

# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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Ralph Campbell, Jr.  
State Auditor

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Office of the State Auditor

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## AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of Sampson 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 Sampson 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 Sampson 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 Sampson 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)

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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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Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited the accompanying basic financial statements of Sampson 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 Sampson 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 15 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 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 January 3, 2003 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ralph Campbell, Jr.  
State Auditor

January 3, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Purpose**

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Division of Finance at 910-592-8081.

### **Overview of the Financial Statements**

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 College's and Universities*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. The College has elected to report as a special purpose government engaged in business-type activities. Under this option, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this option are the following: Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements.

### **Institutional Assets**

The assets of the College are divided between current and noncurrent assets. Current assets include cash, short-term certificates of deposit, receivables, inventories, and notes receivable.

### **Current Assets**

Cash	\$ 228,585.70
Certificates of Deposit	209,580.88
Receivables	151,207.93
Inventories	177,770.95
Notes Receivable	<u>1,158.64</u>
 Total Current Assets	 <u>\$ 768,304.10</u>

Noncurrent assets include cash, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). During the 2001-2002 year, there was a decrease in the College's assets resulting from the implementation of GASB 34/35.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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### **Noncurrent Assets**

Cash	\$ 10,369.40
Due from Primary Government	239,584.85
Capital Assets	<u>8,994,685.03</u>
 Total Noncurrent Assets	 <u><u>\$ 9,244,639.28</u></u>

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchased items cost more than \$5,000 at the date of purchase and have a useful life of more than one year. Library books are not included as assets.

The College uses straight-line depreciation to determine the current value of capital assets. In general, infrastructure is depreciated over a 10 to 75 year period, buildings are depreciated over a 10 to 50 year period, and equipment is depreciated in 3 to 25 years, depending on the expected useful life of the infrastructure, equipment, or building.

### **Institutional Liabilities**

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies.

### **Liabilities**

Current	\$ 90,316.08
Long Term	<u>260,109.36</u>
 Total Liabilities	 <u><u>\$ 350,425.44</u></u>

### **Net Assets**

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$81,206.86 for the fiscal year to \$9,662,517.94. Net assets invested in capital assets were \$8,994,685.03. Restricted net assets were \$363,566.62. Unrestricted net assets were \$304,266.29.

### **Revenues**

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition, though

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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identified as a revenue, is remitted back to the State Treasurer and not netted against the College's state aid identified as nonoperating revenue. The largest operating revenue (\$2,173,419.39) accrues from the College's participation in Federal Title IV financial aid programs, including Pell Grants of \$1,500,378.47.

### **Operating Revenues**

Student Tuition and Fees	\$ 769,939.41
Federal Grants and Contracts	2,173,419.39
State and Local Grants and Contracts	184,556.40
Sales and Service	<u>626,497.82</u>
 Total Operating Revenues	 <u><u>\$ 3,754,413.02</u></u>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements as well as funds appropriated from the Sampson County Board of Commissioners. Noncapital gifts include contributions from the Sampson Community College Foundation, Inc.

### **Nonoperating Revenues**

State Aid	\$ 5,620,863.70
County Appropriations	89,115.00
Noncapital Grants	12,289.46
Noncapital Gifts	45,906.95
Investment Income	10,525.61
Other Nonoperating Expenses	<u>(1,152.93)</u>
 Net Nonoperating Revenues	 <u><u>\$ 6,517,547.79</u></u>

### **Operating Expenses**

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as "personal services". Depreciation expense and accumulated depreciation were identified for the first time, consistent with the requirements of GASB 34/35.

Personal Services	\$ 6,956,638.11
Supplies and Materials	902,437.22
Personal Services	645,478.85
Scholarships and Fellowships	1,578,641.75
Utilities	220,718.49
Depreciation	<u>347,250.24</u>
 Total Expenses	 <u><u>\$ 10,651,164.66</u></u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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### **Capital Contributions**

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. Sampson County provides capital contributions for maintenance equipment and small construction items. Capital gifts are provided through annual contributions of the Sampson Community College Foundation, Inc.

State Capital Aid	\$ 455,511.36
County Capital Appropriations	2,299.35
Capital Gifts	2,000.00
Additions to Permanent Endowment	<u>600.00</u>
 Total Capital Contributions	 <u>\$ 460,410.71</u>

### **Significant Capital Asset Activity**

The College received \$4,140,350.00 from the 2000 North Carolina Higher Education Bond Referendum which provides \$700,530.00 for the renovation and repair of facilities and \$3,439,820 for new construction. Funds are allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges with final distribution of funds ending June, 2007.

The following contractual obligations were incurred against these allocations during the year:

1. DCC #1133: Design contract with Partin & Hobbs (\$170,300) for construction of an occupational building.
2. DCC #1151: Design of repair/replacement of elevated walkways (\$33,500).
3. DCC #1151: Design contract with Adcock Engineering (\$22,500) for renovation of North Building HVAC.
4. DCC #1151: Construction contract with Allen Kelly & Company, Inc. (\$272,800) for the renovation of North Building HVAC.
5. DCC #983: Design of campus road and additional parking (\$16,930).
6. DCC #983: Construction contract with Blizzard Construction for campus roadway along east of campus.

### **Significant Effects on Financial Position**

1. The Sampson County Board of Commissioners reduced the College's allocation for current expense by \$41,456 for FY 2002-2003 representing a 5% loss in funds for the operation of the physical plant. No appropriations were provided for capital items.
2. As a result of actions taken by the North Carolina General Assembly, tuition for curriculum students was increased to \$34.35 a credit hour with a maximum of \$548.00 for 16 or more hours. This represents a 10.5% increase in the direct cost to students attending the College.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

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3. The College's enrollment increased from 1,399 for the Fall, 2001 to 1,582 for the Fall, 2002. This represents a 13% increase.
4. The North Carolina General Assembly has not amended the biennial budget. The possibility of reductions to state allocations by actions of the Governor to meet continuing state budget shortfalls should be acknowledged.
5. The College will initiate the implementation of the North Carolina Community College computer information system project during FY 2002-2003. This project is anticipated to require \$150,000 in capital funds for technology purchases.

<b><i>Sampson Community College</i></b>		
<b><i>Statement of Net Assets</i></b>		
<b><i>June 30, 2002</i></b>		<b><i>Exhibit A</i></b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	211,900.60
Restricted Cash and Cash Equivalents		16,685.10
Short-Term Investments		106,968.76
Restricted Short-Term Investments		102,612.12
Receivables, Net (Note 4)		151,207.93
Inventories		177,770.95
Notes Receivable, Net (Note 4)		1,158.64
<b>Total Current Assets</b>		<b>768,304.10</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		10,369.40
Restricted Due from Primary Government		239,584.85
Capital Assets, Net (Note 5)		8,994,685.03
<b>Total Noncurrent Assets</b>		<b>9,244,639.28</b>
<b>Total Assets</b>		<b>10,012,943.38</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		75,405.86
Due to Primary Government		315.00
Funds Held for Others		5,892.47
Long-Term Liabilities - Current Portion (Note 7)		8,702.75
<b>Total Current Liabilities</b>		<b>90,316.08</b>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		260,109.36
<b>Total Liabilities</b>		<b>350,425.44</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		8,994,685.03
Restricted For:		
Nonexpendable:		
Scholarships and Fellowships		84,380.80
Expendable:		
Scholarships and Fellowships		15,233.66
Loans		11,683.81
Capital Projects		252,268.35
Unrestricted		304,266.29
<b>Total Net Assets</b>	<b>\$</b>	<b>9,662,517.94</b>
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Sampson Community College</i></b>		
<b><i>Statement of Revenues, Expenses, and Changes in Net Assets</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Exhibit B</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)		\$ 769,939.41
Federal Grants and Contracts		2,173,419.39
State and Local Grants and Contracts		184,556.40
Sales and Services, Net (Note 8)		626,497.82
Total Operating Revenues		3,754,413.02
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		6,956,638.11
Supplies and Materials		902,437.22
Services		645,478.85
Scholarships and Fellowships		1,578,641.75
Utilities		220,718.49
Depreciation		347,250.24
Total Operating Expenses		10,651,164.66
Operating Loss		(6,896,751.64)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		5,620,863.70
County Appropriations		829,115.00
Noncapital Grants		12,289.46
Noncapital Gifts, Net (Note 8)		45,906.95
Investment Income, Net		10,525.61
Other Nonoperating Expenses		(1,152.93)
Net Nonoperating Revenues		6,517,547.79
Loss Before Other Revenues, Expenses, Gains, and Losses		(379,203.85)
State Capital Aid		455,511.36
County Capital Appropriations		2,299.35
Capital Gifts, Net (Note 8)		2,000.00
Additions to Permanent Endowments		600.00
Increase in Net Assets		81,206.86
<b>NET ASSETS</b>		
Net Assets, July 1, 2001 as Restated		9,581,311.08
Net Assets, June 30, 2002		\$ 9,662,517.94
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Sampson Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Exhibit C</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	3,699,501.02
Payments to Employees and Fringe Benefits		(6,946,896.66)
Payments to Vendors and Suppliers		(1,762,760.18)
Payments for Scholarships and Fellowships		(1,578,641.75)
Loans Issued to Students		(1,158.64)
Collection of Loans to Students		1,210.58
Other Payments		(27,536.59)
Net Cash Used by Operating Activities		(6,616,282.22)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		5,620,863.70
County Appropriations		829,115.00
Noncapital Grants Received		11,745.00
Noncapital Gifts and Endowments Received		45,906.95
Net Cash Provided by Noncapital Financing Activities		6,507,630.65
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		322,175.14
County Capital Appropriations		2,299.35
Capital Grants Received		28,316.48
Capital Gifts Received		2,000.00
Acquisition and Construction of Capital Assets		(238,423.31)
Net Cash Provided by Capital and Related Financing Activities		116,367.66
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments		16,567.18
Interest on Investments		8,600.51
Purchase of Investments and Related Fees		(10,000.00)
Net Cash Provided by Investing Activities		15,167.69
Net Increase in Cash and Cash Equivalents		22,883.78
Cash and Cash Equivalents, July 1, 2001		216,071.32
Cash and Cash Equivalents, June 30, 2002	\$	238,955.10

<b><i>Sampson Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit C</i></b>
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (6,896,751.64)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		347,250.24
Provision for Uncollectible Loans and Writeoffs		697.53
Miscellaneous Nonoperating Income		3,765.57
Changes in Assets and Liabilities:		
Receivables, Net		(87,611.64)
Inventories		11,459.18
Notes Receivable, Net		51.94
Accounts Payable and Accrued Liabilities		(6,413.73)
Due to Primary Government		131.40
Funds Held for Others		1,397.48
Compensated Absences		9,741.45
Net Cash Used by Operating Activities		\$ (6,616,282.22)
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Assets Acquired Through a Gift		\$ 15,600.00
Change in Fair Value of Investments		3,003.30
Increase in Receivables Related to Nonoperating Income		133,399.22
The accompanying notes to the financial statements are an integral part of this statement.		



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

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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. Sampson 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 petty cash and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit. Certificates of deposit are reported at cost.
- 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies, postage, fuel oil held for consumption, and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out 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 75 years for infrastructure, 10 to 50 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 compensated absences that will not be paid within the next fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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.

- 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 in 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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. 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 duplicating. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- P. 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 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 \$499.00. The carrying amount of cash on deposit was \$448,036.98 and the bank balance was \$490,407.92. All of the cash was on deposit with private financial institutions.

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.

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, \$103,857.32 of the bank balance was covered by federal depository insurance and \$386,550.60 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**B. Investments** – 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 ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; 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.

At June 30, 2002, the College held certificates of deposit in the amount of \$209,580.88 which is not subject to categorization of custodial credit risk. The aforementioned 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 separately invested. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the L. M. Horne endowment fund and the R. E. Williams and Annie Lou Williams endowment fund are based on interest earned during the year. All of the interest earned is used for scholarships. No payouts have been made from the Williamson endowment fund during the audit year. At June 30, 2002, net appreciation of \$4,064.18 was available to be spent, of which \$4,064.18 was restricted to specific purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 97,700.71	\$ 0.00	\$ 97,700.71
Accounts	35,023.56		35,023.56
Intergovernmental	3,074.54		3,074.54
Investment Earnings	752.27		752.27
Other	14,656.85		14,656.85
<b>Total Current Receivables</b>	<b>\$ 151,207.93</b>	<b>\$</b>	<b>\$ 151,207.93</b>
<b>Notes Receivable - Current:</b>			
State Loan Programs	496.50	496.50	
Institutional Student Loan Programs	6,470.59	5,311.95	1,158.64
<b>Total Notes Receivable - Current</b>	<b>\$ 6,967.09</b>	<b>\$ 5,808.45</b>	<b>\$ 1,158.64</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - 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	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	287,299.95		87,854.11		375,154.06
<b>Total Capital Assets, Non-Depreciable</b>	<b>368,250.20</b>		<b>87,854.11</b>		<b>456,104.31</b>
Capital Assets, Depreciable:					
Buildings	10,534,268.87	(8,253.19)	17,299.35		10,543,315.03
Machinery and Equipment	1,219,796.59		164,098.70	(11,822.03)	1,372,073.26
General Infrastructure	509,112.48	(2,037.29)			507,075.19
<b>Totals</b>	<b>12,263,177.94</b>	<b>(10,290.48)</b>	<b>181,398.05</b>	<b>(11,822.03)</b>	<b>12,422,463.48</b>
Less Accumulated Depreciation:					
Buildings	3,033,616.22		263,946.48		3,297,562.70
Machinery and Equipment	272,098.49	6,935.64	56,080.56	(6,886.38)	328,228.31
General Infrastructure	237,804.19		20,287.56		258,091.75
<b>Totals</b>	<b>3,543,518.90</b>	<b>6,935.64</b>	<b>340,314.60</b>	<b>(6,886.38)</b>	<b>3,883,882.76</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>8,719,659.04</b>	<b>(17,226.12)</b>	<b>(158,916.55)</b>	<b>(4,935.65)</b>	<b>8,538,580.72</b>
<b>Capital Assets, Net</b>	<b>\$ 9,087,909.24</b>	<b>\$ (17,226.12)</b>	<b>\$ (71,062.44)</b>	<b>\$ (4,935.65)</b>	<b>\$ 8,994,685.03</b>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 20,065.72
Accrued Payroll	47,251.66
Contracts Payable	8,088.48
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 75,405.86</b>

### NOTE 7 - LONG-TERM LIABILITIES

**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
Compensated Absences	\$ 259,070.66	\$ 224,363.38	\$ 214,621.93	\$ 268,812.11	\$ 8,702.75

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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>			
Student Tuition and Fees	\$ 1,431,044.32	\$ (661,104.91)	\$ 769,939.41
<b>Sales and Services:</b>			
Sales and Services of Auxiliary Enterprises:			
Dining	\$ 12,355.07	\$ 0.00	\$ 12,355.07
Student Union Services	29,077.50		29,077.50
Bookstore	558,807.42		558,807.42
Parking	5,825.63		5,825.63
Sales and Services of Educational and Related Activities	20,432.20		20,432.20
<b>Total Sales and Services</b>	<b>\$ 626,497.82</b>	<b>\$ 0.00</b>	<b>\$ 626,497.82</b>
<b>Nonoperating - Noncapital Gifts</b>	<b>\$ 45,906.95</b>	<b>\$ 0.00</b>	<b>\$ 45,906.95</b>

### 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	\$ 4,119,327.12	\$ 188,404.74	\$ 190,604.14	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,498,336.00
Public Service	2,582.31	1,009.37	6,239.78		150.00		9,981.46
Academic Support	555,318.70	16,549.00	33,959.20		58.80		605,885.70
Student Services	650,066.94	31,723.75	62,040.66		509.54		744,340.89
Institutional Support	1,227,631.55	56,553.41	222,709.79		1,086.60		1,507,981.35
Operations and Maintenance of Plant	359,841.47	160,752.69	124,294.79		218,404.01		863,292.96
Student Financial Aid				1,578,641.75			1,578,641.75
Auxiliary Enterprises	41,870.02	447,444.26	5,630.49		509.54		495,454.31
Depreciation						347,250.24	347,250.24
<b>Total Operating Expenses</b>	<b>\$ 6,956,638.11</b>	<b>\$ 902,437.22</b>	<b>\$ 645,478.85</b>	<b>\$ 1,578,641.75</b>	<b>\$ 220,718.49</b>	<b>\$ 347,250.24</b>	<b>\$ 10,651,164.66</b>

### 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 contributions 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 \$5,954,378.78 of which \$5,039,868.35 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$302,392.10 and \$99,285.41, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$99,285.41, \$263,830.42, and \$388,280.40, respectively.

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

- B. Supplemental Retirement Income Plans** - 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$81,850.00 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 \$118,436.91. 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 \$26,207.32. 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 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,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 contracts with private insurance companies. 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 employees paid entirely from County and Institutional funds by contracts with private insurance companies. This special extension of property coverage provides for protection with coverage of \$50,000 per occurrence with a \$250 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

### NOTE 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 \$365,245.74 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 \$3,838,130.08 is contingent on future

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 - SAMPSON COMMUNITY COLLEGE FOUNDATION, INC.

The Sampson Community College Foundation, Inc. is a separately incorporated nonprofit 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, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. 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 \$75,490.77 for the year ended June 30, 2002.

### NOTE 15 - 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 inter-fund 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 16 - NET ASSET RESTATEMENTS

As referred to in Note 15, 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	\$ 13,828,714.19
Implementation of GASB 34/35	
Capital Assets Restated	(728,576.58)
Accumulated Depreciation Restated	(3,543,518.90)
Other Restatements	
Correct Capital Assets Balance	(10,290.48)
Other Adjustments	<u>34,982.85</u>
July 1, 2001 Net Assets as Restated	<u><u>\$ 9,581,311.08</u></u>

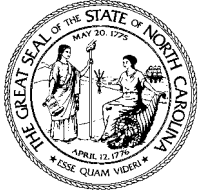


**Sampson Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2002**

**Schedule 1**

<b>Capital Improvement Projects</b>	<b>Projected Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Expected Completion Date</b>
<b>Projects Started</b>							
Occupational Building #1133	Dec-00	\$ 3,113,820.00	\$ 0.00	\$ 3,113,820.00	\$ 17,290.00	0.56%	Feb-04
Campus Roadway Extension #983	Feb-01	176,000.00	216,075.00	392,075.00	212,832.82	54.28%	Aug-02
North HVAC and Crosswalk Replacement #1151	Feb-01	475,000.00		475,000.00	28,280.06	5.95%	May-03
<b>Projects Pending Approval by the State Board</b>							
Emergency Services Complex	Sep-04	150,000.00		150,000.00			Nov-05
ADA Automatic Doors	Apr-03	50,000.00		50,000.00			Jun-03
Kitchin Hall HVAC Modifications	Feb-03	50,000.00		50,000.00			Jun-03
North/East Lighting Improvements	Apr-04	25,530.00		25,530.00			Aug-04
<b>Projects Not Started - To Be Funded in Future Years</b>							
Undefined	May-05	100,000.00		100,000.00			Dec-05
<b>Total All Projects</b>		<b>\$ 4,140,360.00</b>	<b>\$ 216,075.00</b>	<b>\$ 4,356,425.00</b>	<b>\$ 258,402.88</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.



Ralph Campbell, Jr.  
State Auditor

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

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited the financial statements of Sampson 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 January 3, 2003.

As discussed in Note 15 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 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*.

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

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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.  
State Auditor

January 3, 2003

## DISTRIBUTION OF AUDIT REPORT

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

### EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. William C. Aiken	President, Sampson Community College
Mrs. Virginia S. Lucas	Dean of Finance
Mr. Larry M. Barnes	Chairman, Board of Trustees Sampson Community College

### LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
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## **DISTRIBUTION OF AUDIT REPORT (CONCLUDED)**

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### **Other Legislative Officials**

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Senator Anthony E. Rand  
Senator Patrick J. Ballantine  
Representative N. Leo Daughtry  
Representative Joe Hackney  
Mr. James D. Johnson

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

January 28, 2003

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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State of North Carolina  
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20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

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

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