



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

NASH COMMUNITY COLLEGE

ROCKY MOUNT, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

NASH COMMUNITY COLLEGE

ROCKY MOUNT, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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Ralph Campbell, Jr.
State Auditor

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REVIEWER'S TRANSMITTAL

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

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

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

As part of the work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Nash 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 Nash Community College. Our reporting objectives and review results are:

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

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

REVIEWER'S TRANSMITTAL (CONCLUDED)

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

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

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



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Nash Community College
Rocky Mount, North Carolina

We have reviewed the accompanying Statement of Net Assets of Nash 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 27, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nash Community College's (NCC's) financial statements presents management's discussion and analysis of the College's financial activity during the fiscal years June 30, 2003 and June 30, 2002. This management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts. Please read it in conjunction with the College's basic financial statements and notes.

Using This Annual Report

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

Financial Highlights

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.

Condensed Financial Statements Statement of Net Assets

	<u>2003</u>	<u>2002</u>
Assets:		
Current Assets	\$ 2,146,139.93	\$ 1,866,874.98
Noncurrent Assets:		
Other Noncurrent Assets	236,665.46	314,729.21
Capital Assets, Net	<u>12,242,956.96</u>	<u>12,027,030.68</u>
Total Assets	<u>14,625,762.35</u>	<u>14,208,634.87</u>
Liabilities:		
Current Liabilities	440,558.49	662,630.21
Noncurrent Liabilities	<u>435,577.56</u>	<u>105,455.65</u>
Total Liabilities	<u>876,136.05</u>	<u>768,085.86</u>
Net Assets:		
Invested in Capital Assets	12,231,616.84	12,027,030.68
Restricted	1,508,383.17	1,254,121.44
Unrestricted	<u>9,626.29</u>	<u>159,396.89</u>
Total Net Assets	<u>\$ 13,749,626.30</u>	<u>\$ 13,440,549.01</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of June 30, 2003, the College's net assets have increased to \$13.7 million from \$13.4 million at June 30, 2002. This increase of \$0.3 million is due primarily to an increase in construction in progress from State capital bond projects. The tuition rate increased in 2002-2003 approximately 10% over 2001-2002 and the enrollment (FTE) increased approximately 10.9%. Total net assets as of June 30, 2003 consist of investment in capital assets, net of related debt (89.0%), unrestricted (.1%), and restricted (10.9%).

Current assets increased due to an increase in cash and cash equivalents, as well as an increase in amounts due from component units of the State. Regarding cash equivalents, the amount invested in the State Treasurer's Investment Fund increased by \$150,278.75 while the amount due to the College from the Golden Leaf Foundation (a component unit of the State) increased by \$69,394. The total assets recorded by the College as of June 30, 2003 were \$14,625,762.35.

As of June 30, 2003, the College had recorded \$17.9 million invested in capital assets, \$5.7 million in accumulated depreciation, and \$12.2 million in net capital assets. Library books that had previously been capitalized were expensed at June 30, 2003.

In noncurrent liabilities, long-term liabilities are compensated absences that will not be paid within the next fiscal year. Accrued liabilities increased due to an increase in the current portion of long-term liabilities. The total liabilities recorded by the College at June 30, 2003 were \$876,136.05.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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.

Statement of Revenues, Expenses, and Changes in Net Assets

	2003	2002
Operating Revenues:		
Student Tuition and Fees, Net	\$ 1,062,894.83	\$ 719,464.00
Federal Grants and Contracts	2,278,417.83	2,164,130.00
State and Local Grants and Contracts	243,355.83	77,116.00
Sales and Services, Net	916,364.41	1,230,380.00
Other Operating Revenues	3,043.08	
Total Operating Revenues	4,504,075.98	4,191,090.00
Less Operating Expenses	14,673,052.21	13,759,725.00
Net Operating Loss	(10,168,976.23)	(9,568,635.00)
Nonoperating Revenues:		
State Aid	7,674,834.47	7,277,365.00
County Appropriations	1,102,325.00	1,016,500.00
Noncapital Grants	286,570.19	
Noncapital Gifts	264,580.00	73,560.00
Investment Income	48,302.45	37,442.00
Other Nonoperating Revenues	774.20	92,214.00
Net Nonoperating Revenues	9,377,386.31	8,497,081.00
Loss Before Other Revenues, Expenses, Gains, and Losses	(791,589.92)	(1,071,554.00)
Capital Aid, Appropriations, Gifts, and Grants Additions to Endowments	1,072,711.69 27,955.52	1,057,174.00 99,578.00
Increase in Net Assets	309,077.29	85,198.00
Net Assets, July 1 as Restated	13,440,549.01	13,355,351.00
Net Assets, June 30	\$ 13,749,626.30	\$ 13,440,549.00

Operating revenues at June 30, 2003 included an increase in the federal Pell grant program which serviced 998 students in FYE 2003 versus 896 in FYE 2002 – an increase of 11.4%. The Pell awards increased 15.8% over the previous year, going from \$1.6 million in 2001-2002 to \$1.9 million in 2002-2003. State and local grants and contracts increased primarily due to the construction projects. Tuition and fees revenues are net of scholarship allowances (to comply with the implementation of GASB Statements No. 34 and 35) and increased from \$31.00 to \$34.25 per credit hour for in-State students and from \$173.25 to \$190.75 for out-of-State students. The following is a graphic illustration of operating revenues by source.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>2002-2003</u>	<u>2001-2002</u>	<u>Increase/ (Decrease)</u>
Tuition and Fees	\$ 1,062,894.83	\$ 719,463.60	\$ 343,431.23
Federal Grants and Contracts	2,278,417.83	2,164,130.08	114,287.75
State and Local Grants	243,355.83	77,116.00	166,239.83
Sales and Services, Net	916,364.41	1,230,380.02	(314,015.61)
Other Operating Revenue	3,043.08		3,043.08
Total	<u>\$ 4,504,075.98</u>	<u>\$ 4,191,089.70</u>	<u>\$ 312,986.28</u>

There was a net 9.4% increase in nonoperating revenues over FYE 2002. While there was a decrease of \$542,636.00 capital grants approved; this was countered by an increase of \$397,469.99 in State aid and an increase of \$477,728.82 in State capital aid. These increases were due primarily to increased enrollment and a carry-forward of capital aid into FYE 2003.

Operating expenses at June 30, 2003 increased over the same period in fiscal year 2002. This increase was caused primarily by an increase in personal services, supplies and materials, and scholarships and fellowships. These increases were due to an increase in enrollment and higher faculty/staff salaries. All full-time faculty and staff received a 1.84% permanent raise and a bonus of 5%. The decrease in net sales and services is due to an allowance for scholarship revenue recorded for bookstore activity in FYE 2003 and not in FYE 2002. The following is a graphic illustration of operating expenses.

	<u>2002-2003</u>	<u>2001-2002</u>	<u>Increase/ (Decrease)</u>
Personal Services	\$ 9,339,936.77	\$ 8,719,285.88	\$ 620,650.89
Supplies and Materials	1,892,022.35	1,769,462.57	122,559.78
Services	1,268,117.39	1,286,614.01	(18,496.62)
Scholarships and Fellowships	1,277,683.15	1,102,678.04	175,005.11
Utilities	393,905.21	381,410.98	12,494.23
Depreciation	501,387.34	500,272.55	1,114.79
Total	<u>\$ 14,673,052.21</u>	<u>\$ 13,759,724.03</u>	<u>\$ 913,328.18</u>

Total operating expenses at June 30, 2003 were \$14,673,052.21. At June 2002 they were \$13,759,724.03 – an increase of 6.2% over the 2001-2002 fiscal year.

As the State's economy takes a downturn and a search for increased revenues continues, the General Assembly increased the State tuition for in-State students for Fall 2002 from \$31.00 per credit to \$34.25 per credit hour, a 10.48% increase. The out-of-State tuition changed from \$173.25 to \$190.75, a 10.10% increase. Over the last three years, the State tuition has increased approximately 24.55%. Over the last five years tuition has increased approximately 96%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

As was mentioned previously, the College receives funding from county and State sources. County appropriations increased from \$1,016,500 in 2001-2002 to \$1,102,325 in 2002-2003, an 8.4% increase.

The FTEs that generate the College's State budget (budget FTEs) increased overall from 2001-2002 to 2002-2003:

	FTEs		
	2002-2003	2001-2002	Increase/ (Decrease)
Curriculum	1,715	1,516	199
Occupational Extension	345	295	50
Basic Skills	210	212	(2)
Total	2,270	2,023	247

Along with the increased budget FTEs, the unduplicated headcount or enrollment for 2002-2003 also increased. The combined headcount for curriculum and occupational extension in 2001-2002 was 11,750. This figure decreased by 5.6% to 11,125 for 2002-2003. To add to the difficult situation of funding education for more students with less budget, the State required the Colleges to revert 2.18% of their individual college's budget. For NCC this amount was \$206,459. All colleges were requested to hold 6% for possible reversions. Even though the remaining 3.82% was not formally reverted, monthly cash certifications were reduced. Combining the reduction in cash certifications with the formal reversion equaled approximately 5% reversion of funds.

During the past year, NCC served over 3,718 curriculum students (unduplicated). NCC offered a new Hotel and Restaurant Management program beginning in 2002-2003. NCC continues to promote the advancement of technology in the classroom to prepare students for the future.

As the College enrollment grows, so do its facilities to accommodate our students. The Science and Technology Center will be the newest addition to Nash Community College. The 46,564 square foot, two-story building will house classrooms, labs, an auditorium, faculty and administrative offices to accommodate both curriculum and continuing education students. The groundbreaking took place on March 30, 2004. The facility will be funded from \$3,933,237 of State bond funds, \$1,525,232 of county capital funds, and \$1,000,000 from an EDA grant. The projected completion of the Science and Technology Center is summer of 2005.

Nash Community College
Statement of Net Assets
June 30, 2003 ***Exhibit A***

		<i>Exhibit A</i>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	475,893.28
Restricted Cash and Cash Equivalents		1,089,495.97
Short-Term Investments		255,147.76
Receivables, Net (Note 4)		100,939.98
Due from State of North Carolina Component Units		69,394.05
Inventories		151,356.77
Notes Receivable, Net (Note 4)		3,912.12
Total Current Assets		2,146,139.93
Noncurrent Assets:		
Restricted Due from Primary Government		236,665.46
Capital Assets - Nondepreciable, Net (Note 5)		1,095,190.51
Capital Assets - Depreciable, Net (Note 5)		11,147,766.45
Total Noncurrent Assets		12,479,622.42
Total Assets		14,625,762.35
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		96,667.40
Due to State of North Carolina Component Units		501.41
Deferred Revenue		8,871.87
Funds Held for Others		275,120.87
Long-Term Liabilities - Current Portion (Note 7)		59,396.94
Total Current Liabilities		440,558.49
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		435,577.56
Total Noncurrent Liabilities		435,577.56
Total Liabilities		876,136.05
NET ASSETS		
Invested in Capital Assets		12,242,956.96
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		256,927.00
Expendable:		
Scholarships and Fellowships		277,563.53
Loans		24,312.88
Capital Projects		836,395.28
Other		101,844.36
Unrestricted		9,626.29
Total Net Assets	\$	13,749,626.30
The accompanying notes to the financial statements are an integral part of this statement.		

<i>Nash Community College</i>		
<i>Statement of Revenues, Expenses, and</i>		
<i>Changes in Net Assets</i>		
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Exhibit B</i>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	1,062,894.83
Federal Grants and Contracts		2,278,417.83
State and Local Grants and Contracts		243,355.83
Sales and Services, Net (Note 8)		916,364.41
Other Operating Revenues		3,043.08
Total Operating Revenues		4,504,075.98
EXPENSES		
Operating Expenses:		
Personal Services		9,339,936.77
Supplies and Materials		1,892,022.35
Services		1,268,117.39
Scholarships and Fellowships		1,277,683.15
Utilities		393,905.21
Depreciation		501,387.34
Total Operating Expenses		14,673,052.21
Operating Loss		(10,168,976.23)
NONOPERATING REVENUES		
State Aid		7,674,834.47
County Appropriations		1,102,325.00
Noncapital Grants		286,570.19
Noncapital Gifts		264,580.00
Investment Income		48,302.45
Other Nonoperating Revenues		774.20
Net Nonoperating Revenues		9,377,386.31
Loss Before Other Revenues, Expenses, Gains, and Losses		(791,589.92)
State Capital Aid		911,859.57
County Capital Appropriations		131,912.00
Capital Gifts		28,940.12
Additions to Endowments		27,955.52
Increase in Net Assets		309,077.29
NET ASSETS		
Net Assets, July 1, 2002		13,440,549.01
Net Assets, June 30, 2003	\$	13,749,626.30
The accompanying notes to the financial statements are an integral part of this statement.		

<i>Nash Community College</i>		
<i>Statement of Cash Flows</i>		
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Exhibit C</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	4,503,835.79
Payments to Employees and Fringe Benefits		(9,245,599.83)
Payments to Vendors and Suppliers		(3,597,955.86)
Payments for Scholarships and Fellowships		(1,281,595.27)
Loans Issued to Students		(77,466.86)
Collection of Loans to Students		73,582.49
Other Receipts		58,635.29
Net Cash Used by Operating Activities		(9,566,564.25)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		7,674,834.47
County Appropriations		1,102,325.00
Noncapital Grants Received		199,047.00
Noncapital Gifts and Endowments Received		292,535.52
Net Cash Provided by Noncapital Financing Activities		9,268,741.99
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		989,923.32
County Capital Appropriations		131,912.00
Capital Gifts Received		17,600.00
Proceeds from Sale of Capital Assets		2,500.00
Acquisition and Construction of Capital Assets		(707,699.30)
Net Cash Provided by Capital and Related Financing Activities		434,236.02
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		740.61
Investment Income		51,308.70
Purchase of Investments and Related Fees		(6,014.39)
Net Cash Provided by Investing Activities		46,034.92
Net Increase in Cash and Cash Equivalents		182,448.68
Cash and Cash Equivalents, July 1, 2002		1,382,940.57
Cash and Cash Equivalents, June 30, 2003	\$	1,565,389.25

<i>Name of 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 OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (10,168,976.23)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		501,387.34
Changes in Assets and Liabilities:		
Receivables, Net		(10,460.73)
Inventories		(1,479.30)
Prepaid Items		7,479.25
Notes Receivable, Net		(3,884.37)
Accounts Payable and Accrued Liabilities		(4,043.43)
Due to State of North Carolina Component Units		501.41
Deferred Revenue		8,871.87
Funds Held for Others		54,521.09
Compensated Absences		49,518.85
Net Cash Used by Operating Activities		\$ (9,566,564.25)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents		\$ 475,893.28
Restricted Cash and Cash Equivalents		1,089,495.97
Total Cash and Cash Equivalents - June 30, 2003		\$ 1,565,389.25
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Assets Acquired through a Gift		\$ 11,340.12
Change in Fair Value of Investments		16,739.87
Increase in Receivables Related to Nonoperating Income		86,203.59
The accompanying notes to the financial statements are an integral part of this statement.		

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NASH 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. Nash 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 petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - This classification includes mutual funds. 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. Accounts receivable are shown at book value with no provision for doubtful accounts considered necessary.
- G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.
- H. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- I. **Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. **Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

N. Revenue and Expense Recognition – The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- O. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments as well as to its customers. The College has one institutional auxiliary operation, the Print Shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. 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 as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$28.95. The carrying amount of cash on deposit was \$1,565,360.30 and the bank balance was \$1,611,873.23.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 1,374,410.76	\$ 1,374,410.76
Cash on Deposit with Private Financial Institutions	190,949.54	237,462.47
	\$ 1,565,360.30	\$ 1,611,873.23

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

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

Of the cash on deposit with private financial institutions at June 30, 2003, \$100,000.00 of the bank balance was covered by federal depository insurance and \$137,462.47 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

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

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 SEC registered mutual funds. The mutual funds are exempt from risk categorization because the College does not own identifiable securities. The market value of its investment in the mutual funds at June 30, 2003 was \$255,147.76.

NOTE 3 - ENDOWMENT INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on an adopted spending policy that limits spending to earnings and principal appreciation.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	Receivables
Current Receivables:	
Students	\$ 33,584.55
Accounts	50,667.00
Intergovernmental	16,688.43
Total Current Receivables	\$ 100,939.98
Notes Receivable:	
Notes Receivable - Current:	
Institutional Student Loan Programs	\$ 3,912.12

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2002	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	\$ 663,251.30	\$ 0.00	\$ 0.00	\$ 0.00	\$ 663,251.30
Construction in Progress	46,508.10		431,939.21	(46,508.10)	431,939.21
Total Capital Assets, Nondepreciable	709,759.40		431,939.21	(46,508.10)	1,095,190.51
Capital Assets, Depreciable:					
Buildings	14,798,078.10	(876,702.79)	73,277.53		13,994,652.84
Machinery and Equipment	1,142,370.82		260,330.78	(43,533.43)	2,235,870.96
General Infrastructure	620,444.86	876,702.79			1,497,147.65
Totals	16,560,893.78		333,608.31	(43,533.43)	16,850,968.66
Less Accumulated Depreciation:					
Buildings	3,498,747.03		349,000.92		3,847,747.95
Machinery and Equipment	605,948.82		101,983.06	(41,807.63)	666,124.25
General Infrastructure	1,138,926.65		50,403.36		1,189,330.01
Totals	5,243,622.50		501,387.34	(41,807.63)	5,703,202.21
Total Capital Assets, Depreciable, Net	11,317,271.28		(167,779.03)	(1,725.80)	11,147,766.45
Capital Assets, Net	\$ 12,027,030.68	\$ 0.00	\$ 264,160.18	\$ (48,233.90)	\$ 12,242,956.96

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Included in the capital assets schedule presented above is land and buildings, valued at a cost of \$6,408,260.05, for which the College does not currently hold the title. In 1997, Nash County provided capital appropriations for the construction of the College's Business and Industry Center and Child Development Center. In order for the county to obtain the private financing needed to provide the resources to the College, the College transferred title of the land to the county until the debt has been paid off, at which time the title reverts back to the College.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Totals</u>
Accounts Payable	\$ 51,849.31
Accrued Payroll	<u>44,818.09</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 96,667.40</u>

NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 445,455.65</u>	<u>\$ 497,030.73</u>	<u>\$ (447,511.88)</u>	<u>\$ 494,974.50</u>	<u>\$ 59,396.94</u>

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	\$ 1,995,710.50	\$ 0.00	\$ 932,815.67	\$ 1,062,894.83
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Food Service	\$ 27,978.64	\$ 0.00	\$ 0.00	\$ 27,978.64
Bookstore	566,451.09			566,451.09
Child Development Center	199,209.84			199,209.84
Business & Industry Center	58,813.23			58,813.23
Other	63,911.61			63,911.61
Sales and Services of Education and Related Activities	40,881.08	40,881.08		
Total Sales and Services	\$ 957,245.49	\$ 40,881.08	\$ 0.00	\$ 916,364.41

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	\$ 5,863,890.46	\$ 319,119.97	\$ 336,945.46	\$ 7,664.91	\$ 0.00	\$ 0.00	\$ 6,527,620.80
Academic Support	764,343.56	10,821.31	42,139.27				817,304.14
Student Services	810,005.75	33,794.38	129,263.53	10,000.00			983,063.66
Institutional Support	1,409,816.35	616,519.28	332,946.46				2,359,282.09
Operations and Maintenance of Plant	224,262.78	45,201.84	393,764.27		393,905.21		1,057,134.10
Student Financial Aid				1,260,018.24			1,260,018.24
Auxiliary Enterprises	267,617.87	866,565.57	33,058.40				1,167,241.84
Depreciation						501,387.34	501,387.34
Total Operating Expenses	\$ 9,339,936.77	\$ 1,892,022.35	\$ 1,268,117.39	\$ 1,277,683.15	\$ 393,905.21	\$ 501,387.34	\$ 14,673,052.21

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$8,044,407.77, of which \$6,515,403.09 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$390,924.19. 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, \$124,807.91, and \$311,618.03, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *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 \$9,360.00 for the year ended June 30, 2003.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$90,738.00 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 \$27,875.00 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 post-employment 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 \$153,111.97. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$33,880.10. 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.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. All College employees are insured by an honesty bond purchased by the College through a local agent with coverage of \$100,000 per occurrence with \$500 deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$40,000.00 and on other purchases were \$105,645.11 at June 30, 2003.
- B. **Pending Litigation and Claims** – The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.
- C. **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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$4,180,554.52 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 - NASH COMMUNITY COLLEGE FOUNDATION

The Nash Community College Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations and other organizations support College programs by providing scholarships 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 \$172,712.00 for the year ended June 30, 2003.

***Nash 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>							
Land Acquisition #1141	Mar 2001	\$ 350,000.00	\$ 0.00	\$ 350,000.00	\$ 350,000.00	100.00%	Mar 2001
Environmental Repairs and Renovations #1193	Sep 2001	266,844.00		266,844.00	229,328.00	85.94%	Jun 2005
Aesthetic Repairs and Renovations #1194	Jun 2001	260,000.00		260,000.00	168,575.00	64.84%	Sep 2004
Program Specific Classroom Renovations #1203	Jul 2001	41,000.00		41,000.00	10,606.00	25.87%	Sep 2005
Structural Repairs and Renovations #1299	Jul 2002	190,000.00		190,000.00	120,699.00	63.53%	Jun 2005
Infrastructure Repairs and Renovations #1300	Jul 2002	41,000.00		41,000.00			May 2005
Science and Technology Building #1301	Mar 2003	3,933,237.00	2,525,232.00	6,458,469.00			Aug 2005
<i>Projects Pending Approval by the State Board</i>							
Renovate Recaptured Classrooms	Jul 2005	150,000.00		150,000.00			Mar 2006
Total All Projects		\$ 5,232,081.00	\$ 2,525,232.00	\$ 7,757,313.00	\$ 879,208.00		

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

DISTRIBUTION OF REVIEW REPORT

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

EXECUTIVE BRANCH

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June 30, 2004

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