



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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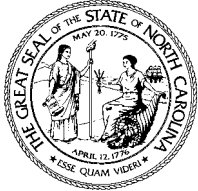
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Ralph Campbell, Jr.
State Auditor

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Office of the State Auditor

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REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Sampson 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 Sampson 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 Sampson 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*.

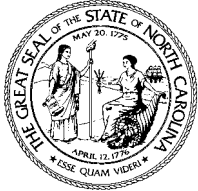
North Carolina General Statutes require the State Auditor to make reports available to the public. Copies of review reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Exhibits	
A Statement of Net Assets	8
B Statement of Revenues, Expenses, and Changes in Net Assets	9
C Statement of Cash Flows	10
Notes to the Financial Statements	13
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures.....	26
DISTRIBUTION OF REVIEW REPORT	27



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Sampson Community College
Clinton, North Carolina

We have reviewed the accompanying Statement of Net Assets of Sampson 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 black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor

May 18, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Division of Finance at 910-592-8081.

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, short-term certificates of deposit, receivables, inventories, receivables due from the State for construction projects, and notes receivable.

Current Assets	6/30/03	6/30/02
Cash	\$ 316,385.43	\$ 228,585.70
Certificates of Deposits	211,221.92	209,580.88
Receivables	147,016.91	151,207.93
Inventories	196,685.63	177,770.95
Due from State	265.50	
Notes Receivable	3,733.62	1,158.64
Total Current Assets	<u>\$ 875,309.01</u>	<u>\$ 768,304.10</u>

Noncurrent assets include cash, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment).

Noncurrent Assets	6/30/03	6/30/02
Cash	\$ 2,428.66	\$ 10,369.40
Due from Primary Government	241,279.88	239,584.85
Capital Assets	<u>9,302,330.44</u>	<u>8,994,685.03</u>
Total Noncurrent Assets	<u>\$ 9,546,038.98</u>	<u>\$ 9,244,639.28</u>

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchased item costs more than \$5,000 at the date of purchase and has a useful life of more than one year. Library books are not included as assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College uses the straight-line and/or units of output method of depreciation to determine the current value of capital assets. In general, general infrastructure is depreciated over a 10 to 75 year period, buildings are depreciated over a 10 to 50 year period, and equipment is depreciated in 3 to 15 years, depending upon the expected useful life of the asset.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities which extend beyond a year. Long-term liabilities include the portion of accrued employee sick and annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the Institution's leave policies.

Liabilities	<u>6/30/03</u>	<u>6/30/02</u>
Current	\$ 120,871.08	\$ 90,316.08
Long-Term	<u>259,407.80</u>	<u>260,109.36</u>
Total Liabilities	<u><u>\$ 380,278.88</u></u>	<u><u>\$ 350,425.44</u></u>

Net Assets

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$378,551.17 for the 2002-2003 fiscal year to \$10,041,069.11, compared to an increase of \$81,206.86 in the 2001-2002 fiscal year, which increased net assets to \$9,662,517.94. At June 30, 2003, net assets invested in capital assets were \$9,302,330.44, compared to \$8,994,685.03 at June 30, 2002. Restricted net assets were \$380,706.06 at June 30, 2003, compared to \$363,566.62, and unrestricted net assets were \$358,032.61, compared to \$304,266.29 at June 30, 2002.

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition, though identified as a revenue, is remitted back to the State Treasurer and not netted against the College's State aid identified as nonoperating revenue. The largest operating revenue (\$2,433,059.58) accrues from the College's participation in Federal Title IV financial aid programs, including Pell Grants of \$2,047,420.00.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>06/30/03</u>	<u>06/30/02</u>
Student Tuition and Fees	\$ 717,982.57	\$ 769,939.41
Federal Grants and Contracts	2,433,059.58	2,173,419.39
State and Local Grants and Contracts	154,319.05	184,556.40
Sales and Services	<u>728,077.11</u>	<u>626,497.82</u>
 Total Operating Revenues	 <u>\$ 4,033,438.31</u>	 <u>\$ 3,754,413.02</u>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements as well as funds appropriated from the Sampson County Board of Commissioners. Noncapital gifts include contributions from the Sampson Community College Foundation, Inc.

	<u>06/30/03</u>	<u>06/30/02</u>
State Aid	\$ 5,604,405.73	\$ 5,620,863.70
County Appropriations	787,659.00	829,115.00
Noncapital Grants	391,604.61	12,289.46
Noncapital Gifts	74,852.23	45,906.95
Investment Income	5,193.46	10,525.61
Other Nonoperating Revenues (Expenses)	<u>25.84</u>	<u>(1,152.93)</u>
 Total Nonoperating Revenues	 <u>\$ 6,863,740.87</u>	 <u>\$ 6,517,547.79</u>

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as "personal services."

	<u>06/30/03</u>	<u>06/30/02</u>
Personal Services	\$ 6,990,827.75	\$ 6,956,638.11
Supplies and Materials	1,308,886.19	902,437.22
Services	701,920.36	645,478.85
Scholarship and Fellowships	1,925,738.22	1,578,641.75
Utilities	203,138.68	220,718.49
Depreciation	<u>345,927.91</u>	<u>347,250.24</u>
 Total Expenses	 <u>\$ 11,476,439.11</u>	 <u>\$ 10,651,164.66</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as part of the 2000 Higher Education Bond Referendum and a previous legislative action providing funds for renovations and repairs. Sampson County provides capital contributions for maintenance equipment and small construction items. Capital gifts are provided through annual contributions of the Sampson Community College Foundation, Inc.

	<u>06/30/03</u>	<u>06/30/02</u>
State Capital Aid	\$ 957,811.10	\$ 455,511.36
County Capital Appropriations		2,299.35
Capital Gifts		2,000.00
Additions to Permanent Endowments		600.00
	<u>\$ 957,811.10</u>	<u>\$ 460,410.71</u>

Significant Capital Asset Activity

The College received \$4,140,350.00 from the 2000 North Carolina Higher Education Bond Referendum which provided \$700,530.00 for the renovation and repair of facilities and \$3,439,820.00 for new construction. Funds are allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges with final distribution of funds ending June 2007.

The College is expected to begin construction of a 50,000 square foot occupational building in the 2004 Spring semester utilizing funds from the Higher Education Bond Referendum, federal funds from the Department of Agriculture in the amount of \$875,000.00, and privately donated funds expected to reach \$1,000,000.00.

Institutional Enrollment

The College received State funding based upon enrollment earned in the previous year. Enrollment trends for the past five academic years are as follows:

1997-1998	1,350
1998-1999	1,540
1999-2000	1,535
2000-2001	1,425
2001-2002	1,600

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Significant Effects on Financial Position

The following actions and general conditions are expected to have significant effects on the operation of the College:

1. The Sampson County Board of Commissioners restored much of the reductions in the College's current expense budget from the previous year. Support for capital requests was limited to funds to purchase one truck in support of plant operations.
2. The College implemented a technology fee for curriculum students ranging from a minimum of \$8.00/semester up to \$16.00/semester for full-time students. Fee deposits are expected to exceed \$35,000.00 for FY 2003-2004 and provide additional support for technology supply and equipment purchases and support staffing.
3. The College increased the parking fees charged each curriculum student to \$5.00/semester providing an anticipated \$15,000.00 in fee revenue for parking and road maintenance.
4. The North Carolina General Assembly continued the past annual increases in the cost of attendance at the College by raising the cost for curriculum students by \$20.00/semester to \$568.00 for a full-time student.
5. The College's headcount for the Fall 2003 should approximate the headcount enrollment for the Fall of 2002. This indicates a leveling in the Institution's enrollment and the recent rapid increases in enrollment.

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

Current Assets:

Cash and Cash Equivalents	\$	265,538.55
Restricted Cash and Cash Equivalents		50,846.88
Short-Term Investments		211,221.92
Receivables (Note 4)		147,016.91
Due from State of North Carolina Component Units		265.50
Inventories		196,685.63
Notes Receivable, Net (Note 4)		3,733.62

Total Current Assets		875,309.01
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Noncurrent Assets:

Restricted Cash and Cash Equivalents		2,428.66
Restricted Due from Primary Government		241,279.88
Capital Assets - Nondepreciable (Note 5)		482,260.63
Capital Assets - Depreciable, Net (Note 5)		8,820,069.81

Total Noncurrent Assets		9,546,038.98
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Total Assets		10,421,347.99
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)		103,027.94
Due to State of North Carolina Component Units		890.53
Funds Held for Others		2,028.66
Long-Term Liabilities - Current Portion (Note 7)		14,923.95

Total Current Liabilities		120,871.08
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)		259,407.80
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Total Liabilities		380,278.88
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NET ASSETS

Invested in Capital Assets		9,302,330.44
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Restricted for:

Nonexpendable:

Scholarships and Fellowships		84,869.57
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Expendable:

Scholarships and Fellowships		50,082.17
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Loans		11,546.12
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Capital Projects		234,208.20
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Unrestricted

		358,032.61
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Total Net Assets	\$	10,041,069.11
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The accompanying notes to the financial statements are an integral part of this statement.

Sampson 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)	\$	717,982.57
Federal Grants and Contracts		2,433,059.58
State and Local Grants and Contracts		154,319.05
Sales and Services		728,077.11
Total Operating Revenues		4,033,438.31
EXPENSES		
Operating Expenses:		
Personal Services		6,990,827.75
Supplies and Materials		1,308,886.19
Services		701,920.36
Scholarships and Fellowships		1,925,738.22
Utilities		203,138.68
Depreciation		345,927.91
Total Operating Expenses		11,476,439.11
Operating Loss		(7,443,000.80)
NONOPERATING REVENUES		
State Aid		5,604,405.73
County Appropriations		787,659.00
Noncapital Grants		391,604.61
Noncapital Gifts		74,852.23
Investment Income, Net		5,193.46
Other Nonoperating Revenues		25.84
Net Nonoperating Revenues		6,863,740.87
Loss Before Other Revenues, Expenses, Gains, and Losses		(579,259.93)
State Capital Aid		957,811.10
Increase in Net Assets		378,551.17
NET ASSETS		
Net Assets, July 1, 2002		9,662,517.94
Net Assets, June 30, 2003	\$	10,041,069.11

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

<i>Sampson 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		\$ 4,005,878.12
Payments to Employees and Fringe Benefits		(6,918,799.69)
Payments to Vendors and Suppliers		(2,273,285.55)
Payments for Scholarships and Fellowships		(1,933,570.08)
Loans Issued to Students		(2,574.98)
Other Receipts		37,091.41
Net Cash Used by Operating Activities		(7,085,260.77)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		5,604,405.73
County Appropriations		787,659.00
Noncapital Grants Received		391,604.61
Noncapital Gifts and Endowments Received		74,852.23
Net Cash Provided by Noncapital Financing Activities		6,858,521.57
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		957,811.10
Acquisition and Construction of Capital Assets		(654,765.33)
Net Cash Provided by Capital and Related Financing Activities		303,045.77
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		5,193.46
Purchase of Investments and Related Fees		(1,641.04)
Net Cash Provided by Investing Activities		3,552.42
Net Increase in Cash and Cash Equivalents		79,858.99
Cash and Cash Equivalents, July 1, 2002		238,955.10
Cash and Cash Equivalents, June 30, 2003		\$ 318,814.09
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (7,443,000.80)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		345,927.91
Miscellaneous Nonoperating Income		25.84
Changes in Assets and Liabilities:		
Receivables, Net		4,191.02
Inventories		(18,914.68)
Notes Receivable, Net		(2,574.98)
Accounts Payable and Accrued Liabilities		26,853.56
Due to Primary Government		(315.00)
Due to State of NC Component Units		890.53
Funds Held for Others		(3,863.81)
Compensated Absences		5,519.64
Net Cash Used by Operating Activities		\$ (7,085,260.77)

<i>Sampson 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	\$ 265,538.55
	Restricted Cash and Cash Equivalents	50,846.88
Noncurrent Assets:		
	Restricted Cash and Cash Equivalents	2,428.66
	Total Cash and Cash Equivalents - June 30, 2003	\$ 318,814.09
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
	Assets Acquired through Assumption of a Liability	\$ 8,857.00
	Increase in Receivables Related to Nonoperating Income	1,960.53
The accompanying notes to the financial statements are an integral part of this statement.		

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SAMPSON 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. Sampson 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, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit. Certificates of deposit are reported at cost.
- F. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies, 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 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.
- I. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the College to all full-time permanent employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

M. Scholarship Discounts – Student tuition and fees revenues 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.

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$499.00. The carrying amount of cash on deposit was \$529,537.01 and the bank balance was \$535,729.59. All of the cash was on deposit with private financial institutions.

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

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, \$102,907.59 of the bank balance was covered by federal depository insurance, and \$432,822.00 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

- B. Investments** – The College is authorized to invest idle funds as provided by General Statute 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to General Statute 159-30(c), as follows: obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

At June 30, 2003, the College held certificates of deposit in the amount of \$211,221.92, which is not subject to categorization of custodial credit risk. The aforementioned certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

NOTE 3 - ENDOWMENT INVESTMENTS

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

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payments from the L. M. Horne endowment fund and the R. E. Williams and Annie Lou Williams endowment fund are based on interest earned during the year. All of the interest earned is used for scholarships. No payouts have been made from the Williamson endowment funds during the audit year. At June 30, 2003, net appreciation of \$1,655.76 was available to be spent, of which \$1,655.76 was restricted to specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 57,868.06	\$ 0.00	\$ 57,868.06
Accounts	78,918.03		78,918.03
Intergovernmental	1,890.77		1,890.77
Investment Earnings	508.19		508.19
Other	<u>7,831.86</u>		<u>7,831.86</u>
Total Current Receivables	<u>\$ 147,016.91</u>	<u>\$ 0.00</u>	<u>\$ 147,016.91</u>
Notes Receivable:			
Notes Receivable - Current:			
State Loan Programs	\$ 1,135.39	\$ 496.50	\$ 638.89
Institutional Student Loan Programs	<u>8,544.37</u>	<u>5,449.64</u>	<u>3,094.73</u>
Total Notes Receivable - Current	<u>\$ 9,679.76</u>	<u>\$ 5,946.14</u>	<u>\$ 3,733.62</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2002	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	375,154.06	(501,216.91)	527,373.23		401,310.38
Total Capital Assets, Nondepreciable	<u>456,104.31</u>	<u>(501,216.91)</u>	<u>527,373.23</u>		<u>482,260.63</u>
Capital Assets, Depreciable:					
Buildings	10,543,315.03	109,141.91			10,652,456.94
Machinery and Equipment	1,372,073.26		162,342.74	55,588.26	1,478,827.74
General Infrastructure	507,075.19	392,075.00			899,150.19
Total Capital Assets, Depreciable	<u>12,422,463.48</u>	<u>501,216.91</u>	<u>162,342.74</u>	<u>55,588.26</u>	<u>13,030,434.87</u>
Less Accumulated Depreciation:					
Buildings	3,297,562.70		262,668.00		3,560,230.70
Machinery and Equipment	328,228.31		62,972.35	19,445.61	371,755.05
General Infrastructure	258,091.75		20,287.56		278,379.31
Total Accumulated Depreciation	<u>3,883,882.76</u>		<u>345,927.91</u>	<u>19,445.61</u>	<u>4,210,365.06</u>
Total Capital Assets, Depreciable, Net	<u>8,538,580.72</u>	<u>501,216.91</u>	<u>(183,585.17)</u>	<u>36,142.65</u>	<u>8,820,069.81</u>
Capital Assets, Net	<u>\$ 8,994,685.03</u>	<u>\$ 0.00</u>	<u>\$ 343,788.06</u>	<u>\$ 36,142.65</u>	<u>\$ 9,302,330.44</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 27,662.52
Accrued Payroll	66,508.42
Contract Retainage	8,857.00
Total Accounts Payable and Accrued Liabilities	<u>\$ 103,027.94</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Current Portion
Compensated Absences	\$ 268,812.11	\$ 210,752.46	\$ 205,232.82	\$ 274,331.75	\$ 14,923.95
Total Long-Term Liabilities	\$ 268,812.11	\$ 210,752.46	\$ 205,232.82	\$ 274,331.75	\$ 14,923.95

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 1,588,302.07	\$ 870,319.50	\$ 717,982.57

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	\$ 4,164,473.82	\$ 211,214.16	\$ 216,144.12	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,591,832.10
Academic Support	540,319.48	24,808.07	52,151.29				617,278.84
Student Services	673,199.19	34,858.05	65,824.78				773,882.02
Institutional Support	1,236,056.77	33,136.40	236,038.35				1,505,231.52
Operations and Maintenance of Plant	333,247.99	482,617.92	127,426.83		203,138.68		1,146,431.42
Student Financial Aid				1,925,738.22			1,925,738.22
Auxiliary Enterprises	43,530.50	522,251.59	4,334.99				570,117.08
Depreciation						345,927.91	345,927.91
Total Operating Expenses	\$ 6,990,827.75	\$ 1,308,886.19	\$ 701,920.36	\$ 1,925,738.22	\$ 203,138.68	\$ 345,927.91	\$ 11,476,439.11

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 \$6,059,382.58, of which \$4,884,724.65 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$293,083.48. 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, \$99,285.41, and \$263,830.42, respectively.

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

- B. Supplemental Retirement Income Plans - IRC Section 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 \$73,650.00 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$114,791.03. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.

- B. Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$25,400.57. 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 contracts with private insurance companies. There have been no significant reductions in insurance coverage

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. The College is protected for losses from employees paid entirely from county and institutional funds by contracts with private insurance companies. This special extension of property coverage provides for protection with coverage of \$50,000 per occurrence with a \$250 deductible.

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 \$387,642.00.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

B. Community College General Obligation Bonds – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds were authorized for issuance over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO) establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization of \$3,347,669.00 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 - SAMPSON COMMUNITY COLLEGE FOUNDATION, INC.

The Sampson 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 \$79,956.55 for the year ended June 30, 2003.

Sampson 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
Projects Approved by the State Board							
Occupational Building #1133	Dec 2000	\$ 3,113,820.00	\$ 0.00	\$ 3,113,820.00	\$ 76,582.00	2.46%	Jul 2005
Campus Roadway Extension #983	Feb 2001	176,000.00	216,075.00	392,075.00	392,075.00	100.00%	Oct 2002
North HVAC and Crosswalk Replacement #1151	Feb 2001	575,000.00	16,670.00	591,670.00	324,613.98	54.86%	Jul 2005
Projects Pending Approval by the State Board							
Emergency Services Complex	Sep 2004	150,000.00		150,000.00			Nov 2005
North/East Lighting Improvements	Apr 2004	25,530.00		25,530.00			Aug 2004
Projects Not Started - To Be Funded in Future Years							
Undefined	May 2005	100,000.00		100,000.00			Dec 2005
Total All Projects		\$ 4,140,350.00	\$ 232,745.00	\$ 4,373,095.00	\$ 793,270.98		

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

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Director, Fiscal Research Division

June 22, 2004

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