STATE OF
NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

LENOIR COMMUNITY COLLEGE

KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

Financial Statement Audit Report Of

Lenoir Community College

Kinston, North Carolina

For the Year Ended June 30, 2002

STATE OF NORTH CAROLINA
Office of the State Auditor

Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of Lenoir Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of 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 audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Lenoir Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Lenoir Community College. A summary of our reporting objectives and audit results is:

1. **Objective** – To express an opinion on the accompanying financial statements that relate solely to Lenoir Community College.

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

AUDITOR'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.

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

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

Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lenoir Community College
Kinston, North Carolina

We have audited the accompanying basic financial statements of Lenoir Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lenoir Community College as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board 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* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002 on our consideration of the College's internal control over financial reporting and on 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.

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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

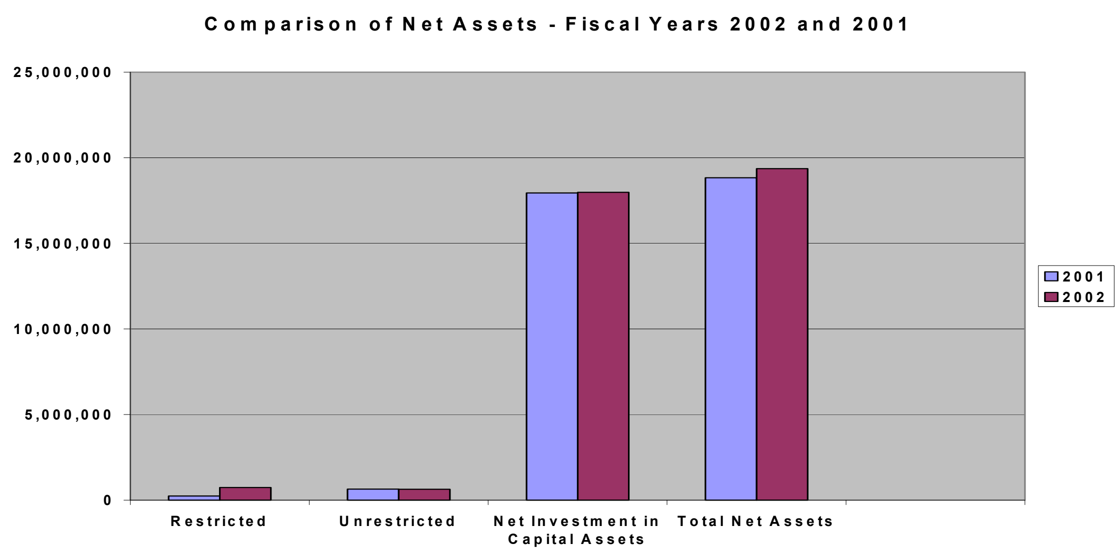
December 18, 2002

This section of Lenoir Community College's financial statement presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2002. Since this Management's Discussion and Analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's basic financial statements and the related footnotes. Responsibility for the completeness and fairness of this information rests with the College.

Using This Audit Report

The new financial statement (implemented in the fiscal year ended June 30, 2002) focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models, whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to bottom line results of the College. This Statement, for the first time, combines and consolidates, current financial resources (short-term expendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported mainly by federal, State and local funding. This approach is intended to summarize and simplify the user's analysis of cost of various College services to students and the public. In future years, when prior-year information is available, a comparative analysis will be presented in the condensed financial information within the Management's Discussion and Analysis.

Financial Analysis of the College as a Whole



Analysis of Net Assets
June 30, 2002

Net Assets		
Restricted For Expendable	$	719,356
Unrestricted		639,039
Net Investment in Capital Assets		17,980,147
Total Net Assets	$	19,338,542

Statement Net Assets
As of June 30, 2002

Assets		
Current Assets	$	1,881,685
Noncurrent Assets:		
Capital Assets, Net of Depreciation		18,895,780
Other		73,083
Total Assets		20,850,548
Liabilities		
Current Liabilities		298,274
Noncurrent Liabilities		1,213,732
Total Liabilities		1,512,006
Net Assets		
Investment in Capital Assets, Net of Related Debt		17,980,147
Restricted For Expendable		719,356
Unrestricted		639,039
Total Net Assets	$	19,338,542

These schedules were prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Depreciation expense was recorded this year for the first time, due to the implementation of GASB Statements 34 and 35.

As of June 30, 2002, the College's net assets have increased slightly to $19,338,542 from $18,831,443 at June 30, 2001. This is due in part to unexpended bond allocations in the amount of $498,067.

Invested in Capital Assets is shown net of related debt, including notes payable to Branch Bank and Trust Company in the amount of $1,026,091. The note was entered into for the purpose of a guaranteed energy savings equipment purchase.

The General Assembly of North Carolina authorized the issuance of $600 million of general obligation bonds of the State. Lenoir Community College's portion of the bonds is $12,841,299. As shown on the Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures, five projects have currently been approved. The outstanding commitments on construction contracts for bond projects at June 30, 2002 were $486,767.

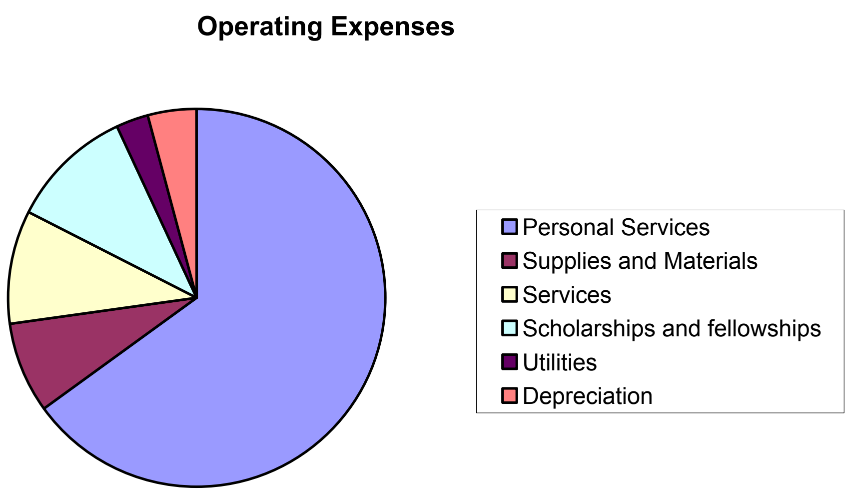
Operating Results for the Year Ended June 30, 2002

Operating Revenues:	
Student Tuition and Fees, Net	$ 631,882
Federal Grants and Contracts	4,226,237
State and Local Grants and Contracts	634,202
Sales and Services, Net	315,027
Other	44,738
Total Operating Revenues	5,852,086
Less Operating Expenses	17,499,408
Net Operating Loss	(11,647,322)
Nonoperating Revenues (Expenses):	
State Aid	9,034,039
County Appropriations	1,411,816
Noncapital Gifts	20,916
Investment Income	45,088
Other	(6,414)
Net Nonoperating Revenues	10,505,445
Loss	(1,141,877)
State Capital Aid	1,421,404
County Capital Appropriations	217,572
Capital Gifts	10,000
Increase in Net Assets	507,099
Net Assets, Beginning of Year	18,831,443
Net Assets, End of Year	$ 19,338,542

Operating Expenses
For the Year Ended June 30, 2002

Operating Expenses:		
Personal Services	$	11,380,553
Supplies and Materials		1,369,034
Services		1,695,815
Scholarships and Fellowships		1,822,431
Utilities		489,093
Depreciation		742,483
Total Operating Expenses	$	17,499,409

The following is a graphic illustration of operating expenses:



These schedules were prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets.

Operating revenue increased $928,538, which includes an increase in Pell grant funding of $800,825. Pell grant served more students during the fiscal year ending June 30, 2002 and the awards were higher per student than in the previous year.

Operating expenses at June 30, 2002, increased by $894,848 over the same period in fiscal year 2001. This increase was caused primarily by an increase in personal services and an increase in scholarships and fellowships. The increase in personal services is due to increased enrollment and additional grant funded positions. The increase in scholarships and fellowships is due primarily to an increase in Pell grant awards.

The nonoperating revenue increase is due primarily to allocations related to the Community College General Obligation Bonds.

Lenoir Community College service area has experienced increased unemployment over the last year rising to above nine percent. This unemployment increase has resulted in increased student enrollment and increased students receiving WIA and other financial aid. It appears that the net assets of the College are comparable with the prior year when the significant impact of the North Carolina Community College Bond allocations is taken into consideration.

Lenoir Community College		
Statement of Net Assets		
June 30, 2002		***Exhibit A***
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	892,019.06
Restricted Cash and Cash Equivalents		(140,515.64)
Receivables, Net (Note 3)		341,980.84
Restricted Due from Primary Government		619,158.17
Due from State of North Carolina Component Units		86,264.28
Inventories		66,985.54
Prepaid Items		14,834.32
Notes Receivable, Net (Note 3)		958.76
Total Current Assets		1,881,685.33
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		73,083.55
Capital Assets, Net (Note 4)		18,895,779.63
Total Noncurrent Assets		18,968,863.18
Total Assets		20,850,548.51
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		138,745.52
Funds Held for Others		33,032.91
Long-Term Liabilities - Current Portion (Note 6)		126,495.44
Total Current Liabilities		298,273.87
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		1,213,732.31
Total Liabilities		1,512,006.18
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		17,980,146.84
Restricted For:		
Expendable:		
Scholarships and Fellowships		86,810.54
Loans		17,843.00
Capital Projects		517,706.72
Other		96,996.18
Unrestricted		639,039.05
Total Net Assets	$	19,338,542.33

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

Lenoir Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2002 **Exhibit B**

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 7)	$	631,882.25
Federal Grants and Contracts		4,226,237.23
State and Local Grants and Contracts		634,202.43
Sales and Services, Net (Note 7)		315,026.62
Other Operating Revenues		44,738.17
Total Operating Revenues		5,852,086.70
EXPENSES		
Operating Expenses:		
Personal Services		11,380,552.82
Supplies and Materials		1,369,033.93
Services		1,695,814.74
Scholarships and Fellowships		1,822,431.45
Utilities		489,092.59
Depreciation		742,483.21
Total Operating Expenses		17,499,408.74
Operating Loss		(11,647,322.04)
NONOPERATING REVENUES (EXPENSES)		
State Aid		9,034,039.16
County Appropriations		1,411,816.00
Noncapital Gifts, Net		20,915.51
Investment Income, Net		45,087.61
Other Nonoperating Expenses		(6,413.67)
Net Nonoperating Revenues		10,505,444.61
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,141,877.43)
State Capital Aid		1,421,404.52
County Capital Appropriations		217,572.00
Capital Gifts, Net		10,000.00
Increase in Net Assets		507,099.09
NET ASSETS		
Net Assets, July 1, 2001 as Restated (Note 15)		18,831,443.24
Net Assets, June 30, 2002	$	19,338,542.33

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

Lenoir Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002 ***Exhibit C***

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	5,663,413.67
Payments to Employees and Fringe Benefits		(11,390,750.43)
Payments to Vendors and Suppliers		(3,539,601.22)
Payments for Scholarships and Fellowships		(1,822,431.45)
Loans Issued to Students		(13,153.49)
Collection of Loans to Students		12,550.34
Other Receipts		1,761.09
Net Cash Used by Operating Activities		(11,088,211.49)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		9,034,039.16
County Appropriations		1,411,816.00
Noncapital Grants Received		(34,876.70)
Noncapital Gifts and Endowments Received		20,915.51
Net Cash Provided by Noncapital Financing Activities		10,431,893.97
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		829,490.74
County Capital Appropriations		217,572.00
Proceeds from Capital Debt		1,097,312.00
Acquisition and Construction of Capital Assets		(1,649,053.09)
Principal Paid on Capital Debt and Leases		(71,220.47)
Interest Paid on Capital Debt and Leases		(46,350.03)
Net Cash Provided by Capital and Related Financing Activities		377,751.15
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments		56,985.93
Net Cash Provided by Investing Activities		56,985.93
Net Decrease in Cash and Cash Equivalents		(221,580.44)
Cash and Cash Equivalents, July 1, 2001		1,046,167.41
Cash and Cash Equivalents, June 30, 2002	$	824,586.97

Lenoir Community College		
Statement of Cash Flows		***Exhibit C***
For the Fiscal Year Ended June 30, 2002		***Page 2***
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(11,647,322.04)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		742,483.21
Changes in Assets and Liabilities:		
Receivables, Net		(188,673.03)
Inventories		(13,592.56)
Prepaid Items		(959.55)
Notes Receivable, Net		(603.15)
Accounts Payable and Accrued Liabilities		34,532.50
Funds Held for Others		1,761.09
Compensated Absences		(15,837.96)
Net Cash Used by Operating Activities	$	(11,088,211.49)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets Acquired through Assumption of a Liability	$	1,108,794.00
Assets Acquired through a Gift		10,000.00
Increase in Receivables Related to Nonoperating Income		626,790.48
The accompanying notes to the financial statements are an integral part of this statement.		

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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. Lenoir Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

   The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

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).

   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, 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. **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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants 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 net of estimated uncollectible amounts.

F. **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.

G. **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 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 15 years for equipment.

H. **Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

I. **Noncurrent Long-Term Liabilities –** Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.

J. **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.

K. **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 – 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.

L. **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.

M. 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 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.

N. Internal Sales Activities – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as Central Stores and Print Shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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 vehicle 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.

NOTE 2 - 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 $1,839.00. The carrying amount of cash on deposit was $822,747.97 and the bank balance was $1,062,624.70.

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.

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	$ 567,310.43	$ 567,310.43
Cash on Deposit with Private Financial Institutions	255,437.54	495,314.27
	$ 822,747.97	$ 1,062,624.70

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, $200,000.00 of the bank balance was covered by federal depository insurance, and $295,314.27 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 80,751.08	$ 16,593.64	$ 64,157.44
Accounts	199,581.77		199,581.77
Intergovernmental	75,883.30		75,883.30
Investment Earnings	2,283.33		2,283.33
Other	75.00		75.00
Total Current Receivables	$ 358,574.48	$ 16,593.64	$ 341,980.84
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 958.76	$ 0.00	$ 958.76

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2001	Adjustments	Increases	Decreases	Balance June 30, 2002
Capital Assets, Non-Depreciable:					
Land	$ 817,053.00	$ 0.00	$ 0.00	$ 0.00	$ 817,053.00
Construction in Progress	118,308.36	(101,109.36)	1,239,094.50		1,256,293.50
Total Capital Assets, Non-Depreciable	935,361.36	(101,109.36)	1,239,094.50		2,073,346.50
Capital Assets, Depreciable:					
Buildings	20,462,628.14	101,109.36	31,096.00	18,581.68	20,576,251.82
Machinery and Equipment	2,537,828.14		355,515.59	150,223.48	2,743,120.25
General Infrastructure	490,017.90		74,773.54	10,042.85	554,748.59
Total Capital Assets, Depreciable	23,490,474.18	101,109.36	461,385.13	178,848.01	23,874,120.66
Less Accumulated Depreciation:					
Buildings	4,543,837.29		526,282.92	18,581.68	5,051,538.53
Machinery and Equipment	1,739,761.63		186,721.45	143,809.81	1,782,673.27
General Infrastructure	198,039.74		29,478.84	10,042.85	217,475.73
Total Accumulated Depreciation	6,481,638.66		742,483.21	172,434.34	7,051,687.53
Total Capital Assets, Depreciable, Net	17,008,835.52	101,109.36	(281,098.08)	6,413.67	16,822,433.13
Capital Assets, Net	$ 17,944,196.88	$ 0.00	$ 957,996.42	$ 6,413.67	$ 18,895,779.63

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	$ 55,594.77
Accrued Payroll	51,651.56
Contract Retainage	11,482.00
Intergovernmental Payables	5,390.96
Other	14,626.23
Total Accounts Payable and Accrued Liabilities	$ 138,745.52

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Notes Payable	$ 0.00	$ 1,097,312.00	$ 71,220.47	$ 1,026,091.53	$ 89,647.26
Compensated Absences	329,974.18	344,257.01	360,094.97	314,136.22	36,848.18
Total Long-Term Liabilities	$ 329,974.18	$ 1,441,569.01	$ 431,315.44	$ 1,340,227.75	$ 126,495.44

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2002	Principal Outstanding 06/30/2002
Guaranteed Energy Savings Equipment Purchase	Branch Bank and Trust Company	5.22%	08/17/2011	$ 1,097,312.00	$ 71,220.47	$ 1,026,091.53

The annual requirements to pay principal and interest on the notes payable at June 30, 2002 are as follows:

	Annual Requirements	
	Notes Payable	
Fiscal Year	Principal	Interest
2003	$ 89,647.26	$ 51,437.34
2004	94,440.45	46,644.15
2005	99,489.91	41,594.69
2006	104,809.37	36,275.23
2007	110,413.22	30,671.38
2008-2012	527,291.32	60,561.18
Total Requirements	$ 1,026,091.53	$ 267,183.97

NOTE 7 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 1,630,152.62	$ 0.00	$ 981,676.73	$ 16,593.64	$ 631,882.25
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Self Supporting Classes	$ 120,438.64	$ 0.00	$ 0.00	$ 0.00	$ 120,438.64
Student Activity Fees	51,287.03				51,287.03
Patronage Fees	31,793.00				31,793.00
Bookstore	50,346.84				50,346.84
Parking	5,253.75				5,253.75
Vending	21,597.36				21,597.36
Camps	11,169.00				11,169.00
Print Shop	36,540.74	36,540.74			
Central Supply	27,831.37	27,831.37			
Rent	18,468.80				18,468.80
Other	4,672.20				4,672.20
Total Sales and Services	$ 379,398.73	$ 64,372.11	$ 0.00	$ 0.00	$ 315,026.62

NOTE 8 - 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	$ 7,018,919.08	$ 798,981.17	$ 574,775.11	$ 0.00	$ 2,809.07	$ 0.00	$ 8,395,484.43
Public Service	72,141.03	16,565.63	25,472.61		240.00		114,419.27
Academic Support	1,135,149.97	80,758.10	78,885.82		2,017.31		1,296,811.20
Student Services	997,829.17	53,817.23	542,084.15		627.24		1,594,357.79
Institutional Support	1,481,558.71	318,374.87	333,356.29		32,486.01		2,165,775.88
Operations and Maintenance of Plant	674,954.86	95,529.58	131,023.05		450,912.96		1,352,420.45
Student Financial Aid				1,822,431.45			1,822,431.45
Auxiliary Enterprises		5,007.35	10,217.71				15,225.06
Depreciation						742,483.21	742,483.21
Total Operating Expenses	$ 11,380,552.82	$ 1,369,033.93	$ 1,695,814.74	$ 1,822,431.45	$ 489,092.59	$ 742,483.21	$ 17,499,408.74

NOTE 9 - 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.

For the year ended June 30, 2002, the College had a total payroll of \$9,849,406.42, of which \$7,710,669.16 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$462,640.15 and \$151,893.27, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$151,893.27, \$415,596.46, and \$579,552.92, 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. 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, 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. The voluntary contributions by employees amounted to $172,809.00 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 $10,533.00 for the year ended June 30, 2002.

NOTE 10 - 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 $181,202.93. 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 $40,095.48. The College assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 11 - 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 blanket dishonesty policy for county and institutional fund employees is handled by a private insurance company with coverage of $150,000 per occurrence and no deductible.

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 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 12 - 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 $550,625.71 and on other purchases were $21,984.51 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 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 $12,120,393.00 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 13 - LENOIR COMMUNITY COLLEGE FOUNDATION, INC.

The Lenoir Community College Foundation, Inc. is a separately incorporated non-profit Foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated $12,830.00 for the year ended June 30, 2002.

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	$ 26,912,093.64
Implementation of GASB 34/35	(8,080,650.40)
July 1, 2001 Net Assets as Restated	$ 18,831,443.24

Lenoir Community College
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
Projects Approved by the State Board							
Additions/Renovations Health Sciences Bldg & Marquee-1136	Jan 2001	$ 596,000.00	$ 0.00	$ 596,000.00	$ 79,766.84	13.38%	Sep 2002
Repair & Renovation Projects - Elev/Roofs/HVAC/ADA-1228	Jan 2002	928,692.00		928,692.00	142,713.37	15.37%	Jul 2006
Early Childhood/Family Literacy/Student Center Addition-1239	Jan 2002	1,000,000.00		1,000,000.00			Nov 2003
Resurface Roads and Parking Lots-1251	Feb 2002	400,000.00		400,000.00	360.00	0.09%	Feb 2003
Classroom and Science Building-1238	Apr 2002	4,500,000.00		4,500,000.00			Jun 2004
Projects Pending Approval by the State Board							
Renovate Industrial Classrooms and Labs	Sep 2003	225,000.00		225,000.00			Jul 2004
Expand Technology Infrastructure	Mar 2005	500,000.00		500,000.00			Nov 2006
Renovate/Add Classrooms in Administration Building	Jun 2004	420,249.00		420,249.00			Feb 2006
Industrial/Vocational Center	May 2004	2,190,044.00		2,190,044.00			Jul 2006
Addition to Aviation Ctr/Cafeteria	May 2004	626,314.00		626,314.00			Jan 2006
Land Acquisition	Jun 2002	450,000.00		450,000.00			
Childcare Center	Oct 2004	650,000.00		650,000.00			Jun 2006
Renovate LRC/Alumni and Foundation House	Jan 2005	355,000.00		355,000.00			Feb 2006
Total All Projects		$ 12,841,299.00	$ 0.00	$ 12,841,299.00	$ 222,840.21		

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.

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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

Board of Trustees
Lenoir Community College
Kinston, North Carolina

We have audited the financial statements of Lenoir Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board 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* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

December 18, 2002

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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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Stephen C. Scott	President, Lenoir Community College
Mr. Larry Pate	Vice President of Administrative Services, Lenoir Community College
Mr. Grady E. Bethel	Chairman, Board of Trustees Lenoir Community College

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Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Representative Joe Hackney	N. C. House Speaker Pro-Tem
Mr. James D. Johnson	Director, Fiscal Research Division

January 27, 2003

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