



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**

**CARTERET COMMUNITY COLLEGE**

**MOREHEAD CITY, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**CARTERET COMMUNITY COLLEGE**

**MOREHEAD CITY, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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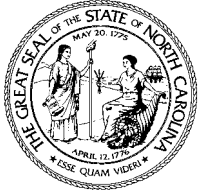
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Ralph Campbell, Jr.  
State Auditor

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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, Carteret Community College

This report presents the results of our financial statement audit of Carteret Community College, a component unit of the State of North Carolina, for the year ended June 30, 2003. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina 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 Carteret 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 Carteret 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 Carteret 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.

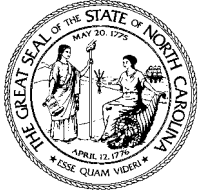


Ralph Campbell, Jr.  
State Auditor

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State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Carteret Community College  
Morehead City, North Carolina

We have audited the accompanying basic financial statements of Carteret Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, 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 Carteret Community College as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2004 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A), as listed in the table of contents, 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ralph Campbell, Jr.  
State Auditor

April 15, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Carteret Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2003 and June 30, 2002. Since Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and notes. Responsibility for the completeness and fairness of this information rests with the College.

### **Using This Annual Report**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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*. These statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various College services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Assets is designed to be similar to bottom line results for the College. This Statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported mainly by State, local, federal, and other revenues. This Statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on State aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Cash Flow Statement.



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

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### **Financial Highlights**

Overall there is a \$2,560,898 increase in net assets for fiscal year 2003. This is largely due to a \$2,637,992 increase in construction in progress. The College is currently involved in several construction projects including the construction of two new buildings and the renovation of a third building. Both the State of North Carolina and Carteret County are funding these projects through bond funds of \$5,645,724 and \$7,500,000 respectively. There is also a federal grant in the amount of \$1,500,000 as well. These projects have a scheduled completion date of late 2006. Also, contributing to this increase is a tuition increase of 10% per credit hour from \$31.00 in 2002 to \$34.25 per credit hour in 2003 for in-State tuition. Another notable fact is the required budget reversion for 2003 and 2002. The College reverted 2.18% of its original annual budget to the North Carolina Community College System in 2003 and 2.96% in 2002.

### **Financial Analysis**

#### **Analysis of Assets, Liabilities and Net Assets**

As of June 30, 2003, the College's net assets have increased due to a large increase in investment in capital assets. Current assets have increased because of the receivables due at year-end from State and local agencies stemming from current construction projects. At the same time, current liabilities have increased due to the \$568,749.08 of construction accounts payable at year-end. The increase in capital assets is due to \$317,427 in land donations from the Carteret Community College Foundation, Inc. as well as a \$2,637,992 increase in construction in progress from the current new construction projects. Noncurrent liabilities consist of noncurrent accumulated leave payable. This amount has increased in 2003 due to the additional 80 hours of leave that was awarded by the State of North Carolina during fall 2002 to each full-time permanent employee. Other than the increase in restricted assets expendable for capital projects from the construction projects, the other restricted assets have increased due to an increase in grant revenues including the \$250,000 Golden L.E.A.F. grant.

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

	2003	2002	<i>(in thousands)</i> Increase (Decrease)	Percent Change
<b>Assets</b>				
Current Assets	\$ 2,055.21	\$ 1,588.19	\$ 467.02	29.41%
Noncurrent Assets				
Capital Assets, Net of Depreciation	12,190.04	9,646.98	2,543.06	26.36%
Other	355.17	16.26	338.91	2,084.05%
<b>Total Assets</b>	<b>14,600.42</b>	<b>11,251.43</b>	<b>3,348.99</b>	
<b>Liabilities</b>				
Current Liabilities	1,131.88	538.58	593.30	110.16%
Noncurrent Liabilities	308.63	113.84	194.79	171.11%
<b>Total Liabilities</b>	<b>1,440.51</b>	<b>652.42</b>	<b>788.09</b>	
<b>Net Assets</b>				
Investment in Capital Assets	12,190.04	9,646.98	2,543.06	26.36%
Unrestricted	451.87	761.13	(309.26)	(40.63%)
Restricted	518.00	190.90	327.10	171.35%
<b>Total Net Assets</b>	<b>\$ 13,159.91</b>	<b>\$ 10,599.01</b>	<b>\$ 2,560.90</b>	

**Analysis of Net Capital Assets**

The categories of the College's capital assets are shown in this schedule. It is prepared on an accrual basis of accounting whereby assets are capitalized and depreciated. The increase in capital assets is due to \$317,427 in land donations from the Carteret Community College Foundation, Inc. as well as a \$2,637,992 increase in construction in progress from the current new construction projects. Both fiscal year 2002 and 2003 are presented according to GASB Statement No. 34 thus including accumulated depreciation as well as adjustments to amounts previously capitalized as artwork, artifacts, and literature.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<i>(in thousands)</i>			
	2003	2002	Increase (Decrease)	Percent Change
Capital Assets				
Land	\$ 2,693.66	\$ 2,376.23	\$ 317.43	13.36%
Buildings	8,564.32	8,532.96	31.36	0.37%
Construction in Progress	3,314.10	676.11	2,637.99	390.17%
Machinery and Equipment	2,149.70	2,114.61	35.09	1.66%
General Infrastructure	739.72	739.72		
<b>Total</b>	<b>17,461.50</b>	<b>14,439.63</b>	<b>3,021.87</b>	
Less: Accumulated Depreciation	5,271.46	4,792.65	478.81	9.99%
<b>Net Capital Assets</b>	<b>\$ 12,190.04</b>	<b>\$ 9,646.98</b>	<b>\$ 2,543.06</b>	

### Analysis of Liabilities

Current liabilities have increased due to the \$568,749.08 of construction accounts payable at year-end. As of June 30, 2003, the College had long-term liabilities of \$308,626.51. This debt consists solely of accrued vacation and increased due to an additional 80 hours of leave awarded to each full-time permanent employee in fall 2002 by the State of North Carolina.

	<i>(in thousands)</i>			
	2003	2002	Increase (Decrease)	Percent Change
Current Liabilities				
Accounts Payable	\$ 1,006.88	\$ 413.58	\$ 593.30	143.45%
Long Term Liabilities - Current portion	125.00	125.00		
<b>Total Current Liabilities</b>	<b>1,131.88</b>	<b>538.58</b>	<b>593.30</b>	
Noncurrent Liabilities				
Long Term Liabilities	308.63	113.84	194.79	171.11%
<b>Total Noncurrent Liabilities</b>	<b>\$ 308.63</b>	<b>\$ 113.84</b>	<b>\$ 194.79</b>	

### Analysis of Revenues

The increase in student tuition and fees is due to increased enrollment as well as an increase in tuition. Occupational revenues grew from \$88,642 in 2002 to \$230,648 in 2003. This is due to the fiscal year ended June 30, 2003 including \$154,701 in tuition refunds and remissions and fiscal year ended June 30, 2002 including \$5,022. The federal grants and contracts increased by 10.25% from the prior year due to increased enrollment. State contracts increased by \$3,370,064 from the construction projects. These State grants were included as other revenue for fiscal year 2002 and are included as State capital aid for fiscal year 2003, which explains the 91.51% decrease. The budget for the State of North Carolina experienced difficulty in the fiscal year 2003, which resulted in a reduction of State aid

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

by 4.41%. Otherwise, noncapital gifts remained relatively constant at \$103,875.33. Other nonoperating revenues increased because of a \$597,431.00 State grant and the Golden L.E.A.F. grant of \$250,000. The College also received a capital gift of land from the foundation valued at \$317,427.00.

	<i>(in thousands)</i>			
	2003	2002	Increase (Decrease)	Percent Change
<b>Operating Revenues:</b>				
Student Tuition and Fees	\$ 1,272.70	\$ 898.33	\$ 374.37	41.67%
Federal Grants and Contracts	2,322.74	2,106.74	216.00	10.25%
State and Local Grants and Contracts	602.35	4.92	597.43	12,142.89%
Sales and Services	806.45	801.54	4.91	0.61%
Other Revenue	33.14	390.35	(357.21)	(91.51%)
<b>Total Operating Revenues</b>	<b>5,037.38</b>	<b>4,201.88</b>	<b>835.50</b>	
<b>Less Operating Expenses</b>	<b>13,173.23</b>	<b>12,132.72</b>	<b>1,040.51</b>	
<b>Operating Loss</b>	<b>(8,135.85)</b>	<b>(7,930.84)</b>	<b>(205.01)</b>	
<b>Nonoperating Revenues:</b>				
State Aid	7,339.29	6,549.00	790.29	12.07%
County Appropriations	1,347.78	1,363.56	(15.78)	(1.16%)
Noncapital Grants	219.04		219.04	100.00%
Noncapital Gifts	103.87	151.54	(47.67)	(31.46%)
Investment Income, Net	7.31	20.29	(12.98)	(63.97%)
Other Nonoperating Revenues	1,679.46	477.91	1,201.55	251.42%
<b>Total Nonoperating Revenues</b>	<b>10,696.75</b>	<b>8,562.30</b>	<b>2,134.45</b>	
<b>Increase in Net Assets</b>	<b>\$ 2,560.90</b>	<b>\$ 631.46</b>	<b>\$ 1,929.44</b>	

### Analysis of Expenditures

The College experienced an overall increase in expenditures from fiscal year 2002 to 2003 primarily due to a 42.68% increase in scholarship expenditures. This change is due to increased enrollment resulting in increased Pell grant expense from \$1,484,182.65 in 2002 to \$1,761,527.72 in 2003 as well and an increase in awards from donors. Services expenses increased by 14.24% due to the construction projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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	2003	2002	<i>(in thousands)</i> Increase (Decrease)	Percent Change
Personal Services	\$ 7,800.72	\$ 7,458.69	\$ 342.03	4.59%
Supplies and Materials	1,537.98	1,554.75	(16.77)	(1.08%)
Services	1,116.31	977.15	139.16	14.24%
Scholarships and Fellowships	1,905.45	1,335.51	569.94	42.68%
Utilities	333.97	324.32	9.65	2.98%
Depreciation	478.80	482.30	(3.50)	(0.73%)
 Total Expenditures	 <u>\$ 13,173.23</u>	 <u>\$ 12,132.72</u>	 <u>\$ 1,040.51</u>	

In summary, this annual report is designed to provide our community, students, donors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives through grants, donations and tuition revenues.

<b><i>Carteret Community College</i></b>		
<b><i>Statement of Net Assets</i></b>		
<b><i>June 30, 2003</i></b>		<b><i>Exhibit A</i></b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	171,373.70
Restricted Cash and Cash Equivalents		170,076.95
Short-Term Investments		486,686.81
Restricted Short-Term Investments		39,720.29
Receivables, Net (Note 3)		760,954.18
Due from State of North Carolina Component Units		329,062.77
Inventories		97,257.93
Notes Receivable, Net (Note 3)		79.15
<b>Total Current Assets</b>		<b>2,055,211.78</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		5,262.82
Restricted Due from Primary Government		349,899.37
Capital Assets - Nondepreciable (Note 4)		6,007,760.68
Capital Assets - Depreciable, Net (Note 4)		6,182,280.30
<b>Total Noncurrent Assets</b>		<b>12,545,203.17</b>
<b>Total Assets</b>		<b>14,600,414.95</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		957,615.87
Due to State of North Carolina Component Units		7,352.53
Deferred Revenue		34,131.96
Funds Held for Others		7,778.20
Long-Term Liabilities - Current Portion (Note 6)		125,000.00
<b>Total Current Liabilities</b>		<b>1,131,878.56</b>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		308,626.51
<b>Total Noncurrent Liabilities</b>		<b>308,626.51</b>
<b>Total Liabilities</b>		<b>1,440,505.07</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		12,190,040.98
Restricted for:		
Expendable:		
Scholarships and Fellowships		7,894.10
Loans		138,729.67
Capital Projects		33,870.87
Other		337,501.20
Unrestricted		451,873.06
<b>Total Net Assets</b>	<b>\$</b>	<b>13,159,909.88</b>
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Carteret Community College</i></b>		
<b><i>Statement of Revenues, Expenses, and</i></b>		
<b><i>Changes in Net Assets</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit B</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note B)	\$	1,272,700.27
Federal Grants and Contracts		2,322,741.06
State and Local Grants and Contracts		602,347.54
Sales and Services		806,454.76
Other Operating Revenues		33,136.89
Total Operating Revenues		5,037,380.52
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		7,800,722.79
Supplies and Materials		1,537,979.23
Services		1,116,308.69
Scholarships and Fellowships		1,905,443.14
Utilities		333,969.26
Depreciation		478,802.70
Total Operating Expenses		13,173,225.81
Operating Loss		(8,135,845.29)
<b>NONOPERATING REVENUES</b>		
State Aid		5,815,017.41
County Appropriations		1,220,000.00
Noncapital Grants		219,035.69
Noncapital Gifts		103,875.33
Investment Income, Net		7,313.66
Net Nonoperating Revenues		7,365,242.09
Loss Before Other Revenues, Expenses, Gains, and Losses		(770,603.20)
State Capital Aid		1,524,271.37
County Capital Appropriations		127,778.84
Capital Grants		1,362,024.03
Capital Gifts		317,427.00
Increase in Net Assets		2,560,898.04
<b>NET ASSETS</b>		
Net Assets, July 1, 2002		10,599,011.84
Net Assets, June 30, 2003	\$	13,159,909.88
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Carteret Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit C</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	4,404,114.83
Payments to Employees and Fringe Benefits		(7,616,253.59)
Payments to Vendors and Suppliers		(2,625,093.22)
Payments for Scholarships and Fellowships		(1,905,443.14)
Loans Issued to Students		(48,337.42)
Collection of Loans to Students		45,349.96
Other Receipts		381.51
Net Cash Used by Operating Activities		<u>(7,745,281.07)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		5,815,017.41
County Appropriations		1,220,000.00
Noncapital Grants Received		(68,610.05)
Noncapital Gifts and Endowments Received		103,875.33
Net Cash Provided by Noncapital Financing Activities		<u>7,070,282.69</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		1,708,895.04
County Capital Appropriations		127,778.84
Capital Grants Received		1,029,595.03
Acquisition and Construction of Capital Assets		(2,147,333.78)
Net Cash Provided by Capital and Related Financing Activities		<u>718,935.13</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		7,313.66
Purchase of Investments and Related Fees		92,958.80
Net Cash Provided by Investing Activities		<u>100,272.46</u>
Net Increase in Cash and Cash Equivalents		144,209.21
Cash and Cash Equivalents, July 1, 2002		202,504.26
Cash and Cash Equivalents, June 30, 2003	\$	<u>346,713.47</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(8,135,845.29)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		478,802.70
Provision for Uncollectible Loans and Write-Offs		3,470.97
Changes in Assets and Liabilities:		
Receivables, Net		(667,101.86)
Inventories		7,011.84
Prepaid Items		27,910.49
Notes Receivable, Net		(2,987.46)
Accounts Payable and Accrued Liabilities		323,588.79
Due to Primary Government		(9,136.50)
Deferred Revenue		34,131.96
Funds Held for Others		85.72
Compensated Absences		194,787.57
Net Cash Used by Operating Activities	\$	<u>(7,745,281.07)</u>



<b><i>Carteret 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, 2003</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	171,373.70
Restricted Cash and Cash Equivalents		170,076.95
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		5,262.82
Total Cash and Cash Equivalents - June 30, 2003	\$	346,713.47
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Assets Acquired through Assumption of a Liability	\$	568,749.08
Assets Acquired through a Gift		317,427.00
Increase in Receivables Related to Nonoperating Income		307,592.11
The accompanying notes to the financial statements are an integral part of this statement.		

**CARTERET COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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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. Carteret 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 nonprofit 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*, 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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.
- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes money market mutual funds held by the College. Money market mutual funds are accounted for at fair value, as determined by quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- 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 that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market value using the last invoice method.
- H. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 20 years for general infrastructure, 10 to 40 years for buildings, and 3 to 15 years for equipment.
- I. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Certain other assets are classified as restricted because their use is limited by external parties or statute.

- J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include 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.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the College to all full-time permanent employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.
- Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$2,005.00. The carrying amount of cash on deposit was \$344,708.47 and the bank balance was \$576,255.60. 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.

Of the cash on deposit with private financial institutions at June 30, 2003, \$258,890.05 of the bank balance was covered by federal depository insurance, and \$317,365.55 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (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 nonguaranteed 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; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 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.

At June 30, 2003, the College was a participant in the North Carolina Capital Management Trust (the Trust). The Trust is exempt from risk categorization because the College does not own any identifiable securities, but is the shareholder of a percentage of funds. The fair value of its investment in the Trust at June 30, 2003 was \$526,407.10.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 72,396.96	\$ 0.00	\$ 72,396.96
Accounts	30,725.98		30,725.98
Intergovernmental	654,465.01		654,465.01
Other	<u>3,366.23</u>		<u>3,366.23</u>
<b>Total Current Receivables</b>	<u>\$ 760,954.18</u>	<u>\$ 0.00</u>	<u>\$ 760,954.18</u>
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	<u>\$ 80,638.88</u>	<u>\$ 80,559.73</u>	<u>\$ 79.15</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2003, is presented as follows:

	Balance July 1, 2002	Increases	Balance June 30, 2003
Capital Assets, Nondepreciable:			
Land	\$ 2,376,234.61	\$ 317,427.00	\$ 2,693,661.61
Construction in Progress	<u>676,107.13</u>	<u>2,637,991.94</u>	<u>3,314,099.07</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>3,052,341.74</u>	<u>2,955,418.94</u>	<u>6,007,760.68</u>
Capital Assets, Depreciable:			
Buildings	8,532,958.17	31,362.14	8,564,320.31
Machinery and Equipment	2,114,613.93	35,086.74	2,149,700.67
General Infrastructure	<u>739,716.41</u>	<u></u>	<u>739,716.41</u>
<b>Total Capital Assets, Depreciable</b>	<u>11,387,288.51</u>	<u>66,448.88</u>	<u>11,453,737.39</u>
Less Accumulated Depreciation:			
Buildings	3,178,537.97	291,437.09	3,469,975.06
Machinery and Equipment	1,519,597.00	187,365.61	1,706,962.61
General Infrastructure	<u>94,519.42</u>	<u></u>	<u>94,519.42</u>
<b>Total Accumulated Depreciation</b>	<u>4,792,654.39</u>	<u>478,802.70</u>	<u>5,271,457.09</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>6,594,634.12</u>	<u>(412,353.82)</u>	<u>6,182,280.30</u>
<b>Capital Assets, Net</b>	<u>\$ 9,646,975.86</u>	<u>\$ 2,543,065.12</u>	<u>\$ 12,190,040.98</u>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2003 were as follows:

	Amount
Accounts Payable	\$ 410,279.03
Accrued Payroll	46,267.80
Contract Retainage	244,137.34
Intergovernmental Payables	<u>256,931.70</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 957,615.87</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Current Portion
Compensated Absences	\$ 238,838.94	\$ 400,089.56	\$ 205,301.99	\$ 433,626.51	\$ 125,000.00

### NOTE 7 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2004	\$ 82,440.32
2005	90,440.00
2006	90,640.32
2007	91,640.32
Total Minimum Lease Payments	\$ 355,160.96

Rental expense for all operating leases during the year was \$47,440.32.

### NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>			
<b>Student Tuition and Fees</b>	\$ 1,770,201.42	\$ 497,501.15	\$ 1,272,700.27

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 3,996,315.12	\$ 469,259.30	\$ 252,289.90	\$ (147,878.57)	\$ 0.00	\$ 0.00	\$ 4,569,985.75
Research	13,403.62	5,676.87	6,755.75				25,836.24
Academic Support	1,077,700.69	100,495.29	47,875.41				1,226,071.39
Student Services	614,187.51	28,977.30	95,974.74	69,857.52	700.00		809,697.07
Institutional Support	1,461,185.26	103,612.74	239,533.29	298.00			1,804,629.29
Operations and Maintenance of Plant	504,070.20	214,311.43	376,691.30		333,269.26		1,428,342.19
Student Financial Aid		9,157.29	84,585.89	1,983,191.19			2,076,934.37
Auxiliary Enterprises	133,860.39	606,489.01	12,602.41	(25.00)			752,926.81
Depreciation						478,802.70	478,802.70
Total Operating Expenses	<u>\$ 7,800,722.79</u>	<u>\$ 1,537,979.23</u>	<u>\$ 1,116,308.69</u>	<u>\$ 1,905,443.14</u>	<u>\$ 333,969.26</u>	<u>\$ 478,802.70</u>	<u>\$ 13,173,225.81</u>

### NOTE 10 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

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, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members.

For the year ended June 30, 2003, the College had a total payroll of \$6,734,468.66, of which \$5,045,875.01 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$302,752.57. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were \$0.00, \$104,085.27, and \$270,004.97, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- B. Supplemental Retirement Income Plans - IRC Section 401(k) Plan -** All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$49,468.00 for the year ended June 30, 2003.

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 nonprofit 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 \$45,550.00 for the year ended June 30, 2003.

### 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, 2003, the College's total contribution to the Plan was \$118,578.06. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2003, the College's total contribution to the DIPNC was \$26,238.55. 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, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a \$10 million self-insured deductible per occurrence, subject to a \$20 million annual aggregate. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 county and institutional fund employees are insured with private insurance companies.

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

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

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

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

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. **Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$8,775,812.55 and on other purchases were \$6,837.28 at June 30, 2003.
- 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

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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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 were authorized for issuance 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 of \$5,284,740.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

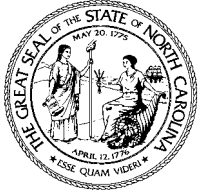
### **NOTE 14 - CARTERET COMMUNITY COLLEGE FOUNDATION, INC.**

The Carteret 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 \$143,884.42 for the year ended June 30, 2003.

***Carteret Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2003*** ***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>							
Land Acquisition - Railroad Easement	Mar 2001	\$ 17,500.00	\$ 0.00	\$ 17,500.00	\$ 17,500.00	100.00%	Completed
Classroom Building Replacement - Wayne West	Feb 2001	3,883,474.56	5,175,000.00	9,058,474.56	2,066,626.57	22.81%	Jun 2004
Marine Education Training Center - MARTEC	Feb 2001	1,407,056.00	3,300,000.00	4,707,056.00	1,063,656.07	22.60%	Jun 2004
Howard Building Renovation	Feb 2001	337,693.44	525,000.00	862,693.44	176,777.88	20.49%	Sep 2004
<b><i>Projects Pending Approval by the State Board</i></b>							
Parking Lot Renovation	Oct 2003	150,000.00		150,000.00			Jun 2005
McGee Building Renovation - Joslyn Hall	Mar 2005	464,051.00		464,051.00			Nov 2006
McGee Building Renovation - Classrooms	Mar 2005	550,000.00		550,000.00			Nov 2006
<b>Total All Projects</b>		<b>\$ 6,809,775.00</b>	<b>\$ 9,000,000.00</b>	<b>\$ 15,809,775.00</b>	<b>\$ 3,324,560.52</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

STATE OF NORTH CAROLINA  
Office of the 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  
Carteret Community College  
Morehead City, North Carolina

We have audited the financial statements of Carteret Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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



**INDEPENDENT AUDITOR'S REPORT  
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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

April 15, 2004

## DISTRIBUTION OF AUDIT REPORT

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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. Joseph T. Barwick	President, Carteret Community College
Ms. Janet N. Spriggs	Vice President for Administrative Services Carteret Community College
Mr. William J. Henderson	Chairman, Board of Trustees Carteret Community College

### LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Richard T. Morgan, Co-Chair
Senator Patrick J. Ballantine	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Rex L. Baker
Senator Walter H. Dalton	Representative Bobby H. Barbee, Sr.
Senator Charlie S. Dannelly	Representative Harold J. Brubaker
Senator James Forrester	Representative Debbie A. Clary
Senator Linda Garrou	Representative E. Nelson Cole
Senator Wilbur P. Gulley	Representative James W. Crawford, Jr.
Senator Fletcher L. Hartsell, Jr.	Representative William T. Culpepper, III
Senator David W. Hoyle	Representative W. Pete Cunningham
Senator Ellie Kinnaird	Representative W. Robert Grady
Senator Jeanne H. Lucas	Representative Joe Hackney
Senator Stephen M. Metcalf	Representative Julia C. Howard
Senator Anthony E. Rand	Representative Joe L. Kiser
Senator Eric M. Reeves	Representative Edd Nye
Senator Robert A. Rucho	Representative William C. Owens, Jr.
Senator R. C. Soles, Jr.	Representative Wilma M. Sherrill
Senator Scott Thomas	Representative Thomas E. Wright

### Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
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June 2, 2004

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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