



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

CLEVELAND COMMUNITY COLLEGE

SHELBY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

CLEVELAND COMMUNITY COLLEGE

SHELBY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

H. MARTIN LANCASTER, PRESIDENT

BOARD OF TRUSTEES

HOYT Q. BAILEY, CHAIRMAN

DAVID S. BANKS, VICE CHAIRMAN

**R. HOWARD BRYANT
ROBERT F. CABANISS
RALPH DIXON
ELSIE ENLOE FOSTER
GORDON G. HAMRICK**

**DANNY E. HAWKINS
ELLIS P. MONROE
BROOKS E. PIERCY
PATSY B. ROSE
DR. L. GENE YARBORO**

ADMINISTRATIVE OFFICERS

DR. L. STEVE THORNBURG, PRESIDENT

TOMMY GREENE, VICE PRESIDENT FOR FINANCE AND ADMINISTRATIVE SERVICES



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of Cleveland 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 Cleveland 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 Cleveland 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 Cleveland Community College.

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

AUDITOR'S TRANSMITTAL (CONCLUDED)

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

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

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



Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Exhibits	
A Statement of Net Assets	7
B Statement of Revenues, Expenses, and Changes in Net Assets	8
C Statement of Cash Flows	9
Notes to the Financial Statements	11
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures	23
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25
DISTRIBUTION OF AUDIT REPORT	27



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 AUDITOR'S REPORT

Board of Trustees
Cleveland Community College
Shelby, North Carolina

We have audited the accompanying basic financial statements of Cleveland 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 Cleveland 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 January 7, 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)

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

January 7, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cleveland Community College would like to present financial statements for the years ended June 30, 2002 and 2003. This analysis will include a comparison between current year and prior year information.

There are three financial statements presented: The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. This presentation of the College's financial statements provides an overview of the College's financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the College as a point in time for the fiscal years ended June 30, 2002 and 2003.

From data presented, readers of the Statement of Net Assets (SNA) are able to determine the assets (current and noncurrent) available to continue the operations of the College along with how much the College owes vendors (current and noncurrent). Ultimately, the SNA provides a snapshot of the net assets, (assets minus liabilities) and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets, provides the Institution's equity in property, plant, and equipment. The next asset category is restricted net assets, which is divided into nonexpendable and expendable. The College has no nonexpendable holdings. Expendable restricted net assets are available for expenditures by the College but must be spent for purposes specified by an external entity that has placed restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the College for any lawful purpose of the Institution.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Net Assets, years ended June 30, 2002 and 2003

	<u>FYE 6/30/2002</u>	<u>FYE 6/30/2003</u>
Assets		
Current Assets	\$ 3,277,620.52	\$ 2,712,314.94
Capital Assets, Net	11,196,641.28	11,767,462.72
Noncurrent Assets	<u>13,170.58</u>	<u>51,016.00</u>
Total Assets	<u>14,487,432.38</u>	<u>14,530,793.66</u>
Liabilities		
Current Liabilities	435,537.68	427,283.53
Noncurrent Long-Term Liabilities	<u>170,904.67</u>	<u>489,604.81</u>
Total Liabilities	<u>606,442.35</u>	<u>916,888.34</u>
Net Assets		
Invested in Capital, Net of Debt	11,196,641.28	11,767,462.72
Unrestricted	1,087,885.86	1,098,558.49
Restricted as Restated	<u>1,596,462.89</u>	<u>747,884.11</u>
Total Net Assets	<u>\$ 13,880,990.03</u>	<u>\$ 13,613,905.32</u>

Total assets of the Institution increased by \$43,361.18 from last year. This is a small increase but it is mainly due to the completion of the Emergency Training Center building. The effects of the building being completed were that receivables decreased by (\$1,039,177.53) and capital assets increased by \$570,821.44. The difference between these two amounts can be primarily explained by depreciation during the year of \$538,017.38, which reduces the total of capital assets.

The total liabilities for the year increased by \$310,445.99. The primary cause for the increase was an increase in accrued vacation leave of \$225,544.74. This amount rose greatly due to the approval by the Board of Trustees of 10 bonus days granted to all full-time faculty and staff.

The increase in assets of \$43,361.18 and the increase in liabilities of \$310,445.99 result in a net decrease in total net assets of \$267,084.71. This was due primarily to the granting of 10 bonus leave days.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the SNA are based on the activity offered in the Statement of Revenues, Expenses, and Changes in Net Assets (SCRECNA). The purpose of the statement is to present the revenues received by the College, including operating and nonoperating, and expenses, both operating and nonoperating.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Generally, operating revenues are received for providing goods and services to various constituents of the College while operating expenses are paid to acquire or produce those services to carry out the mission of the College. Operating revenues primarily include student tuition and fees, and federal grants and contracts. The largest operating expense is for personal services. Nonoperating revenues include legislated funding such as State aid and county appropriations.

Statement of Revenues, Expenses, and Changes in Net Assets, years ended June 30, 2002 and 2003

	<u>FYE 6/30/2002</u>	<u>FYE 6/30/2003</u>
Operating Revenue		
Student Tuition and Fees	\$ 611,147.74	\$ 1,282,922.05
Federal Grants and Contracts	2,304,997.88	2,329,610.04
State and Local Grants and Contracts		261,363.12
Sales and Services, Net	1,191,300.39	982,107.78
	<u>4,107,446.01</u>	<u>4,856,002.99</u>
Nonoperating Revenue		
State Aid	7,066,366.33	9,125,714.26
County Appropriations	1,003,229.00	952,168.00
Noncapital Grants	500.00	288,813.61
Noncapital Gifts (Net)	73,977.14	
Investment Income (Net)	28,019.68	22,064.04
Other Nonoperating Revenues	191,949.88	28,349.25
	<u>8,364,042.03</u>	<u>10,417,109.16</u>
Total Revenue	12,471,488.04	15,273,112.15
Operating Expenses	(12,754,092.88)	(15,634,956.77)
Capital Contribution	358,782.85	753,012.12
Increase in Net Assets	76,178.01	391,167.50
Net Assets - Beginning of Year	19,475,934.99	13,880,990.03
Restatements	<u>(5,671,122.97)</u>	<u>(658,252.21)</u>
Net Assets End of Year	<u>\$ 13,880,990.03</u>	<u>\$ 13,613,905.32</u>

Following you will find highlights of the SCRECNA. State aid increased by \$2,059,347.93. This is largely due to budgeted and cash amounts were largely limited in the prior year. In the 2002-2003 year, the College was able to more fully utilize budgeted amounts. Student tuition and fees increased by \$671,774.31. This was largely due to increased enrollment and an

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

increase in tuition. Operating expenses increased by \$2,880,863.89. A large part of this increase was due to an increase in personal services expenses of \$931,641.09. Also, there was an increase in supplies and materials expense of \$1,314,437.38.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into the following five parts. Operating cash flows shows the net cash used by the operating activities of the College. The second section reflects cash flows received and spent for noncapital financing activities. The next section, cash flow from capital activities, reflects cash flows used for the acquisition and construction of capital and related items. The fourth section reflects investing activities. The last section of the statement reconciles to the cash reflected on the Statement of Net Assets.

Statement of Cash Flows, years ended June 30, 2002 and 2003

	<u>FYE 6/30/2002</u>	<u>FYE 6/30/2003</u>
Cash Received/(Expended) by:		
Operating Activities	\$ (7,933,441.95)	\$ (9,936,343.36)
Noncapital Financing Activities	8,128,306.77	10,334,884.70
Capital and Related Financing Activity	(99,378.28)	(58,451.13)
Investing Activities	<u>3,501.19</u>	<u>77,859.47</u>
Net Change in Cash	98,987.73	417,949.68
Cash Beginning of year	<u>654,624.29</u>	<u>753,612.02</u>
Cash, End of Year	<u>\$ 753,612.02</u>	<u>\$ 1,171,561.70</u>

Capital Asset and Debt Administration

The only significant change with regard to capital assets is the completion of the Emergency Training Center. There has been no significant change in long-term debt, credit rating or debt limitations.

Economic Outlook

The College has experienced large enrollment growth due to unemployment in the area. The College has also experienced problems due to statewide cash shortage resulting in a tight cash environment. The College expects continued unusually high enrollment throughout 2003-2004 as well as continued cash flow problems. However, the College is expected to meet its goals and objectives in the upcoming year.

Cleveland Community College		
Statement of Net Assets		
June 30, 2003		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	852,913.58
Restricted Cash and Cash Equivalents		318,648.12
Short-Term Investments		754,588.22
Receivables, Net (Note 3)		330,578.38
Inventories		455,586.64
Total Current Assets		2,712,314.94
Noncurrent Assets:		
Restricted Due from Primary Government		51,016.00
Capital Assets - Nondepreciable, Net (Note 4)		458,400.00
Capital Assets - Depreciable, Net (Note 4)		11,309,062.72
Total Noncurrent Assets		11,818,478.72
Total Assets		14,530,793.66
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		240,266.84
Funds Held for Others		23,815.08
Long-Term Liabilities - Current Portion (Note 6)		163,201.61
Total Current Liabilities		427,283.53
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		489,604.81
Total Noncurrent Liabilities		489,604.81
Total Liabilities		916,888.34
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		11,767,462.72
Restricted for:		
Expendable:		
Scholarships and Fellowships		250.00
Capital Projects		333,179.29
Other		414,454.82
Unrestricted		1,098,558.49
Total Net Assets	\$	13,613,905.32
The accompanying notes to the financial statements are an integral part of this statement.		

Cleveland Community College		
Statement of Revenues, Expenses, and		
Changes in Net Assets		
For the Fiscal Year Ended June 30, 2003		Exhibit B
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 7)	\$	1,282,922.05
Federal Grants and Contracts		2,329,610.04
State and Local Grants and Contracts		261,363.12
Sales and Services, Net (Note 7)		982,107.78
Total Operating Revenues		4,856,002.99
EXPENSES		
Operating Expenses:		
Personal Services		9,106,311.82
Supplies and Materials		2,739,625.27
Services		1,381,031.65
Scholarships and Fellowships		1,594,195.13
Utilities		275,775.62
Depreciation		538,017.28
Total Operating Expenses		15,634,956.77
Operating Loss		(10,778,953.78)
NONOPERATING REVENUES		
State Aid		9,125,714.26
County Appropriations		952,168.00
Noncapital Grants		288,813.61
Investment Income, Net		22,064.04
Other Nonoperating Revenues		28,349.25
Net Nonoperating Revenues		10,417,109.16
Loss Before Other Revenues, Expenses, Gains, and Losses		(361,844.62)
State Capital Aid		735,012.12
County Capital Appropriations		18,000.00
Increase in Net Assets		391,167.50
NET ASSETS		
Net Assets, July 1, 2002 as Restated (Note 14)		13,222,737.82
Net Assets, June 30, 2003	\$	13,613,905.32
The accompanying notes to the financial statements are an integral part of this statement.		

Cleveland Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2003		Exhibit C
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	4,931,336.38
Payments to Employees and Fringe Benefits		(8,833,090.44)
Payments to Vendors and Suppliers		(4,475,741.92)
Payments for Scholarships and Fellowships		(1,594,195.13)
Other Receipts		35,347.75
Net Cash Used by Operating Activities		(9,936,343.36)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		9,125,714.26
County Appropriations		952,168.00
Noncapital Grants Received		257,002.44
Net Cash Provided by Noncapital Financing Activities		10,334,884.70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		741,860.12
County Capital Appropriations		18,000.00
Capital Grants Received		290,527.47
Acquisition and Construction of Capital Assets		(1,108,838.72)
Net Cash Used by Capital and Related Financing Activities		(58,451.13)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		811,065.57
Investment Income		21,382.12
Purchase of Investments and Related Fees		(754,588.22)
Net Cash Provided by Investing Activities		77,859.47
Net Increase in Cash and Cash Equivalents		417,949.68
Cash and Cash Equivalents, July 1, 2002		753,612.02
Cash and Cash Equivalents, June 30, 2003	\$	1,171,561.70
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$	(10,778,953.78)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		538,017.28
Miscellaneous Nonoperating Income		28,349.25
Changes in Assets and Liabilities:		
Receivables, Net		75,798.39
Inventories		(99,229.04)
Accounts Payable and Accrued Liabilities		69,073.09
Due to State of North Carolina Component Units		(1,941.79)
Funds Held for Others		6,998.50
Compensated Absences		225,544.74
Net Cash Used by Operating Activities	\$	(9,936,343.36)

<i>Cleveland Community College</i>		
<i>Statement of Cash Flows</i>		<i>Exhibit C</i>
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Page 2</i>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
	Cash and Cash Equivalents	\$ 852,913.58
	Restricted Cash and Cash Equivalents	318,648.12
	Total Cash and Cash Equivalents - June 30, 2003	\$ 1,171,561.70
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
	Increase in Receivables Related to Nonoperating Income	\$ 44,168.00
The accompanying notes to the financial statements are an integral part of this statement.		

CLEVELAND COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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. Cleveland 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)

- 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 certificates of deposit held by the College.
- F. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are shown at book value with no provision for doubtful accounts.
- G. Inventories** – Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued using the retail inventory 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 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** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. 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 consists compensated absences that will not be paid within the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous July 1st plus the leave earned, less the leave taken between July 1st and June 30th.

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.

- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$1,485.00. The carrying amount of cash on deposit was \$1,924,664.92 and the bank balance was \$2,024,413.23. All of the cash was on deposit with private financial institutions.

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

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

Of the cash on deposit with private financial institutions at June 30, 2003, \$300,000.00 of the bank balance was covered by federal depository insurance, \$1,724,313.23 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.

At June 30, 2003, the College held certificates of deposit in the amount of \$754,588.22, which is not subject to categorization of custodial credit risk. The aforementioned certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	Amount
Current Receivables:	
Students	\$ 269,746.43
Accounts	55,263.29
Intergovernmental	3,481.27
Investment Earnings	2,087.38
Total Current Receivables	\$ 330,578.37

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	Adjustments	Increases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 458,400.00	\$ 0.00	\$ 0.00	\$ 458,400.00
Construction in Progress	1,311,891.18	(1,986,246.00)	674,354.82	
Total Capital Assets, Nondepreciable	1,770,291.18	(1,986,246.00)	674,354.82	458,400.00
Capital Assets, Depreciable:				
Buildings	13,026,831.17	1,986,246.00		15,013,077.17
Machinery and Equipment	1,700,560.26	(56,599.90)	434,483.90	2,078,444.26
General Infrastructure	59,109.16	56,599.90		115,709.06
Total Capital Assets, Depreciable	14,786,500.59	1,986,246.00	434,483.90	17,207,230.49
Less Accumulated Depreciation:				
Buildings	4,544,963.21		374,000.40	4,918,963.61
Machinery and Equipment	762,562.67		158,265.88	920,828.55
General Infrastructure	52,624.61		5,751.00	58,375.61
Total Accumulated Depreciation	5,360,150.49		538,017.28	5,898,167.77
Total Capital Assets, Depreciable, Net	9,426,350.10	1,986,246.00	(103,533.38)	11,309,062.72
Capital Assets, Net	\$ 11,196,641.28	\$ 0.00	\$ 570,821.44	\$ 11,767,462.72

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 85,042.26
Accrued Payroll	155,224.58
Total Accounts Payable and Accrued Liabilities	\$ 240,266.84

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	\$ 427,261.68	\$ 443,272.20	\$ 217,727.46	\$ 652,806.42	\$ 163,201.61

NOTE 7 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 1,668,530.57	\$ 385,608.52	\$ 1,282,922.05
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Books	\$ 625,186.78	\$ 0.00	\$ 625,186.78
Community Services	63,040.25		63,040.25
Sundries	133,845.52		133,845.52
Student Activities	74,828.00		74,828.00
Graduation Fund	8,766.75		8,766.75
Cosmetology Fees	26,494.50		26,494.50
Vending Operations	6,625.55		6,625.55
Snack Bar	8,595.00		8,595.00
Other	34,725.43		34,725.43
Total Sales and Services	\$ 982,107.78	\$ 0.00	\$ 982,107.78

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 5,894,547.86	\$ 1,253,022.11	\$ 758,339.06	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,905,909.03
Academic Support	876,976.16	365,238.42	78,581.27				1,320,795.85
Student Services	433,101.30	48,772.65	62,536.55				544,410.50
Institutional Support	1,389,784.85	133,929.12	436,761.35				1,960,475.32
Operations and Maintenance of Plant	436,960.94	83,819.77	42,650.40		275,775.62		839,206.73
Student Financial Aid				1,594,195.13			1,594,195.13
Auxiliary Enterprises	74,940.71	854,843.20	2,163.02				931,946.93
Depreciation						538,017.28	538,017.28
Total Operating Expenses	<u>\$ 9,106,311.82</u>	<u>\$ 2,739,625.27</u>	<u>\$ 1,381,031.65</u>	<u>\$ 1,594,195.13</u>	<u>\$ 275,775.62</u>	<u>\$ 538,017.28</u>	<u>\$ 15,634,956.77</u>

NOTE 9 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a 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 \$7,669,503.86, of which \$5,751,875.62 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$345,112.54. 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, \$111,141.94, and \$271,891.68, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 except for a 5% employer contribution for the College’s law enforcement officers, which is mandated under General Statute 143-166.30(e). The voluntary contributions by employees amounted to \$53,085.00 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 \$24,910.00 for the year ended June 30, 2003.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers’ and State Employees’ Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers’ and State Employees’ Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College’s total contribution to the Plan was \$135,169.08. 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)

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 \$29,909.75. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 11 - RISK MANAGEMENT

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

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

Fire and other property losses are covered by 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 employees are covered by a contract with a private insurance company with coverage of \$100,000.00 per occurrence and a \$1,000.00 deductible.

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

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

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

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction contracts.
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$5,139,140.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 13 - CLEVELAND COMMUNITY COLLEGE FOUNDATION

The Cleveland Community College Foundation 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 \$6,443.00 for the year ended June 30, 2003.

NOTE 14 - NET ASSET RESTATEMENT

As of July 1, 2002, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2002 Net Assets as Previously Reported	\$ 13,880,990.03
Restatement - County Capital Appropriations Receivable	<u>(658,252.21)</u>
July 1, 2002 Net Assets as Restated	<u>\$ 13,222,737.82</u>

***Cleveland Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2003***

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<i>Projects Approved by the State Board</i>							
Classroom Building	Dec 2003	\$ 3,887,036.00	\$ 1,512,964.00	\$ 5,400,000.00	\$ 0.00	0.00%	
Reroofing of "B" Building	Jan 2004	80,000.00		80,000.00			
Faculty/Office Expansion/Remodeling	Jan 2004	150,000.00		150,000.00			
Replace/Modify Mechanical Systems	Jan 2005	225,000.00		225,000.00			
Reroofing Campus Center Building	Jul 2005	500,000.00		500,000.00			
Undetermined Repairs and Renovations Projects	Jan 2006	297,104.00		297,104.00			
Total All Projects		\$ 5,139,140.00	\$ 1,512,964.00	\$ 6,652,104.00	\$ 0.00		

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.

[This Page Left Blank Intentionally]



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

Board of Trustees
Cleveland Community College
Shelby, North Carolina

We have audited the financial statements of Cleveland 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 January 7, 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 misstatements in amounts that would be material in relation to the financial statements being

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

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



Ralph Campbell, Jr.
State Auditor

January 7, 2004

DISTRIBUTION OF AUDIT REPORT

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

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. L. Steve Thornburg	President, Cleveland Community College
Mr. Tommy Greene	Vice President for Finance and Administrative Services Cleveland Community College
Mr. Hoyt. Q. Bailey	Chairman, Board of Trustees Cleveland 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
----------------------	------------------------------------

April 2, 2004

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