



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT REVIEW REPORT OF VANCE-GRANVILLE COMMUNITY COLLEGE

HENDERSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT REVIEW REPORT OF**

**VANCE-GRANVILLE COMMUNITY COLLEGE**

**HENDERSON, NORTH CAROLINA**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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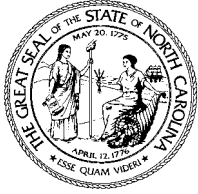
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Ralph Campbell, Jr.  
State Auditor

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**REVIEWER'S TRANSMITTAL**

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

This report presents the results of our financial statement review of Vance-Granville 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 Vance-Granville 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 Vance-Granville Community College. Our reporting objectives and review results are:

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

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

## REVIEWER'S TRANSMITTAL (CONCLUDED)

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

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

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

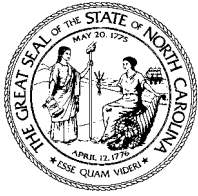


Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Vance-Granville Community College  
Henderson, North Carolina

We have reviewed the accompanying Statement of Net Assets of Vance-Granville 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

April 28, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **The Financial Statements**

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which established the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies these reporting standards to public colleges and universities.

In accordance with GASB Statements 34 and 35, the enclosed report focuses on the financial condition of the College, the results of operations, and cash flows of the College as a whole. As required, this report contains three basic financial statements and the Notes to the Financial Statements:

Statement of Net Assets: This statement includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels.

Statement of Revenues, Expenses and Changes in Net Assets: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public.

Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature.

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

### **Financial Highlights**

The College's financial position has seen an overall improvement since the prior year. Below is a condensed comparative analysis between the Statement of Net Assets contained herein and the audited Statement of Net Assets for the fiscal year ended June 30, 2002.



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

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**Statement of Net Assets**  
**June 30, 2003 and June 30, 2002**

	<u>2003</u>	<u>2002</u>
<b>Assets</b>		
Current Assets	\$ 2,632,981.28	\$ 2,405,345.25
Capital Assets, Net	16,279,847.07	11,945,888.94
Other Noncurrent Assets	<u>5,689,240.50</u>	<u>4,103,452.69</u>
 Total Assets	 <u>24,602,068.85</u>	 <u>18,454,686.88</u>
 <b>Liabilities</b>		
Current Liabilities	1,373,877.96	552,614.74
Noncurrent Liabilities	<u>4,387,077.20</u>	<u>3,238,400.18</u>
 Total Liabilities	 <u>5,760,955.16</u>	 <u>3,791,014.92</u>
 <b>Net Assets</b>		
Invested in Capital Assets	16,279,847.07	11,945,888.94
Restricted Assets	209,711.31	134,856.12
Unrestricted Assets	<u>2,351,555.31</u>	<u>2,582,926.90</u>
 <b>Total Net Assets</b>	 <u>\$ 18,841,113.69</u>	 <u>\$ 14,663,671.96</u>

The College classifies its assets as current and noncurrent. Current assets include cash, receivables and inventories. Noncurrent assets include the nonexpendable principle of the Vance-Granville Community College Endowment Fund Corporation, cash and long-term investment of the College's Scholarship Fund, bond funds for construction due from the State, as well as buildings, infrastructure, and equipment with a historical cost of \$5,000 or more.

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

**Current Assets**

Cash and Cash Equivalents	\$ 1,896,253.90
Receivables, Net	356,180.45
Inventories	<u>380,546.93</u>
Sub-Total Current	<u>2,632,981.28</u>

**Noncurrent Assets**

Cash and Cash Equivalents	4,424,677.42
Due from Primary Government	930,751.23
Long-term Investments	333,811.85
Capital Assets, Net	<u>16,279,847.07</u>
Sub-Total Noncurrent	<u>21,969,087.57</u>

**Total Assets** \$ 24,602,068.85

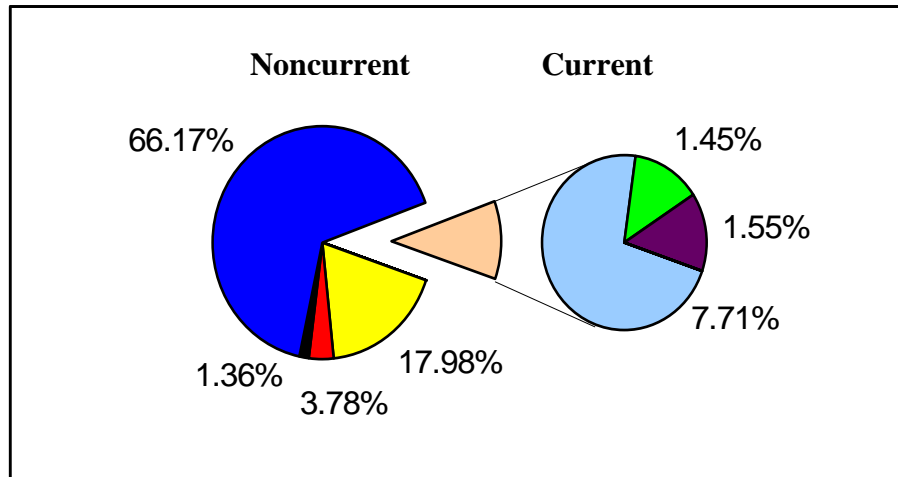
The composition of assets at June 30, 2003 is presented in the table to the left and illustrated in the graph below.



Assets increased over the prior year by \$6,147,381.97. This increase is directly related to construction at the Main and Warren County Campuses in the amount of \$4,595,887.68 or 74.76% of the increase in assets.

Additional details for the composition of assets are available in Exhibit A and Notes 1, 2, 3, and 4.

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Liabilities are classified as either current or noncurrent. Current liabilities are those due and payable within one year of the date of the financial statements, while noncurrent liabilities are due and payable one year or more after the date of the financial statements.







Liabilities increased over the prior year by \$1,969,940.24. Similarly, \$746,006.52 or 37.87% of the increase is directly related to construction at the Main and Warren County Campuses. Further, during 2002 – 2003, the College’s Board of Trustees awarded full-time and permanent part-time employees bonus leave consistent with the regulations established by the North Carolina General Assembly. The liability associated with the bonus leave is \$457,849.55 or 23.24% of the increase in total liabilities.

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

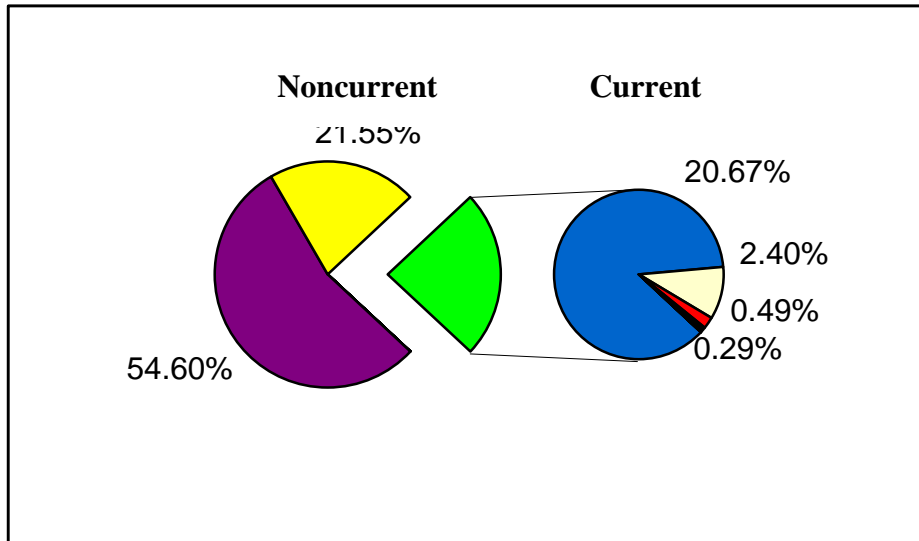
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The composition of liabilities on June 30, 2003 is presented in the table to the right and illustrated in the graph below.

Additional details for the composition of liabilities are available in Exhibit A and Notes 1, 5, and 6.

<b>Current Liabilities</b>			
Accounts Payable	\$	1,190,968.20	
Compensated Absences		138,267.53	
Funds Held for Others		28,106.59	
Other Liabilities		<u>16,535.64</u>	
Sub-Total Current		1,373,877.96	
<b>Noncurrent Liabilities</b>			
Funds Held for Others		3,145,711.61	
Compensated Absences		<u>1,241,365.59</u>	
Sub-Total Noncurrent		4,387,077.20	
<b>Total Liabilities</b>	<b>\$</b>	<b><u>5,760,955.16</u></b>	

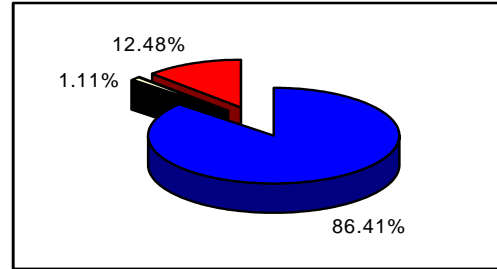
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Total net assets are the difference between assets and liabilities. The composition of the College's net assets at June 30, 2003 are shown in the table and graph below:

<b>Net Assets</b>	
Invested in Capital Assets	\$ 16,279,847.07
Restricted Expendable	209,711.31
Unrestricted	<u>2,351,555.31</u>
<b>Total Net Assets</b>	<b><u><u>\$ 18,841,113.69</u></u></b>



Additional detailed information on net assets is available in Exhibit A and Notes 1 and 4.

The table below is a condensed comparative analysis between the Statement of Revenues, Expenses, and Changes in Net Assets contained herein and the same statement (audited) for the fiscal year ended June 30, 2002.

**Statement of Revenues, Expenses, and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2003, and 2002**

	<u>2003</u>	<u>2002</u>
Operating Revenues	\$ 9,960,065.05	\$ 9,188,111.61
Operating Expenses	27,241,404.69	24,526,895.80
Nonoperating Revenues	15,710,859.21	14,821,085.91
Nonoperating Expenses	16,878.06	138,445.36
Other Revenues	<u>5,764,800.22</u>	<u>1,229,332.42</u>
<b>Increase in Net Assets</b>	<b><u><u>\$ 4,177,441.73</u></u></b>	<b><u><u>\$ 573,188.78</u></u></b>

Revenues are presented as operating and nonoperating. Operating revenues are derived from activities that are necessary and essential to the mission of the College. As the table above illustrates, operating revenues increased by \$771,953.44; this is due to the increase in student enrollment which generated additional revenues in the form of tuitions, fees, bookstore sales and grants for student financial assistance.

Operating expenses are all expenses except for those related to investing, capital and related financing and noncapital financing activities. The above table also shows an increase in operating expenses of \$2,714,508.89. As with operating revenues, this increase is due to meeting the demands for additional staff, supplies, and equipment relative to enrollment

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

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growth. Operating expenses are presented in Exhibit B by “natural” classification - salaries, supplies, services, etc. An analysis of expenses by their functional classification (i.e. instruction, financial aid, etc.) is shown in Note 9.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. For instance, a gift to the College is a nonexchange transaction because the College did not exchange a good or service to receive the gift.

Other revenues are capital contributions to the College. The increase of \$4,535,467.80 in other revenues is the direct result of receiving bond funds for construction at the Main and Warren County Campuses.

The table below and the following discussion presents the College’s revenues for the fiscal year ended June 30, 2003.

<b>Operating Revenues</b>		
Student Tuition & Fees	\$	1,443,979.20
Grants & Contracts (State & Federal)		6,456,692.81
Sales and Services		<u>2,059,393.04</u>
Sub-Total Operating		9,960,065.05
<b>Nonoperating Revenues</b>		
State Aid		13,069,615.44
County Appropriation		1,310,130.92
Grants (Noncapital)		1,199,479.55
Investment Income		<u>131,633.30</u>
Sub-Total Nonoperating		15,710,859.21
<b>Other Revenues</b>		
State Capital Aid		5,579,161.22
County Capital Appropriations		<u>185,639.00</u>
Sub-Total Other Revenues		5,764,800.22
<b>Total Revenues</b>	<b>\$</b>	<b><u><u>31,435,724.48</u></u></b>

Operating revenues are presented net of internally funded transactions (Note 1). The College’s largest operating revenues are Pell Grants at \$5,044,353.56 or 50.65% of total operating revenues. Construction related bond funds of \$4,625,297.00 are 80.23% of other revenues. Nonoperating revenues are primarily State aid, and also include County appropriations, receipt of noncapital grants and amounts earned from investments. The State is by far the College’s major source for nonoperating revenues as presented in the table to the left. More information on the composition of revenues can be found in Exhibit B and Notes 1 and 8.

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

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The change in net assets is the difference between total revenues and total expenditures. The change in net assets, as presented in Exhibit B, is an increase of \$4,177,441.73, bringing the College's total net assets to \$18,841,113.69 as follows:

<b>Beginning Net Assets</b>	<u>\$ 14,663,671.96</u>
Revenues	
Operating	9,960,065.05
Nonoperating	15,710,859.21
Other	<u>5,764,800.22</u>
Sub-Total Revenues	31,435,724.48
Expenses	
Operating	27,241,404.69
Nonoperating	<u>16,878.06</u>
Sub-Total Expenses	27,258,282.75
Change in Net Assets	<u>4,177,441.73</u>
<b>Ending Net Assets</b>	<u><u>\$ 18,841,113.69</u></u>

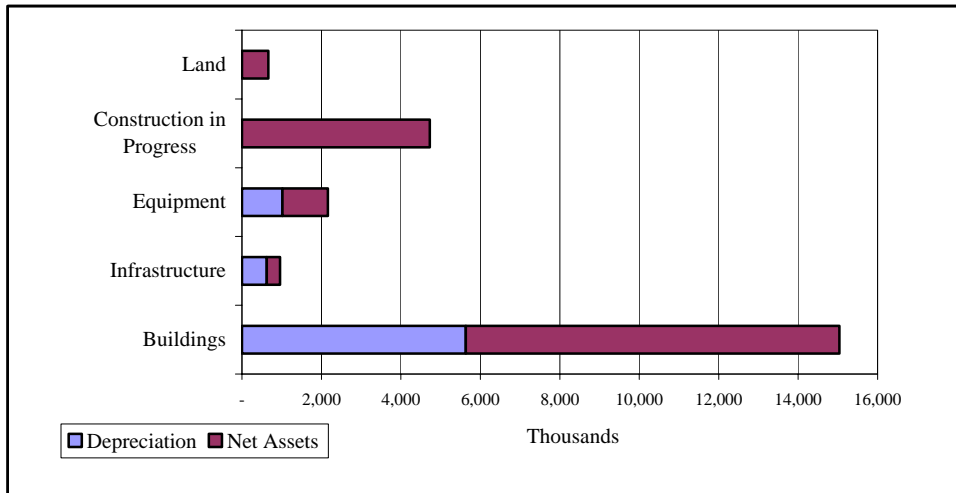
The increase in net assets is related to construction in progress primarily for the Main Campus' Building 7. The College also experienced an increase in receipts derived from its auxiliary services. Unexpended State aid reverts at fiscal year end and, therefore, only increase the College's net assets through capital asset additions, that is, equipment costing \$5,000 or greater. On the other hand, County appropriations do not revert and therefore affect the change in net assets. Federal funding does not typically affect the change in net assets since federal awards are primarily for financial assistance. Other federal grants are funded on a reimbursement basis and therefore do not significantly contribute to the College's financial position. The College also received a grant from Golden Leaf Foundation, through the Franklin County Committee of 100, in the amount of \$335,276 to fund the development and implementation of the Flextronics Training Initiative Project.

### **Capital Assets**

As of June 30, 2003, the College recorded \$23,555,854.34 million invested in capital assets, \$7,276,007.27 in accumulated depreciation, and \$16,279,847.07 in net capital assets. The composition of net capital assets is detailed in Note 4 and is illustrated on the following page.

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

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Also of note are the facilities operated on leased property owned by Granville and Warren counties, having an insured value of \$3,095,512 and \$1,655,950, respectively.

In the 1999 – 2000 Session, the General Assembly of North Carolina authorized the issuance of six hundred million dollars of General Obligation Bonds of the State to provide for capital improvements to community colleges. Vance-Granville Community College’s share of the general obligation bonds is \$17,070,446.00 with \$15,797,311.00 designated for new construction and \$1,273,135.00 designated for repairs and renovations. The State Board of Community Colleges approved the College’s request to use the bond proceeds to add an additional instructional facility at the Main Campus and at the three satellite campuses, as well as, using any remaining proceeds for miscellaneous construction. The Schedule of General Obligation Bond Project Authorizations, Budgets and Expenditures within the supplementary information contains additional information on the approved projects.

During fiscal year 2002 – 2003, the College renovated and expanded its Bookstore by 964 square feet. The College continued constructing an instructional facility at its main campus. Construction of this 51,921 square foot facility is scheduled for completion in September 2003. Remaining commitments for this project are \$409,464.64. Also, during the year, blueprints were completed and are awaiting approval by the State Construction Office for an additional building at the Warren County Campus. Further, plans are underway for the expansion of Building 8 at the main campus.

In the 1999 Session, the General Assembly of North Carolina enacted House Bill 275 which implemented a zero unemployment insurance tax rate for employers with positive experience rating, temporarily reduced the unemployment insurance tax by twenty percent for most employers and substituted an equivalent contribution to fund enhanced employment services and worker training programs. As a result of this legislation, North Carolina’s Community Colleges received nonreverting appropriations to increase its training to new and expanding

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

industries, to provide focused industrial training, and to purchase equipment. At June 30, 2003, the College had not expended its HB275 equipment appropriation of \$1,354,182.00. The College intends to carry this appropriation into future years in order to purchase equipment and furniture for its new facilities.

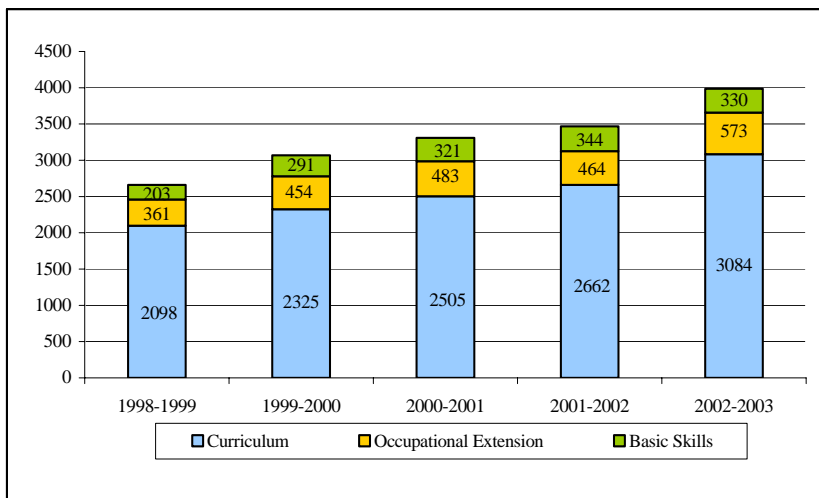
The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are State and County appropriations and the Federal Vocational Education Grant. Construction expenditures are funded by State issued General Obligation Bonds and matching local funds, as required.

### The College's Financial Position

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by State, Federal, and County support, enrollment, and financial aid available to students. These issues impact the financial and budget planning process each year.

State support is the College's primary funding source of all revenues during the year.

### FULL TIME EQUIVALENCY



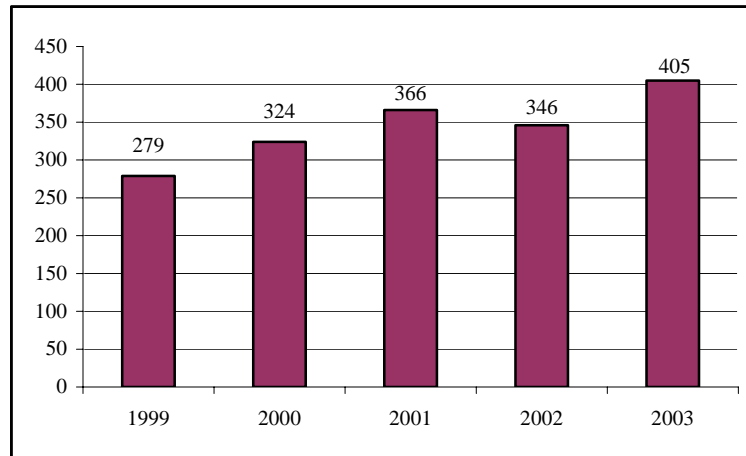
The State's support of community colleges is based on the total full-time equivalency (FTE) enrollment of the year prior to the budget year. That is, the College's 2002 – 2003 State aid was based on FTE enrollment during 2001 – 2002. As the graph to the left presents, the College has experienced FTE enrollment growth over the past several years.



In spite of the lag in funding and the rate of growth, the College continues to meet the needs of its students. The graph to the right illustrates the increase in the number of graduates during the last five years.

In conjunction with the country's economic downturn, the State of North Carolina is currently experiencing a budget deficit.

### CURRICULUM GRADUATES



The State's budget crisis directly effects the College's funding. During the 2002 – 2003 fiscal year, the College reverted \$461,063.93 or approximately 3% of its State support.

Because the North Carolina General Assembly anticipated a decline in the economy, a 10.5% tuition increase was implemented during fiscal year 2002 – 2003. Expecting further revenue shortfalls in the upcoming fiscal year, the State's General Assembly enacted an additional 3.65% increase for the fiscal year 2003 - 2004. While these increases will positively effect the State's financial position, the effect on the College is negligible at best since the State support will be proportionally reduced by the increased amount of tuition collected.

The country's economic downturn also effected the College's County appropriations. Appropriations from Vance, Granville, Warren and Franklin counties are primarily for plant operations and plant maintenance. While 2003 – 2004 county appropriations are less than the Board of Trustees requested, the appropriations increased by 8.36% over the prior year. Of the increase in appropriations, 5.72% are due to the estimated costs to operate and maintain Building 7 once it is completed in September 2003. To compensate for the loss in requested appropriations, the College has taken measures to reduce operating costs and shift planned expenditures to later years.

Historically a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. During the summer of 2003, Americal reduced their workforce significantly and Harriett and Henderson Yarns closed all their facilities in Henderson. Both companies are textile manufacturing plants in Vance County. Other companies within the College's four-county service area also experienced reductions in workforce as the economy continues to wane.

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

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The College anticipates substantial enrollment growth in the upcoming year due to the addition of two curriculum programs during the fall semester of 2002 – e-commerce and internet technician – the planned expansion of the associate degree nursing program during the summer semester of 2004 and the availability of classes available through distance education. Additionally, the College is expanding its bioprocessing technician program and is seeking approval to establish a two-year bioprocessing manufacturing technology program in 2004. Further, and in connection with the arrival of ACS, a pharmacy call center in Vance County, the College is offering an 80-hour pharmacy technology certification course. The College is also planning on conducting a one-year pharmaceutical technology program beginning with the Spring 2004 semester.

The College is experiencing an increase in curriculum students as the Fall 2003 semester begins. Curriculum enrollment for Fall 2002 on the second day of class was 3,829 students, whereas, curriculum enrollment on the second day of class for Fall 2003 was 4049. Clearly, the College is experiencing continued growth.

### **The College's Financial Future**

What can the College expect in the future? Through continuous budgetary planning and analysis, the College was prepared for this economic downturn, and is confident that it will successfully steer through this economic crisis. The College's Board and administration persists in its efforts toward program assessment, cost containment, continuous improvement, expansion of occupational training and continuing education and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new activities to enhance revenues and control expenses over the short and long term. As a result, Vance-Granville Community College is well positioned to increase enrollment, strategically add, and when appropriate eliminate programs, partner with the State in economic development and meet public expectations, while remaining financially sound.

<b>Vance-Granville Community College</b>		
<b>Statement of Net Assets</b>		
<b>June 30, 2003</b>		<b>Exhibit A</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	1,863,744.28
Restricted Cash and Cash Equivalents		32,509.62
Receivables (Note 3)		356,180.45
Inventories		380,546.93
<b>Total Current Assets</b>		<b>2,632,981.28</b>
Noncurrent Assets:		
Cash and Cash Equivalents		1,332,190.37
Restricted Cash and Cash Equivalents		3,092,487.05
Restricted Due from Primary Government		930,751.23
Other Long-Term Investments		333,811.85
Capital Assets - Nondepreciable, Net (Note 4)		5,394,536.72
Capital Assets - Depreciable, Net (Note 4)		10,885,310.35
<b>Total Noncurrent Assets</b>		<b>21,969,087.57</b>
<b>Total Assets</b>		<b>24,602,068.85</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		1,190,968.20
Due to Primary Government		3,638.85
Due to State of North Carolina Component Units		4,962.00
Deferred Revenue		7,934.79
Funds Held for Others		28,106.59
Long-Term Liabilities - Current Portion (Note 6)		138,267.53
<b>Total Current Liabilities</b>		<b>1,373,877.96</b>
Noncurrent Liabilities:		
Funds Held for Others		3,145,711.61
Long-Term Liabilities (Note 6)		1,241,365.59
<b>Total Noncurrent Liabilities</b>		<b>4,387,077.20</b>
<b>Total Liabilities</b>		<b>5,760,955.16</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		16,279,847.07
Restricted for:		
Expendable:		
Scholarships and Fellowships		12,850.27
Loans		14,922.00
Capital Projects		77,056.27
Other		104,882.77
Unrestricted		2,351,555.31
<b>Total Net Assets</b>	<b>\$</b>	<b>18,841,113.69</b>
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Vance-Granville Community College</i></b>		
<b><i>Statement of Revenues, Expenses, and</i></b>		
<b><i>Changes in Net Assets</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit B</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	1,443,979.20
Federal Grants and Contracts		6,232,266.48
State and Local Grants and Contracts		224,426.33
Sales and Services, Net (Note 8)		2,059,393.04
Total Operating Revenues		9,960,065.05
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		16,240,177.59
Supplies and Materials		3,254,147.12
Services		2,335,313.04
Scholarships and Fellowships		4,341,653.55
Utilities		468,478.98
Depreciation		601,634.41
Total Operating Expenses		27,241,404.69
Operating Loss		(17,281,339.64)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		13,069,615.44
County Appropriations		1,310,130.92
Noncapital Grants		1,199,479.55
Investment Income, Net		131,633.30
Other Nonoperating Expenses		(16,878.06)
Net Nonoperating Revenues		15,693,981.15
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,587,358.49)
State Capital Aid		5,579,161.22
County Capital Appropriations		185,639.00
Increase in Net Assets		4,177,441.73
<b>NET ASSETS</b>		
Net Assets, July 1, 2002		14,663,671.96
Net Assets, June 30, 2003	\$	18,841,113.69
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Vance-Granville Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit C</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	10,007,085.91
Payments to Employees and Fringe Benefits		(15,765,337.61)
Payments to Vendors and Suppliers		(6,019,763.85)
Payments for Scholarships and Fellowships		(4,342,578.55)
Other Receipts		654,206.81
Net Cash Used by Operating Activities		(15,466,387.29)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		13,069,615.44
County Appropriations		1,310,130.92
Noncapital Grants Received		1,198,638.19
Net Cash Provided by Noncapital Financing Activities		15,578,384.55
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		4,834,586.24
County Capital Appropriations		185,639.00
Proceeds from Sale of Capital Assets		80,993.25
Acquisition and Construction of Capital Assets		(4,270,519.27)
Net Cash Provided by Capital and Related Financing Activities		830,699.22
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments		136,572.93
Net Cash Provided by Investing Activities		136,572.93
Net Increase in Cash and Cash Equivalents		1,079,269.41
Cash and Cash Equivalents, July 1, 2002		5,241,661.91
Cash and Cash Equivalents, June 30, 2003	\$	6,320,931.32
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(17,281,339.64)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		601,634.41
Miscellaneous Nonoperating Expenses		(16,878.06)
Changes in Assets and Liabilities:		
Receivables, Net		76,166.89
Inventories		(70,434.52)
Accounts Payable and Accrued Liabilities		91,473.70
Due to Primary Government		3,638.85
Due to State of North Carolina component units		3,211.39
Deferred Revenue		(26,033.34)
Funds Held for Others		671,084.87
Compensated Absences		481,088.16
Net Cash Used by Operating Activities	\$	(15,466,387.29)

<b><i>Vance-Granville Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit C</i></b>
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	1,863,744.28
Restricted Cash and Cash Equivalents		32,509.62
Noncurrent Assets:		
Cash and Cash Equivalents		1,332,190.37
Restricted Cash and Cash Equivalents		3,092,487.05
Total Cash and Cash Equivalents - June 30, 2003	\$	<u>6,320,931.32</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Assets Acquired through Assumption of a Liability	\$	746,066.52
Change in Fair Value of Investments		(3,819.81)
Increase in Receivables Related to Nonoperating Income		744,826.43
The accompanying notes to the financial statements are an integral part of this statement.		

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**VANCE-GRANVILLE COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** – This classification includes 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 donated corporate stocks. The stocks are accounted for at fair value, as determined by quoted market prices. 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 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 25 years for general infrastructure, 15 to 40 years for buildings, and 5 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 are compensated absences that will not be paid within the next fiscal year.

**K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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 – 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)

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**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.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**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.

**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 \$2,441.75. The carrying amount of cash on deposit was \$6,318,489.57 and the bank balance was \$6,577,470.82.

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

Cash on deposit at year end consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Deposit with State Treasurer	\$ 6,185,339.26	\$ 6,298,567.11
Cash on Deposit with Private Financial Institutions	<u>133,150.31</u>	<u>278,903.71</u>
	<u>\$ 6,318,489.57</u>	<u>\$ 6,577,470.82</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are “readily convertible into cash.” All investments of the fund are held either by the Department of State Treasurer or agent in the State’s name.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, \$114,763.53 of the bank balance was covered by federal depository insurance, and \$164,140.18 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to General Statute 159-30(c), as follows: obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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.

A summary of the College's investments at June 30, 2003 is presented below:

	Fair Value			Total
	Risk Category			
	1	2	3	
<b>Investments Categorized:</b>				
Corporate Stocks	\$ 333,811.85	\$ 0.00	\$ 0.00	\$ 333,811.85

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2003 were as follows:

	Receivables
<b>Current Receivables:</b>	
Students	\$ 219,967.44
Private Grantors	73,874.52
Intergovernmental	30,941.24
Vendors	14,209.79
Investment Earnings	9,814.34
Other	7,373.12
<b>Total Current Receivables</b>	<b>\$ 356,180.45</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 664,976.99	\$ 0.00	\$ 0.00	\$ 664,976.99
Construction in Progress	133,672.05	4,595,887.68		4,729,559.73
<b>Total Capital Assets, Nondepreciable</b>	<u>798,649.04</u>	<u>4,595,887.68</u>		<u>5,394,536.72</u>
Capital Assets, Depreciable:				
Buildings	15,039,068.63			15,039,068.63
Machinery and Equipment	1,859,559.27	420,698.11	115,652.04	2,164,605.34
General Infrastructure	965,478.38		7,834.73	957,643.65
<b>Total Capital Assets, Depreciable</b>	<u>17,864,106.28</u>	<u>420,698.11</u>	<u>123,486.77</u>	<u>18,161,317.62</u>
Less Accumulated Depreciation:				
Buildings	5,259,048.15	375,976.80		5,635,024.95
Machinery and Equipment	1,019,614.77	41,130.24	42,493.52	1,018,251.49
General Infrastructure	438,203.46	184,527.37		622,730.83
<b>Total Accumulated Depreciation</b>	<u>6,716,866.38</u>	<u>601,634.41</u>	<u>42,493.52</u>	<u>7,276,007.27</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>11,147,239.90</u>	<u>(180,936.30)</u>	<u>80,993.25</u>	<u>10,885,310.35</u>
<b>Capital Assets, Net</b>	<u>\$ 11,945,888.94</u>	<u>\$ 4,414,951.38</u>	<u>\$ 80,993.25</u>	<u>\$ 16,279,847.07</u>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 194,199.71
Accrued Payroll	104,569.63
Contract Payable	647,662.55
Contract Retainage	224,403.97
Intergovernmental Payables	74.17
Other	20,058.17
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 1,190,968.20</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Current Portion
Compensated Absences	\$ 898,544.96	\$ 573,671.46	\$ 92,583.30	\$ 1,379,633.12	\$ 138,267.53

### NOTE 7 - OPERATING LEASE OBLIGATIONS

The following schedule presents the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	Amount
Facilities Rentals	\$ 16,680.00
Equipment Rentals	784.43
Total Rental Expense	\$ 17,464.43

### 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
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 2,684,403.80	\$ 0.00	\$ 1,240,424.60	\$ 1,443,979.20
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 1,398,484.32	\$ 34,746.21	\$ 0.00	\$ 1,363,738.11
Facilities Rental	59,075.00			59,075.00
Vending	43,406.27			43,406.27
Other	160,466.54			160,466.54
Sales and Services of Education and Related Activities	440,564.07	7,856.95		432,707.12
<b>Total Sales and Services</b>	\$ 2,101,996.20	\$ 42,603.16	\$ 0.00	\$ 2,059,393.04



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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	\$ 10,546,697.18	\$ 1,202,654.96	\$ 892,856.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 12,642,208.39
Academic Support	882,910.26	227,870.62	76,848.31				1,187,629.19
Student Services	1,596,501.17	17,090.98	249,923.73				1,863,515.88
Institutional Support	2,525,373.90	299,516.65	650,690.07				3,475,580.62
Operations and Maintenance of Plant	535,568.04	420,518.94	179,494.00		468,478.98		1,604,059.96
Student Financial Aid			172,935.99	4,341,653.55			4,514,589.54
Auxiliary Enterprises	153,127.04	1,086,494.97	112,564.69				1,352,186.70
Depreciation						601,634.41	601,634.41
<b>Total Operating Expenses</b>	<b>\$ 16,240,177.59</b>	<b>\$ 3,254,147.12</b>	<b>\$ 2,335,313.04</b>	<b>\$ 4,341,653.55</b>	<b>\$ 468,478.98</b>	<b>\$ 601,634.41</b>	<b>\$ 27,241,404.69</b>

**NOTE 10 - PENSION PLANS**

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

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

For the year ended June 30, 2003, the College had a total payroll of \$13,481,437.39, excluding benefits, of which \$10,914,137.83 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$654,848.27. 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, \$216,910.45, and \$563,693.32, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$23,532.00 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 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 \$218,625.00 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 \$24,065.00 for the year ended June 30, 2003.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College's total contribution to the Plan was \$256,482.24. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. Long-Term Disability -** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$56,753.52. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. The College purchases dishonesty/crime insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$464,064.64 and on other purchases were \$103,439.02 at June 30, 2003.
- B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds were authorized for issuance over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO) establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization of \$12,032,348 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

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

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**B. Other Contingent Receivables** – The College has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end is as follows:

Purpose	Amount
Vance-Granville Community College Scholarship Fund	\$ 112,397.40

**NOTE 14 - VANCE-GRANVILLE COMMUNITY COLLEGE ENDOWMENT FUND CORPORATION**

The Vance-Granville Community College Endowment Fund Corporation 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. 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 amounted to \$125,705.86 for the year ended June 30, 2003. The balance of cash held by the State Treasurer was \$3,102,487.05 as recorded in the College's agency fund.

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

**Schedule 1**

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<b>Projects Approved by the State Board</b>							
Classroom / Instructional Facility (#1093)	Jul 2002	\$ 5,341,910.00	\$ 250,000.00	\$ 5,591,910.00	\$ 4,850,478.54	86.74%	Oct 2003
Classroom / Instructional Facility (#1096)	Nov 2003	1,512,000.00	100,000.00	1,612,000.00	33,348.75	2.07%	Nov 2004
Repairs and Renovations (#1157)	Jul 2001	191,680.00	6,223.00	197,903.00	197,902.69	100.00%	Oct 2001
Student Services Miscellaneous Addition (#1307)	Jun 2003	908,090.00	250,000.00	1,158,090.00	8,075.00	0.70%	Feb 2005
Repairs and Renovations, Phase II	Jun 2003	660,000.00		660,000.00			Dec 2003
<b>Projects Pending Approval by the State Board</b>							
Classroom / Instructional Facility (#1095)	Jul 2004	1,919,250.00		1,919,250.00			Jul 2005
Classroom / Instructional Facility (#1094)	Nov 2004	2,518,000.00		2,518,000.00			Dec 2005
<b>Projects Not Started - To Be Funded in Future Years</b>							
Miscellaneous Construction - Main Campus	Mar 2004	1,191,886.00		1,191,886.00			Jun 2006
Miscellaneous Construction - South Campus	Nov 2004	1,361,202.00		1,361,202.00			Dec 2005
Miscellaneous Construction - Franklin Campus	Jul 2004	450,022.00		450,022.00			Dec 2005
Miscellaneous Construction - Warren Campus	Jul 2004	403,271.00		403,271.00			May 2006
Repairs and Renovations, Phase III	May 2004	330,000.00		330,000.00			Oct 2004
Repairs and Renovations, Phase IV	May 2005	283,135.00		283,135.00			Sep 2005
<b>Total All Projects</b>		<b>\$ 17,070,446.00</b>	<b>\$ 606,223.00</b>	<b>\$ 17,676,669.00</b>	<b>\$ 5,089,804.98</b>		

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

## DISTRIBUTION OF REVIEW REPORT

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

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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Mr. Robert A. Miller	President, Vance-Granville Community College
Mr. Gary W. Morgan	Business Manager Vance-Granville Community College
Mr. Donald C. Seifert, Sr.	Chairman, Board of Trustees Vance-Granville Community College

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### Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
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June 30, 2004



## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
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