



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT REVIEW REPORT OF DURHAM TECHNICAL COMMUNITY COLLEGE

DURHAM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT REVIEW REPORT OF**

**DURHAM TECHNICAL COMMUNITY COLLEGE**

**DURHAM, NORTH CAROLINA**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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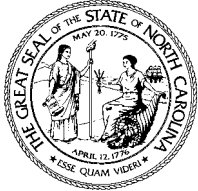
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Ralph Campbell, Jr.  
State Auditor

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## REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Durham Technical 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 *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 Durham Technical 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 Durham Technical 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)

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

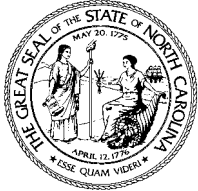


Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Durham Technical Community College  
Durham, North Carolina

We have reviewed the accompanying Statement of Net Assets of Durham Technical 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 19, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

This part of the financial report, Management's Discussion and Analysis, provides an introduction and overview to assist the reader in interpreting and understanding the basic financial statements. This overview includes comparative financial analysis with discussion of significant changes from the prior year, as well as, a discussion of currently known facts, decisions, and conditions. This information is provided by the College's financial management in conjunction with the issuance of the accompanying financial statements.

### Using the Financial Statements

The financial statements of the College provide information regarding its financial position and results of operations as of the report date. The *Statement of Net Assets* is used to evaluate the College's financial position; and the *Statement of Revenues, Expenses, and Changes in Net Assets* is used to evaluate its results of operations. These two financial statements are inter-related in that the accounting transactions associated with the College's activities are reflected on both statements. One side of the transaction records the effect on assets and liabilities, while the other side records the effect on revenue and expenses. These statements are articulated by agreeing the end net assets balance reported on both statements.

The financial statements also include a *Statement of Cash Flows*. This Statement is used to identify the College's sources and uses of cash for operating activities, noncapital financing activities, capital financing activities, and investing activities. This Statement articulates with the other statements by agreeing the ending cash reported to the *Statement of Net Assets* and the net operating loss reported to the *Statement of Revenues, Expenses, and Changes in Net Assets*.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with the GASB, the financial statements are presented on the College as a whole and are similar to that required of a business enterprise. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balance. These new statements were effective beginning with fiscal year 2002.

In using the financial statements, the *Note Disclosures* accompanying the financial statements should be read in conjunction with the financial statements. The note disclosures provide information regarding the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on long-term liabilities, detailed information on accounts receivable, accounts payable, revenues, and expenses, required information on pension plans and other post employment benefits, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the College's financial statement period. Overall, these disclosures provide information to better understand details, risk, and uncertainty associated with amounts reported in the financial statements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Statement of Net Assets

The *Statement of Net Assets* provides information regarding the College's assets, liabilities, and net assets as of June 30, 2003. The assets and liability balances are classified as either current or noncurrent. Assets classified as current are those that are available to pay for current liabilities or as current year expenditures. Liabilities classified as current are those that are due or payable in the next fiscal year. The net assets balances are classified as either invested in capital assets (net of related debt), restricted or unrestricted. In addition, net assets classified as restricted are classified as either nonexpendable or expendable. Overall, the *Statement of Net Assets* provides information to evaluate the financial strength of the College and its ability to meet current and long-term obligations.

Following is a comparative analysis of the condensed balances reported in the *Statement of Net Assets* as of June 30, 2003 and 2002.

<b>Condensed Statement of Net Assets</b>				
	2003	2002	Change	Percent Change
<b>ASSETS</b>				
Current Assets	\$ 1,310,941.81	\$ 1,102,390.90	\$ 208,550.91	18.92%
Capital Assets, Net	16,060,247.47	16,337,745.88	(277,498.41)	(1.70%)
Other Noncurrent Assets	518,096.38	620,154.71	(102,058.33)	(16.46%)
Total Assets	17,889,285.66	18,060,291.49	(171,005.83)	(0.95%)
<b>LIABILITIES</b>				
Current Liabilities	421,871.63	258,091.36	163,780.27	63.46%
Noncurrent Liabilities	947,550.79	688,671.56	258,879.23	37.59%
Total Liabilities	1,369,422.42	946,762.92	422,659.50	44.64%
<b>NET ASSETS</b>				
Invested in Capital Assets	16,060,247.47	16,337,745.88	(277,498.41)	(1.70%)
Restricted for:				
Expendable	552,704.88	744,454.05	(191,749.17)	(25.76%)
Unrestricted	(93,089.11)	31,328.64	(124,417.75)	(397.14%)
Total Net Assets	\$ 16,519,863.24	\$ 17,113,528.57	\$ (593,665.33)	(3.47%)

Assets at June 30, 2003 totaled \$17,889,285.66, a decrease of \$171,005.83 or .95% less than the previous year. The overall decrease was primarily attributable to a decrease in capital assets since the increase in accumulated depreciation exceeded the increase in total assets. Current assets, primarily cash, increased by \$208,550.91.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Liabilities at June 30, 2003 totaled \$1,369,422.42, an increase of \$422,659.50 or 44.64% over the previous year. This is attributable primarily to an increase in compensated absences and an increase in payables due to construction invoices as of June 30th.

The College's financial position remains relatively unchanged with a 3.47% decrease in its net assets over the previous year. Current assets are more than sufficient to cover current liabilities with a ratio of 3.11% as compared to 4.28% in the prior year. The College's total assets excluding capital assets, net of depreciation, are more than sufficient to cover total liabilities with a ratio of 1.34% as compared to 1.82% in the prior year. The College's total assets are significantly more than the College's liabilities with a ratio of 13.06% as compared to 19.08% in the prior year.

Current assets consist primarily of cash, receivables, and inventories. Noncurrent assets consist primarily of capital assets and cash. The largest changes are that receivables and due from primary government were much less than the previous year and the College has a larger quantity of cash and inventory on hand this year. The decrease in capital assets, net is due to the amount classified as depreciation expense and added to accumulated depreciation being greater than the amount expended for capital assets.

The chart below compares the College's assets as of June 30, 2003 with June 30, 2002.

	2003	2002	Percent Change
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 883,299.87	\$ 720,755.51	22.55%
Restricted Cash and Cash Equivalents	135,007.18		
Restricted Short-Term Investments	9,203.78	9,084.13	1.32%
Receivables, Net	213,144.79	317,620.28	(32.89%)
Inventories	70,286.19	54,930.98	27.95%
<b>Total Current Assets</b>	<b>1,310,941.81</b>	<b>1,102,390.90</b>	<b>18.92%</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	435,334.38	503,337.63	(13.51%)
Restricted Due from Primary Government	82,762.00	116,817.08	(29.15%)
Capital Assets, Net	16,060,247.47	16,337,745.88	(1.70%)
<b>Total Noncurrent Assets</b>	<b>16,578,343.85</b>	<b>16,957,900.59</b>	<b>(2.24%)</b>
<b>Total Assets</b>	<b>\$ 17,889,285.66</b>	<b>\$ 18,060,291.49</b>	<b>(0.95%)</b>

Current liabilities consist primarily of accounts payables and accrued liabilities. Noncurrent liabilities consist primarily of long-term liabilities. The only long-term liability that the College has is for compensated absences.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The chart below compares the College's liabilities as of June 30, 2003 with June 30, 2002.

	<u>2003</u>	<u>2002</u>	<u>Percent Change</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 331,965.68	\$ 98,756.86	236.14%
Due to Primary Government	2,898.07	3,633.91	(20.25%)
Funds Held for Others	48,334.58	58,435.12	(17.29%)
Long-Term Liabilities - Current Portion	<u>38,673.30</u>	<u>97,265.47</u>	<u>(60.24%)</u>
 Total Current Liabilities	 <u>421,871.63</u>	 <u>258,091.36</u>	 <u>63.46%</u>
Noncurrent Liabilities:			
Funds Held for Others	27,177.02	14,026.02	93.76%
Long-Term Liabilities	<u>920,373.77</u>	<u>674,645.54</u>	<u>36.42%</u>
 Total Noncurrent Liabilities	 <u>947,550.79</u>	 <u>688,671.56</u>	 <u>37.59%</u>
 Total Liabilities	 <u><u>\$ 1,369,422.42</u></u>	 <u><u>\$ 946,762.92</u></u>	 <u><u>44.64%</u></u>

### Statement of Revenues, Expenses, and Changes in Net Assets

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information regarding the College's activities for the year ending June 30, 2003. The activity balances are classified as operating, nonoperating, or other. Activities classified as operating include all revenues of the College except those considered nonoperating, or those associated with funds received to enhance capital assets or permanent endowments, and all expenses except those related to interest expense on financial activities, loss on disposal of capital assets, and investment expenses (shown as net against investment income). Activities classified as nonoperating include State aid, county appropriations, noncapital gifts and grants revenue, and investment income (net investment expenses). Activities classified as other include capital gifts or grants. Overall, the *Statement of Revenues, Expenses, and Changes in Net Assets* provided information to evaluate the College's management of operations and maintenance of financial strength.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Following is a comparative analysis of the condensed balances reported on the *Statement of Revenues, Expenses, and Changes in Net Assets* for the fiscal years June 30, 2003 and 2002.

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2003	2002	Change	Percent Change
Operating Revenues	\$ 7,044,437.68	\$ 6,429,909.76	\$ 614,527.92	9.56%
Operating Expenses	(24,764,451.62)	(22,770,975.64)	(1,993,475.98)	8.75%
Operating Loss	(17,720,013.94)	(16,341,065.88)	(1,378,948.06)	8.44%
Nonoperating Revenues	16,123,645.87	15,712,471.27	411,174.60	2.62%
Loss Before Other Revenues and Expenses	(1,596,368.07)	(628,594.61)	(967,773.46)	153.96%
Other Revenues	1,002,702.74	1,014,331.87	(11,629.13)	(1.15%)
Increase (Decrease) in Net Assets	(593,665.33)	385,737.26	(979,402.59)	(253.90%)
Net Assets, July 1	17,113,528.57	16,727,791.31	385,737.26	2.31%
Net Assets, June 30	<u>\$ 16,519,863.24</u>	<u>\$ 17,113,528.57</u>	<u>\$ (593,665.33)</u>	<u>(3.47%)</u>

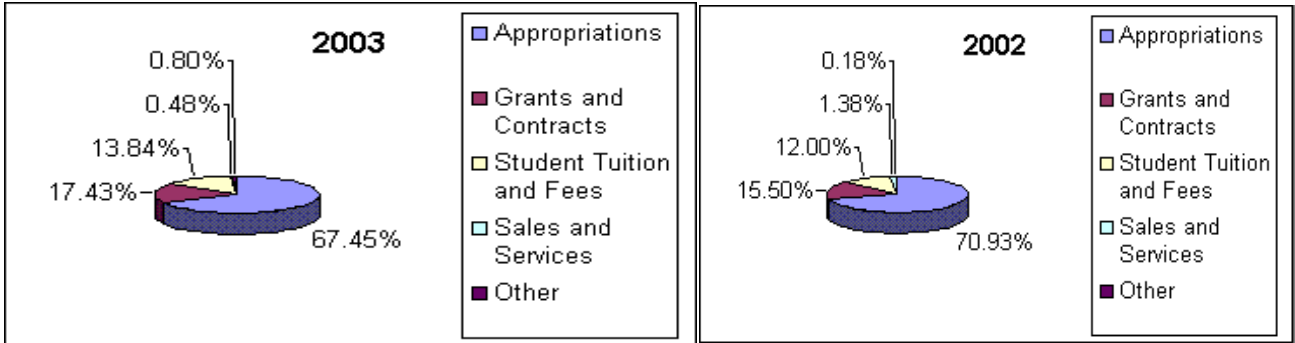
The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects a decrease of \$593,665.33 in net assets at the end of the year. Some highlights of the information presented on the *Statement of Revenues, Expenses, and Changes in Net Assets* are as follows:

- The College shows an operating loss of \$17,720,013.94, an increase of 8.44% over the previous year. An operating loss is an expected outcome for a public supported educational institution and is the result of State appropriations being reported as nonoperating revenue and expenses associated with nonoperating and capital grants and gifts being reported as operating expenses.
- Operating revenues increased by \$614,527.92 (9.56%) whereas operating expenses increased by \$1,993,475.98 (8.75%) for a combined net increase in operating loss of \$1,378,948.06 over the previous year.
- Net nonoperating revenues increased by \$411,174.60 (2.62%), primarily due to a modest increase in State appropriations.
- Other revenues decreased by \$11,629.13 (1.15%).

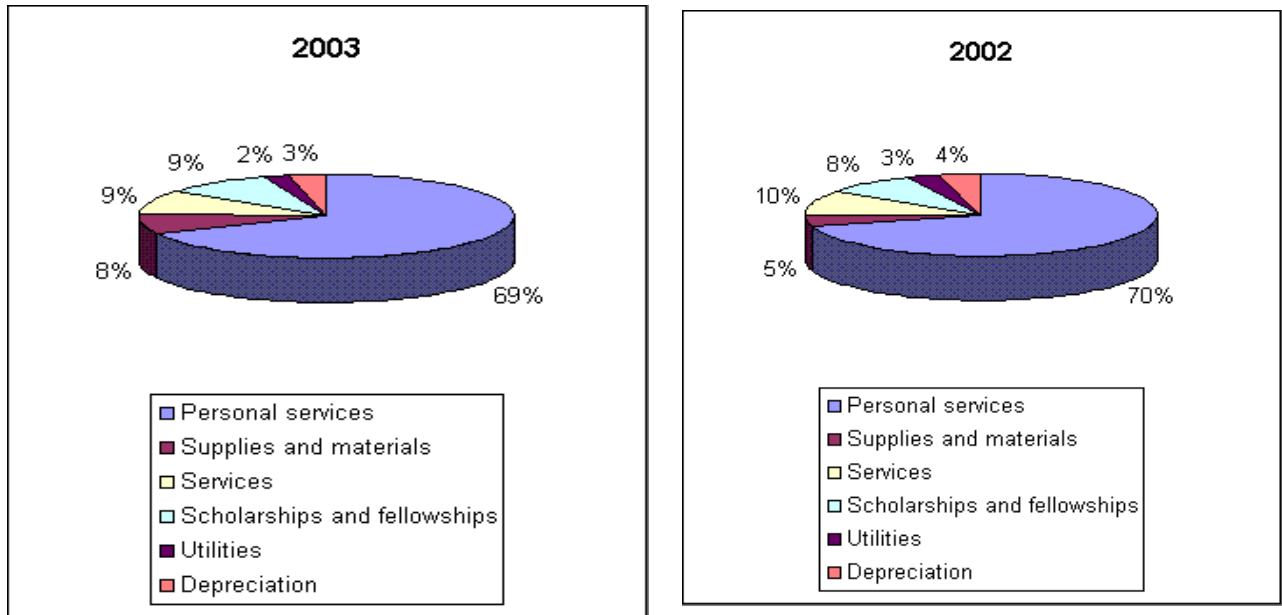
**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

The following graphically illustrates the relationship of operating and nonoperating revenue sources and expenses to total revenues/expenses.

**Operating, Nonoperating, and Other Revenues**



**Operating Expenses**



**Statement of Cash Flows**

The *Statement of Cash Flows* provides information regarding the College’s sources and uses of cash funds. The sources and uses of cash are classified as operating, noncapital financing, capital financing, and investing activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Following is a comparative analysis of the condensed balances reported in the *Statement of Cash Flows* for the fiscal years ended June 30, 2003 and 2002.

	<u>2003</u>	<u>2002</u>	<u>Percent Change</u>
<u>Operating Activities</u>			
Sources	\$ 7,158,667.33	\$ 6,391,875.45	12.00%
Used	(23,535,290.15)	(22,212,761.97)	5.95%
Cash Used by Operating Activities	<u>(16,376,622.82)</u>	<u>(15,820,886.52)</u>	<u>3.51%</u>
<u>Noncapital Financing</u>			
Sources	<u>16,116,569.13</u>	<u>15,689,937.75</u>	<u>2.72%</u>
Cash Provided by Noncapital Financing	<u>16,116,569.13</u>	<u>15,689,937.75</u>	<u>2.72%</u>
<u>Capital and Related Financing Activities</u>			
Sources	1,036,757.82	949,449.87	9.20%
Used	(554,112.93)	(458,499.20)	20.85%
Cash Provided by Capital and Related Financing Activities	<u>482,644.89</u>	<u>490,950.67</u>	<u>(1.69%)</u>
<u>Investing Activities</u>			
Sources	7,076.74	11,583.52	(38.91%)
Used	(119.65)	(211.76)	(43.50%)
Cash Provided by Investing Activities	<u>6,957.09</u>	<u>11,371.76</u>	<u>(38.82%)</u>
Net Increase in Cash	229,548.29	371,373.66	(38.19%)
Cash - Beginning of Year	<u>1,224,093.14</u>	<u>852,719.48</u>	<u>43.55%</u>
Cash - End of Year	<u>\$ 1,453,641.43</u>	<u>\$ 1,224,093.14</u>	<u>18.75%</u>

Cash used by operating activities totaled \$16,376,622.82, an increase in cash used of \$555,736.30 or 3.51% over the previous year. This is attributable to increased operating expenditures due to the increase in students.

Cash provided by noncapital financing activities totaled \$16,116,569.13, an increase of \$426,631.38 or 2.72% over the previous year. This is attributable to an increase in noncapital grants and gifts received by the College.

Cash provided by capital and related financing activities totaled \$482,644.89, a decrease of \$8,305.78 or 1.69% under the previous year. This is attributable to a small increase in

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

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construction costs as the College begins projects funded with the 2001 State Bond Referendum.

Cash provided by investing activities totaled \$6,957.09, a decrease of \$4,414.67 or 38.82% under the previous year. This is attributable to having less cash available for investment purposes and to receiving lower interest rates on the funds invested.

### **Capital Assets and Long-Term Debt Activities**

#### **Capital Assets**

Due to the passage of the Higher Education Improvement Bond Referendum by North Carolina voters on November 7, 2000, the College has undertaken a number of construction projects to improve and modernize its facilities. The Referendum provided \$15,427,992 in State funds to the College beginning in fiscal year 2001. As of June 30, 2003, the College had received from the State \$137,020.00 and had \$15,290,972.00 outstanding pending future bond sales and allotment approvals.

The College expended \$532,187.93 during the year for the construction of new buildings and infrastructure or for the renovation and repair of its facilities. Of this amount, \$89,020.00 was provided from the Higher Education Improvement Bond Referendum.

#### **Long-Term Debt Activities**

Durham Technical Community College does not have any long-term debt activity.

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

Management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the College's financial position or results of operations during fiscal year 2003-04 beyond those unknown variations having a global effect on virtually all types of business operations. We anticipate the current fiscal year will be very similar to the 2002-03 fiscal year and, accordingly, will maintain a close watch over resources so that the College will be able to react to unknown and external issues.

The major source of funding for the College is appropriations from the State of North Carolina and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. In addition, there is a direct relationship between the level of State support and tuition increases, as declines in State support have resulted in increased tuition rates. State appropriations constituted approximately fifty-four percent of the College's total revenues for fiscal year 2003-04, down from fifty-seven percent for fiscal year 2002-03.

As a result of the Higher Education Improvement Bond program, the College has \$15,268,922 in State resources still available for construction and facilities improvement in future years.

**Durham Technical Community College****Statement of Net Assets****June 30, 2003****Exhibit A****ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$	883,299.87
Restricted Cash and Cash Equivalents		135,007.18
Restricted Short-Term Investments		9,203.78
Receivables, Net (Note 3)		213,144.79
Inventories		70,286.19
<b>Total Current Assets</b>		<b>1,310,941.81</b>

## Noncurrent Assets:

Restricted Cash and Cash Equivalents		435,334.38
Restricted Due from Primary Government		82,762.00
Capital Assets - Nondepreciable, Net (Note 4)		1,218,651.55
Capital Assets - Depreciable, Net (Note 4)		14,841,595.92
<b>Total Noncurrent Assets</b>		<b>16,578,343.85</b>
<b>Total Assets</b>		<b>17,889,285.66</b>

**LIABILITIES**

## Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)		331,965.68
Due to Primary Government		2,898.07
Funds Held for Others		48,334.58
Long-Term Liabilities - Current Portion (Note 6)		38,673.30
<b>Total Current Liabilities</b>		<b>421,871.63</b>

## Noncurrent Liabilities:

Funds Held for Others		27,177.02
Long-Term Liabilities (Note 6)		920,373.77
<b>Total Noncurrent Liabilities</b>		<b>947,550.79</b>
<b>Total Liabilities</b>		<b>1,369,422.42</b>

**NET ASSETS**

Invested in Capital Assets 16,060,247.47

## Restricted for:

## Expendable:

Scholarships and Fellowships		8,762.45
Loans		13,877.10
Capital Projects		309,647.56
Other		220,417.77
Unrestricted		(93,089.11)

**Total Net Assets** \$ 16,519,863.24

The accompanying notes to the financial statements are an integral part of this statement.



<b>Durham Technical Community College</b>		
<b>Statement of Revenues, Expenses, and</b>		
<b>Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2003</b>		<b>Exhibit B</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	3,344,222.21
Federal Grants and Contracts		3,476,321.38
State and Local Grants and Contracts		87,944.15
Sales and Services, Net (Note 8)		115,178.17
Other Operating Revenues		20,771.77
Total Operating Revenues		7,044,437.68
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		16,832,983.60
Supplies and Materials		1,903,041.56
Services		2,330,661.93
Scholarships and Fellowships		2,349,643.40
Utilities		516,509.79
Depreciation		831,611.34
Total Operating Expenses		24,764,451.62
Operating Loss		(17,720,013.94)
<b>NONOPERATING REVENUES</b>		
State Aid		12,440,985.96
County Appropriations		2,971,154.00
Noncapital Grants		538,069.70
Noncapital Gifts, Net		166,359.47
Investment Income, Net		7,076.74
Net Nonoperating Revenues		16,123,645.87
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,596,368.07)
State Capital Aid		689,850.74
County Capital Appropriations		312,852.00
Decrease in Net Assets		(593,665.33)
<b>NET ASSETS</b>		
Net Assets, July 1, 2002		17,113,528.57
Net Assets, June 30, 2003	\$	16,519,863.24
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Durham Technical Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2003</b>		<b>Exhibit C</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers		\$ 7,155,616.87
Payments to Employees and Fringe Benefits		(16,654,082.17)
Payments to Vendors and Suppliers		(4,524,860.88)
Payments for Scholarships and Fellowships		(2,356,347.10)
Other Receipts		3,050.46
Net Cash Used by Operating Activities		(16,376,622.82)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		12,440,985.96
County Appropriations		2,971,154.00
Noncapital Grants Received		538,069.70
Noncapital Gifts Received		166,359.47
Net Cash Provided by Noncapital Financing Activities		16,116,569.13
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		723,905.82
County Capital Appropriations		312,852.00
Acquisition and Construction of Capital Assets		(554,112.93)
Net Cash Provided by Capital and Related Financing Activities		482,644.89
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		7,076.74
Purchase of Investments and Related Fees		(119.65)
Net Cash Provided by Investing Activities		6,957.09
Net Increase in Cash and Cash Equivalents		229,548.29
Cash and Cash Equivalents, July 1, 2002		1,224,093.14
Cash and Cash Equivalents, June 30, 2003		\$ 1,453,641.43
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (17,720,013.94)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		831,611.34
Changes in Assets and Liabilities:		
Receivables, Net		104,475.49
Inventories		(15,355.21)
Accounts Payable and Accrued Liabilities		233,208.82
Due to Primary Government		(735.84)
Funds Held for Others		3,050.46
Compensated Absences		187,136.06
Net Cash Used by Operating Activities		\$ (16,376,622.82)

<b><i>Durham Technical Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit C</i></b>
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	883,299.87
Restricted Cash and Cash Equivalents		135,007.18
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		435,334.38
Total Cash and Cash Equivalents - June 30, 2003	\$	1,453,641.43
The accompanying notes to the financial statements are an integral part of this statement.		

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, and money market accounts.
- E. Investments** - This classification includes a mutual fund holding by the College through North Carolina Capital Management Trust. Investment in the Trust is recorded at cost, which approximates market value. 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies, 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 expensed.
- Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 25 years for general infrastructure, 40 years for buildings, and 3 to 15 years for equipment.
- I. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities are compensated absences that will not be paid within the next fiscal year.

**K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

**L. Net Assets** – The College's net assets are classified as follows:

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

**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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. 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 central stores and copy centers. 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$1,810.00. The carrying amount of cash on deposit was \$1,451,831.43 and the bank balance was \$1,850,569.21. All of the cash was on deposit with private financial institutions.

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

Of the cash on deposit with private financial institutions at June 30, 2003, \$227,177.02 of the bank balance was covered by federal depository insurance and \$1,623,392.19 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 and real estate 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

At June 30, 2003, the College was a participant in the North Carolina Capital Management Trust, an SEC registered mutual fund. The North Carolina Capital Management Trust is exempt from risk categorization because the College does not own identifiable securities, but is a shareholder of a percentage of funds. Investment in the trust is stated at cost, which approximates market. The carrying amount and fair value of its investment in the trust at June 30, 2003 was \$9,203.78.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 242,834.67	\$ 124,800.64	\$ 118,034.03
Accounts	24,021.74		24,021.74
Intergovernmental	<u>71,089.02</u>		<u>71,089.02</u>
<b>Total Current Receivables</b>	<u>\$ 337,945.43</u>	<u>\$ 124,800.64</u>	<u>\$ 213,144.79</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 869,557.33	\$ 0.00	\$ 0.00	\$ 869,557.33
Construction in Progress	21,689.46	327,404.76		349,094.22
<b>Total Capital Assets, Nondepreciable</b>	<u>891,246.79</u>	<u>327,404.76</u>		<u>1,218,651.55</u>
Capital Assets, Depreciable:				
Buildings	19,926,559.45	83,517.60		20,010,077.05
Machinery and Equipment	3,298,157.82	121,265.57	139,326.93	3,280,096.46
General Infrastructure	360,249.09	21,925.00		382,174.09
<b>Total Capital Assets, Depreciable</b>	<u>23,584,966.36</u>	<u>226,708.17</u>	<u>139,326.93</u>	<u>23,672,347.60</u>
Less Accumulated Depreciation:				
Buildings	6,148,783.44	507,991.97		6,656,775.41
Machinery and Equipment	1,797,079.61	303,906.71	139,326.93	1,961,659.39
General Infrastructure	192,604.22	19,712.66		212,316.88
<b>Total Accumulated Depreciation</b>	<u>8,138,467.27</u>	<u>831,611.34</u>	<u>139,326.93</u>	<u>8,830,751.68</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>15,446,499.09</u>	<u>(604,903.17)</u>		<u>14,841,595.92</u>
<b>Capital Assets, Net</b>	<u>\$ 16,337,745.88</u>	<u>\$ (277,498.41)</u>	<u>\$ 0.00</u>	<u>\$ 16,060,247.47</u>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 287,719.33
Accrued Payroll	30,798.24
Intergovernmental Payables	400.00
Other	13,048.11
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 331,965.68</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Current Portion
Compensated Absences	\$ 771,911.01	\$ 854,698.81	\$ 667,562.75	\$ 959,047.07	\$ 38,673.30

### NOTE 7 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$165,776.20.

### NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 4,545,729.20	\$ 0.00	\$ 1,176,292.43	\$ 25,214.56	\$ 3,344,222.21
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 98,342.59	\$ 0.00	\$ 29,691.08	\$ 0.00	\$ 68,651.51
Food Service	27,191.31				27,191.31
Print Shop	232,195.85	232,195.85			0.00
Other	19,335.35				19,335.35
<b>Total Sales and Services</b>	\$ 377,065.10	\$ 232,195.85	\$ 29,691.08	\$ 0.00	\$ 115,178.17

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 10,769,466.01	\$ 602,743.03	\$ 498,860.93	\$ 0.00	\$ 0.00	\$ 0.00	\$ 11,871,069.97
Public Service	53,866.08	1,586.50	14,672.67				70,125.25
Academic Support	1,288,815.64	148,669.36	38,209.25				1,475,694.25
Student Services	1,443,748.84	60,131.30	93,157.01				1,597,037.15
Institutional Support	2,610,967.59	931,842.19	462,749.22				4,005,559.00
Operations and Maintenance of Plant	637,247.17	147,480.90	1,197,191.39		516,509.79		2,498,429.25
Student Financial Aid	28,872.27		1,553.00	2,349,643.40			2,380,068.67
Auxiliary Enterprises		10,588.28	24,268.46				34,856.74
Depreciation						831,611.34	831,611.34
<b>Total Operating Expenses</b>	\$ 16,832,983.60	\$ 1,903,041.56	\$ 2,330,661.93	\$ 2,349,643.40	\$ 516,509.79	\$ 831,611.34	\$ 24,764,451.62

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 \$14,336,606.48, of which \$10,837,343.09 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$650,240.58. 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, \$219,433.35, and \$567,955.59, 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. Supplemental Retirement Income Plans** - IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$185,154.42 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$120,833.26 for the year ended June 30, 2003.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College's total contribution to the Plan was \$254,677.56. 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 \$56,354.18. 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*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 12 - RISK MANAGEMENT

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

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

Fire and other property losses are covered by 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. The College also has private insurance coverage for losses from employee dishonesty, forgery or alteration, and theft, disappearance and destruction with no deductibles for employees paid from county and institutional funds.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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whose salaries or wages are paid by the Board entirely from county or institutional funds.

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

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

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

**A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$256,292.00 and on other purchases were \$196,241.55 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 \$15,268,922 is

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

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

### **NOTE 14 - DURHAM TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC.**

The Durham Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$177,371.97 for the year ended June 30, 2003.



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

**Schedule 1**

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<b>Projects Approved by the State Board</b>							
Collins Building Renovation - CP # 1170	Nov 2001	\$ 3,265,664.00	\$ 0.00	\$ 3,265,664.00	\$ 137,020.00	4.20%	Nov 2004
Student Services/Classroom Building - CP # 1199	Apr 2003	6,300,000.00	3,000,000.00	9,300,000.00			Nov 2005
<b>Projects Pending Approval by the State Board</b>							
Satellite Campus	Feb 2004	4,000,000.00		4,000,000.00			
Multipurpose Classroom/Physical Training Facility	Jul 2004	1,000,000.00		1,000,000.00			
White Building Renovation	Jul 2004	862,328.00		862,328.00			
<b>Total All Projects</b>		<b>\$ 15,427,992.00</b>	<b>\$ 3,000,000.00</b>	<b>\$ 18,427,992.00</b>	<b>\$ 137,020.00</b>		

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

## **DISTRIBUTION OF REVIEW REPORT**

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

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Governor of North Carolina  
Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
President, North Carolina Community College System  
President, Durham Technical Community College  
Business Manager/Chief Financial Officer  
Durham Technical Community College  
Chairman, Board of Trustees  
Durham Technical Community College

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Mr. James D. Johnson

Director, Fiscal Research Division

June 28, 2004

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