



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT REVIEW REPORT OF

CARTERET COMMUNITY COLLEGE

MOREHEAD CITY, 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**

**CARTERET COMMUNITY COLLEGE**

**MOREHEAD CITY, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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STATE OF NORTH CAROLINA  
Office of the 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, Carteret Community College

This report presents the results of our financial statement review of Carteret 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 Carteret 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.

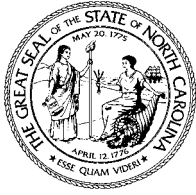
*Leslie W. Merritt, Jr.*

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

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STATE OF NORTH CAROLINA  
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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Carteret Community College  
Morehead City, North Carolina

We have reviewed the accompanying financial statements of Carteret Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2004, which collectively comprise Carteret Community College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. We did not review the financial statements of Carteret Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other accountants whose report thereon has been furnished to us, and our report, insofar as it relates to the amounts included for those entities, is based on the report of the other accountants.

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 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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.

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT (CONCLUDED)

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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.  
State Auditor

April 29, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Carteret Community College's Financial Statement Review Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2004, and June 30, 2003. 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 and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. 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 nonfinancial 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 financing, and related 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

Overall there is a \$9,580,605.98 increase in net assets for fiscal year 2004. This is largely due to a \$9,059,607.80 increase in construction in progress and land. The College is currently involved in several construction projects including the construction of two new buildings and the renovation of a third building. Both the State of North Carolina and Carteret County are funding these projects through bond funds of \$5,645,724 and \$7,500,000 respectively. There is also a federal grant in the amount of \$1,500,000. These projects have a scheduled completion date of late 2006. Another notable fact is the required budget reversions for 2004 and 2003. The College reverted 3% of its original annual budget to the North Carolina Community College System in 2004, and 2.18% in 2003.

### Financial Analysis

#### Analysis of Current Assets and Net Assets

As of June 30, 2004, the College's net assets have increased due to a large increase in investment in capital assets. Current assets have increased because of the receivables due at year end from State and local agencies stemming from current construction projects. At the same time, current liabilities have increased due to the \$917,105.70 of construction accounts payable at year end. The increase in capital assets is due to a \$9,059,607.80 increase in construction in progress from the current new construction projects and land. Noncurrent liabilities consist of noncurrent compensated absences. This amount has increased in 2004 due to the additional 80 hours of leave that was awarded by the State of North Carolina during Fall 2003 to each full-time permanent employee. Other than the increase in restricted assets expendable for capital projects from the construction projects, the other restricted assets have increased due to an increase in grant revenues.

	<i>(in thousands)</i>			
	2004	2003	Increase (Decrease)	Percentage Change
Assets				
Current Assets	\$ 2,714.83	\$ 2,055.21	\$ 659.62	32.10%
Noncurrent Assets				
Capital Assets, Net of Depreciation	21,085.34	12,190.04	8,895.30	72.97%
Other	736.94	355.17	381.77	107.49%
Total Assets	<u>24,537.11</u>	<u>14,600.42</u>	<u>9,936.69</u>	
Liabilities				
Current Liabilities	1,260.14	1,131.88	128.26	11.33%
Noncurrent Liabilities	536.45	308.63	227.82	73.82%
Total Liabilities	<u>1,796.59</u>	<u>1,440.51</u>	<u>356.08</u>	
Net Assets				
Investment in Capital Assets	21,085.34	12,190.04	8,895.30	72.97%
Restricted	1,140.00	518.00	622.00	120.08%
Unrestricted	515.18	451.87	63.31	14.01%
Total Net Assets	<u>\$ 22,740.52</u>	<u>\$ 13,159.91</u>	<u>\$ 9,580.61</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. The increase in capital assets is due to a \$9,059,607.80 increase in construction in progress from the current new construction projects and land. Both fiscal year 2003 and 2004 are presented according to GASB Statement No. 34, thus including accumulated depreciation.

	<i>(in thousands)</i>		Increase (Decrease)	Percentage Change
	2004	2003		
Capital Assets				
Land	\$ 2,693.66	\$ 2,693.66	\$ 0.00	0.00%
Buildings	8,564.32	8,564.32		
Construction in Progress	12,373.71	3,314.10	9,059.61	273.37%
Machinery and Equipment	2,324.95	2,149.70	175.25	8.15%
General Infrastructure	739.72	739.72		
Total Capital Assets	26,696.36	17,461.50	9,234.86	
Less: Accumulated Depreciation	5,611.02	5,271.46	339.56	6.44%
Net Capital Assets	<u>\$ 21,085.34</u>	<u>\$ 12,190.04</u>	<u>\$ 8,895.30</u>	

### Analysis of Liabilities

Current liabilities have increased due to the \$917,105.70 of construction accounts payable at year end. As of June 30, 2004, the College had noncurrent long-term liabilities of \$536,454.73. This debt consists solely of accrued vacation and increased due to an additional 80 hours of leave awarded to each full-time permanent employee in Fall 2003 by the State of North Carolina. In addition to the extra leave awarded, the current and long-term portions of the leave have been calculated using the last-in, first-out method as provided by the Office of the State Controller to better estimate the portion of the liability that is current. Prior to 2004, this estimate was based on past experience, not a mathematical formula.

	<i>(in thousands)</i>		Increase (Decrease)	Percentage Change
	2004	2003		
Current Liabilities				
Accounts Payable	\$ 1,250.54	\$ 1,006.88	\$ 243.66	24.20 %
Long-Term Liabilities - Current Portion	9.60	125.00	(115.40)	(92.32) %
Total Current Liabilities	1,260.14	1,131.88	128.26	
Noncurrent Liabilities				
Long-Term Liabilities	536.45	308.63	227.82	73.82 %
Total Liabilities	<u>\$ 1,796.59</u>	<u>\$ 1,440.51</u>	<u>\$ 356.08</u>	

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of Revenues

Despite an 11% increase for in-State tuition from \$34.25 in 2003 to \$38.00 per credit hour in 2004, operating revenues decreased by 10.16%. The decrease in student tuition and fees is mostly attributed to a sharp decrease in occupational revenues from \$230,648 in 2003, to \$80,035 in 2004. The federal grants and contracts decreased by .65% from the prior year due to the receipt of \$37,493.48 in federal funding for the construction projects in 2003 as compared to \$0.00 in 2004. State contracts also decreased by \$258,091.95. This decline was caused by several State grant contracts expiring during 2004. Noncapital grants remained relatively constant at \$214,932.98. Noncapital gifts increased by 34.92% due to an increase in the support provided by the Carteret Community College Foundation. Sharp declines in the stock market and interest rates lead to the decrease of 32.83% in investment income. The overall increase in net assets in the amount of \$9,580,605.98, a 274.11% increase from 2003, is due to the significant increase in State and county capital aid for capitalized construction projects.

	<i>(in thousands)</i>		Increase (Decrease)	Percentage Change
	2004	2003		
Operating Revenues				
Student Tuition and Fees	\$ 1,050.33	\$ 1,272.70	\$ (222.37)	(17.47) %
Federal Grants and Contracts	2,307.67	2,322.74	(15.07)	(0.65) %
State and Local Grants and Contracts	344.26	602.35	(258.09)	(42.85) %
Sales and Services	799.38	806.45	(7.07)	(0.88) %
Other Operating Revenues	24.10	33.14	(9.04)	(27.28) %
Total Operating Revenues	4,525.74	5,037.38	(511.64)	(10.16) %
Less Operating Expenses	13,096.27	13,173.23	(76.96)	(0.58) %
Operating Loss	(8,570.53)	(8,135.85)	(434.68)	
Nonoperating Revenues				
State Aid	6,218.50	5,815.02	403.48	6.94 %
County Appropriations	1,220.00	1,220.00		
Other Nonoperating Revenues	364.52	330.23	34.29	10.38 %
Total Nonoperating Revenues	7,803.02	7,365.25	437.77	
Capital Revenues				
State Capital Aid	4,376.87	1,524.27	2,852.60	187.15 %
County Capital Appropriations & Grants	5,971.25	1,489.80	4,481.45	300.81 %
Other Capital Revenues	317.43	317.43	(317.43)	(100.00) %
Total Capital Revenues	10,348.12	3,331.50	7,016.62	
Increase in Net Assets	\$ 9,580.61	\$ 2,560.90	\$ 7,019.71	

### Analysis of Expenditures

The College's decrease in expenses from fiscal year 2003 to 2004 can be tied directly to the 10.16% decrease in revenues. Salaries and benefits increased due to the addition of new faculty and staff as well as the 2.5% pay increase awarded to all permanent employees

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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July 1, 2003. A one-time bonus in the amount of \$550.00 was awarded to all permanent employees by the State of North Carolina during 2004 as well. Supplies and services decreased during the fiscal year due to budget constraints associated with the decrease in revenues and budget reversion required. An immaterial decrease in depreciation expense from \$478,802.70 in 2003, to \$407,416.70 in 2004 despite an increase in capitalized assets was caused by the re-evaluation of asset's useful lives when accumulated depreciation was calculated using the new Colleague financial system.

	<i>(in thousands)</i>			
	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Operating Expenses				
Salaries and Benefits	\$ 8,280.67	\$ 7,800.72	\$ 479.95	6.15 %
Supplies and Materials	1,447.31	1,537.98	(90.67)	(5.90) %
Services	952.46	1,116.31	(163.85)	(14.68) %
Scholarships and Fellowships	1,718.48	1,905.45	(186.97)	(9.81) %
Utilities	289.93	333.97	(44.04)	(13.19) %
Depreciation	<u>407.42</u>	<u>478.80</u>	<u>(71.38)</u>	<u>(14.91) %</u>
Total Operating Expenses	<u>\$ 13,096.27</u>	<u>\$ 13,173.23</u>	<u>\$ (76.96)</u>	

In summary, this annual report is designed to provide our community, students, donors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives through grants, donations and tuition revenues.

***Carteret Community College***  
***Statement of Net Assets***  
***June 30, 2004***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 267,089.18
Restricted Cash and Cash Equivalents	132,292.46
Short-Term Investments	499,778.74
Restricted Short-Term Investments	31,329.82
Receivables (Note 3)	1,377,970.80
Due from State of North Carolina Component Units	250,000.00
Inventories	121,457.49
Prepaid Items	30,035.25
Notes Receivable, Net (Note 3)	4,874.03
	<hr/>
Total Current Assets	2,714,827.77

Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,016.11
Restricted Due from Primary Government	734,936.86
Capital Assets - Nondepreciable (Note 4)	15,067,368.48
Capital Assets - Depreciable, Net (Note 4)	6,017,964.67
	<hr/>
Total Noncurrent Assets	21,822,286.12

Total Assets

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24,537,113.89

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	1,200,142.24
Deferred Revenue	49,694.07
Funds Held for Others	707.40
Long-Term Liabilities - Current Portion (Note 6)	9,599.59
	<hr/>
Total Current Liabilities	1,260,143.30

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	536,454.73
	<hr/>
Total Liabilities	1,796,598.03

**NET ASSETS**

Invested in Capital Assets	21,085,333.15
Restricted for:	
Expendable:	
Scholarships and Fellowships	6,637.09
Loans	140,373.89
Capital Projects	755,490.10
Other	237,504.04
Unrestricted	515,177.59
	<hr/>
Total Net Assets	\$ 22,740,515.86

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

***Carteret 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)	\$ 1,050,334.51
Federal Grants and Contracts	2,307,669.97
State and Local Grants and Contracts	344,255.59
Sales and Services	799,380.31
Other Operating Revenues	<u>24,095.51</u>

Total Operating Revenues	<u>4,525,735.89</u>
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	8,280,671.27
Supplies and Materials	1,447,306.26
Services	952,462.86
Scholarships and Fellowships	1,718,476.92
Utilities	289,932.48
Depreciation	<u>407,416.70</u>

Total Operating Expenses	<u>13,096,266.49</u>
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Operating Loss	<u>(8,570,530.60)</u>
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**NONOPERATING REVENUES**

State Aid	6,218,500.66
County Appropriations	1,220,000.04
Noncapital Grants	214,932.98
Noncapital Gifts	140,147.73
Investment Income	4,912.90
Other Nonoperating Revenues	<u>4,525.66</u>

Net Nonoperating Revenues	<u>7,803,019.97</u>
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Loss Before Other Revenues	(767,510.63)
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State Capital Aid	4,376,874.96
County Capital Appropriations	200,515.28
Capital Grants	<u>5,770,726.37</u>

Increase in Net Assets	9,580,605.98
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**NET ASSETS**

Net Assets, July 1, 2003	<u>13,159,909.88</u>
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Net Assets, June 30, 2004	<u><u>\$ 22,740,515.86</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Carteret 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	\$ 4,668,925.68
Payments to Employees and Fringe Benefits	(8,198,450.88)
Payments to Vendors and Suppliers	(2,778,116.42)
Payments for Scholarships and Fellowships	(1,718,084.96)
Loans Issued to Students	(14,955.42)
Collection of Loans to Students	2,052.17
Other Payments	<u>(30,415.46)</u>
Net Cash Used by Operating Activities	<u>(8,069,045.29)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	6,218,500.66
County Appropriations	1,220,000.04
Noncapital Grants Received	204,536.31
Noncapital Gifts	<u>140,147.73</u>
Cash Provided by Noncapital Financing Activities	<u>7,783,184.74</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	3,991,837.47
County Capital Appropriations	200,515.28
Capital Grants Received	4,795,326.79
Principal Paid on Capital Debt and Leases	<u>(8,647,346.17)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>340,333.37</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	4,912.90
Purchase of Investments and Related Fees	<u>(4,701.46)</u>
Net Cash Provided by Investing Activities	<u>211.44</u>

Net Increase in Cash and Cash Equivalents	54,684.26
Cash and Cash Equivalents, July 1, 2003	<u>346,713.49</u>
Cash and Cash Equivalents, June 30, 2004	<u><u>\$ 401,397.75</u></u>

***Carteret Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit A-3***  
***Page 2***

**RECONCILIATION OF OPERATING LOSS  
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (8,570,530.60)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	407,416.70
Provision for Uncollectible Loans and Write-Offs	8,108.37
Miscellaneous Nonoperating Income	4,525.66
Changes in Assets and Liabilities:	
Receivables	100,149.32
Inventories	(24,199.56)
Prepaid Items	(30,035.25)
Notes Receivable, Net	(12,903.25)
Accounts Payable and Accrued Liabilities	(65,143.27)
Dut to State of North Carolina Component Units	(7,352.53)
Deferred Revenue	15,562.11
Funds Held for Others	(7,070.80)
Compensated Absences	112,427.81
	<u>112,427.81</u>
Net Cash Used by Operating Activities	<u><u>\$ (8,069,045.29)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 267,089.18
Restricted Cash and Cash Equivalents	132,292.46
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>2,016.11</u>
Total Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 401,397.75</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 655,362.70
Increase in Receivables Related to Nonoperating Income	1,360,437.07

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

***Carteret Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2004***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$ 242,270
Investments	569,095
Unconditional Promises to Give	3,591
Donated Boat Inventory	77,182
Other Assets	6,998
Property and Equipment, Net	<u>1,154,742</u>
Total Assets	<u>2,053,878</u>

**LIABILITIES**

Accounts Payable	2,515
Notes Payable	<u>632,915</u>
Total Liabilities	<u>635,430</u>

**NET ASSETS**

Unrestricted	951,549
Temporarily Restricted	300,036
Permanently Restricted	<u>166,863</u>
Total Net Assets	<u>\$ 1,418,448</u>

See Note 1 in the Notes to the Financial Statements



***Carteret Community College Foundation, Inc.***  
***Statement of Activities and Changes in Net Assets***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Support:

Community and Internal Fund Drives	\$ 12,614
Noncash Donations	17,945
Boat Contributions, Net of Gains or Losses	90,577
Special Program Revenues	<u>23,332</u>

Total Support 144,468

Other Revenues:

Real Estate Rental Income	56,600
Investment Income	32,605
Miscellaneous Income	<u>1,609</u>

Total Other Revenues 90,814

Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	<u>92,805</u>
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Total Support and Other Revenues 328,087

Expenses and Losses:

Scholarships and Student Aid	173,418
Property Management	50,436
Foundation Administration	13,819
Boat Program Expense	70,185
Fund Raising Expense	<u>15,612</u>

Total Expenses 323,470

Increase in Unrestricted Net Assets 4,617

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Community and Internal Fund Drives	130,754
Scholarship Donations	92,254
Investment Income	13,740

Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	<u>(92,806)</u>
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Increase in Temporarily Restricted Net Assets 143,942

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Endowment Fund Contributions	<u>17,260</u>
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Increase in Permanently Restricted Net Assets 17,260

Increase in Net Assets 165,819

Net Assets at Beginning of Year 1,252,629

Net Assets at End of Year \$ 1,418,448

See Note 1 in the Notes to the Financial Statements

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**CARTERET COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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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. Carteret 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 of the College and the component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the financial statements. Discretely presented component unit's financial data is reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

**Discretely Presented Component Unit** - Carteret Community College Foundation, Inc., is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Carteret Community College Foundation, Inc., is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 21 directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Carteret Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2004, the Foundation distributed \$173,418.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Kelly Ard, Controller, 3505 Arendell Street, Morehead City, North Carolina or by calling 252-222-6158.

- 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.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes money market mutual funds held by the College. Money market mutual funds are accounted for at fair value, as determined by quoted market prices, or an amount determined

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

- F. Receivables** - Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are shown at book value with no provisions for doubtful accounts considered necessary. Notes receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market value using the last invoice method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 20 years for general infrastructure, 10 to 40 years for buildings, and three to 15 years for equipment.
- I. Restricted Assets** - Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 September 30, 2002 and 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.

**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.

**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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established 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 \$2,355.00. The carrying amount of cash on deposit was \$399,042.75 and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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the bank balance was \$721,731.20. 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.

Of the cash on deposit with private financial institutions at June 30, 2004, \$260,141.53 of the bank balance was covered by federal depository insurance, and \$461,589.67 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by a counterparty's trust department or agent, but not in the College's name.

At June 30, 2004, the College was a participant in the North Carolina Capital Management Trust (the Trust). The Trust is exempt from risk categorization because the College does not own any identifiable securities, but is a shareholder of a percentage of funds. The fair value of its investment in the Trust at June 30, 2004, was \$531,108.56.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 77,410.50	\$ 0.00	\$ 77,410.50
Accounts	41,650.64		41,650.64
Intergovernmental	1,253,632.77		1,253,632.77
Other	5,276.89		5,276.89
<b>Total Current Receivables</b>	<b>\$ 1,377,970.80</b>	<b>\$ 0.00</b>	<b>\$ 1,377,970.80</b>
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	\$ 83,937.36	\$ 79,063.33	\$ 4,874.03

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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	Adjustments	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 2,693,661.61	\$ 0.00	\$ 310,929.30	\$ 0.00	\$ 3,004,590.91
Construction in Progress	3,314,099.07		8,748,678.50		12,062,777.57
<b>Total Capital Assets, Nondepreciable</b>	<u>6,007,760.68</u>		<u>9,059,607.80</u>		<u>15,067,368.48</u>
Capital Assets, Depreciable:					
Buildings	8,564,320.31				8,564,320.31
Machinery and Equipment	2,149,700.67		243,101.07	67,848.62	2,324,953.12
General Infrastructure	739,716.41				739,716.41
<b>Total Capital Assets, Depreciable</b>	<u>11,453,737.39</u>		<u>243,101.07</u>	<u>67,848.62</u>	<u>11,628,989.84</u>
Less Accumulated Depreciation:					
Buildings	3,469,975.06	(143,833.90)	337,816.85		3,663,958.01
Machinery and Equipment	1,706,962.61	94,519.42	20,285.37	67,848.62	1,753,918.78
General Infrastructure	94,519.42	49,314.48	49,314.48		193,148.38
<b>Total Accumulated Depreciation</b>	<u>5,271,457.09</u>		<u>407,416.70</u>	<u>67,848.62</u>	<u>5,611,025.17</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>6,182,280.30</u>		<u>(164,315.63)</u>		<u>6,017,964.67</u>
<b>Capital Assets, Net</b>	<u>\$ 12,190,040.98</u>	<u>\$ 0.00</u>	<u>\$ 8,895,292.17</u>	<u>\$ 0.00</u>	<u>\$ 21,085,333.15</u>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 111,118.18
Accrued Payroll	15,471.03
Contract Retainage	899,500.04
Intergovernmental Payables	168,562.31
Other	5,490.68
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 1,200,142.24</u>

### 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	\$ 433,626.51	\$ 388,185.55	\$ 275,757.74	\$ 546,054.32	\$ 9,599.59

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 135,440.32
2006	90,640.32
2007	91,640.32
2008	<u>91,640.32</u>
Total Minimum Lease Payments	<u>\$ 409,361.28</u>

Rental expense for all operating leases during the year was \$136,059.03.

### NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>			
<b>Student Tuition and Fees</b>	<u>\$ 1,491,070.69</u>	<u>\$ 440,736.18</u>	<u>\$ 1,050,334.51</u>

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries and Benefits</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 4,492,034.51	\$ 364,922.85	\$ 211,775.12	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,068,732.48
Research	24,396.35	12,552.12	222.60				37,171.07
Academic Support	954,243.61	90,399.23	46,584.82				1,091,227.66
Student Services	657,737.77	20,555.46	114,396.99	72,296.55	1,003.93		865,990.70
Institutional Support	1,508,068.53	85,015.87	174,879.04				1,767,963.44
Operations and Maintenance of Plant	507,954.57	234,219.27	380,097.56		288,928.55		1,411,199.95
Student Financial Aid		47,229.07	2,290.33	1,645,900.13			1,695,419.53
Auxiliary Enterprises	136,235.93	592,412.39	22,216.40	280.24			751,144.96
Depreciation						407,416.70	407,416.70
Total Operating Expenses	<u>\$ 8,280,671.27</u>	<u>\$ 1,447,306.26</u>	<u>\$ 952,462.86</u>	<u>\$ 1,718,476.92</u>	<u>\$ 289,932.48</u>	<u>\$ 407,416.70</u>	<u>\$ 13,096,266.49</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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, 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 \$7,093,679.46, of which \$5,641,606.34 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$338,496.40 and \$12,411.52, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$12,411.52, \$0.00, and \$104,085.27, respectively.

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

- B. Supplemental Retirement Income Plans** - IRC Section 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 \$33,555.00 for the year ended June 30, 2004.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$45,010.00 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 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 \$180,531.40. 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*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 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. Losses from county and institutional fund employees are insured with private insurance companies.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 purchases. Outstanding commitments on construction contracts were \$972,650.23 and on other purchases were \$375.22 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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 \$1,164,051.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

### **NOTE 14 - 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.



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

***Schedule 1***

<b>Capital Improvement Projects</b>	<b>Original Projected Start Date</b>	<b>Revised/ Actual Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Original Expected Completion Date</b>	<b>Revised/ Actual Completion Date</b>
<b><i>Projects Approved by the State Board</i></b>									
Land Acquisition - Railroad Easement	Mar 2001	Mar 2001	\$ 17,500.00	\$ 0.00	\$ 17,500.00	\$ 17,500.00	100.00%	Oct 2001	Oct 2001
Classroom Building Replacement - Wayne West	Feb 2001	Jan 2002	3,883,474.56	5,175,000.00	9,058,474.56	8,772,857.51	96.85%	Aug 2004	Aug 2004
Marine Education Training Center - MARTEC	Feb 2001	Jan 2002	1,407,056.20	3,300,000.00	4,707,056.20	3,532,065.14	75.04%	Jan 2005	Jan 2005
Howard Building Renovation	Feb 2001	Jan 2002	337,693.44	525,000.00	862,693.44	769,101.84	89.15%	Jan 2005	Jan 2005
<b><i>Projects Pending Approval by the State Board</i></b>									
Parking Lot Renovation	Oct 2003	Nov 2004	150,000.00		150,000.00			Jun 2005	Oct 2005
McGee Building Renovation - Joslyn Hall	Mar 2005	Apr 2005	464,051.00		464,051.00			Nov 2006	Dec 2005
McGee Building Renovation - Classrooms	Mar 2005	Apr 2005	550,000.00		550,000.00			Nov 2006	Dec 2005
<b>Total All Projects</b>			<b>\$ 6,809,775.20</b>	<b>\$ 9,000,000.00</b>	<b>\$ 15,809,775.20</b>	<b>\$ 13,091,524.49</b>			

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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Director, Fiscal Research Division

June 20, 2005

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