



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT REVIEW REPORT OF**

**STANLY COMMUNITY COLLEGE**

**ALBEMARLE, NORTH CAROLINA**

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT REVIEW REPORT OF**

**STANLY COMMUNITY COLLEGE**

**ALBEMARLE, NORTH CAROLINA**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**H. MARTIN LANCASTER, PRESIDENT**

**BOARD OF TRUSTEES**

**ELBERT L. WHITLEY, JR., CHAIRMAN**

**DR. H. T. WEBB, JR., VICE CHAIRMAN**

**JACKIE FURR BEEKER  
LISA BURRIS  
DR. W. DAVIS FORT  
BANKS GARRISON  
AGNES E. MASKE**

**BURNETTA MASKE  
JAMES E. NANCE  
LEON PARKER  
WILLIAM N. RIGSBEE  
ED UNDERWOOD**

**ADMINISTRATIVE OFFICERS**

**DR. MICHAEL R. TAYLOR, PRESIDENT**

**DONNIE N. LOWDER, VICE PRESIDENT FOR FISCAL SERVICES**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

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

## REVIEWER'S TRANSMITTAL

---

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

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

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Stanly Community College. The review procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our review of the accompanying financial statements that relate solely to Stanly Community College. Our reporting objectives and review results are:

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

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

## REVIEWER'S TRANSMITTAL (CONCLUDED)

---

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

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

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



Ralph Campbell, Jr.  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
FINANCIAL STATEMENTS	
Exhibits	
A    Statement of Net Assets .....	8
B    Statement of Revenues, Expenses, and Changes in Net Assets .....	9
C    Statement of Cash Flows .....	10
Notes to the Financial Statements .....	13
SUPPLEMENTARY INFORMATION	
Schedule	
1    Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures .....	28
DISTRIBUTION OF REVIEW REPORT .....	29



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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

---

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

---

Board of Trustees  
Stanly Community College  
Albemarle, North Carolina

We have reviewed the accompanying Statement of Net Assets of Stanly Community College, a component unit of the State of North Carolina, as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

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

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

The Management's Discussion and Analysis (MD&A) on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

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

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive style.

Ralph Campbell, Jr.  
State Auditor

May 28, 2003

[ This Page Left Blank Intentionally ]

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

This discussion and analysis of Stanly Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2002. Please read it in conjunction with the financial statements and Notes to the Financial Statements.

The year ending June 30, 2002 is the first year that public colleges and universities are required by GASB Statement No. 35 to include in the financials a statement of Management's Discussion and Analysis (MD&A). This new section is intended to provide a narrative analysis that users need to interpret the basic financial statements. The MD&A is required to include condensed financial information comparing the current year to the prior year, but in the first year of the implementation of GASB Statement No. 35 a statewide decision was made to not present comparative totals in the MD&A. In future years, the MD&A will include a comparative analysis.

### **Institutional Financial Highlights**

- During the year the State of North Carolina experienced severe budget and cash flow problems. This affected all State agencies, including the Community Colleges. As a result, Stanly Community College had to revert to or was instructed not to spend \$381,389 of its allocated State budget.
- Stanly County, despite the downturn in the economy, allocated the College \$976,270 for operational expenses, an additional 5.4% or \$50,000 over the previous year. In addition the county allocated \$150,000 in capital funds, equaling the previous year.
- The College's financial position improved during the fiscal year ended June 30, 2002. Its combined net assets, taking into account the GASB Statement No. 35 restatement of \$4,199,943 for depreciation and library books, increased by \$634,613 or 6.7% from the previous year.
- The College experienced a 17.2% increase in full time equivalent curriculum students for the year ended June 30, 2002. Tuition was increased to \$27.50 from \$26.75 per semester hour or 3% for in-State students with a maximum charge of \$440.00 per semester.
- Stanly Community College Foundation (a blended component unit) received donations in the amount of \$119,935 during the 2001 calendar year.

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

Three basic financial statements are included with this report along with the MD&A and required supplementary information: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These three basic financial statements provide information on the whole operations of the College.



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

---

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the institution as a whole and on its activities. These two reports help the users of this report to analyze the current year's operations to determine if the institution is better or worse off than the prior year. When revenues and other support exceed expenses, the result is an increase in net assets. When expenses exceed revenues and support, the result is a decrease in net assets.

The College's net assets are the difference between assets and liabilities and are one of the measures of the financial health of the institution. Over a period of time, increases or decreases in the College's net assets are one of several indicators that determine if its financial situation is improving or deteriorating. The user will need to take into account other financial and non-financial factors to assess the complete health of the College. The age and condition of its buildings and grounds is just a couple of the non-financial factors that could have an impact on the total health of the institution.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets use the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Revenues and expenses of the current year are taken into account regardless of when cash is received or paid.

### **Condensed Statement of Net Assets June 30, 2002**

	<u>Amount</u>
Current Assets	\$ 1,221,464
Noncurrent Assets	1,422,514
Capital Assets	<u>8,187,861</u>
 Total Assets	 <u>10,831,839</u>
 Current Liabilities	 459,188
Noncurrent Liabilities	<u>245,067</u>
 Total Liabilities	 <u>704,255</u>
 Net Assets:	
Invested in Capital Assets	8,187,861
Restricted	1,040,722
Unrestricted	<u>899,001</u>
 Total Net Assets	 <u>\$ 10,127,584</u>

---

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

---

**Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2002**

	<u>Amount</u>
Operating Revenues:	
Student Tuition and Fees, Net	\$ 1,119,056
Federal Grants and Contracts	1,567,056
State and Local Grants and Contracts	131,979
Sales and Services, Net	<u>912,368</u>
 Total Operating Revenues	 <u>3,731,259</u>
 Total Operating Expenses	 <u>11,595,480</u>
 Operating Loss	 <u>(7,864,221)</u>
 Nonoperating Revenues:	
State Appropriations	6,063,905
County Appropriations	976,270
Noncapital Grants	9,530
Noncapital Gifts	189,686
Investment Income	57,763
Other Nonoperating Revenues	<u>(32,574)</u>
 Total Nonoperating Revenues	 <u>7,264,580</u>
 Loss Before Other Revenues	 (599,641)
 State Capital Appropriations	289,171
County Capital Appropriations	172,023
Capital Grants	<u>773,060</u>
 Increase in Net Assets	 634,613
 Net Assets – as Restated	 <u>9,492,971</u>
 Net Assets – End of Year	 <u><u>\$ 10,127,584</u></u>

**The Statement of Cash Flows**

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about cash receipts and cash payments of an entity during a period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

### Condensed Statement of Cash Flows For the Fiscal Year Ended June 30, 2002

	<u>Amount</u>
Cash Received/(Expended) by:	
Operating Activities	\$ (7,162,665)
Noncapital Financing Activities	7,239,388
Capital and Related Financing Activities	(123,392)
Investing Activities	<u>127,639</u>
Net Change in Cash	80,970
Cash, Beginning of Year	<u>800,262</u>
Cash, End of the Year	<u><u>\$ 881,232</u></u>

### Capital Assets

At June 30, 2002 the College's capital assets totaled \$8,187,861, net of accumulated depreciation of \$3,667,869. This balance was lower than the \$11,953,690 in capital assets shown on the College's June 30, 2001 financial statements due to the GASB Statement No. 35 requirements put into effect this year. Adjustments reducing net assets by \$3,480,016 and \$719,927 for prior years depreciation and the reclassification of library books, respectively, were necessary. Details of capital assets at June 30, 2002 are shown below.

	<u>Amount</u>
<b>Capital Assets, Nondepreciable:</b>	
Land	\$ 966,533
Construction-in Progress	<u>923,163</u>
Total Capital Assets, Nondepreciable	<u>1,889,696</u>
<b>Capital Assets, Depreciable (Net):</b>	
Buildings	5,304,312
General Infrastructure	606,419
Machinery and Equipment	<u>387,434</u>
Total Capital Assets, Depreciable (Net)	<u>6,298,165</u>
<b>Total Capital Assets</b>	<u><u>\$ 8,187,861</u></u>

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

---

### **Economic Factors That Will Affect the Future**

The economic position of the College is closely tied to that of the State and to a lesser degree to the county. As of the date of this report, the State budget has not been approved and all indications are that it may be several more weeks before a final Appropriations Bill is passed. The College is currently operating at approximately the same level of expenditures as the prior year and will continue to do so until a State budget is approved.

Planning material from the North Carolina Community College System for the current year suggests that the College may receive an estimated \$789,514 more than the prior year.

The Stanly Community College Foundation continues to provide additional funds for student scholarships, educational program enhancements, and improvements of campus facilities.

<b>Stanly Community College</b>		
<b>Statement of Net Assets</b>		
<b>June 30, 2002</b>		<b>Exhibit A</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	452,158.33
Restricted Cash and Cash Equivalents		404,849.34
Receivables, Net (Note 4)		264,841.12
Due from State of North Carolina Component Units		4.35
Inventories		97,113.48
Notes Receivable, Net (Note 4)		2,497.71
<b>Total Current Assets</b>		<b>1,221,464.33</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		24,223.94
Restricted Due from Primary Government		431,514.65
Endowment Investments		761,613.00
Other Long-Term Investments		205,161.82
Capital Assets, Net (Note 5)		8,187,861.15
<b>Total Noncurrent Assets</b>		<b>9,610,374.56</b>
<b>Total Assets</b>		<b>10,831,838.89</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		278,889.14
Deferred Revenue		156,074.58
Funds Held for Others		24,223.94
<b>Total Current Liabilities</b>		<b>459,187.66</b>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		245,066.96
<b>Total Noncurrent Liabilities</b>		<b>245,066.96</b>
<b>Total Liabilities</b>		<b>704,254.62</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		8,187,861.15
Restricted For:		
Nonexpendable:		
Scholarships and Fellowships		525,451.00
Other		236,162.00
Expendable:		
Scholarships and Fellowships		7,715.38
Loans		14,150.35
Other		257,243.82
Unrestricted		899,000.57
<b>Total Net Assets</b>	<b>\$</b>	<b>10,127,584.27</b>
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

<b>Stanly Community College</b>		
<b>Statement of Revenues, Expenses, and</b>		
<b>Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit B</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	\$	1,119,056.46
Federal Grants and Contracts		1,567,855.79
State and Local Grants and Contracts		131,978.91
Sales and Services		912,367.67
Total Operating Revenues		3,731,258.83
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		7,386,215.53
Supplies and Materials		964,658.79
Services		1,007,730.14
Scholarships and Fellowships		1,378,522.88
Utilities		318,044.69
Depreciation		540,308.37
Total Operating Expenses		11,595,480.40
Operating Loss		(7,864,221.57)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		6,063,905.65
County Appropriations		976,270.00
Noncapital Grants		9,530.00
Noncapital Gifts		189,685.54
Investment Income		57,763.10
Other Nonoperating (Expenses)		(32,574.17)
Net Nonoperating Revenues		7,264,580.12
Loss Before Other Revenues, Expenses, Gains, and Losses		(599,641.45)
State Capital Aid		289,171.15
County Capital Appropriations		172,023.24
Capital Grants		773,060.00
Increase in Net Assets		634,612.94
<b>NET ASSETS</b>		
Net Assets, July 1, 2001 as Restated (Note 16)		9,492,971.33
Net Assets, June 30, 2002	\$	10,127,584.27
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

<b>Stanly Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit C</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	3,818,426.70
Payments to Employees and Fringe Benefits		(7,384,674.06)
Payments to Vendors and Suppliers		(2,114,339.58)
Payments for Scholarships and Fellowships		(1,411,382.00)
Collection of Loans to Students		991.93
Other Payments		(71,687.80)
Net Cash Used by Operating Activities		(7,162,664.81)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		6,063,905.65
County Appropriations		976,270.00
Noncapital Grants Received		9,525.65
Noncapital Gifts and Endowments Received		189,685.54
Net Cash Provided by Noncapital Financing Activities		7,239,386.84
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		289,171.15
County Capital Appropriations		172,023.24
Capital Grants Received		389,836.65
Acquisition and Construction of Capital Assets		(974,422.83)
Net Cash Used by Capital and Related Financing Activities		(123,391.79)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments		69,876.18
Interest on Investments		57,763.10
Net Cash Provided by Investing Activities		127,639.28
Net Increase in Cash and Cash Equivalents		80,969.52
Cash and Cash Equivalents, July 1, 2001		800,262.09
Cash and Cash Equivalents, June 30, 2002	\$	881,231.61
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(7,864,221.57)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		540,308.37
Miscellaneous Nonoperating Income		(32,574.17)
Changes in Assets and Liabilities:		
Receivables, Net		(81,429.41)
Inventories		(19,909.64)
Notes Receivable, Net		991.93
Accounts Payable and Accrued Liabilities		197,716.66
Deferred Revenue		87,167.87
Funds Held for Others		9,456.66
Compensated Absences		(171.51)
Net Cash Used by Operating Activities	\$	(7,162,664.81)

<b><i>Stanly 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>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
	Increase in Receivables Related to Nonoperating Income	\$ 383,227.70
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		



[ This Page Left Blank Intentionally ]

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Stanly Community College is a component unit of the North Carolina Community College System, which is a part of the primary government of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and component units for which the College's Board of Trustees is financially accountable. Although legally separate, Stanly Community College Foundation, Inc. (Foundation) is reported as if it were part of the College.

The Foundation is governed by a 16-member board. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Stanly Community College Board of Trustees and the Foundation's sole purpose is to benefit Stanly Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Vice President for Fiscal Services, 141 College Drive, Albemarle, NC 28001, or by calling (704) 991-0230. Other related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

- 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*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

*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.

The financial statements are presented as of and for the fiscal year ended June 30, 2002, except for the Stanly Community College Foundation, Inc., who blended financial statements are as of and for the calendar year ended December 31, 2001.

- 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 petty cash, cash on deposit with private bank accounts, savings accounts, and short-term investments with the State Treasurer’s Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - This classification includes mutual funds and certificates of deposit. Except for certificates of deposit, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Certificates of deposit are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**F. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are shown at book value with no provision for doubtful accounts considered necessary.

**G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the 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 15 to 75 years for general infrastructure, 10 to 50 years for buildings, and 3 to 15 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 consist of compensated absences that will not be paid within the next fiscal year.

**K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 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.

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** – This represents the College's total investment in capital assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

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

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

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

- M. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- N. Revenue and Expense Recognition** – The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

- O. **County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicles purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use 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. The carrying amount of cash on deposit was \$1,843,006.43 and the bank balance was \$2,193,356.28.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 108,754.72	\$ 108,754.72
Cash on Deposit with Private Financial Institutions	1,734,251.71	2,084,601.56
	\$ 1,843,006.43	\$ 2,193,356.28

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 year-end, \$303,213.00 of the bank balance was covered by federal depository insurance, and \$1,781,388.56 was collateralized under either the dedicated or pooling method.

- 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

A summary of the Foundation's investments at December 31, 2001 is presented below:

	<u>Fair Value</u>
<b>Investments Not Categorized:</b>	
Certificates of Deposit	961,774.82
Mutual Funds	<u>5,000.00</u>
<b>Total Investments</b>	<u><u>\$ 966,774.82</u></u>

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

### NOTE 3 - ENDOWMENT INVESTMENTS

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

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Current year endowment earnings are allocated to related expendable funds. If current year allocations do not meet the payout requirements, the accumulated income and appreciation in the expendable funds are used to make up the difference.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	<u>Amount</u>
<b>Current Receivables:</b>	
Students	\$ 180,874.98
Accounts	<u>83,966.14</u>
<b>Total Current Receivables</b>	<u><u>\$ 264,841.12</u></u>
<b>Notes Receivables:</b>	
<b>Notes Receivable - Current:</b>	
Institutional Student Loan Programs	<u><u>\$ 2,497.71</u></u>

## 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	Increases	Decreases	Balance June 30, 2002
<b>Capital Assets, Non-Depreciable:</b>				
Land	\$ 966,533.39	\$ 0.00	\$ 0.00	\$ 966,533.39
Construction in Progress	179,639.70	743,523.26		923,162.96
<b>Total Capital Assets, Non-Depreciable</b>	<b>1,146,173.09</b>	<b>743,523.26</b>		<b>1,889,696.35</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	8,152,349.36		75,812.90	8,076,536.46
Machinery and Equipment	972,018.75	75,746.99	276,642.60	771,123.14
General Infrastructure	963,221.85	155,152.58		1,118,374.43
<b>Total Capital Assets, Depreciable</b>	<b>10,087,589.96</b>	<b>230,899.57</b>	<b>352,455.50</b>	<b>9,966,034.03</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	2,650,195.66	197,841.34	75,812.90	2,772,224.10
Machinery and Equipment	386,114.10	274,217.75	276,642.60	383,689.25
General Infrastructure	443,706.60	68,249.28		511,955.88
<b>Total Accumulated Depreciation</b>	<b>3,480,016.36</b>	<b>540,308.37</b>	<b>352,455.50</b>	<b>3,667,869.23</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>6,607,573.60</b>	<b>(309,408.80)</b>		<b>6,298,164.80</b>
<b>Capital Assets, Net</b>	<b>\$ 7,753,746.69</b>	<b>\$ 434,114.46</b>	<b>\$ 0.00</b>	<b>\$ 8,187,861.15</b>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 275,434.65
Accrued Payroll	3,454.49
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 278,889.14</b>

### NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Compensated Absences	\$ 245,238.47	\$ 0.00	\$ 171.51	\$ 245,066.96

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - OPERATING LEASES

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

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 136,822.78
2004	41,098.39
2005	12,126.79
Total Minimum Lease Payments	<u>\$ 190,047.96</u>

Rental expense for all operating leases during the year was \$182,571.39.

### NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>			
Student Tuition and Fees	<u>\$ 1,527,149.67</u>	<u>\$ 408,093.21</u>	<u>\$ 1,119,056.46</u>

### NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries and Benefits</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 4,893,399.83	\$ 628,759.24	\$ 401,698.42	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,923,857.49
Academic Support	226,142.37	3,576.35	20,680.58	22,394.20			272,793.50
Student Services	487,192.32	7,204.63	37,199.25	103,702.03			635,298.23
Institutional Support	1,236,024.18	27,172.64	352,428.39		8,356.56		1,623,981.77
Operations and Maintenance of Pla	449,162.63	22,917.51	144,358.22		309,688.13		926,126.49
Student Financial Aid				1,252,426.65			1,252,426.65
Auxiliary Enterprises	94,294.20	275,028.42	51,365.28				420,687.90
Depreciation						540,308.37	540,308.37
Total Operating Expenses	<u>\$ 7,386,215.53</u>	<u>\$ 964,658.79</u>	<u>\$ 1,007,730.14</u>	<u>\$ 1,378,522.88</u>	<u>\$ 318,044.69</u>	<u>\$ 540,308.37</u>	<u>\$ 11,595,480.40</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 11 - 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 \$6,341,240.03, of which \$5,281,540.25 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$316,892.42 and \$104,046.34, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$104,046.34, \$277,129.98, and \$393,797.07, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**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 \$144,536.00 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 \$25,513.50 for the year ended June 30, 2002.

### NOTE 12 - 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 \$124,116.20. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2002, the College's total contribution to the DIPNC was \$27,464.01. 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 13 - 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 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. Losses from employees paid from County and Institutional funds are covered by a \$100,000 blanket policy obtained through a private insurance company.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 14 - 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 \$3,067,998.00 and on other purchases were \$236,579.72 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

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 \$4,241,927.00 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 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 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*. New disclosures include the major components of receivable and payable balances.

### 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	\$ 13,692,914.13
Implementation of GASB 34/35	<u>(4,199,942.80)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 9,492,971.33</u>



**Stanly 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><i>Projects Approved by the State Board</i></b>							
Western Stanly Center - Project #903	Oct 2000	\$ 3,288,740.00	\$ 538,000.00	\$ 3,826,740.00	\$ 686,542.44	17.94%	May 2003
Patterson Building Roof Replacement - Project #1207	Aug 2001	100,000.00		100,000.00	100,000.00	100.00%	Dec 2001
Renovation Whitley Technology Center - Project #1231	Feb 2002	938,000.00	62,000.00	1,000,000.00	33,660.00	3.37%	Aug 2003
<b><i>Projects Pending Approval by the State Board</i></b>							
Corporate Education/Shop Building	Aug 2003	150,000.00		150,000.00			
Kelley Building Roof Replacement and Replacement	Aug 2004	250,000.00		250,000.00			
Parking Lot Resurfacing	Mar 2005	409,851.00		409,851.00			
<b>Total All Projects</b>		<b>\$ 5,136,591.00</b>	<b>\$ 600,000.00</b>	<b>\$ 5,736,591.00</b>	<b>\$ 820,202.44</b>		

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

## **DISTRIBUTION OF REVIEW REPORT**

---

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

### **EXECUTIVE BRANCH**

The Honorable Michael F. Easley	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. Michael R. Taylor	President, Stanly Community College
Mr. Donnie N. Lowder	Vice President for Fiscal Services
	Stanly Community College
Mr. Elbert L. Whitley, Jr.	Chairman, Board of Trustees
	Stanly Community College

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
Senator Kever M. Clark	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative E. Nelson Cole
Senator Walter H. Dalton	Representative James W. Crawford, Jr.
Senator James Forrester	Representative William T. Culpepper, III
Senator Linda Garrou	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Beverly M. Earle
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator David F. Weinstein	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

### **Other Legislative Officials**

Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	N. C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

June 27, 2003

## ORDERING INFORMATION

---

Copies of this report may be obtained by contacting the:

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

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

Telephone: 919/807-7500

Facsimile: 919/807-7647