



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

CRAVEN COMMUNITY COLLEGE

NEW BERN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

CRAVEN COMMUNITY COLLEGE

NEW BERN, 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, Craven Community College

This report presents the results of our financial statement review of Craven Community College, 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 Craven Community College. 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 Craven Community College. Our reporting objectives and review results are:

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

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

REVIEWER'S TRANSMITTAL (CONCLUDED)

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

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

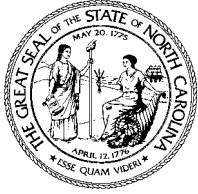
North Carolina General Statutes require the State Auditor to make reports available to the public. Copies of review reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink, reading "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Craven Community College
New Bern, North Carolina

We have reviewed the accompanying Statement of Net Assets of Craven Community College, 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 cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.
State Auditor

May 10, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Using This Annual Report

The new financial statements (implemented in the fiscal year ended June 30, 2002) focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the College. This Statement, for the first time, combines and consolidates, current financial resources (short-term consumable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities which are supported mainly by State, local, federal and other revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

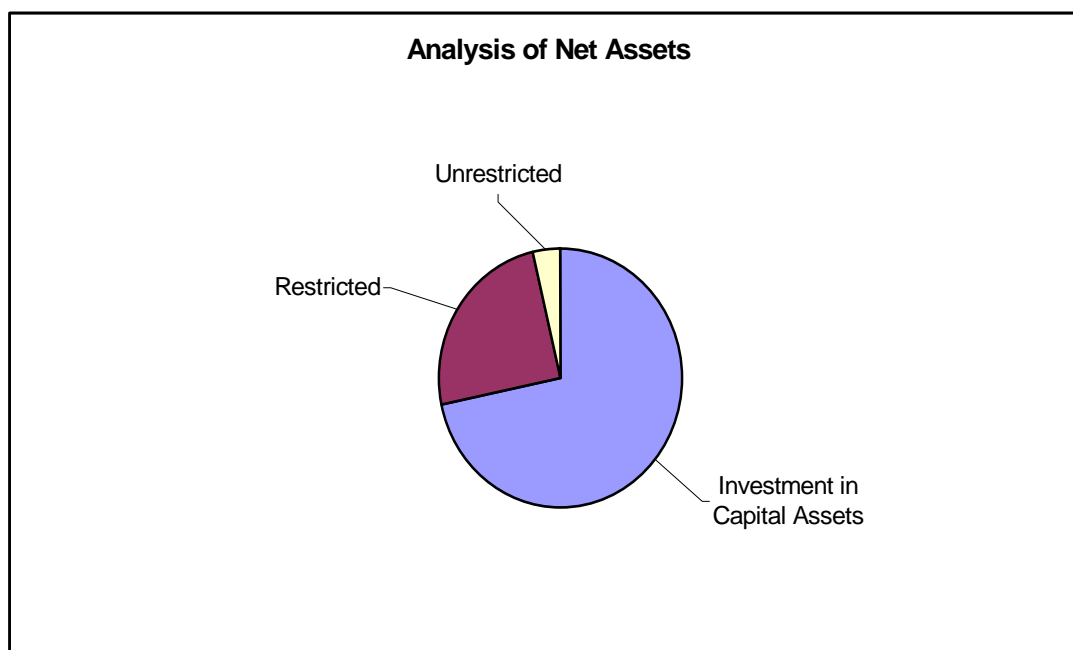
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the College as a Whole

Analysis of Net Assets June 30, (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Assets:				
Investment in Capital Assets, Net of Related Debt	\$ 17.09	\$ 13.66	\$ 3.43	25.11%
Restricted	5.92	7.19	(1.27)	-17.66%
Unrestricted	0.84	0.56	0.28	50.00%
Total	<u>\$ 23.85</u>	<u>\$ 21.41</u>	<u>\$ 2.44</u>	

The following is a graphic illustration of net assets:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Net Assets June 30, (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 2.77	\$ 2.21	\$ 0.56	25.34%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	17.20	14.24	2.96	20.79%
Other	<u>5.56</u>	<u>6.22</u>	<u>(0.66)</u>	-10.61%
Total Assets	<u>25.53</u>	<u>22.67</u>	<u>2.86</u>	
Current Liabilities	1.25	0.89	0.36	40.45%
Noncurrent Liabilities	<u>0.43</u>	<u>0.37</u>	<u>0.06</u>	16.22%
Total Liabilities	<u>1.68</u>	<u>1.26</u>	<u>0.42</u>	
Net Assets:				
Investment in Capital Assets	17.09	13.66	3.43	25.11%
Restricted	5.92	7.19	(1.27)	-17.66%
Unrestricted	<u>0.84</u>	<u>0.56</u>	<u>0.28</u>	50.00%
Total Net Assets	<u>\$ 23.85</u>	<u>\$ 21.41</u>	<u>\$ 2.44</u>	

These schedules were prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Depreciation expense was recorded due to implementation of GASB 34 and 35.

As of June 30, 2003 the College's net assets have increased to \$23.85 million from \$21.41 million at June 30, 2002. The increase is due in part to an increase in State and county funding for the Havelock Construction Project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Results for the Years Ended June 30, (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Tuition and Fees	\$ 2.28	\$ 1.67	\$ 0.61	36.47%
Federal Grants and Contracts	2.86	2.60	0.26	10.04%
State Grants and Contracts	0.12	0.20	(0.08)	-41.00%
Auxiliary	1.18	1.07	0.11	9.81%
Total	<u>6.43</u>	<u>5.54</u>	<u>0.89</u>	
Less Operating Expenses	18.16	16.26	1.90	
Net Operating loss	(11.73)	(10.72)	(1.01)	
Nonoperating Revenues:				
State Aid	8.91	8.41	0.50	5.95%
County Appropriations	2.78	3.11	(0.33)	-10.61%
Investment Income	0.18	0.22	(0.04)	-18.18%
Other	2.30	1.11	1.19	107.21%
Total	<u>14.17</u>	<u>12.85</u>	<u>1.32</u>	
Increase in Net Assets	2.44	2.13	0.31	14.69%
Net Assets, July 1, as Restated	21.41	19.28	2.13	11.05%
Net Assets, End of Year	<u>23.85</u>	<u>21.41</u>	<u>2.44</u>	11.41%
Total Revenues	<u>\$ 20.60</u>	<u>\$ 18.39</u>	<u>\$ 2.21</u>	

Operating Expenses For the Years Ended June 30, (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Expense:				
Personal Services	\$ 10.73	\$ 10.43	\$ 0.30	2.88%
Supplies and Materials	2.05	1.49	0.56	37.58%
Services	1.98	1.37	0.61	44.53%
Scholarships/Fellowships	2.39	1.91	0.48	25.13%
Utilities	0.48	0.54	(0.06)	-11.11%
Depreciation	0.53	0.52	0.01	1.92%
Total	<u>\$ 18.16</u>	<u>\$ 16.26</u>	<u>\$ 1.90</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

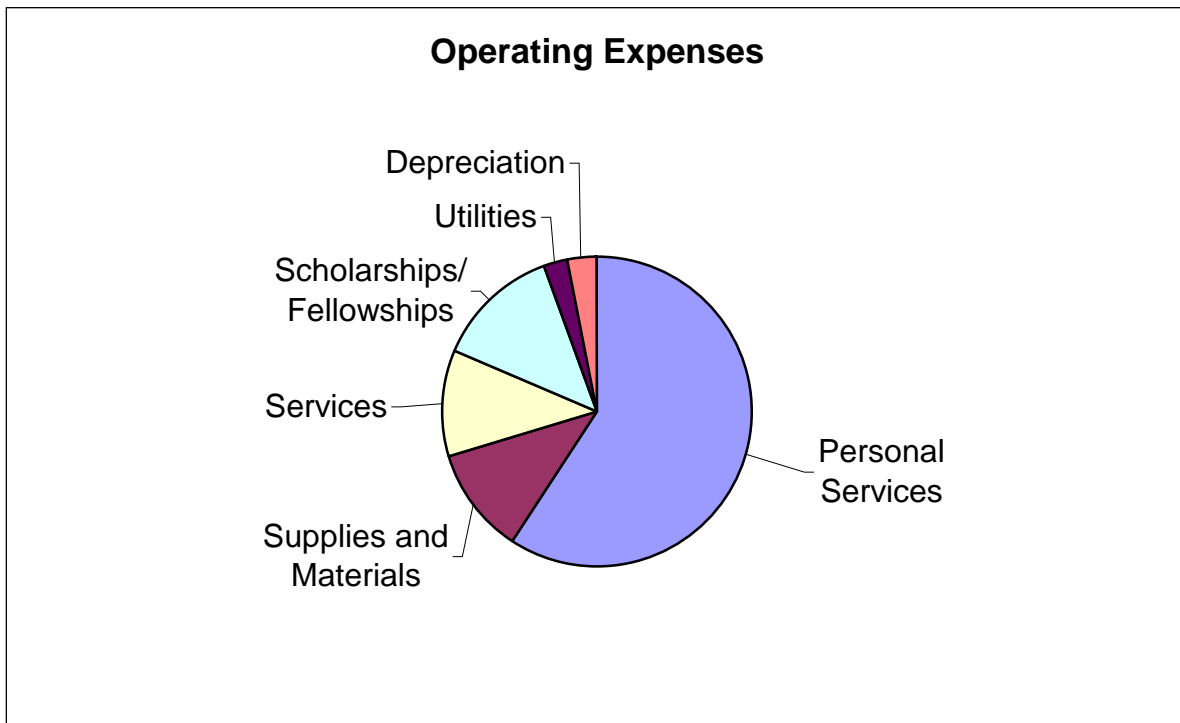
These schedules were prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets.

Operating expenses at June 30, 2003 increased from fiscal year 2002. This increase was caused primarily by an increase in supplies, current services and scholarships.

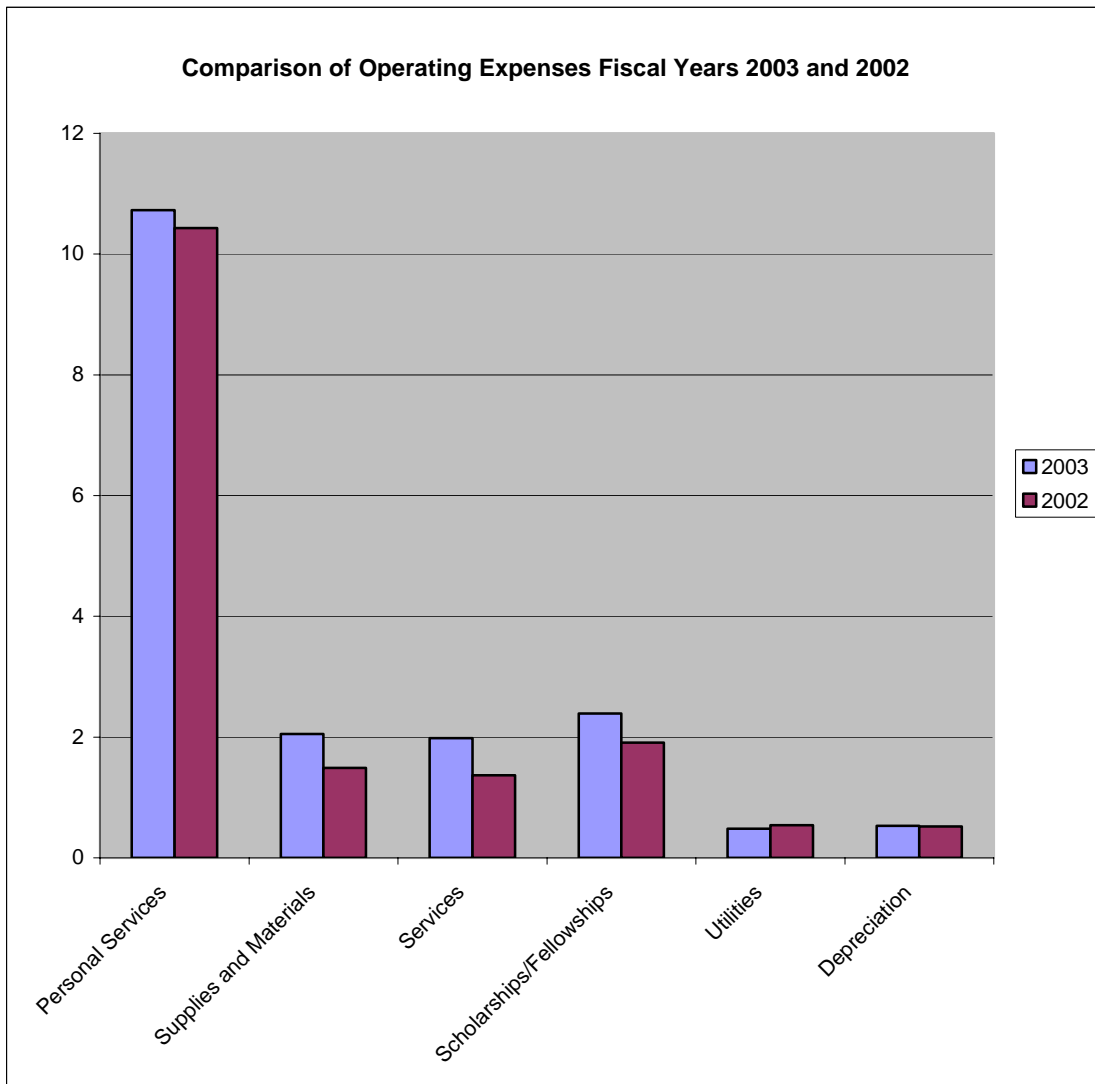
Total revenues increased \$2.21 million, which includes a \$1.28 million increase in State grants and contracts as a result of the Havelock building project.

These schedules are prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The following is a graphic illustration of operating expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



Capital Assets

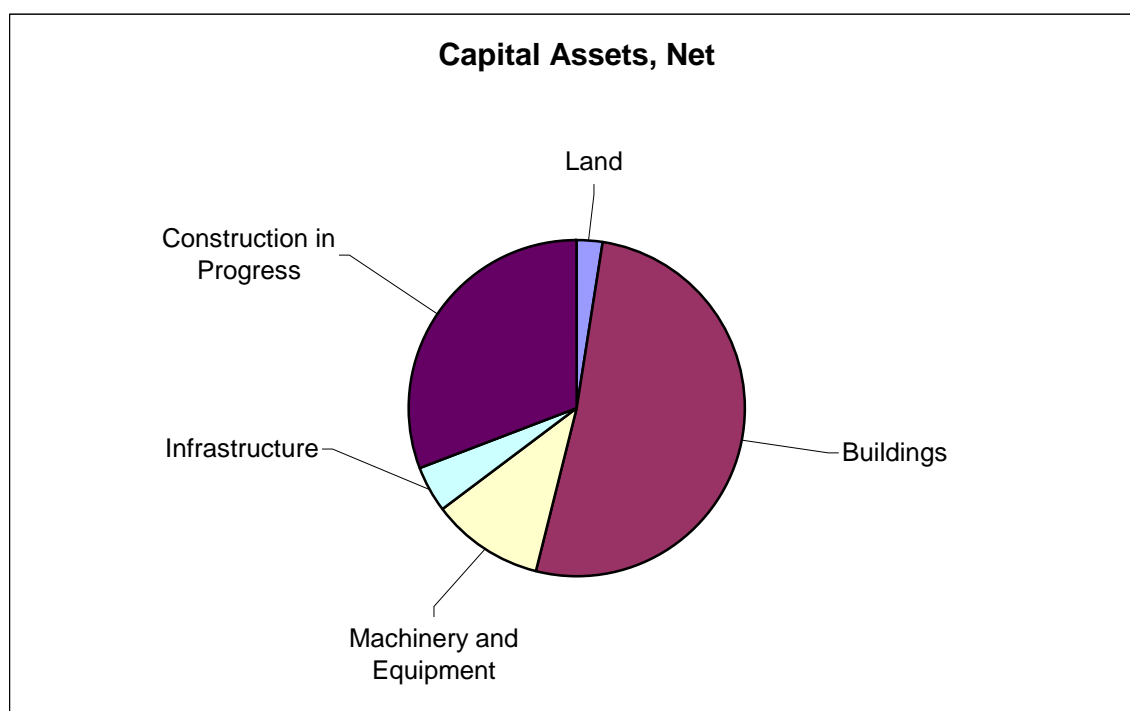
As of June 30, 2003 the College had recorded \$23.22 million invested in capital assets, \$6.02 million in accumulated depreciation and \$17.2 million in net capital assets. Construction in progress consists of three buildings at the Havelock campus. The buildings are the Institute of Aeronautical Technology, a general classroom building and a library.

The College had long-term debt of \$0.53 million as of June 30, 2003. This balance consists of a note payable of \$0.1 million in which \$0.1 million is classified as current. Long-term debt also includes accrued vacation of \$0.43 million of which \$0.01 million is shown as current.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Assets, Net For Years Ended June 30, (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Assets:				
Land	\$ 0.60	\$ 0.60	\$ 0.00	
Buildings	11.94	11.53	0.41	3.56%
Machinery and Equipment	2.50	2.14	0.36	16.82%
Infrastructure	0.99	0.94	0.05	5.32%
Construction in Progress	7.19	4.57	2.62	57.33%
Total	23.22	19.78	3.44	
Less Accumulated Depreciation	6.02	5.54	0.48	8.66%
Net Capital Assets	<u>\$ 17.20</u>	<u>\$ 14.24</u>	<u>\$ 2.96</u>	



Craven Community College		
Statement of Net Assets		
June 30, 2003		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	29,980.01
Restricted Cash and Cash Equivalents		1,005,575.60
Receivables, Net (Note 4)		942,881.50
Due from State of North Carolina Component Units		350,000.00
Inventories		440,691.64
Notes Receivable, Net (Note 4)		3,865.91
Total Current Assets		2,772,994.66
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		3,228,488.76
Receivables, Net (Note 4)		481,080.02
Restricted Due from Primary Government		774,593.05
Endowment Investments		1,072,537.20
Capital Assets - Nondepreciable (Note 5)		7,784,040.84
Capital Assets - Depreciable, Net (Note 5)		9,413,942.84
Total Noncurrent Assets		22,754,682.71
Total Assets		25,527,677.37
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		1,011,724.10
Deferred Revenue		93,173.68
Funds Held for Others		36,365.21
Long-Term Liabilities - Current Portion (Note 7)		105,312.03
Total Current Liabilities		1,246,575.02
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		428,758.78
Total Noncurrent Liabilities		428,758.78
Total Liabilities		1,675,333.80
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		17,097,983.68
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		1,234,230.32
Expendable:		
Scholarships and Fellowships		(129,839.05)
Loans		11,731.91
Capital Projects		4,124,094.19
Other		675,822.68
Unrestricted		838,319.84
Total Net Assets	\$	23,852,343.57
The accompanying notes to the financial statements are an integral part of this statement.		

Craven 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 8)	\$	2,279,079.67
Federal Grants and Contracts		2,861,133.71
State and Local Grants and Contracts		118,180.15
Sales and Services, Net (Note 8)		1,175,519.16
Total Operating Revenues		6,433,912.69
EXPENSES		
Operating Expenses:		
Personal Services		10,734,137.03
Supplies and Materials		2,046,054.95
Services		1,984,275.19
Scholarships and Fellowships		2,391,203.97
Utilities		476,452.39
Depreciation		532,619.17
Total Operating Expenses		18,164,742.70
Operating Loss		(11,730,830.01)
NONOPERATING REVENUES		
State Aid		7,648,357.21
County Appropriations		2,067,588.00
Noncapital Grants		1,297,423.83
Noncapital Gifts, Net		608,428.68
Investment Income, Net		180,357.75
Other Nonoperating Revenues		35,843.66
Net Nonoperating Revenues		11,837,999.13
Income Before Other Revenues, Expenses, Gains, and Losses		107,169.12
State Capital Aid		1,265,125.21
County Capital Appropriations		716,309.00
Capital Grants		350,000.00
Increase in Net Assets		2,438,603.33
NET ASSETS		
Net Assets, July 1, 2002 as Restated (Note 14)		21,413,740.24
Net Assets, June 30, 2003	\$	23,852,343.57
The accompanying notes to the financial statements are an integral part of this statement.		

Craven Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2003		Exhibit C
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	5,795,184.97
Payments to Employees and Fringe Benefits		(10,523,576.80)
Payments to Vendors and Suppliers		(4,686,549.40)
Payments for Scholarships and Fellowships		(2,382,717.29)
Loans Issued to Students		(23,000.00)
Collection of Loans to Students		19,460.55
Other Receipts		59,633.56
Net Cash Used by Operating Activities		(11,741,564.41)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		7,648,357.21
County Appropriations		2,067,588.00
Noncapital Grants Received		1,290,597.51
Noncapital Gifts and Endowments Received		593,055.10
Net Cash Provided by Noncapital Financing Activities		11,599,597.82
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		1,027,648.30
County Capital Appropriations		716,309.00
Capital Grants Received		(341,309.00)
Acquisition and Construction of Capital Assets		(3,225,107.39)
Principal Paid on Capital Debt and Leases		(100,000.00)
Net Cash Used by Capital and Related Financing Activities		(1,922,459.09)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		679,544.67
Investment Income		384,650.36
Purchase of Investments and Related Fees		(849,091.87)
Net Cash Provided by Investing Activities		215,103.16
Net Decrease in Cash and Cash Equivalents		(1,849,322.52)
Cash and Cash Equivalents, July 1, 2002		6,113,366.89
Cash and Cash Equivalents, June 30, 2003	\$	4,264,044.37

Craven Community College	
Statement of Cash Flows	Exhibit C
For the Fiscal Year Ended June 30, 2003	Page 2
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (11,730,830.01)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	532,619.17
Provision for Uncollectible Loans and Write-Offs	1,112.78
Miscellaneous Nonoperating Income	35,843.66
Changes in Assets and Liabilities:	
Receivables, Net	(638,162.50)
Inventories	(185,898.43)
Notes Receivable, Net	(3,539.45)
Accounts Payable and Accrued Liabilities	77,138.05
Funds Held for Others	31,711.36
Compensated Absences	138,440.96
Net Cash Used by Operating Activities	\$ (11,741,564.41)
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Current Assets:	
Cash and Cash Equivalents	\$ 29,980.01
Restricted Cash and Cash Equivalents	1,005,575.60
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,228,488.76
Total Cash and Cash Equivalents - June 30, 2003	\$ 4,264,044.37
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Assets Acquired through Assumption of a Liability	\$ 269,902.89
Change in Fair Value of Investments	(173,576.44)
Capital Asset Write-Offs	47,874.93
Increase in Receivables Related to Nonoperating Income	944,159.49
The accompanying notes to the financial statements are an integral part of this statement.	

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**CRAVEN 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. Craven 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 of the College and component units for which the College's Board of Trustees is financially accountable. Although legally separate, Craven Community College Foundation, Inc. and Public Radio East Foundation are reported as if they were part of the College.

The Craven Community College Foundation, Inc. is governed by a board of at least 24 and not more than 30 members. 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. The Public Radio East Foundation is governed by a board of at least 15 and not more than 25 members. The Foundation's purpose is to perform the functions of and to carry out the purposes of Public Radio East, a public radio station that is operated as part of Craven Community College. Because the elected directors of the Foundations are appointed by the members of the Craven Community College Board of Trustees and the Foundations' sole purpose is to benefit Craven Community College, their financial statements have been blended with those of the College.

Separate financial statements for the Foundations may be obtained from the College Controller's Office, 800 College Court, New Bern, NC 28562, or by calling (252) 638-7304. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

- 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, 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 mutual funds held by the College. Investments are accounted for at fair value, as determined by quoted market prices, or an amount determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- 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, and pledges that are verifiable, measurable, and expected to be collected and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** – Inventories held by the College other than the Bookstore are valued at cost using the last invoice cost method. The Bookstore inventories held by the College are valued using the moving weighted average cost 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 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.

The College does not capitalize the Godwin Library collection. This collection adheres to the College's policy to maintain for public exhibition, education or research; protect, keep unencumbered, care for and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

- 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 notes payable 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 January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 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, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

Restricted Net Assets – Expendable – Expendable restricted net assets include resources 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

\$2,950.00. The carrying amount of cash on deposit was \$4,261,094.37 and the bank balance was 4,818,321.68.

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	\$ 4,068,862.72	\$ 4,340,098.61
Cash on Deposit with Private Financial Institutions	192,231.65	478,223.07
	<u>\$ 4,261,094.37</u>	<u>\$ 4,818,321.68</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.

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, \$200,000.00 of the bank balance was covered by federal depository insurance, and \$278,233.07 was covered by collateral held by an

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

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

Investments of the College's component units, Craven Community College Foundation, Inc. and Public Radio East 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.

At June 30, 2003, the College held mutual funds in the amount of \$1,072,537.20, which are not subject to categorization of custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 6% of the endowment principal's market value. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the income for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the College uses accumulated income from restricted, expendable net asset endowment balances to make up the difference.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 795,047.56	\$ 2,866.64	\$ 792,180.92
Accounts	18,969.35		18,969.35
Intergovernmental	70,220.51		70,220.51
Pledges	50,191.06	3,011.00	47,180.06
Investment Earnings	3,186.87		3,186.87
Other	11,143.79		11,143.79
Total Current Receivables	<u>\$ 948,759.14</u>	<u>\$ 5,877.64</u>	<u>\$ 942,881.50</u>
Noncurrent Receivables:			
Investment Earnings	\$ 9,693.02	\$ 0.00	\$ 9,693.02
Intergovernmental	471,387.00		471,387.00
Total Noncurrent Receivables	<u>\$ 481,080.02</u>	<u>\$ 0.00</u>	<u>\$ 481,080.02</u>
Notes Receivables:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 4,251.91</u>	<u>\$ 386.00</u>	<u>\$ 3,865.91</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	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	\$ 596,500.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 596,500.00
Construction in Progress	4,562,284.03	(393,103.76)	3,018,360.57		7,187,540.84
Total Capital Assets, Nondepreciable	5,158,784.03	(393,103.76)	3,018,360.57		7,784,040.84
Capital Assets, Depreciable:					
Buildings	11,532,163.87	393,103.76	12,676.35		11,937,943.98
Machinery and Equipment	2,143,594.49		401,685.16	47,874.93	2,497,404.72
General Infrastructure	936,635.92		62,288.20		998,924.12
Total Capital Assets, Depreciable	14,612,394.28	393,103.76	476,649.71	47,874.93	15,434,272.82
Less Accumulated Depreciation:					
Buildings	3,945,941.97		299,095.00		4,245,036.97
Machinery and Equipment	1,100,635.16		190,375.67	47,874.93	1,243,135.90
General Infrastructure	489,008.61		43,148.50		532,157.11
Total Accumulated Depreciation	5,535,585.74		532,619.17	47,874.93	6,020,329.98
Total Capital Assets, Depreciable, Net	9,076,808.54	393,103.76	(55,969.46)		9,413,942.84
Capital Assets, Net	\$ 14,235,592.57	\$ 0.00	\$ 2,962,391.11	\$ 0.00	\$ 17,197,983.68

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 420,708.76
Accrued Payroll	263,401.15
Contract Retainage	296,861.08
Other	30,753.11
Total Accounts Payable and Accrued Liabilities	\$ 1,011,724.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in 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
Notes Payable	\$ 200,000.00	\$ 0.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
Compensated Absences	295,629.85	510,363.62	371,922.66	434,070.81	5,312.03
Total Long-Term Liabilities	\$ 495,629.85	\$ 510,363.62	\$ 471,922.66	\$ 534,070.81	\$ 105,312.03

B. Notes Payable - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2003	Principal Outstanding 06/30/2003
Purchase of Bldg. G	Craven Regional Medical Authority	0%	12/21/2003	<u>\$ 400,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 100,000.00</u>

The annual requirements to pay principal on the notes payable at June 30, 2003 are as follows:

Fiscal Year	Amount
2004	<u>\$ 100,000.00</u>

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	<u>\$ 2,858,127.90</u>	<u>\$ 577,040.24</u>	<u>\$ 2,007.99</u>	<u>\$ 2,279,079.67</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 1,129,183.73	\$ 4,211.09	\$ 858.65	\$ 1,124,113.99
Other	<u>54,416.17</u>		<u>3,011.00</u>	<u>51,405.17</u>
Total Sales and Services	\$ 1,183,599.90	\$ 4,211.09	\$ 3,869.65	\$ 1,175,519.16

NOTE 9 - OPERATING EXPENSES BY FUNCTION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 5,123,152.59	\$ 459,201.54	\$ 412,078.42	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,994,432.55
Public Service	526,645.19	75,016.67	442,816.42		32,487.12		1,076,965.40
Academic Support	1,938,125.07	187,309.80	36,421.14				2,161,856.01
Student Services	744,968.97	13,560.21	44,728.11				803,257.29
Institutional Support	1,415,864.44	160,001.82	550,817.50				2,126,683.76
Operations and Maintenance of Plant	728,798.35	264,222.88	367,370.69		443,965.27		1,804,357.19
Student Financial Aid	93,762.77		45,188.46	2,391,203.97			2,530,155.20
Auxiliary Enterprises	162,819.65	886,742.03	84,854.45				1,134,416.13
Depreciation						532,619.17	532,619.17
Total Operating Expenses	<u>\$ 10,734,137.03</u>	<u>\$ 2,046,054.95</u>	<u>\$ 1,984,275.19</u>	<u>\$ 2,391,203.97</u>	<u>\$ 476,452.39</u>	<u>\$ 532,619.17</u>	<u>\$ 18,164,742.70</u>

NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members.

For the year ended June 30, 2003, the College had a total payroll of \$9,163,824.95 of which \$6,955,252.17 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$417,315.79. 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, \$139,087.82, and \$379,552.08, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$66,076.30 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. 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). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2003 were \$3,422.19. The voluntary contributions by employees amounted to \$121,438.00 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 \$47,138.00 for the year ended June 30, 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Care for Long-Term Disability Beneficiaries and Retirees -

The College participates in State-administered programs, which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College's total contribution to the Plan was \$163,448.43. 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 \$36,167.31. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 12 - RISK MANAGEMENT

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

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 contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. Losses for employees paid from county and institutional funds are covered under a private insurance policy.

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 (CONTINUED)

NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$793,395.07 and on other purchases were \$98,185.13 at June 30, 2003.
- B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds were authorized for issuance over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO) establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization of \$5,568,776.00 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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	\$ 21,402,391.63
Other Restatements (Error in prior year reporting of investments)	<u>11,348.61</u>
July 1, 2002 Net Assets as Restated	<u><u>\$ 21,413,740.24</u></u>

Craven Community College							
Schedule of General Obligation Bond Project Authorizations,							
Budgets, and Expenditures							
For Project-to-Date as of June 30, 2003							
							Schedule 1
	Projected	General		Total			Expected
	Start	Obligation Bonds	Other	Project	Amount	Percent	Completion
Capital Improvement Projects	Date	Authorized	Sources	Budget	Expended	Completed	Date
Projects Started							
907B - Havelock Campus Classroom/Library Bldg.	Nov 2000	\$ 1,900,000.00	\$ 1,900,000.00	\$ 3,800,000.00	\$ 3,453,943.51	90.89%	Jan 2004
1076 - Maintenance Building/Roadway and Parking	May 2003	1,375,022.00		1,375,022.00	3,995.00	0.29%	Nov 2004
1268 - Technology Building	Mar 2003	2,925,711.00	2,000,000.00	4,925,711.00	10,945.00	0.22%	Jul 2006
Projects Approved by the State Board							
1336 - Addition to Kelso Hall	Jul 2003	100,000.00	300,000.00	400,000.00			Sep 2004
1243 - Reroof Building B	Dec 2003	250,000.00		250,000.00			May 2004
1244 - Reroof Building G	Dec 2003	250,000.00		250,000.00			May 2004
1246 - Renovate Student Lounge/Bookstore	Jul 2004	264,000.00		264,000.00			Jun 2006
Projects Pending Approval by the State Board							
Replace Chillers, Air Handlers, Small Renovation (Bundled)	Jul 2004	384,175.00		384,175.00			Aug 2005
Total All Projects		\$ 7,448,908.00	\$ 4,200,000.00	\$ 11,648,908.00	\$ 3,468,883.51		
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.							

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June 22, 2004

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