties. A principal objective of the Commission is to accommodate businesses 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, 2003.

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 (FAA) 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

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

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. 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 \$3,126,787 at June 30, 2003 for capital improvement projects for the Runway Extension Project.

C. Concentration of Risk and Potential Refinancing Commitment – The Authority is a state agency for the State of North Carolina and therefore receives the majority of its financial support from the State. For the year ended June 30, 2003 the Authority received approximately 28% of its financial support from the State. In addition the Authority received an additional 20% of its revenues from the Federal Aviation Administration.

The Authority also has a loan outstanding including accrued interest payable totaling \$28,329,836 to the North Carolina Escheat Fund. The entire balance is due in full in September 2004 and it is the intent of the Authority to begin negotiations with the State during the next fiscal year to extend the terms of this loan.

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 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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January 15, 2004

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