



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

COLLEGE OF THE ALBEMARLE

ELIZABETH CITY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

COLLEGE OF THE ALBEMARLE

ELIZABETH CITY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of College of The Albemarle, a component unit of the State of North Carolina, for the year ended June 30, 2003. Our review 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 work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to College of The Albemarle. The review procedures were conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

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

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

Results - We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting

REVIEWER'S TRANSMITTAL (CONCLUDED)

principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

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

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

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



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
College of The Albemarle
Elizabeth City, North Carolina

We have reviewed the accompanying Statement of Net Assets of College of The Albemarle, a component unit of the State of North Carolina, as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

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

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

The Management's Discussion and Analysis (MD&A), 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. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

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

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

Ralph Campbell, Jr.
State Auditor

March 10, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Accounting Standards

In June 1999, the Government Accounting Standard's Board (GASB) released statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis for Public Colleges and Universities," which is appropriate for colleges and universities. FY 2002-2003 is the second year that College of The Albemarle has prepared its financial statements in accordance with these standards.

Economic Condition and Outlook

The College of The Albemarle was established in 1960 and is the oldest comprehensive community college in the North Carolina Community College System. The College serves seven counties (Camden, Chowan, Currituck, Dare, Gates, Pasquotank, and Perquimans) and is spread over 1,800 square miles. Major campuses are located in the northeastern portion of North Carolina in the cities of Edenton, Elizabeth City, and Manteo.

The College offers more than 25 certificate, diploma, and degree programs. In addition, a full array of noncredit classes are offered including adult basic education, GED, Adult High School, workforce development training, small business training, computer classes, and personal interests. Each year more than 3,000 students enroll in classes that lead to a degree and more than 6,000 students complete workforce development and personal interest classes.

The College is to receive \$6.756 million of bond referendum project monies. The College currently has two major projects underway. The largest project, construction of a Dr. Zack D. Owens Health Sciences Center, is a joint effort with the South Hampton Roads YMCA. This new building is scheduled to be open for students beginning in January 2004. The second major project is the renovation of the former D. F. Walker School into the Edenton-Chowan Campus. The architect has been selected for this project and the renovation is tentatively scheduled for completion in August 2004. Both projects are on schedule.

The College is providing a blended financial statement, which includes information on the College's Foundation.

The College did an excellent job in using its resources skillfully during the audit year. While the NCCCS required a reversion of two percent of the College budget early in the year, the College was able to provide budget managers required dollars. At the request of NCCCS, the College reserved and did not execute two percent of its budget. These funds were to be used for carry-forward into the next fiscal year in the hopes of being reprogrammed into equipment funds. The College utilized all cash provided by NCCCS.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

SACS completed its ten-year review of the College during this past fiscal year. Preliminary results indicate that the College will receive its accreditation with a minimum of recommendations.

The amount of dollars provided by counties, in support of facilities, increased this past year.

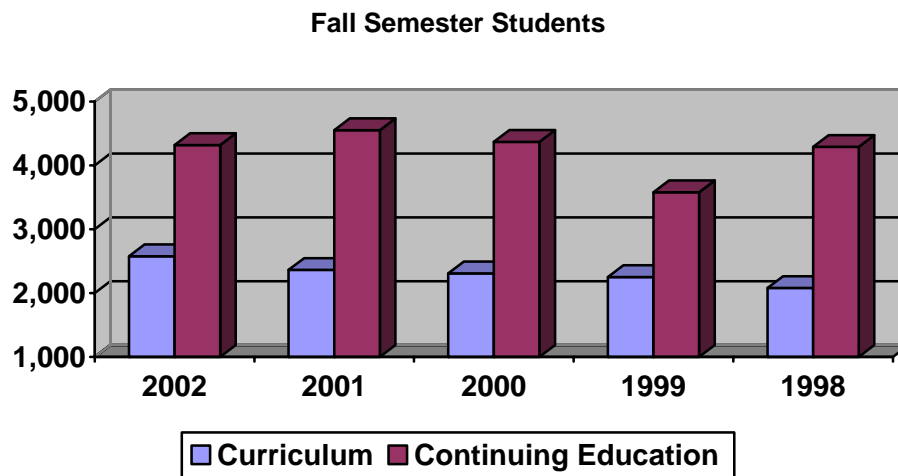
Office automation continues to remain a high priority for the College. The College has converted two of three modules in converting to a new system, Colleague Information System. System office delays in modifying the last module have required the College to delay full implementation.

Major Initiatives

The College has nine strategic initiatives, which drive most programs and the priority given to the budget. They are:

- Train the workforce for emerging high-skill jobs and a changing global workforce
- Serve the lifelong learning needs of diverse populations
- Promote quality and flexible programs and services
- Procure essential resources for all programs and services
- Ensure maximum use of resources (resources defined as time, people, money and policy)
- Leverage the power of technology
- Provide adequate facilities for COA's programs and services
- Develop a long range facilities plan for the College
- Develop a climate that promotes employee growth and satisfaction

Historical Enrollment



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The curriculum student enrollment continues to grow at a slow but steady pace. Continuing Education includes both Basic Skills and the traditional continuing education courses. The College conducts three semesters of instruction annually. There was a slight decrease in the number of Continuing Education students in the fall of 2002 versus the fall of 2001. The fall semester historically has the highest enrollments; the spring semester has slightly lower enrollments than the fall and the summer semester has significantly less students.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with GASB 35. These financial statements differ significantly, in both the form and accounting principles utilized from prior financial statements presented. 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. The financial statements presented in the past focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows for the College as a whole. The funds considered in this financial statement include funds provided by the State of North Carolina, county funds, COA Foundation funds, federal funds and auxiliary funds. Auxiliary funds are income derived from vending machines, trailer park and Community Center rentals, bookstore, food service and community events. The College is provided county funds from the seven counties that it supports. The COA Foundation financial statements are audited annually and have been separately audited for FY 2002-2003 prior to their incorporation into these statements.

This annual report consists of three financial statements that provide information on the College as a whole. They are:

Statement of Net Assets	Exhibit A
Statement of Revenues, Expenses, and Changes in Net Assets	Exhibit B
Statement of Cash Flows	Exhibit C

Financial Highlights

Statement of Net Assets

	FY 2001-2002	FY 2002-2003	Difference
Current Assets	\$2,737,823.69	\$3,328,188.34	\$590,364.65
Noncurrent Assets – Noncapital	3,026,505.51	2,799,226.99	(227,278.52)
Noncurrent Assets – Capital	16,241,012.74	15,981,623.09	(259,389.65)
Current Liabilities	291,832.38	340,882.50	49,050.12
Long-Term Liabilities	1,074,277.71	1,019,402.27	(54,875.44)
Invested in Capital Assets	16,241,012.74	15,981,623.09	(259,389.65)
Net Assets - Restricted	3,626,612.90	3,813,834.60	187,221.70
Net Assets - Unrestricted	771,606.21	953,295.96	181,689.75
Total Net Assets	20,639,231.85	20,748,753.65	109,521.80

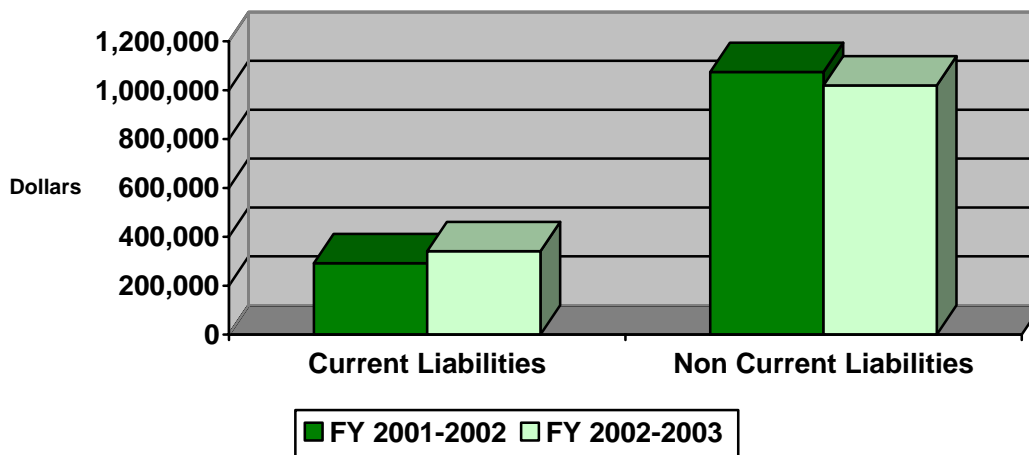
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Current assets increased by approximately \$590,000 over the previous year. This is mainly because of three factors. The increase in cash and cash equivalents was directly attributable to a decrease in county expenditures coupled with increased county support. Additional support came from Chowan and Currituck counties. The increase in restricted cash was associated with the receipt of \$200,000 from a Dr. Zack D. Owens Health Sciences Center pledge. This cash was restricted for use in purchasing furniture, MIS equipment and lab equipment for the Owens Center. Noncurrent assets associated with the \$600,000 pledge were reduced by \$200,000 while the net receivables increased by \$200,000. Net receivables increased because noncurrent receivables to current receivables increased by \$400,000 while \$200,000 in current receivables converted to cash.

This is the first year in three years that the Foundation had a positive net realized and unrealized gain associated with their investments.

The net assets have remained relatively constant over the past two years. The slight increase is attributable to the construction of a boardwalk on the Elizabeth City campus.

Liabilities



The current and noncurrent liabilities remain relatively constant between the two years. The long-term liabilities are related to the Foundation donation arrangements.

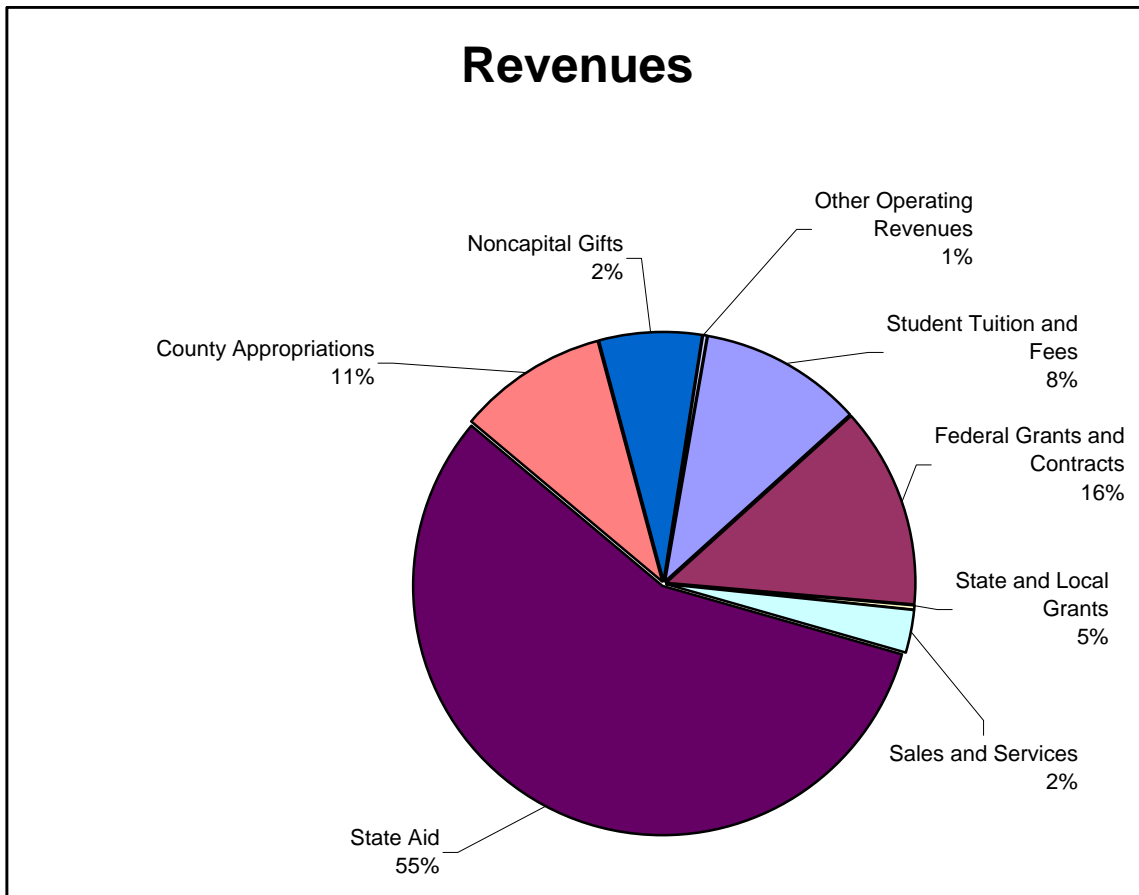
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Assets

While the Operating Expenses increased by approximately \$740,000, the Revenues and Nonoperating Revenues served to offset these expenses by increasing approximately \$785,000.

	FY 2001-2002	FY 2002-2003	Difference
Operating Revenues	\$3,886,335.70	\$4,481,843.34	\$595,507.64
Operating Expenses	14,361,507.49	15,103,611.91	742,104.42
Operating Loss	(10,475,171.79)	(10,621,768.57)	(146,596.78)
Nonoperating Revenues	9,942,284.94	10,132,003.51	189,718.57
Capital Contributions	443,885.08	599,286.86	155,401.78
Net Assets	20,639,231.85	20,748,753.65	109,521.80

Revenues

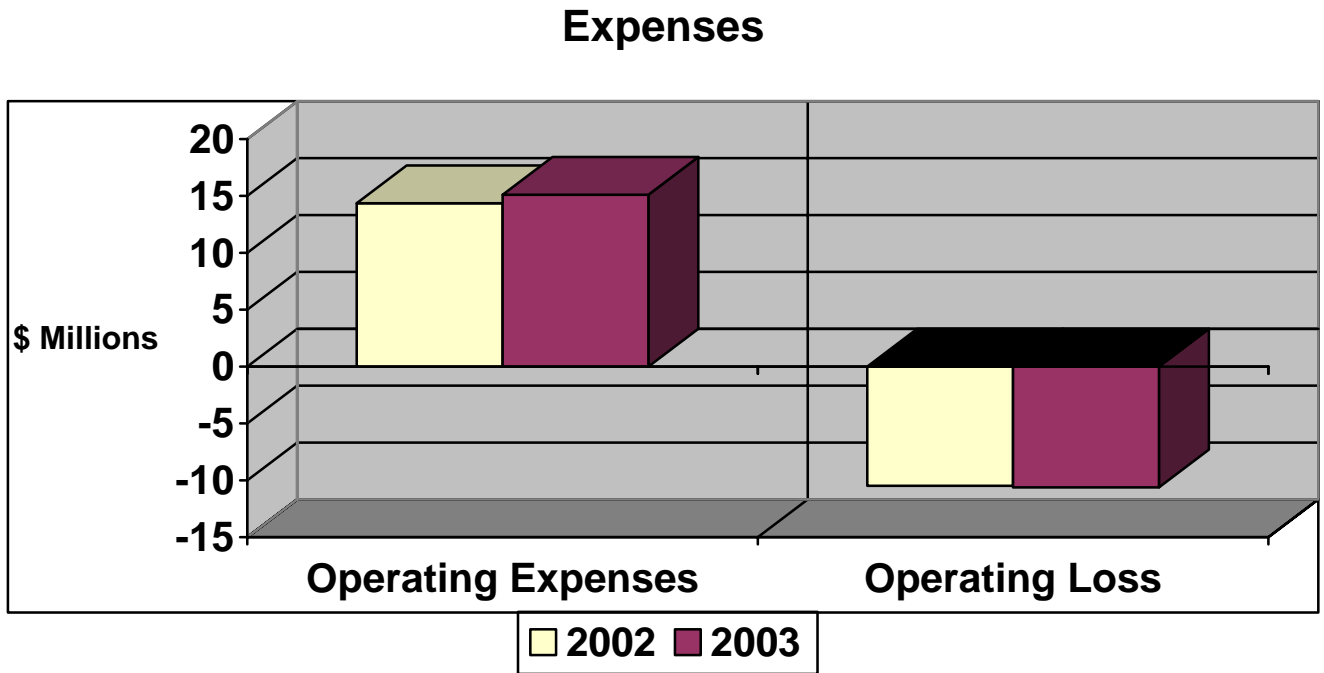


The State Aid comprises 55 percent of annual College revenues as opposed to 57 percent last year. The College is therefore dependent on the financial posture of the State of North Carolina. The North Carolina Community College System funds the College annually based

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

on Full Time Equivalents (FTE) generated in the previous year. Curriculum tuition is retained by the State but tuition from Occupational Extension courses is retained by the College. It is interesting to note a general trend of other revenues as the State Aid portion is decreasing. Revenues from counties increased from \$1.3 million in FY 2001-2002 to \$1.6 million in FY 2002-2003. Federal Grants and Contracts also increased from 13 percent to 16 percent over this past year. All other categories showed a slight decrease in percentages. The increase in revenues from FY 2001-2002 to FY 2002-2003 is mainly attributable to an increase in the number of students attending the College and a tuition increase.

Expenses



The total Operating Expenses remained about the same as the previous year and increased by approximately \$740,000. This increase is mainly attributable to increased equipment purchases over the previous year. The overall operating loss was 1 percent higher in FY 2002-2003 than the previous year and the total loss was approximately \$10 million. The College is dependent on State Aid funding to perform its mission.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

CASH FLOWS

The following chart is a comparison of the cash flows.

	June 30, 2002	June 30, 2003
Cash Flows from Operating Activities	\$(9,938,965.92)	\$(10,061,995.48)
Cash Flows from Noncapital Financing Activities	9,506,226.51	10,114,822.88
Cash Flows from Capital and Related Financing Activities	166,249.68	(6,103.40)
Cash Flows from Investing Activities	299,700.77	256,529.84
Reconciliation of Operating Loss to Net Cash Used by Operating Activities (total adjustments)	536,205.87	559,773.09
Noncash Investing, Capital and Financing Activities (Change in fair value of investments)	(119,100.42)	288,771.53

The slight increase in cash flow used is attributable to payments to vendors and suppliers. These payment increases were due to increased spending on equipment items. The increase in Noncapital Financing Activities is directly attributable to additional county funds received and utilized. The Cash Flow from Capital and Related Financing Activities is associated with building the Owens Center on the Elizabeth City campus. The College sold fewer investments during FY 2002-2003 than in the previous fiscal year. The Reconciliation amount in both years is very close. The Noncash Investing, Capital and Financing Activities differences are attributable to the Stock Market change from FY 2001-2002 to FY 2002-2003. The value of stocks and bonds owned by the Foundation gained in FY 2002-2003 while they lost in FY 2001-2002.

College of The Albemarle		
Statement of Net Assets		
June 30, 2003		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	950,824.16
Restricted Cash and Cash Equivalents		410,128.72
Short-Term Investments		269,862.72
Restricted Short-Term Investments		858,818.35
Receivables (Note 4)		797,982.15
Inventories		40,572.24
Total Current Assets		3,328,188.34
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		33,400.93
Restricted Due from Primary Government		252,190.79
Endowment Investments		2,513,635.27
Capital Assets - Nondepreciable, Net (Note 5)		2,403,135.17
Capital Assets - Depreciable, Net (Note 5)		13,578,487.92
Total Noncurrent Assets		18,780,850.08
Total Assets		22,109,038.42
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		190,604.65
Deferred Revenue		43,865.86
Funds Held for Others		29,220.26
Long-Term Liabilities - Current Portion (Note 7)		77,191.73
Total Current Liabilities		340,882.50
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		1,019,402.27
Total Liabilities		1,360,284.77
NET ASSETS		
Invested in Capital Assets		15,981,623.09
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		2,414,110.56
Expendable:		
Scholarships and Fellowships		1,200,984.55
Loans		(248.00)
Capital Projects		172,585.61
Other		26,401.88
Unrestricted		953,295.96
Total Net Assets	\$	20,748,753.65
The accompanying notes to the financial statements are an integral part of this statement.		

College of The Albemarle		
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 9)	\$	1,156,648.84
Federal Grants and Contracts		2,355,144.78
State and Local Grants and Contracts		690,520.61
Nongovernmental Grants and Contracts		9,202.94
Sales and Services, Net (Note 9)		227,964.78
Other Operating Revenues		42,361.39
Total Operating Revenues		4,481,843.34
EXPENSES		
Operating Expenses:		
Personal Services		9,129,068.35
Supplies and Materials		1,589,263.72
Services		2,032,150.16
Scholarships and Fellowships		1,536,284.19
Utilities		261,196.58
Depreciation		555,648.91
Total Operating Expenses		15,103,611.91
Operating Loss		(10,621,768.57)
NONOPERATING REVENUES		
State Aid		7,809,943.23
County Appropriations		1,631,276.96
Noncapital Grants		432,598.28
Noncapital Gifts		37,742.78
Investment Income, Net		219,636.85
Other Nonoperating Revenues		805.41
Net Nonoperating Revenues		10,132,003.51
Loss Before Other Revenues, Expenses, Gains, and Losses		(489,765.06)
State Capital Aid		542,940.25
County Capital Appropriations		51,822.65
Capital Grants		4,523.96
Increase in Net Assets		109,521.80
NET ASSETS		
Net Assets, July 1, 2002		20,639,231.85
Net Assets, June 30, 2003	\$	20,748,753.65
The accompanying notes to the financial statements are an integral part of this statement.		

College of The Albemarle
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2003

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers		\$ 4,463,647.03
Payments to Employees and Fringe Benefits		(9,112,194.98)
Payments to Vendors and Suppliers		(3,892,668.23)
Payments for Scholarships and Fellowships		(1,536,284.19)
Other Receipts		15,504.89
Net Cash Used by Operating Activities		(10,061,995.48)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		7,809,943.23
County Appropriations		1,631,276.96
Noncapital Grants Received		432,598.28
Noncapital Gifts and Endowments Received		241,004.41
Net Cash Provided by Noncapital Financing Activities		10,114,822.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		292,497.53
County Capital Appropriations		51,822.65
Capital Grants Received		4,523.96
Acquisition and Construction of Capital Assets		(296,259.26)
Principal Paid on Capital Debt and Leases		(58,688.28)
Net Cash Used by Capital and Related Financing Activities		(6,103.40)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		174,458.13
Investment Income		172,568.68
Purchase of Investments and Related Fees		(90,496.97)
Net Cash Provided by Investing Activities		256,529.84
Net Increase in Cash and Cash Equivalents		303,253.84
Cash and Cash Equivalents, July 1, 2002		1,091,099.97
Cash and Cash Equivalents, June 30, 2003		\$ 1,394,353.81
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (10,621,768.57)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		555,648.91
Miscellaneous Nonoperating Income		805.41
Changes in Assets and Liabilities:		
Receivables		(62,053.39)
Inventories		12,509.20
Accounts Payable and Accrued Liabilities		(2,825.37)
Deferred Revenue		43,857.08
Funds Held for Others		14,699.48
Compensated Absences		(2,868.23)
Net Cash Used by Operating Activities		\$ (10,061,995.48)

<i>College of The Albemarle</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	\$	950,824.16
Restricted Cash and Cash Equivalents		410,128.72
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		33,400.93
Total Cash and Cash Equivalents - June 30, 2003	\$	1,394,353.81
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in Fair Value of Investments	\$	288,771.53
Increase in Receivables Related to Nonoperating Income		250,462.52
The accompanying notes to the financial statements are an integral part of this statement.		

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COLLEGE OF THE ALBEMARLE
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. College of The Albemarle 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 of the College and component units for which the College's Board of Trustees is financially accountable. Although legally separate, The College of The Albemarle Foundation, Inc. (Foundation) is reported as if it were part of the College.

The Foundation is governed by a 22-member board. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the College of The Albemarle Board of Trustees and the Foundation's sole purpose is to benefit College of The Albemarle, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Business and Finance Office, P.O. Box 2327, Elizabeth City, NC 27909, or by calling (252) 335-0821. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

- 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 petty cash, cash on deposit with private bank accounts and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - This classification includes equity investments, mutual funds, money market funds and other asset holdings by the College. Except for money market funds and other asset holdings, investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase in the fair value of investments is recognized as a component of investment income.

Money market funds and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

- 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 State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

recorded at book value with no provision for doubtful accounts considered necessary.

- G. Inventories** – Inventories, consisting of postage, fuel oil, expendable supplies and merchandise for resale are valued at cost using the first-in, first-out method.
- H. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of 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. The College utilizes the North Carolina Community College System (NCCCS) Asset Useful Lives and Capitalization Limits guide for capitalization limits and asset useful lives. These useful lives are built into the NCCCS accounting software for assets purchased using State funds. The College makes the useful life determination using this guide for assets purchased using county, Foundation, and other sources of funding, generally 25 years for general infrastructure, 40 years for buildings, and 3 to 5 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 include split interest agreements and 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. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

M. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

N. Revenue and Expense Recognition – The College 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the College’s print shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. Funds Held in Trust by Others** - Funds held in trust by others are resources neither in the possession nor the control of the College, but held and administered by an outside organization, with the College deriving income from such funds. Such funds established under irrevocable trusts where the College has legally enforceable rights or claims in the future have not been recorded on the accompanying financial statements. These amounts are recorded as an asset and revenue when received by the College. At year end the amount held in irrevocable trusts by others for the College was \$811,691.80. Funds established under revocable trusts or where the trustees have discretionary power over distributions are recorded as revenue when distributions are received and resource provider conditions are satisfied.
- Q. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

county capital appropriation do not revert and are available for future use by the College.

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 \$1,930.00. The carrying amount of cash on deposit was \$1,392,423.81 and the bank balance was \$1,664,895.15. The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 885,825.30	\$ 885,825.30
Cash on Deposit with Private Financial Institutions	506,598.51	779,069.85
	<u>\$ 1,392,423.81</u>	<u>\$ 1,664,895.15</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are “readily convertible into cash.” All investments of the fund are held either by the Department of State Treasurer or agent in the State’s name. The fund’s uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, \$104,041.58 of the bank balance was covered by federal depository insurance and \$675,028.27 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

- B. Investments** – In addition to donated securities held by the College, 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 obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

A summary of the College's investments at June 30, 2003 is presented below:

	Fair Value			
	Risk Category			Total
	1	2	3	
Categorized Investments:				
Corporate Bonds	\$ 0.00	\$ 1,463,275.21	\$ 0.00	\$ 1,463,275.21
Corporate Stocks		1,854,874.66		1,854,874.66
Total Categorized Investments	\$ 0.00	\$ 3,318,149.87	\$ 0.00	3,318,149.87
Investments Not Categorized:				
Mutual Funds				63,368.13
Money Market Funds				259,198.34
Personal Property				1,600.00
Total Investments Not Categorized				324,166.47
Total Investments				\$ 3,642,316.34

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are separately invested. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. The Investment Committee approves award amounts for each year. Based on the December 31st scholarship endowment accounting report, the Investment Committee assesses the level of disbursements (normally 4.5% to 5% of the market value of the endowment fund which includes the restricted amounts) as the basis for determination of the next year's scholarship contribution to the College. The Investment Committee determines the level of contributions and whether said level should be raised or lowered in the interest of protecting long-term growth of the fund and maximizing College contributions. Every effort is made to keep individual scholarship awards at a constant or increasing level from year-to-year. The December 31, 2002 endowment balance was \$1,271,167.36 therefore allowing \$63,588.37 to be allocated to scholarships at 5%.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Receivables</u>
Current Receivables:	
Students	\$ 158,638.61
Accounts	43,530.56
Pledges	593,090.09
Investment Earnings	<u>2,722.89</u>
Total Current Receivables	<u><u>\$ 797,982.15</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - 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	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 2,403,135.17	\$ 0.00	\$ 0.00	\$ 2,403,135.17
Total Capital Assets, Nondepreciable	2,403,135.17			2,403,135.17
Capital Assets, Depreciable:				
Buildings	16,462,399.91	22,479.00		16,484,878.91
Machinery and Equipment	1,125,344.37	261,280.26	51,084.71	1,335,539.92
General Infrastructure	355,289.13	12,500.00		367,789.13
Total Capital Assets, Depreciable	17,943,033.41	296,259.26	51,084.71	18,188,207.96
Less Accumulated Depreciation:				
Buildings	3,029,482.32	428,518.60		3,458,000.92
Machinery and Equipment	758,402.98	122,540.85	51,084.71	829,859.12
General Infrastructure	317,270.54	4,589.46		321,860.00
Total Accumulated Depreciation	4,105,155.84	555,648.91	51,084.71	4,609,720.04
Total Capital Assets, Depreciable, Net	13,837,877.57	(259,389.65)		13,578,487.92
Capital Assets, Net	\$ 16,241,012.74	\$ (259,389.65)	\$ 0.00	\$ 15,981,623.09

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 67,667.49
Accrued Payroll	122,937.16
Total Accounts Payable and Accrued Liabilities	\$ 190,604.65

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
Split Interest Agreements	\$ 870,380.08	\$ 0.00	\$ 58,688.28	\$ 811,691.80	\$ 48,701.51
Compensated Absences	287,770.43	235,318.07	238,186.30	284,902.20	28,490.22
Total Long-Term Liabilities	<u>\$ 1,158,150.51</u>	<u>\$ 235,318.07</u>	<u>\$ 296,874.58</u>	<u>\$ 1,096,594.00</u>	<u>\$ 77,191.73</u>

NOTE 8 - LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 42,677.88
2005	<u>23,139.78</u>
Total Minimum Lease Payments	<u>\$ 65,817.66</u>

Rental expense for all operating leases during the year was \$41,634.84.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 1,918,148.12	\$ 0.00	\$ 761,499.28	\$ 1,156,648.84
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Print Shop	\$ 368,913.84	\$ 140,949.06	\$ 0.00	\$ 227,964.78

NOTE 10 - 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	\$ 5,491,517.08	\$ 775,936.61	\$ 335,833.94	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,603,287.63
Academic Support	762,648.63	31,787.99	49,533.40				843,970.02
Student Services	1,065,434.15	78,649.37	155,910.21				1,299,993.73
Institutional Support	1,232,938.61	144,465.04	343,141.58				1,720,545.23
Operations and Maintenance of Plant	508,900.75	500,568.96	966,282.81				1,975,752.52
Student Financial Aid			56,053.62	1,536,284.19	260,007.71		1,852,345.52
Auxiliary Enterprises	67,629.13	57,855.75	125,394.60		1,188.87		252,068.35
Depreciation						555,648.91	555,648.91
Total Operating Expenses	\$ 9,129,068.35	\$ 1,589,263.72	\$ 2,032,150.16	\$ 1,536,284.19	\$ 261,196.58	\$ 555,648.91	\$ 15,103,611.91

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$7,897,600.82, of which \$6,178,422.08 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$370,705.43. 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, \$322,779.25 and \$322,126.30, respectively.

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

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$30,555.00 for the year ended June 30, 2003.

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. The voluntary contributions by employees amounted to \$134,987.00 for the year ended June 30, 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College's total contribution to the Plan was \$145,192.92. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. Long-Term Disability -** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$32,127.79. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years. Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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. Employees paid entirely from county and institutional funds are covered by commercial insurance with coverage of \$50,000 per occurrence.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Community College General Obligation Bonds – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds 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 \$6,488,769.72 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.

**College of The Albemarle
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
Projects Approved by the State Board							
D. F. Walker Public School Takeover Renovation #1241	May 2003	\$ 905,612.00	\$ 0.00	\$ 905,612.00	\$ 0.00		Dec 2004
Allied Health and Wellness Center #1247	Jul 2002	3,573,438.00		3,573,438.00	267,248.28	7.48%	Jun 2004
Land Acquisition and Renovation of Riverside Center #1315	Oct 2003	43,000.00		43,000.00			Dec 2003
Projects Not Started - To Be Funded in Future Years							
Vocational Training Center	Jan 2005	500,000.00		500,000.00			Jul 2006
Building A Roofing, Carpeting, and Painting (Bundled)	Jul 2004	100,000.00		100,000.00			Jul 2005
External Signage	Jul 2004	50,000.00		50,000.00			Jul 2005
Marine Science Classroom/Laboratory	Sep 2004	50,000.00		50,000.00			Mar 2005
Cosmetology Program Area Renovation	Sep 2004	50,000.00		50,000.00			Mar 2005
Building A and Building C Roof Repairs #1197	Jul 2005	386,000.00		386,000.00			Mar 2006
Upgrade Parking Areas	Aug 2005	225,000.00		225,000.00			Feb 2006
Community Center Repairs and Renovations	Jul 2005	50,000.00		50,000.00			Jan 2006
Student Services Area Renovation	Mar 2006	250,000.00		250,000.00			Nov 2006
Learning Resources Center Renovation (Dare)	Jul 2005	50,000.00		50,000.00			Jan 2006
Learning Resources Center Renovation	Mar 2006	250,000.00		250,000.00			Nov 2006
Individual Insignificant Repairs and Renovations	Jul 2005	42,724.00		42,724.00			Jan 2006
Upgrade Science Classrooms and Laboratories	Jul 2005	150,000.00		150,000.00			Jan 2006
Individual Insignificant Repairs and Renovations	Jul 2005	80,244.00		80,244.00			Jan 2006
Total All Projects		\$ 6,756,018.00	\$ 0.00	\$ 6,756,018.00	\$ 267,248.28		
<p>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.</p>							

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April 2, 2004

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