



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

BLADEN COMMUNITY COLLEGE

DUBLIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

BLADEN COMMUNITY COLLEGE

DUBLIN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

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Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Bladen Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our review was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a review is to achieve limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

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 Bladen Community College. As a result of our review, we are not aware of any material modifications necessary for the accompanying financial statements 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.

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.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Bladen Community College
Dublin, North Carolina

We have reviewed the accompanying basic financial statements of Bladen Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2004, as listed in the table of contents. We conducted our review 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, 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.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

February 24, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is intended to provide a general overview of Bladen Community College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. Since Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and notes. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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 College and Universities*. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various College services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported mainly by State, local, federal, and other revenues. This Statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on State aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing activities, and investing activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Cash Flow Statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Highlights

Tuition increased 3.6 percent per credit hour for in-State rates. Of its original annual budget, the College reverted 3 percent to the North Carolina Community College System.

Financial Analysis

Analysis of Current Assets and Net Assets

As of June 30, 2004, the College's net assets have increased due largely to the commencing of construction projects. Also, the College's liabilities increased partly due to the 10 bonus days given to employees by the State of North Carolina as of July 1, 2003.

	<i>(in hundred thousands)</i>			
	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 6.72	\$ 5.82	\$ 0.90	15.5
Noncurrent Assets:				
Capital Assets, Net of Depreciation	28.86	25.29	3.57	14.1
Other	<u>9.62</u>	<u>6.86</u>	<u>2.76</u>	40.2
Total Assets	<u>45.20</u>	<u>37.97</u>	<u>7.23</u>	
Liabilities				
Current Liabilities	3.43	2.00	1.43	71.5
Noncurrent Liabilities	<u>1.78</u>	<u>1.60</u>	<u>0.18</u>	11.3
Total Liabilities	<u>5.21</u>	<u>3.60</u>	<u>1.61</u>	
Net Assets				
Investment in Capital Assets	28.86	25.29	3.57	14.1
Restricted for:				
Expendable:				
Capital Projects	9.07	6.84	2.23	32.6
Other	0.02	(0.72)	0.74	(102.8)
Unrestricted	<u>2.04</u>	<u>2.96</u>	<u>(0.92)</u>	(31.1)
Total Net Assets	<u>\$ 39.99</u>	<u>\$ 34.37</u>	<u>\$ 5.62</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Net Capital Assets

The categories of the College's capital assets are shown in this schedule. It is prepared on an accrual basis of accounting whereby assets are capitalized and depreciated.

	<i>(in hundred thousands)</i>			
	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Changes</u>
Capital Assets				
Land	\$ 0.78	\$ 0.78	\$ 0.00	0.00
Construction in Progress	3.37		3.37	
Buildings	53.70	52.57	1.13	0.02
Machinery and Equipment	8.43	8.20	0.23	0.03
General Infrastructure	<u>5.19</u>	<u>5.19</u>		
Total	<u>71.47</u>	<u>66.74</u>	<u>4.73</u>	
Less: Accumulated Depreciation	<u>42.61</u>	<u>41.45</u>	<u>1.16</u>	0.03
Net Capital Assets	<u>\$ 28.86</u>	<u>\$ 25.29</u>	<u>\$ 3.57</u>	

Analysis of Liabilities

As of June 30, 2004, the College had long-term debt of \$178,000. This debt consists solely of accrued vacation. Accounts payable increased substantially due to an increase in accounts payable due to vendors.

	<i>(in hundred thousands)</i>			
	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Liabilities				
Accounts Payable	\$ 3.23	\$ 1.82	\$ 1.41	0.77
Long-Term Liabilities - Current Portion	<u>0.20</u>	<u>0.18</u>	<u>0.02</u>	0.11
Total Current Liabilities	<u>3.43</u>	<u>2.00</u>	<u>1.43</u>	
Noncurrent Liabilities				
Long-Term Liabilities	<u>1.78</u>	<u>1.60</u>	<u>0.18</u>	0.11
Total Liabilities	<u>\$ 5.21</u>	<u>\$ 3.60</u>	<u>\$ 1.61</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Revenues

The increase in student tuition and fees is due to the increase in credit hour per student and enrollment increase. The federal grants increased due to the number of students receiving Pell grants and other federal assistance. State capital aid increased due to the commencing of bond projects within the College.

(in hundred thousands)

	2004	2003	Increase (Decrease)	Percent Change
Operating Revenues				
Student Tuition and Fees, Net	\$ 2.12	\$ 1.95	\$ 0.17	0.09
Federal Grants and Contracts	39.56	30.18	9.38	0.31
State and Local Grants and Contracts	0.84	0.87	(0.03)	(0.04)
Sales and Services, Net	7.47	7.51	(0.04)	(0.01)
Other Operating Revenues	0.15	0.23	(0.08)	(0.35)
Total Operating Revenues	50.14	40.74	9.40	
Less Operating Expenses	114.16	96.17	17.99	18.71
Operating Loss	(64.02)	(55.43)	(8.59)	
Nonoperating Revenues				
State Aid	49.84	44.41	5.43	0.12
County Appropriations	4.97	4.95	0.02	0.40
Noncapital Grants	2.75	2.59	0.16	0.06
Noncapital Gifts	0.08	0.07	0.01	14.29
Investment Income	0.02	0.01	0.01	100.00
State Capital Aid	11.80	8.51	3.29	38.66
County Capital Appropriations	0.18		0.18	
Other Nonoperating Revenues		0.01	(0.01)	(100.00)
Total Nonoperating Revenues	69.64	60.55	9.09	
Increase in Net Assets	<u>\$ 5.62</u>	<u>\$ 5.12</u>	<u>\$ 0.50</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Analysis of Expenditures

The College experienced an overall increase in expenditures from FY 2003. Because of the increase in funding, the College was able to purchase more, along with Pell grant increases (enrollment growth), and the start of bond projects.

(in hundred thousands)

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Changes</u>
Salaries and Benefits	\$ 63.06	\$ 56.09	\$ 6.97	0.12
Supplies and Materials	15.16	10.64	4.52	0.42
Services	10.11	6.90	3.21	0.47
Scholarships and Fellowships	22.37	19.02	3.35	0.18
Utilities	1.40	1.43	(0.03)	(0.02)
Depreciation	<u>2.06</u>	<u>2.09</u>	<u>(0.03)</u>	<u>(0.01)</u>
Total Expenditures	<u>\$ 114.16</u>	<u>\$ 96.17</u>	<u>\$ 17.99</u>	

As the State's economy has turned downward for the past four years, the region that Bladen Community College serves has experienced textile plant closings, high unemployment and resulting record high enrollments at the College. Unable to finance this additional demand for educational offerings, the North Carolina General Assembly increased State tuition for in-State students for Fall 2003 from \$34.25 per credit hour to \$35.50 per credit hour, a 3.6% increase. The out-of-State tuition increased from \$190.75 per credit hour to \$197.00 per credit hour, a 3.3% increase. During this period of economic decline, the State tuition has increased 29.09%.

It is anticipated that the overall State economy will recover at a steady 3% rate, yet the Bladen County regional economic recovery is expected to lag given the nature of its rural economy. Given the continuing high unemployment, and long term effect of large plant closings, the transition in the farming industry may cause regional economic problems to continue into the future. If so, it is expected that the demand for educational offerings at Bladen Community College will continue to increase. As the regional economy improves, the demand for educational offerings may remain high, but may well begin to increase at a decreasing rate.

Bladen Community College		
Statement of Net Assets		
June 30, 2004		Exhibit A-1
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	261,158.50
Restricted Cash and Cash Equivalents		20,626.49
Receivables (Note 3)		328,550.57
Inventories		61,773.50
Total Current Assets		672,109.06
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,000.00
Restricted Due from Primary Government		961,101.56
Capital Assets - Nondepreciable (Note 4)		415,937.75
Capital Assets - Depreciable, Net (Note 4)		2,470,163.72
Total Noncurrent Assets		3,848,203.03
Total Assets		4,520,312.09
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		281,447.92
Deferred Revenue		10,242.80
Funds Held for Others		31,820.07
Long-Term Liabilities - Current Portion (Note 6)		19,817.70
Total Current Liabilities		343,328.49
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		178,359.72
Total Liabilities		521,688.21
NET ASSETS		
Invested in Capital Assets		2,886,101.47
Restricted for:		
Expendable:		
Scholarships and Fellowships		636.04
Loans		777.54
Capital Projects		907,215.26
Unrestricted		203,893.57
Total Net Assets	\$	3,998,623.88
The accompanying notes to the financial statements are an integral part of this statement.		

Bladen Community College		
Statement of Revenues, Expenses, and		
Changes in Net Assets		
For the Fiscal Year Ended June 30, 2004		Exhibit A-2
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	211,530.50
Federal Grants and Contracts		3,955,845.10
State and Local Grants and Contracts		84,174.99
Sales and Services, Net (Note 8)		746,994.46
Other Operating Revenues		15,365.54
Total Operating Revenues		5,013,910.59
EXPENSES		
Operating Expenses:		
Salaries and Benefits		6,305,718.84
Supplies and Materials		1,516,903.48
Services		1,010,617.44
Scholarships and Fellowships		2,236,841.06
Utilities		140,323.95
Depreciation		205,847.16
Total Operating Expenses		11,416,251.93
Operating Loss		(6,402,341.34)
NONOPERATING REVENUES		
State Aid		4,984,128.32
County Appropriations		497,035.31
Noncapital Grants		275,017.94
Noncapital Gifts		8,305.16
Investment Income		1,617.94
Total Nonoperating Revenues		5,766,104.67
Loss Before Other Revenues		(636,236.67)
State Capital Aid		1,179,774.78
County Capital Appropriations		17,945.69
Increase in Net Assets		561,483.80
NET ASSETS		
Net Assets, July 1, 2003		3,437,140.08
Net Assets, June 30, 2004	\$	3,998,623.88
The accompanying notes to the financial statements are an integral part of this statement.		

Bladen Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2004		Exhibit A-3
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers		\$ 5,005,523.30
Payments to Employees and Fringe Benefits		(6,298,804.61)
Payments to Vendors and Suppliers		(2,516,058.87)
Payments for Scholarships and Fellowships		(2,250,871.96)
Other Receipts		31,820.07
Net Cash Used by Operating Activities		(6,028,392.07)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		4,984,128.32
County Appropriations		497,035.31
Noncapital Grants Received		158,209.58
Noncapital Gifts		8,305.16
Cash Provided by Noncapital Financing Activities		5,647,678.37
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		1,179,774.78
County Capital Appropriations		17,945.69
Acquisition and Construction of Capital Assets		(783,722.53)
Net Cash Provided by Capital and Related Financing Activities		413,997.94
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		1,617.94
Cash Provided by Investing Activities		1,617.94
Net Increase in Cash and Cash Equivalents		34,902.18
Cash and Cash Equivalents, July 1, 2003		247,882.81
Cash and Cash Equivalents, June 30, 2004		\$ 282,784.99
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (6,402,341.34)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		205,847.16
Changes in Assets and Liabilities:		
Receivables		(18,978.25)
Inventories		80,633.18
Accounts Payable and Accrued Liabilities		57,354.46
Deferred Revenue		(3,439.94)
Funds Held for Others		31,820.07
Compensated Absences		20,712.59
Net Cash Used by Operating Activities		\$ (6,028,392.07)

<i>Bladen Community College</i>		
<i>Statement of Cash Flows</i>		<i>Exhibit A-3</i>
<i>For the Fiscal Year Ended June 30, 2004</i>		<i>Page 2</i>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	\$	261,158.50
Restricted Cash and Cash Equivalents		20,626.49
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,000.00
Total Cash and Cash Equivalents - June 30, 2004	\$	282,784.99
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets Acquired through Assumption of a Liability	\$	55,548.30
Increase in Receivables Related to Nonoperating Income		276,144.66
Capital Asset Write-Offs		90,154.75
The accompanying notes to the financial statements are an integral part of this statement.		

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BLADEN COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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. Bladen 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 or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

- 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. 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 and from private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. All receivables are shown at book value with no provisions for doubtful accounts considered necessary.
- F. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 25 years for general infrastructure, 15 to 40 years for buildings, and 3 to 15 years for equipment.
- H. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 bonuses awarded by the College to all full-time permanent employees as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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

K. Net Assets – The College’s net assets are classified as follows:

Invested in Capital Assets – 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.

L. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

- M. Revenue and Expense Recognition** – The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College’s principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- N. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the College bookstore. 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.
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

county capital appropriation do not revert and are available for future use as approved by the county commissioners.

NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year end, cash on hand was \$1,425.00. The carrying amount of cash on deposit was \$281,359.99 and the bank balance was \$496,973.41. 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, 2004, \$100,000.00 of the bank balance was covered by federal depository insurance, and \$396,973.41 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	Receivables
Current Receivables:	
Students	\$ 132,748.48
Accounts	78,993.73
Intergovernmental	116,808.36
Total Current Receivables	\$ 328,550.57

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2004, is presented as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:				
Land	\$ 78,163.55	\$ 0.00	\$ 0.00	\$ 78,163.55
Construction in Progress		337,774.20		337,774.20
Total Capital Assets, Nondepreciable	78,163.55	337,774.20		415,937.75
Capital Assets, Depreciable:				
Buildings	5,257,128.97	112,745.36		5,369,874.33
Machinery and Equipment	820,318.57	112,606.61	90,154.75	842,770.43
General Infrastructure	519,000.06			519,000.06
Total Capital Assets, Depreciable	6,596,447.60	225,351.97	90,154.75	6,731,644.82
Less Accumulated Depreciation:				
Buildings	3,215,386.65	130,518.84		3,345,905.49
Machinery and Equipment	411,401.98	75,328.32	90,154.75	396,575.55
General Infrastructure	519,000.06			519,000.06
Total Accumulated Depreciation	4,145,788.69	205,847.16	90,154.75	4,261,481.10
Total Capital Assets, Depreciable, Net	2,450,658.91	19,504.81		2,470,163.72
Capital Assets, Net	\$ 2,528,822.46	\$ 357,279.01	\$ 0.00	\$ 2,886,101.47

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004, were as follows:

	Amount
Accounts Payable	\$ 178,185.64
Accrued Payroll	103,262.28
Total Accounts Payable and Accrued Liabilities	\$ 281,447.92

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Compensated Absences	\$ 177,464.83	\$ 174,120.09	\$ 153,407.50	\$ 198,177.42	\$ 19,817.70

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2004:

Fiscal Year	Amount
2005	\$ 86,365.68
2006	62,104.68
2007	3,924.00
Total Minimum Lease Payments	\$ 152,394.36

Rental expense for all operating leases during the year was \$102,263.84.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 1,312,052.48	\$ 0.00	\$ 1,100,521.98	\$ 211,530.50
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 8,527.15	\$ 0.00	\$ 0.00	\$ 8,527.15
Bookstore	741,581.47	7,404.16		734,177.31
Other	4,290.00			4,290.00
Total Sales and Services	\$ 754,398.62	\$ 7,404.16	\$ 0.00	\$ 746,994.46

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	\$ 3,221,355.96	\$ 133,996.73	\$ 191,077.45	\$ 0.00	\$ 0.00	\$ 0.00	\$ 3,546,430.14
Research	170,680.66	1,361.94	17,086.24				189,128.84
Academic Support	534,042.85	12,012.30	13,252.10				559,307.25
Student Services	346,614.85	12,858.54	37,307.86				396,781.25
Institutional Support	1,822,172.43	656,789.14	494,237.29				2,973,198.86
Operations and Maintenance of Plant	168,273.31	43,860.94	133,118.25		140,323.95		485,576.45
Student Financial Aid				2,236,841.06			2,236,841.06
Auxiliary Enterprises	42,578.78	656,023.89	124,538.25				823,140.92
Depreciation						205,847.16	205,847.16
Total Operating Expenses	\$ 6,305,718.84	\$ 1,516,903.48	\$ 1,010,617.44	\$ 2,236,841.06	\$ 140,323.95	\$ 205,847.16	\$ 11,416,251.93

NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the College had a total payroll of \$5,344,736.35, of which \$4,270,140.16 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$256,208.41 and \$9,394.31, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$9,394.31, \$0.00, and \$68,961.02, 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 Plan** - 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 \$39,220.00 for the year ended June 30, 2004.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended

June 30, 2004, the College's total contribution to the Plan was \$136,644.49. 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. Employer contributions are established in the Appropriations Bill by the General Assembly. The College was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. 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. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, 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 \$5,000,000 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

premiums and interest and incurs a \$10 million self-insured deductible per occurrence. 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 is protected from losses from employee dishonesty and computer fraud for employees paid entirely from county and institutional funds by a contract with a private insurance company.

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

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

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. There were no employer contributions required for the current fiscal year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

purchases. Outstanding commitments on construction contracts were \$348,411.50 at June 30, 2004.

- B. Community College General Obligation Bonds** – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million 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 \$2,990,000 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 - BLADEN COMMUNITY COLLEGE FOUNDATION, INC.

The Bladen 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,

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$42,336.59 for the year ended June 30, 2004.

NOTE 15 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship to the College.

***Bladen Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2004***

Schedule 1

	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
<i>Capital Improvement Projects</i>									
<i>Projects Approved by the State Board</i>									
Repair and Renovation to Buildings, Grounds, and Parking Lots	Sep 2001	Feb 2002	\$ 146,809.00	\$ 0.00	\$ 146,809.00	\$ 106,685.20	72.67%	Dec 2005	Jul 2006
Repair and Renovation to Buildings, Sidewalks, Parking Lots, and HVAC	May 2002	Mar 2003	520,000.00	131,000.00	651,000.00	413,276.12	63.48%	Mar 2006	Jan 2007
Industrial Training Center, Renovation, and Expansion	Apr 2002	Oct 2002	664,794.00		664,794.00	44,063.12	6.63%	Apr 2005	Jun 2005
<i>Projects Pending Approval by the State Board</i>									
Classroom Building	Dec 2003	Oct 2005	2,000,000.00		2,000,000.00			Feb 2005	Nov 2006
Learning Resources Center Repair, Renovation, and Expansion	Dec 2003	Jan 2005	990,000.00		990,000.00			Jun 2005	Apr 2006
Total All Projects			\$ 4,321,603.00	\$ 131,000.00	\$ 4,452,603.00	\$ 564,024.44			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million 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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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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May 16, 2005

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