



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

JOHNSTON COMMUNITY COLLEGE

SMITHFIELD, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

JOHNSTON COMMUNITY COLLEGE

SMITHFIELD, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

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

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

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Johnston Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Johnston Community College. A summary of our reporting objectives and audit results is:

- 1. Objective** – To express an opinion on the accompanying financial statements that relate solely to Johnston Community College.

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

AUDITOR'S TRANSMITTAL (CONCLUDED)

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

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

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



Ralph Campbell, Jr.
State Auditor

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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Johnston Community College
Smithfield, North Carolina

We have audited the accompanying basic financial statements of Johnston Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnston Community College as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2004 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A), as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

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



Ralph Campbell, Jr.
State Auditor

May 20, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements

The basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that provide detail and explain some of the information in the financial statements.

Exhibit A – Statement of Net Assets: Assets and liabilities are presented in a format that distinguishes between current and noncurrent assets and liabilities.

Exhibit B – Statement of Revenues, Expenses, and Changes in Net Assets: Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

Exhibit C – Statement of Cash Flows: The direct method is used to present cash flows.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets	\$ 2,020,173.74	\$ 2,515,596.41
Noncurrent Assets		
Capital Assets, Net	23,841,892.08	22,270,182.43
Other	<u>2,014,771.03</u>	<u>107,005.90</u>
Total Assets	<u>27,876,836.85</u>	<u>24,892,784.74</u>
Liabilities		
Current Liabilities	1,213,968.56	664,007.88
Noncurrent Liabilities	<u>2,209,619.59</u>	<u>2,093,287.14</u>
Total Liabilities	<u>3,423,588.15</u>	<u>2,757,295.02</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	22,303,009.01	20,621,012.42
Restricted - Expendable	1,923,135.20	892,739.61
Unrestricted	<u>227,104.49</u>	<u>621,737.69</u>
Total Net Assets	<u>\$ 24,453,248.70</u>	<u>\$ 22,135,489.72</u>
Operating Revenues		
Student Tuition and Fees, Net	\$ 2,496,297.54	\$ 1,633,338.84
Federal Grants and Contracts	1,881,015.39	2,129,101.66
State and Local Grants and Contracts	155,538.85	561,275.33
Sales and Services, Net	<u>1,280,885.86</u>	<u>1,123,736.42</u>
Total Operating Revenues	<u>5,813,737.64</u>	<u>5,447,452.25</u>
Nonoperating Revenues		
State Aid	11,082,623.12	11,135,061.76
County Appropriations	1,978,700.00	1,758,543.94
Noncapital Grants	350,104.98	
Noncapital Gifts	21,329.00	
Investment Income	52,788.32	40,978.44
Other Nonoperating Revenues	<u>828,941.38</u>	<u>507,546.79</u>
Net Nonoperating Revenues	<u>14,314,486.80</u>	<u>13,442,130.93</u>
Total Revenue Before Capital Revenues	<u>20,128,224.44</u>	<u>18,889,583.18</u>
Capital Revenues		
State Capital Aid	1,562,214.15	838,413.58
County Capital Appropriations	81,180.00	629,592.06
Capital Grants	<u>2,823,607.97</u>	<u>2,012,488.45</u>
Total Capital Revenues	<u>4,467,002.12</u>	<u>3,480,494.09</u>
Total Revenues	<u>\$ 24,595,226.56</u>	<u>\$ 22,370,077.27</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>2003</u>	<u>2002</u>
Operating Expenses		
Personal Services	\$ 14,178,960.25	\$ 12,837,224.42
Supplies and Materials	2,693,710.19	2,238,878.43
Services	2,223,781.44	2,005,585.55
Scholarships and Fellowships	1,619,894.12	1,175,429.69
Utilities	433,476.83	539,518.65
Depreciation	<u>1,127,644.75</u>	<u>1,088,244.72</u>
 Total Operating Expenses	 <u>22,277,467.58</u>	 <u>19,884,881.46</u>
 Change in Net Assets		
Net Assets - Beginning of Year	22,135,489.72	29,904,996.31
Restatements		(10,254,702.40)
Increase in Net Assets	<u>2,317,758.98</u>	<u>2,485,195.81</u>
 Net Assets - End of Year	 <u>\$ 24,453,248.70</u>	 <u>\$ 22,135,489.72</u>

Analysis of the College's Overall Financial Position

Johnston Community College has seen enrollment growth of 10.9% (curriculum FTE) from the fall of 2000 through the spring of 2003. It is projected that the College will continue to grow consistently in the future. This increase along with a 24.5% increase in tuition rates, since that time, has created a significant increase in tuition and fees.

The College received commitments from the State of North Carolina for capital construction in the amount of \$10,180,492.00 through FY 2007. The first construction projects are underway.

A \$3 million county bond issue was approved for capital expenditures and has funded construction of the Smith Building. A second \$2 million county bond issue was approved for work on other capital projects. The county continues to support the capital needs of the College with bond issues and yearly capital appropriations.

The College and Johnston County entered into a \$1.8 million capital contract with Johnson Controls to improve the energy efficiency of campus buildings. Yearly payments in the amount of \$208,856.06 will be made through 2013. The second payment was made September, 2002. Funding for payments is provided by the county as a part of the yearly appropriation.

Wetlands Mitigation funding was received from the State Department of Environmental and Natural Resources in the amount of \$237,762 in October 2001 for property at Howell Woods.

Johnston Community College actively seeks alternate funding sources as appropriate for meeting the mission of the College. This activity not only results in increases in revenues but also demonstrates the soundness of the College. Various grants and contracts have been received for FY 2003 and subsequent years as listed below:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

- Student Support Services Grant funded by the federal government for FY 2002 in the amount of \$190,000 and FY 2003 in the amount of \$210,700. This grant has been continued for FY 2004 in the amount of \$209,814.
- Pell Grant increased during FY 2002 over FY 2001 by \$216,942 (16.22%) and increased during FY 2003 over FY 2002 by \$402,739.78 (25.91%) reflecting a continued growth in enrollment.
- H1-B Technical Skills Grant was awarded in FY 2003 to the College for 2 years and is funded by the federal government through Wake County. The total over 2 years is \$1,198,020.00 with a required match of \$477,034.00.

Other Grants:

Fiscal Year 2003 Collaborative Efforts for Horticulture Education	\$	27,965
Fiscal Year 2003 College Tech. Prep. Enhancement Grant		28,305
Fiscal Year 2003 NC Technology Enhancement Grant		10,000
Fiscal Year 2004 Cardiovascular Equipment Grant		70,980
Fiscal Year 2003 Collaborative Horticultural Education Grant		40,000
Fiscal Year 2003 North Carolina Urban Forestry Grant		6,500
Fiscal Year 2002/2003 CT and MRI Training Grant		15,643
NC Community Foundation Library Grant (Annual)		6,200

Johnston Community College		
Statement of Net Assets		
June 30, 2003		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	965,324.19
Restricted Cash and Cash Equivalents		105,205.58
Receivables (Note 3)		731,341.21
Inventories		214,242.26
Notes Receivable (Note 3)		4,060.50
Total Current Assets		2,020,173.74
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		90,920.04
Receivables (Note 3)		1,099,564.31
Restricted Due from Primary Government		824,286.68
Capital Assets - Nondepreciable (Note 4)		6,246,129.46
Capital Assets - Depreciable, Net (Note 4)		17,595,762.62
Total Noncurrent Assets		25,856,663.11
Total Assets		27,876,836.85
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		622,351.64
Deferred Revenue		166,841.32
Funds Held for Others		100,413.82
Long-Term Liabilities - Current Portion (Note 6)		324,361.78
Total Current Liabilities		1,213,968.56
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		2,209,619.59
Total Liabilities		3,423,588.15
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		22,303,009.01
Restricted for:		
Expendable:		
Scholarships and Fellowships		71,676.04
Loans		44,446.89
Capital Projects		1,807,012.27
Unrestricted		227,104.49
Total Net Assets	\$	24,453,248.70
The accompanying notes to the financial statements are an integral part of this statement.		

Johnston 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)	\$	2,496,297.54
Federal Grants and Contracts		1,881,015.39
State and Local Grants and Contracts		155,538.85
Sales and Services, Net (Note 8)		1,280,885.86
Total Operating Revenues		5,813,737.64
EXPENSES		
Operating Expenses:		
Personal Services		14,178,960.25
Supplies and Materials		2,693,710.19
Services		2,223,781.44
Scholarships and Fellowships		1,619,894.12
Utilities		433,476.83
Depreciation		1,127,644.75
Total Operating Expenses		22,277,467.58
Operating Loss		(16,463,729.94)
NONOPERATING REVENUES		
State Aid		11,082,623.12
County Appropriations		1,978,700.00
Noncapital Grants		350,104.98
Noncapital Gifts		21,329.00
Investment Income, Net		52,788.32
Other Nonoperating Revenues		828,941.38
Net Nonoperating Revenues		14,314,486.80
Loss Before Other Revenues, Expenses, Gains, and Losses		(2,149,243.14)
State Capital Aid		1,562,214.15
County Capital Appropriations		81,180.00
Capital Grants		2,823,607.97
Increase in Net Assets		2,317,758.98
NET ASSETS		
Net Assets, July 1, 2002		22,135,489.72
Net Assets, June 30, 2003	\$	24,453,248.70
The accompanying notes to the financial statements are an integral part of this statement.		

Johnston Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2003		Exhibit C
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	5,639,516.30
Payments to Employees and Fringe Benefits		(13,898,525.63)
Payments to Vendors and Suppliers		(5,097,038.82)
Payments for Scholarships and Fellowships		(1,654,222.02)
Loans Issued to Students		525.07
Other Receipts		827,835.18
Net Cash Used by Operating Activities		(14,181,909.92)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		11,082,623.12
County Appropriations		1,978,700.00
Noncapital Grants Received		335,838.68
Noncapital Gifts and Endowments Received		21,329.00
Net Cash Provided by Noncapital Financing Activities		13,418,490.80
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		844,933.37
County Capital Appropriations		81,180.00
Capital Grants Received		1,940,518.56
Proceeds from Sale of Capital Assets		80,135.63
Acquisition and Construction of Capital Assets		(2,594,018.99)
Principal Paid on Capital Debt and Leases		(110,286.94)
Net Cash Provided by Capital and Related Financing Activities		242,461.63
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		53,359.18
Net Cash Provided by Investing Activities		53,359.18
Net Decrease in Cash and Cash Equivalents		(467,598.31)
Cash and Cash Equivalents, July 1, 2002		1,629,048.12
Cash and Cash Equivalents, June 30, 2003		1,161,449.81
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		(16,463,729.94)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,127,644.75
Miscellaneous Nonoperating Income		828,941.38
Changes in Assets and Liabilities:		
Receivables, Net		(368,771.86)
Inventories		87,509.53
Notes Receivable, Net		525.07
Accounts Payable and Accrued Liabilities		190,961.86
Deferred Revenue		144,157.32
Funds Held for Others		14,959.10
Compensated Absences		255,892.87
Net Cash Used by Operating Activities	\$	(14,181,909.92)

<i>Johnston Community College</i>		
<i>Statement of Cash Flows</i>		<i>Exhibit C</i>
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Page 2</i>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	\$	965,324.19
Restricted Cash and Cash Equivalents		105,205.58
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		90,920.04
Total Cash and Cash Equivalents - June 30, 2003	\$	1,161,449.81
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Assets Acquired through Assumption of a Liability	\$	185,471.04
Increase in Receivables Related to Nonoperating Income		1,599,774.37
The accompanying notes to the financial statements are an integral part of this statement.		

JOHNSTON 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. Johnston Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, 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. 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.
- F. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 24 years for general infrastructure, 15 to 40 years for buildings, and 2 to 25 years for equipment.

- H. 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)

- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include capital lease obligations and compensated absences that will not be paid within the next fiscal year.
- J. 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 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

M. 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.

N. 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, print shop, and postal services. 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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

allocating any residual balances to those departments receiving the goods and services during the year.

- 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

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 \$1,375.00. The carrying amount of cash on deposit was \$1,160,074.81 and the bank balance was \$1,593,540.11.

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:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Deposit with State Treasurer	\$ 977,617.23	\$ 977,617.23
Cash on Deposit with Private Financial Institutions	<u>182,457.58</u>	<u>615,922.88</u>
	<u>\$ 1,160,074.81</u>	<u>\$ 1,593,540.11</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, \$100,000.00 of the bank balance was covered by federal depository insurance, and \$515,922.88 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Amount</u>
Current Receivables:	
Students	\$ 582,066.06
Accounts	73,626.85
Intergovernmental	72,610.67
Other	<u>3,037.63</u>
Total Current Receivables	<u>\$ 731,341.21</u>
Noncurrent Receivables:	
Intergovernmental	<u>\$ 1,099,564.31</u>
Notes Receivable - Current:	
Institutional Student Loan Programs	<u>\$ 4,060.50</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	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	\$ 4,840,941.54	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,840,941.54
Construction in Progress	2,188,724.89	(3,228,307.21)	2,444,770.24		1,405,187.92
Total Capital Assets, Nondepreciable	7,029,666.43	(3,228,307.21)	2,444,770.24		6,246,129.46
Capital Assets, Depreciable:					
Buildings	16,512,104.85	3,228,307.21	12,912.59		19,753,324.65
Machinery and Equipment	4,502,021.00		300,740.20	153,960.36	4,648,800.84
General Infrastructure	3,489,241.54		21,067.00		3,510,308.54
Total Capital Assets, Depreciable	24,503,367.39	3,228,307.21	334,719.79	153,960.36	27,912,434.03
Less Accumulated Depreciation:					
Buildings	4,896,456.17		491,283.16		5,387,739.33
Machinery and Equipment	2,894,423.61		411,781.59	73,824.73	3,232,380.47
General Infrastructure	1,471,971.61		224,580.00		1,696,551.61
Total Accumulated Depreciation	9,262,851.39		1,127,644.75	73,824.73	10,316,671.41
Total Capital Assets, Depreciable, Net	15,240,516.00	3,228,307.21	(792,924.96)	80,135.63	17,595,762.62
Capital Assets, Net	\$ 22,270,182.43	\$ 0.00	\$ 1,651,845.28	\$ 80,135.63	\$ 23,841,892.08

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 565,450.97
Accrued Payroll	56,630.78
Other	269.89
Total Accounts Payable and Accrued Liabilities	\$ 622,351.64

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
Capital Leases Payable	\$ 1,649,170.01	\$ 0.00	\$ 110,286.94	\$ 1,538,883.07	\$ 116,878.67
Compensated Absences	739,205.43	823,239.17	567,346.30	995,098.30	207,483.11
Total Long-Term Liabilities	\$ 2,388,375.44	\$ 823,239.17	\$ 677,633.24	\$ 2,533,981.37	\$ 324,361.78

Additional information regarding capital lease obligations is included in Note 7.

NOTE 7 - CAPITAL LEASE OBLIGATIONS

Capital lease obligations relating to energy savings equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 208,856.06
2005	208,856.06
2006	208,856.06
2007	208,856.06
2008	208,856.06
2009-2013	1,044,280.30
	<hr/>
Total Minimum Lease Payments	\$ 2,088,560.60
	<hr/>
Amount Representing Interest (5.716% Rate of Interest)	549,677.53
	<hr/>
Present Value of Future Lease Payments	\$ 1,538,883.07
	<hr/> <hr/>

Machinery and equipment acquired under capital lease amounted to \$1,710,711.74 at June 30, 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 2,981,994.70	\$ 0.00	\$ 485,697.16	\$ 2,496,297.54
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 918,105.95	\$ 0.00	\$ 195,388.50	\$ 722,717.45
Other	532,171.37	71,377.15		460,794.22
Sales and Services of Educational and Related Activities	97,374.19			97,374.19
Total Sales and Services	\$ 1,547,651.51	\$ 71,377.15	\$ 195,388.50	\$ 1,280,885.86

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 8,201,885.30	\$ 641,254.23	\$ 570,637.50	\$ 0.00	\$ 0.00	\$ 0.00	\$ 9,413,777.03
Public Service	281,533.85	54,307.22	192,075.95				527,917.02
Academic Support	1,563,949.43	46,554.60	129,489.28				1,739,993.31
Student Services	848,434.57	26,998.58	216,922.32				1,092,355.47
Institutional Support	2,289,247.86	86,323.78	610,512.84				2,986,084.48
Operations and Maintenance of Plant	707,586.25	1,029,420.71	419,252.80		433,476.83		2,589,736.59
Student Financial Aid	214,427.65	26,137.50	51,652.37	1,619,894.12			1,912,111.64
Auxiliary Enterprises	71,895.34	782,713.57	33,238.38				887,847.29
Depreciation						1,127,644.75	1,127,644.75
Total Operating Expenses	\$ 14,178,960.25	\$ 2,693,710.19	\$ 2,223,781.44	\$ 1,619,894.12	\$ 433,476.83	\$ 1,127,644.75	\$ 22,277,467.58

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*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$12,028,298.72, of which \$9,862,092.30 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$591,725.54. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were \$0.00, \$188,329.83, and \$493,760.52, respectively.

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

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$47,488.30 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$152,538.00 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 \$30,427.66 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 \$231,759.17. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$51,282.88. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 12 - RISK MANAGEMENT

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

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer. The College has chosen to cover its initial exposure of \$500,000 by securing liability insurance through a private carrier. Due to the economics of insurance and to ensure complete coverage, the College carries \$1,000,000 of general liability insurance with a \$3,000,000 umbrella coverage.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. This deductible is insured through a private insurance company by the College. The College is protected for losses from county and institutional fund paid employees by a blanket honesty bond with a private insurance company.

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

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

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

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$5,367,704.49 and on other purchases were \$34,940.62 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$8,779,713.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 14 - JOHNSTON COMMUNITY COLLEGE FOUNDATION, INC.

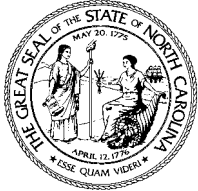
The Johnston Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing 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 \$41,015.72 for the year ended June 30, 2003.

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

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<i>Projects Approved by the State Board</i>							
New Truck Driver Training/Auto Tech Building	Jul 2001	\$ 2,299,625.00	\$ 829,735.00	\$ 3,129,360.00	\$ 621,533.28	19.86%	May 2004
Renovation of Wilson, Elsie, and TDT Vacated Space	Jul 2001	922,824.00		922,824.00	697,618.70	75.60%	Nov 2003
Life Safety and Electrical Upgrade	Dec 2001	200,000.00		200,000.00	195,930.95	100.00%	Apr 2003
Wilson Addition	Sep 2002	2,875,548.00		2,875,548.00	75,684.70	2.63%	Jul 2005
Wilson Renovations	Sep 2002	590,385.00	55,137.00	645,522.00	10,351.24	1.60%	Apr 2006
<i>Projects Pending Approval by the State Board</i>							
Library and Auditorium Addition	Nov 2004	1,511,910.00		1,511,910.00			Sep 2006
Library and Auditorium Renovation	Dec 2006	270,924.00		270,924.00			Sep 2007
Purchase of building for Continuing Education Center	Aug 2005	1,509,276.00		1,509,276.00			Aug 2005
Total All Projects		\$ 10,180,492.00	\$ 884,872.00	\$ 11,065,364.00	\$ 1,601,118.87		
<p>Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.</p>							

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Ralph Campbell, Jr.
State Auditor

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

Board of Trustees
Johnston Community College
Smithfield, North Carolina

We have audited the financial statements of Johnston Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 20, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

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

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

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



Ralph Campbell, Jr.
State Auditor

May 20, 2004

DISTRIBUTION OF AUDIT REPORT

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

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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Donald L. Reichard	President, Johnston Community College
Mr. Herman Kight	Dean of Administrative, Fiscal and Personnel Services Johnston Community College
Ms. Lyn Toney Austin	Chairman, Board of Trustees Johnston Community College

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Mr. James D. Johnson	Director, Fiscal Research Division
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