



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT REVIEW REPORT OF BEAUFORT COUNTY COMMUNITY COLLEGE**

**WASHINGTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT REVIEW REPORT OF**

**BEAUFORT COUNTY COMMUNITY COLLEGE**

**WASHINGTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**H. MARTIN LANCASTER, PRESIDENT**

**BOARD OF TRUSTEES**

**CORNELL MCGILL, CHAIRMAN**

**ROBERT CAYTON, VICE CHAIRMAN**

**HELEN BONNER  
MYRTLE CAROWAN  
JOYCE M. CUTLER  
J. SHIELDS HARVEY  
HENRY C. HUMPHREYS, JR.**

**FRANK B. LEWIS  
FLOYD LUPTON  
JAMES R. OAKLEY  
CHARLES TOLER  
JACK WALLACE**

**ADMINISTRATIVE OFFICERS**

**DR. DAVID MCLAWHORN, PRESIDENT**

**RHONDA SAWYER, DEAN OF ADMINISTRATIVE SERVICES**



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>

---

**REVIEWER'S TRANSMITTAL**

---

The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Trustees, Beaufort County Community College

This report presents the results of our financial statement review of Beaufort County Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our review was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the College 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 work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Beaufort County Community College. The review 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 review of the accompanying financial statements that relate solely to Beaufort County Community College. Our reporting objectives and review results are:

- 1. Objective** - To disclose any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

**Results** - We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

## REVIEWER'S TRANSMITTAL (CONCLUDED)

---

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants that came to our attention during our review of the financial statements.

**Results** - Our review disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make reports available to the public. Copies of review 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." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

## TABLE OF CONTENTS

---

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
FINANCIAL STATEMENTS	
Exhibits	
A    Statement of Net Assets .....	8
B    Statement of Revenues, Expenses, and Changes in Net Assets .....	9
C    Statement of Cash Flows .....	10
Notes to the Financial Statements .....	13
SUPPLEMENTARY INFORMATION	
Schedule	
1    Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures .....	29
DISTRIBUTION OF REVIEW REPORT .....	30



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 ACCOUNTANT'S REVIEW REPORT**

---

Board of Trustees  
Beaufort County Community College  
Washington, North Carolina

We have reviewed the accompanying Statement of Net Assets of Beaufort County Community College, 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 Statement of Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 to 7 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. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor

February 5, 2003

[ This Page Left Blank Intentionally ]

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Basic Financial Statements

The basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain some of the information in the financial statements and provide more detail.

Statement of Net Assets: Assets and liabilities are presented in a classified format to distinguish between current and noncurrent assets and liabilities.

Statement of Revenues, Expenses, and Changes in Net Assets: Revenues and expenses are presented in a classified format to distinguish between operating and nonoperating revenues and expenses.

Statement of Cash Flows: The direct method is used to present cash flow.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided.

### Financial Analysis

Comparative data is not required in the first year that MD&A is presented. In future years, prior year and current year comparative data will be presented.

### Condensed Financial Statements:

	<u>2002</u>
<b>Assets</b>	
Current Assets	\$ 717,655.17
Noncurrent Assets:	
Capital Assets, Net	7,063,585.26
Other	<u>675,217.34</u>
Total Assets	<u>8,456,457.77</u>
<b>Liabilities</b>	
Current Liabilities	546,423.60
Noncurrent Liabilities	<u>22,641.85</u>
Total Liabilities	<u>569,065.45</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,894,162.96
Restricted	778,342.28
Unrestricted	<u>214,887.08</u>
Total Net Assets	<u>\$ 7,887,392.32</u>

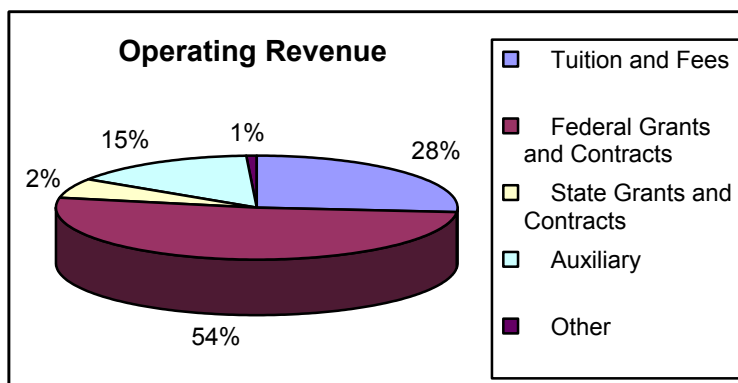


## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

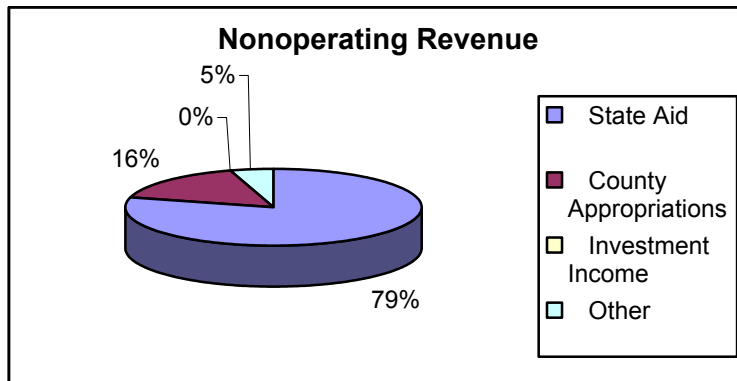
### Condensed Financial Statements (continued):

	<u>2002</u>
<b>Operating Revenues:</b>	
Tuition and Fees	\$ 1,133,261.32
Federal Grants and Contracts	2,206,753.02
State Grants and Contracts	78,423.87
Auxiliary	643,933.16
Other	<u>30,282.00</u>
 Total Operating Revenues	 <u>4,092,653.37</u>
 Less Operating Expenses	 <u>13,129,684.80</u>
 Net Operating Expenses	 <u>(9,037,031.43)</u>
 <b>Nonoperating Revenues:</b>	
State Aid	7,326,399.39
County Appropriations	1,428,752.00
Investment Income	16,117.35
Other	<u>345,136.52</u>
 Total Nonoperating Revenues	 <u>9,116,405.26</u>
 Increase in Net Assets	 79,373.83
 Nets Assets, Beginning of Year	 14,691,364.66
Restatements	<u>(6,883,346.17)</u>
 Net Assets, End of Year	 <u><u>\$ 7,887,392.32</u></u>

Operating and nonoperating revenue components are as follows:



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



An enrollment increase of 18% combined with a tuition rate increase of 10% created a significant increase in tuition and fees revenue collected.

The College received a Title III Federal Grant that will provide additional funding for the next 4 years. These funds can be used for equipment and professional development for instructional purposes.

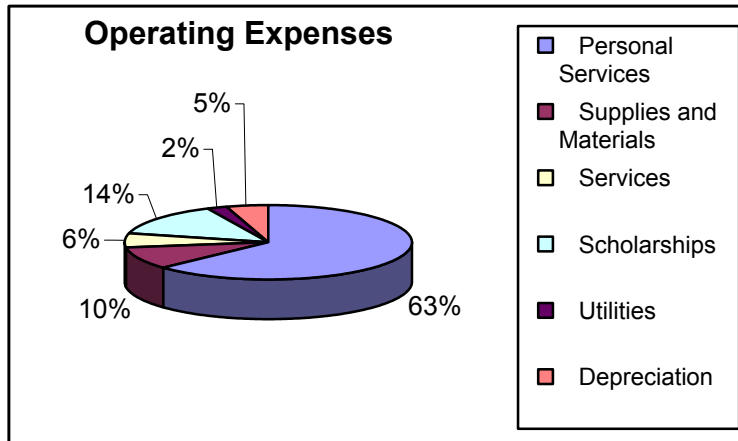
Beaufort County continues to provide increasing financial support to the College substantiated by the approved 2002-2003 county budget.

The College received the State Budget in October 2001 and reverted a total of 2.96% back to the State by February 2002. With the late issuance of the budget, reversions, and cash shortages experienced by the State, spending was extremely limited. State travel was minimal throughout the year.

Other expenses for Beaufort County Community College are consistent with the prior years. However, Pell grant scholarships increased due to the enrollment increase and depreciation expense is recorded for the first time in 2001-2002. Operating expense components are as follows:

	<u>2002</u>
Operating Expenses:	
Personal Services	\$ 8,286,195.81
Supplies and Materials	1,267,737.20
Services	790,581.06
Scholarships	1,877,796.49
Utilities	280,909.18
Depreciation	626,465.06
	<hr/>
Total	<u><u>\$ 13,129,684.80</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



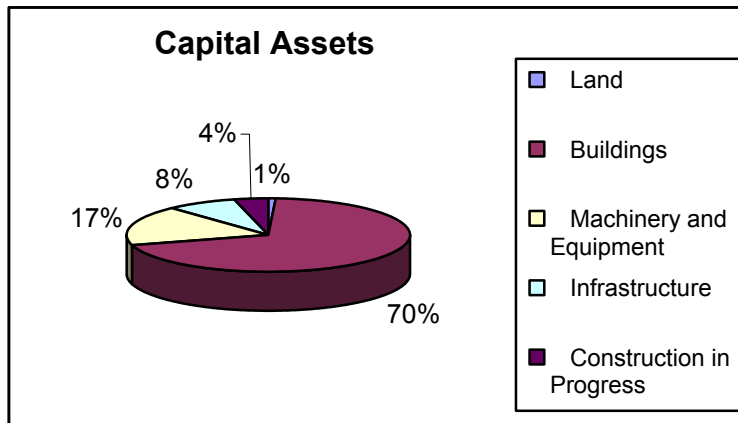
The College began its first State Bond construction project and will finish that facility by the end of fiscal year 2003. The State Bond money the College receives for new construction and repair/renovation projects will allow the College to significantly increase capital expenditures over the next 5 years. Furthermore, the Title III Federal Grant will increase equipment over the next 4 years.

Capital Assets components are as follows:

	<u>2002</u>
Capital Assets:	
Land	\$ 129,283.53
Buildings	9,368,961.37
Machinery and Equipment	2,351,968.60
Infrastructure	1,111,218.23
Construction in Progress	<u>506,016.40</u>
Total	13,467,448.13
Less: Accumulated Depreciation	<u>6,403,862.87</u>
Net Capital Assets	<u><u>\$ 7,063,585.26</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

---



Another tuition increase of 10% was approved for the 2002-2003 fiscal year. The following new programs were added for the Fall 2002:

- Internet Technologies
- Industrial Systems Technology
- Early Childhood/Teacher Associate
- Community Spanish Facilitator

Enrollment growth was funded for the 2002-2003 fiscal year; however, reversions are also planned for 2002-2003.

<b>Beaufort County Community College</b>		
<b>Statement of Net Assets</b>		
<b>June 30, 2002</b>		<b>Exhibit A</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	368,982.85
Restricted Cash and Cash Equivalents		(1,546.59)
Short-Term Investments		30,417.68
Restricted Short-Term Investments		99,823.01
Receivables, Net (Note 4)		67,635.71
Inventories		152,342.51
Total Current Assets		717,655.17
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		309,796.29
Restricted Due from Primary Government		7.63
Endowment Investments		361,657.26
Notes Receivable, Net (Note 4)		3,756.16
Capital Assets, Net (Note 5)		7,063,585.26
Total Noncurrent Assets		7,738,802.60
Total Assets		8,456,457.77
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		327,915.60
Funds Held for Others		6,508.00
Long-Term Liabilities - Current Portion (Note 7)		212,000.00
Total Current Liabilities		546,423.60
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		22,641.85
Total Liabilities		569,065.45
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		6,894,162.96
Restricted For:		
Nonexpendable:		
Scholarships and Fellowships		366,307.26
Expendable:		
Scholarships and Fellowships		46,306.15
Loans		6,880.76
Capital Projects		295,577.69
Other		63,270.42
Unrestricted		214,887.08
Total Net Assets	\$	7,887,392.32
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

<b>Beaufort County Community College</b>		
<b>Statement of Revenues, Expenses, and Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit B</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	1,133,261.32
Federal Grants and Contracts		2,206,753.02
State and Local Grants and Contracts		78,423.87
Nongovernmental Grants and Contracts		30,282.00
Sales and Services, Net		643,933.16
Total Operating Revenues		4,092,653.37
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		8,286,195.81
Supplies and Materials		1,267,737.20
Services		790,581.06
Scholarships and Fellowships		1,877,796.49
Utilities		280,909.18
Depreciation		626,465.06
Total Operating Expenses		13,129,684.80
Operating Loss		(9,037,031.43)
<b>NONOPERATING REVENUES</b>		
State Aid		6,773,681.29
County Appropriations		1,102,500.00
Noncapital Grants		22,654.32
Noncapital Gifts, Net		42,872.18
Investment Income, Net		16,117.35
Other Nonoperating Revenues		6,200.01
Net Nonoperating Revenues		7,964,025.15
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,073,006.28)
State Capital Aid		552,718.10
County Capital Appropriations		326,252.00
Capital Grants		235,430.01
Capital Gifts, Net		37,980.00
Increase in Net Assets		79,373.83
<b>NET ASSETS</b>		
Net Assets, July 1, 2001 as Restated (Note 15)		7,808,018.49
Net Assets, June 30, 2002	\$	7,887,392.32
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

<b>Beaufort County Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit C</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	4,080,724.31
Payments to Employees and Fringe Benefits		(8,247,447.68)
Payments to Vendors and Suppliers		(2,336,197.17)
Payments for Scholarships and Fellowships		(1,877,796.49)
Loans Issued to Students		(6,964.00)
Collection of Loans to Students		5,957.33
Other Receipts		8,647.65
Net Cash Used by Operating Activities		(8,373,076.05)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		6,773,681.29
County Appropriations		1,102,500.00
Noncapital Grants Received		(54,055.23)
Noncapital Gifts and Endowments Received		42,872.18
Net Cash Provided by Noncapital Financing Activities		7,864,998.24
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		552,718.10
County Capital Appropriations		326,252.00
Capital Grants Received		235,430.01
Capital Gifts Received		37,980.00
Acquisition and Construction of Capital Assets		(502,483.31)
Net Cash Provided by Capital and Related Financing Activities		649,896.80
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments		9,756.62
Interest on Investments		(17,201.41)
Purchase of Investments and Related Fees		40,575.64
Net Cash Provided by Investing Activities		33,130.85
Net Increase in Cash and Cash Equivalents		174,949.84
Cash and Cash Equivalents, July 1, 2001		502,282.71
Cash and Cash Equivalents, June 30, 2002	\$	677,232.55

<b>Beaufort County Community College</b>		
<b>Statement of Cash Flows</b>		<b>Exhibit C</b>
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Page 2</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(9,037,031.43)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		626,465.06
Provision for Uncollectible Loans and Writeoffs		1,000.00
Miscellaneous Nonoperating Income		6,200.01
Changes in Assets and Liabilities:		
Receivables, Net		(8,078.15)
Inventories		(3,235.05)
Notes Receivable, Net		(1,006.67)
Accounts Payable and Accrued Liabilities		20,903.29
Funds Held for Others		2,321.73
Compensated Absences		19,385.16
Net Cash Used by Operating Activities	\$	<u>(8,373,076.05)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Assets Acquired through a Gift	\$	138,596.70
Increase in Receivables Related to Nonoperating Income		(65,393.73)
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		



[ This Page Left Blank Intentionally ]

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, 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. Beaufort County Community College is a component unit of the North Carolina Community College System which is a part of the primary government 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 of the College and component units for which the College's Board of Trustees is financially accountable. Although legally separate, Beaufort County Community College Foundation (Foundation) is reported as if it were part of the College.

The Foundation is governed by a 27-member board consisting of 3 ex officio directors and 24 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Beaufort County Community College Board of Trustees and the Foundation's sole purpose is to benefit Beaufort County Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, Beaufort County Community College, P.O. Box 1069, Washington, NC 27889, or by calling 252-940-6213.

- 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).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* effective for the College’s year ended June 30, 2002, the full scope of the College’s activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

- C. Basis of Accounting** - The financial statements of the College 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College 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.

- 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, 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 long-term fixed income investments, equity investments, mutual funds, money market funds, and certificates of deposit held by the College. 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 are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

- F. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource providers conditions have been satisfied. Receivables are recorded at book value with no provision for doubtful accounts considered necessary.
- G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the last invoice method.
- 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. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.
- Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 25 years for general infrastructure, 15 to 40 years for buildings, and 3 to 25 years for equipment.
- 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, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.
- K. Compensated Absences** - The College'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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**L. Net Assets** – The College’s net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** – This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets.

**Restricted Net Assets – Nonexpendable** – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

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

**Unrestricted Net Assets** – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

**M. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

**N. Revenue and Expense Recognition** – The College 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges, and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicles purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$1,200.00. The carrying amount of cash on deposit was \$676,032.55 and the bank balance was \$849,723.77.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 568,212.54	\$ 498,212.54
Cash on Deposit with Private Financial Institutions	107,820.01	351,511.23
	<u>\$ 676,032.55</u>	<u>\$ 849,723.77</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are "readily convertible into cash." All investments of the fund are held either by the Department of State Treasurer or agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

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/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2002, \$100,000.00 of the bank balance was covered by federal depository insurance, and \$251,511.23 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

- B. Investments** – In addition to donated securities held by the College, the College is authorized to invest idle funds as provided by General Statute 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to General Statute 159-30(c), as follows: obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; prime quality commercial paper bearing specified

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to General Statute 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

Investments of the College's component unit(s), the Foundation, are subject to and restricted by General Statute 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

The College's investments are categorized to give an indication of the level of risk assumed by the College. 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 possession of an outside party if the counterparty to the investment transaction fails. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the College'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 College's name.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Fair Value			
	Risk Category			
	1	2	3	Total
Investments Categorized:				
Corporate Common Stock	\$ 14,338.42	\$ 0.00	\$ 0.00	\$ 14,338.42
Investments Not Categorized:				
Certificates of Deposit				26,631.77
Mutual Funds				450,926.49
Money Market Funds				1.27
Total Investments Not Categorized				477,559.53
Total Investments				\$ 491,897.95

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

### NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on donor fund authorities. The prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the College uses accumulated income and appreciation from restricted, expendable net asset endowment balances to make up the difference.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Net Receivables
<b>Current Receivables:</b>	
Students	\$ 20,543.69
Accounts	31,925.32
Intergovernmental	12,043.72
Investment Earnings	1,574.07
Other	1,548.91
<b>Total Current Receivables</b>	<b>\$ 67,635.71</b>
<b>Notes Receivable - Noncurrent:</b>	
Institutional Student Loan Programs	<b>\$ 3,756.16</b>

### NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets, Non-Depreciable:				
Land	\$ 129,283.53	\$ 0.00	\$ 0.00	\$ 129,283.53
Construction in Progress	79,632.80	426,383.60		506,016.40
<b>Total Capital Assets, Non-Depreciable</b>	<b>208,916.33</b>	<b>426,383.60</b>		<b>635,299.93</b>
Capital Assets, Depreciable:				
Buildings	9,343,100.03	25,861.34		9,368,961.37
Machinery and Equipment	2,327,740.06	205,246.83	181,018.29	2,351,968.60
General Infrastructure	1,036,892.44	132,778.44	58,452.65	1,111,218.23
<b>Total Capital Assets, Depreciable</b>	<b>12,707,732.53</b>	<b>363,886.61</b>	<b>239,470.94</b>	<b>12,832,148.20</b>
Less Accumulated Depreciation:				
Buildings	3,866,572.09	245,694.29		4,112,266.38
Machinery and Equipment	1,358,131.33	317,200.56		1,675,331.89
General Infrastructure	552,694.39	63,570.21		616,264.60
<b>Total Accumulated Depreciation</b>	<b>5,777,397.81</b>	<b>626,465.06</b>		<b>6,403,862.87</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>6,930,334.72</b>	<b>(262,578.45)</b>	<b>239,470.94</b>	<b>6,428,285.33</b>
<b>Capital Assets, Net</b>	<b>\$ 7,139,251.05</b>	<b>\$ 163,805.15</b>	<b>\$ 239,470.94</b>	<b>\$ 7,063,585.26</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	\$ 194,666.34
Accrued Payroll	119,714.26
Contract Retainage	<u>13,535.00</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 327,915.60</u></b>

### NOTE 7 - 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
Compensated Absences	<u>\$ 215,256.69</u>	<u>\$ 231,551.62</u>	<u>\$ 212,166.46</u>	<u>\$ 234,641.85</u>	<u>\$ 212,000.00</u>

### NOTE 8 - REVENUES

A summary of eliminations and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>			
<b>Student Tuition and Fees</b>	<u>\$ 1,418,604.19</u>	<u>\$ 285,342.87</u>	<u>\$ 1,133,261.32</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 4,304,222.01	\$ 171,289.44	\$ 322,516.82	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,798,028.27
Public Service		1,118.56	10,151.18				11,269.74
Academic Support	607,401.72	17,359.19	40,134.26				664,895.17
Student Services	690,530.19	17,169.07	38,390.09				746,089.35
Institutional Support	2,160,317.64	104,989.32	226,890.70				2,492,197.66
Operations and Maintenance of Plant	448,514.35	530,260.34	76,241.60		280,909.18		1,335,925.47
Student Financial Aid			31,115.00	1,877,796.49			1,908,911.49
Auxiliary Enterprises	75,209.90	425,551.28	45,141.41				545,902.59
Depreciation						626,465.06	626,465.06
Total Operating Expenses	<u>\$ 8,286,195.81</u>	<u>\$ 1,267,737.20</u>	<u>\$ 790,581.06</u>	<u>\$ 1,877,796.49</u>	<u>\$ 280,909.18</u>	<u>\$ 626,465.06</u>	<u>\$ 13,129,684.80</u>

### NOTE 10 - 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.

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 the Teachers' and State Employees' Retirement 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

For the year ended June 30, 2002, the College had a total payroll of \$7,061,457.75, of which \$5,886,989.31 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$353,219.32 and \$292,689.96, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$292,689.96, \$303,044.17, and \$439,006.38, respectively.

The Teachers' and State Employees' Retirement System's financial information is 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/> 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 Plans**

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 years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or 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 College. The voluntary contributions by employees amounted to \$17,785.28 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 College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e) and a 1% employer contribution for all permanent full-time employees. Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2002 were \$2,871.65

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

and total employer contributions on behalf of permanent full-time employees were \$57,710.77. The voluntary contributions by employees amounted to \$232,824.00 for the year ended June 30, 2002.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$6,120.00 for the year ended June 30, 2002.

### **NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS**

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health 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 Employees' 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 College 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 College's total contribution to the Plan was \$138,344.25. The College 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*.
- B. Long-Term Disability -** The College 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. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College 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 College's total contribution to the DIPNC was \$30,612.34. The College assumes no liability for long-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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 premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and reinsures losses greater than \$10,000,000 per occurrence. The excess insurer provides property coverage up to \$30,000,000 per location annually. 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.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. The College is protected for losses from employee dishonesty for employees paid by county and institutional funds by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the board entirely from County or Institutional Funds.

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 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 13 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$2,159,809.00 and on other purchases were \$46,524.67 at June 30, 2002.
- B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization \$6,870,740.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

### NOTE 14 - ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating interfund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

### NOTE 15 - NET ASSET RESTATEMENT

As referred to in Note 14, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

July 1, 2001 Fund Equity as previously reported	\$ 14,691,364.66
Implementation of GASB 34/35	<u>(6,883,346.17)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 7,808,018.49</u>

***Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2002***

***Schedule 1***

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<b><i>Projects Approved by the State Board</i></b>							
Law Enforcement/EMT/Fire Svc Trng Facility 1084	Feb 2001	\$ 3,990,000.00	\$ 10,000.00	\$ 4,000,000.00	\$ 506,016.40	12.65%	May 2003
<b><i>Projects Pending Approval by the State Board</i></b>							
Renovations to Buildings 1, 2, 3, 4, and 8	Jul 2002	180,000.00		180,000.00			Jul 2003
Roof Replacement - Building No. 3	Jul 2003	134,000.00		134,000.00			Jul 2004
Cosmetology Building	Jul 2003	900,000.00		900,000.00			Mar 2005
Renovate space vacated by Cosmetology and other programs	Jul 2004	70,000.00		70,000.00			May 2005
Air Condition shops in Building No. 4	Jan 2004	134,399.00		134,399.00			May 2005
Classrooms (Addition to existing building)	Jan 2004	1,169,045.00		1,169,045.00			Mar 2006
Renovations to lower level of Building 5	Jul 2004	400,000.00		400,000.00			Mar 2006
Re-surface and repair parking lots, streets, and sidewalks	Jan 2005	91,000.00		91,000.00			Oct 2005
Replace HVAC units, air-handlers, etc. in Buildings 1 and 2	Jan 2006	110,000.00		110,000.00			Oct 2006
<b>Total All Projects</b>		<b>\$ 7,178,444.00</b>	<b>\$ 10,000.00</b>	<b>\$ 7,188,444.00</b>	<b>\$ 506,016.40</b>		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

## **DISTRIBUTION OF REVIEW 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.

### **EXECUTIVE BRANCH**

The Honorable Michael F. Easley  
The Honorable Beverly M. Perdue  
The Honorable Richard H. Moore  
The Honorable Roy A. Cooper, III  
Mr. David T. McCoy  
Mr. Robert L. Powell  
Mr. H. Martin Lancaster  
Dr. David McLawhorn  
Ms. Rhonda Sawyer

Mr. Cornell McGill

Governor of North Carolina  
Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
President, North Carolina Community College System  
President, Beaufort County Community College  
Dean of Administrative Services  
Beaufort County Community College  
Chairman, Board of Trustees  
Beaufort County Community College

### **LEGISLATIVE BRANCH**

#### **Appointees to the Joint Legislative Commission on Governmental Operations**

Senator Marc Basnight, Co-Chairman  
Senator Charlie Albertson  
Senator Kever M. Clark  
Senator Daniel G. Clodfelter  
Senator Walter H. Dalton  
Senator James Forrester  
Senator Linda Garrou  
Senator Wilbur P. Gulley  
Senator Kay R. Hagan  
Senator David W. Hoyle  
Senator Ellie Kinnaird  
Senator Jeanne H. Lucas  
Senator William N. Martin  
Senator Stephen M. Metcalf  
Senator Eric M. Reeves  
Senator Larry Shaw  
Senator R. C. Soles, Jr.  
Senator David F. Weinstein

Representative James B. Black, Co-Chairman  
Representative Martha B. Alexander  
Representative E. Nelson Cole  
Representative James W. Crawford, Jr.  
Representative William T. Culpepper, III  
Representative W. Pete Cunningham  
Representative Beverly M. Earle  
Representative Stanley H. Fox  
Representative R. Phillip Haire  
Representative Dewey L. Hill  
Representative Maggie Jeffus  
Representative Edd Nye  
Representative William C. Owens, Jr.  
Representative Drew P. Saunders  
Representative Wilma M. Sherrill  
Representative Joe P. Tolson  
Representative Thomas E. Wright  
Representative Douglas Y. Yongue

### **Other Legislative Officials**

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. 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

February 20, 2003

## **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