



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

PAMLICO COMMUNITY COLLEGE

GRANTSBORO, 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

PAMLICO COMMUNITY COLLEGE

GRANTSBORO, 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, Pamlico Community College

This report presents the results of our financial statement review of Pamlico 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 Pamlico 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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Leslie W. Merritt, Jr., CPA, CFP
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Pamlico Community College
Grantsboro, North Carolina

We have reviewed the accompanying basic financial statements of Pamlico 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. We did not review the financial statements of Pamlico Community College Foundation, which represent 11 percent, 12 percent, and two percent, respectively, of the assets, net assets, and revenues of the College. 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 Pamlico Community College Foundation, 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 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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (CONCLUDED)

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

May 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pamlico Community College is a two-year Institution located in Eastern North Carolina and is currently celebrating its 42nd anniversary. Since being reaffirmed by the Southern Association of Colleges and Schools in December of 2002, Pamlico Community College is now looking to expand our offerings through Distance Education and as such is working on a substantive change requirement by our Southern Association of Colleges and Schools. We hope to gain approval during the coming 2005 fiscal year.

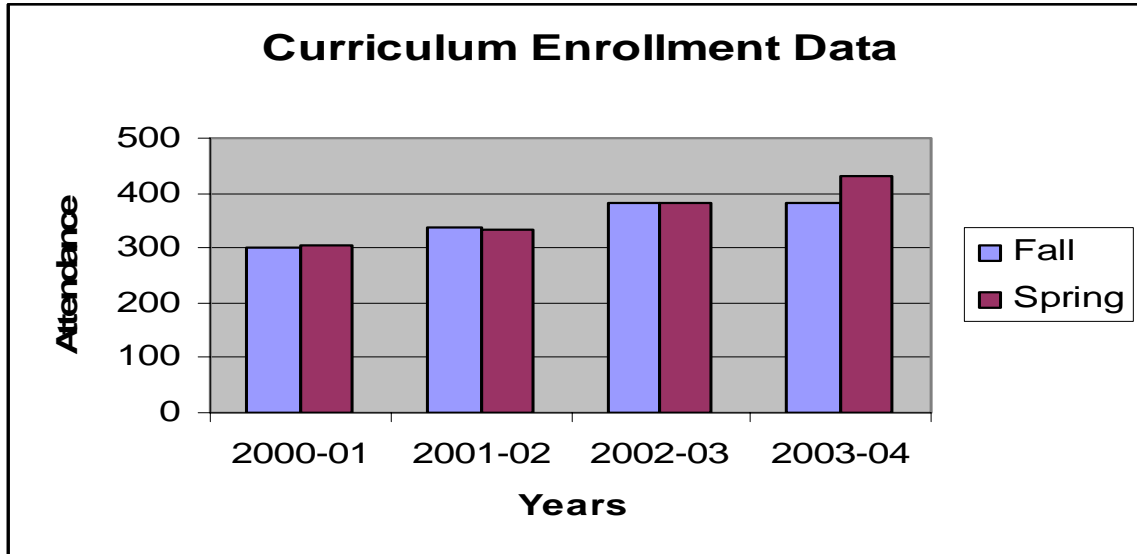
Total Full Time Equivalent (FTE) students for fiscal year 2004 declined by 25 FTE's over the previous fiscal year, with 16 of these FTE's being attributable to the summer term. With the value of an FTE in the summer term being relatively small, this loss in summer FTE's does not impact the school as greatly as the value of a FTE earned in the fall or spring. This drop in summer FTE is due to the loss of our Electroneurodiagnostic Program Director at the beginning of the summer term. The remaining nine FTE's were attributable to a decline in fall enrollment with a corresponding increase in spring enrollment. Approximately seven of the nine FTE's were due to the decline in our prison education classes. This was due in part to prison population reclassification from medium to close custody. Those inmates in close custody were not available to educational classes, either as curriculum or continuing education students. Medical assisting and electroneurodiagnostic programs have been redesigned whereby their clinical will now be offered during the fall and spring semesters where greater return for each FTE earned will be captured, therefore the summer term will continue to return small FTE in both numbers of hours generated and the monetary values generated. The remaining two FTE's lost for the year can be attributed to campus students taking fewer hours than in the previous year with a corresponding decline in our campus student population.

Our cosmetology program began in the spring 2004 semester but was less than expected due to the program beginning late awaiting approval from the State Board of Cosmetic Arts. As this program begins in full with the coming fiscal year, we expect that enrollment will rise within the program.

To offset the losses in FTE values, we have reduced our full-time instructors by one english, one accounting, one electronic/electrical, one criminal justice and one psychology. We have added half time positions in criminal justice, history/humanities, and math with adjunct faculty as needed on an hourly basis. We have also added one full-time carpentry position at our prison facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

We continue to offer various programs for both curriculum and continuing education students as well as an expanded presence through our Small Business Center to area businesses. Enrollment data for campus, Huskins, dual enrolled, and prison programs follows:



	2000-01	2001-02	2002-03	2003-04
Fall	299	337	384	382
Spring	305	335	382	431

Overview of Financial Statements

The basic financial statements are made of two components: the exhibits and the notes to the financial statements. These are described below.

Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets are two of the financial statements that report information about the College. The Statement of Net Assets presents all of the College's assets and liabilities, with the difference between the two reported as "net assets." Over time, changes in net assets measure whether the College's financial position is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the net assets changed during the fiscal year.

The Notes to the Financial Statements

These provide additional information that is needed for a full understanding of the data provided in the statements. Notes to the Financial Statements may be found at the end of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Discussion

The following chart compares assets data for the last two years:

Condensed Statement of Net Assets for the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Current and Other Noncurrent Assets	\$ 1,102,998	\$ 1,236,284	\$ (133,286)
Capital Assets, Net	<u>3,368,595</u>	<u>2,606,543</u>	<u>762,052</u>
Total Assets	<u>4,471,593</u>	<u>3,842,827</u>	<u>628,766</u>
Noncurrent Long-Term Liabilities	121,667	118,949	2,718
Other Liabilities	<u>72,475</u>	<u>36,046</u>	<u>36,429</u>
Total Liabilities	<u>194,142</u>	<u>154,995</u>	<u>39,147</u>
Net Assets			
Invested in Capital Assets	3,368,595	2,606,543	762,052
Restricted	276,572	467,337	(190,765)
Unrestricted	<u>632,284</u>	<u>613,952</u>	<u>18,332</u>
Total Net Assets	<u>\$ 4,277,451</u>	<u>\$ 3,687,832</u>	<u>\$ 589,619</u>

Pamlico Community College has adequate financial resources to meet the present needs of its student population. The Statement of Net Assets is strong due to its high liquidity and virtually nonexistent debt. A cash balance of \$473,758 was available at year-end versus \$617,750 at June 30, 2003. The College maintains endowment investments of \$254,500 that is comprised of real property donations for sale in area residential communities. Due from State consists of a \$33,000 Golden Leaf Grant, which will be utilized for training in environmental science and implementation of the Sustainable Employment through Environmental and Economic Development (SEED) Project. The SEED Project is an experimental water treatment project for coastal areas that cannot get traditional septic system permitting. Short-term investments increased to \$39,545 in 2004 versus \$27,155 in 2003. This is the result of increased donations to the Pamlico Community College Foundation.

Pamlico Community College has no long-term capital debt or capital leases at this time. Total net assets increased approximately \$590,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following chart depicts the College's activities for the last two years.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the Years Ended June 30, 2004 and 2003

	2004	2003	Increase (Decrease)
Operating Revenues			
Student Tuition and Fees	\$ 166,594	\$ 241,411	\$ (74,817)
Federal Grants and Contracts	544,868	603,129	(58,261)
State and Local Grants and Contracts	40,466	79,332	(38,866)
Sales and Services	109,656	157,586	(47,930)
Other Operating Revenues	6,009	209	5,800
Total Operating Revenues	867,593	1,081,667	(214,074)
Less Operating Expenses	4,711,144	4,760,559	(49,415)
Operating Loss	(3,843,551)	(3,678,892)	(164,659)
Nonoperating Revenues			
State Aid	2,991,956	2,848,505	143,451
County Appropriations	319,475	266,266	53,209
Investment Income	10,439	18,337	(7,898)
Other Nonoperating Revenues	312,380	178,807	133,573
Capital Revenues			
State Capital Aid	486,120	122,667	363,453
County Capital Appropriations	112,800	258,500	(145,700)
Capital Grants		186,877	(186,877)
Total Nonoperating and Capital Revenues	4,233,170	3,879,959	353,211
Change in Net Assets	389,619	201,067	188,552
Net Assets, Beginning of Year, Restated	3,887,832	3,686,765	201,067
Net Assets, End of Year	<u>\$ 4,277,451</u>	<u>\$ 3,887,832</u>	<u>\$ 389,619</u>

State capital aid increased primarily due to the construction projects for the building housing our cosmetology program and HVAC system renovation in the Johnson building. Sales and services show a \$47,930 decrease from 2003 from the sales of books, concessions and supplies.

Operating expenses decreased from fiscal year 2003. Nonoperating revenues increased mainly due to donations from the Bates Foundation for construction of our cosmetology building and the Maxine Trollinger scholarship endowment in the amounts of \$100,000 and \$73,712, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following chart represents expenses of Pamlico Community College by activities for the fiscal year:

Operating Expenses			
June 30, 2004 and 2003			
	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Operating Expenses			
Salaries and Benefits	\$ 3,342,486	\$ 3,168,009	\$ 174,477
Supplies and Materials	415,683	492,617	(76,934)
Services	378,255	301,461	76,794
Scholarships/Fellowships	364,688	595,323	(230,635)
Utilities	71,253	61,115	10,138
Depreciation	<u>138,780</u>	<u>142,034</u>	<u>(3,254)</u>
Total Operating Expenses	<u>\$ 4,711,145</u>	<u>\$ 4,760,559</u>	<u>\$ (49,414)</u>

Pamlico Community College's financial position has improved from fiscal year 2003. Donations for the construction of the cosmetology building, funding for our HVAC renovation and the sizeable Maxine Trollinger scholarship endowment account for most of the increase. The College is maximizing utilization of its resources, which ultimately benefits the citizens of Pamlico County.

The county has experienced economic deterioration in the farming and commercial fishing industry, which are the primary industries for the community. However, the unemployment rate in Pamlico County has declined from 4.7% in June 2003, to 3.4% in June 2004. Pamlico Community College has an opportunity to assist the retraining of citizens in the area and help improve overall economic conditions. The 2000 census indicated a population of 12,934, which is a 13.8% increase over the previous census. This growth trend is expected to continue due to the anticipated development of coastal residential properties. River Dunes, formerly referred to as Gum Thicket, is an example of one such development, which projects an additional 500 single-family homes by the year 2006. The area expects to experience further growth due to the widening of NC Hwy. 55, the main entrance into our county.

The Paul H. Johnson Building on our main campus is 28 years old. The HVAC system renovation has been completed this year; however, a new roof is expected to be required within the next few years. The expected cost for this replacement is estimated at this time to be approximately \$250,000. The management will look to Pamlico County to provide funding in part or in whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Assets

At the end of the fiscal year 2004, the Statement of Net Assets reflected \$3,368,595, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$138,780.

Capital Assets June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Capital Assets			
Land	\$ 381,050	\$ 381,050	\$ 0
Buildings	4,122,430	3,387,178	735,252
Machinery and Equipment	499,764	489,453	10,311
General Infrastructure	21,348	21,348	
Construction in Progress		44,731	(44,731)
Total Capital Assets	<u>5,024,592</u>	<u>4,323,760</u>	700,832
Less: Accumulated Depreciation	<u>1,655,997</u>	<u>1,517,217</u>	<u>138,780</u>
Capital Assets, Net	<u>\$ 3,368,595</u>	<u>\$ 2,806,543</u>	<u>\$ 562,052</u>

We have administered the required tuition fee increases, but as of fiscal year end have not added any other fees that impact our students. The management is optimistic about the future of Pamlico Community College. There are challenges expected in managing the growth of this College, but management is excited about the opportunity to provide quality education and training to the citizens of Pamlico County.

Pamlico Community College
Statement of Net Assets
June 30, 2004

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 363,574.45
Restricted Cash and Cash Equivalents	1,277.51
Short-Term Investments	39,545.00
Receivables, Net (Note 4)	74,691.16
Due from State of North Carolina Component Units	33,000.00
Inventories	40,777.74
Notes Receivable, Net (Note 4)	2,531.78
	<hr/>
Total Current Assets	555,397.64

Noncurrent Assets:

Restricted Cash and Cash Equivalents	108,905.61
Restricted Due from Primary Government	184,194.79
Other Long-Term Investments	254,500.00
Capital Assets - Nondepreciable (Note 5)	381,050.00
Capital Assets - Depreciable, Net (Note 5)	2,987,545.03
	<hr/>
Total Noncurrent Assets	3,916,195.43

Total Assets	<hr/> <hr/> 4,471,593.07
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	19,374.19
Funds Held for Others	4,968.31
Long-Term Liabilities - Current Portion (Note 7)	48,132.65
	<hr/>
Total Current Liabilities	72,475.15

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	121,666.54
	<hr/>
Total Liabilities	194,141.69

NET ASSETS

Invested in Capital Assets	3,368,595.03
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	94,617.11
Expendable:	
Scholarships and Fellowships	25,366.23
Loans	12,586.79
Capital Projects	111,002.53
Other	33,000.00
Unrestricted	632,283.69
	<hr/>
Total Net Assets	\$ 4,277,451.38

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

***Pamlico 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 9)	\$ 166,593.99
Federal Grants and Contracts	544,868.01
State and Local Grants and Contracts	40,466.35
Sales and Services, Net (Note 9)	109,656.30
Other Operating Revenues	6,008.56
	<hr/>
Total Operating Revenues	867,593.21
	<hr/>

EXPENSES

Operating Expenses:

Salaries and Benefits	3,342,485.70
Supplies and Materials	415,682.91
Services	378,254.64
Scholarships and Fellowships	364,688.16
Utilities	71,253.15
Depreciation	138,780.11
	<hr/>
Total Operating Expenses	4,711,144.67
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Operating Loss	<u>(3,843,551.46)</u>
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NONOPERATING REVENUES

State Aid	2,991,955.81
County Appropriations	319,475.02
Noncapital Grants	112,524.39
Noncapital Gifts	199,855.45
Investment Income, Net	10,438.73
	<hr/>

Net Nonoperating Revenues	<u>3,634,249.40</u>
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Loss Before Other Revenues	(209,302.06)
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State Capital Aid	486,121.08
County Capital Appropriations	112,800.11
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Increase in Net Assets	389,619.13
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NET ASSETS

Net Assets, July 1, 2003, as Restated (Note 15)	<u>3,887,832.25</u>
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Net Assets, June 30, 2004	<u><u>\$ 4,277,451.38</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Pamlico 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	\$ 905,948.45
Payments to Employees and Fringe Benefits	(3,309,266.49)
Payments to Vendors and Suppliers	(900,005.33)
Payments for Scholarships and Fellowships	(364,451.62)
Loans Issued to Students	(2,367.29)
Other Receipts	2,208.16

Net Cash Used by Operating Activities (3,667,934.12)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	2,991,955.81
County Appropriations	319,475.02
Noncapital Grants Received	137,358.56
Noncapital Gifts and Endowments Received	199,855.45

Cash Provided by Noncapital Financing Activities 3,648,644.84

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	454,958.29
County Capital Appropriations	112,800.11
Capital Grants Received	8,503.89
Acquisition and Construction of Capital Assets	(700,831.85)

Net Cash Used by Capital and Related Financing Activities (124,569.56)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	12,256.76
Purchase of Investments and Related Fees	(12,390.00)

Net Cash Used by Investing Activities (133.24)

Net Decrease in Cash and Cash Equivalents (143,992.08)
Cash and Cash Equivalents, July 1, 2003 617,749.65

Cash and Cash Equivalents, June 30, 2004 \$ 473,757.57

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

Operating Loss	\$ (3,843,551.46)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	138,780.11
Provision for Uncollectible Loans and Write-Offs	540.69
Changes in Assets and Liabilities:	
Receivables, Net	38,736.48
Inventories	(20,881.62)
Notes Receivable, Net	(2,367.29)
Accounts Payable and Accrued Liabilities	(13,437.57)
Funds Held for Others	2,063.46
Compensated Absences	32,183.08

Net Cash Used by Operating Activities \$ (3,667,934.12)

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

Exhibit A-3

Page 2

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:

Cash and Cash Equivalents	\$	363,574.45
Restricted Cash and Cash Equivalents		1,277.51

Noncurrent Assets:

Restricted Cash and Cash Equivalents		108,905.61
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Total Cash and Cash Equivalents - June 30, 2004

	\$	<u>473,757.57</u>
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NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$	31,162.79
Capital Asset Write-Offs		25,628.70

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

PAMLICO 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. Pamlico 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 blended in the financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College.

Blended Component Unit - Although legally separate, Pamlico Community College Foundation is reported as if it were part of the College. The Foundation is governed by a 13-member board. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Pamlico Community College Board of Trustees and the Foundation's sole purpose is to benefit Pamlico Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, P.O. Box 185, Grantsboro, NC 28529, or by calling (252) 249-1851. Other related foundations and similar nonprofit corporations for which the College is not financially accountable 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - This classification includes real estate and other asset holdings by the College and the Foundation. Real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are valued at 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 30 years for general infrastructure, 20 to 40 years for buildings, and five 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Invested in Capital Assets – This represents the College’s total investment in capital assets.

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

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

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

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

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

N. Revenue and Expense Recognition – The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- O. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year end, cash on hand was \$210.00. The carrying amount of cash on deposit was \$473,547.57 and the bank balance was \$507,235.32.

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

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 413,376.27	\$ 423,342.97
Cash on Deposit with Private Financial Institutions	60,171.30	83,892.35
	\$ 473,547.57	\$ 507,235.32

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

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

All of the cash on deposit with private financial institutions at June 30, 2004, was covered by federal depository insurance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Investments – At June 30, 2004, the Pamlico Community College Foundation held \$294,045 in investments consisting of real estate (\$254,500) and personal property (\$39,545). These investments are not categorized as to risk. Investments of the College’s component unit, the Foundation, are subject to and restricted by General Statute 36B “Uniform Management of Institutional Funds Act” (UMIFA) and any requirements placed on them by contract or donor agreements.

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College’s endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool and are reported as restricted cash and cash equivalents – noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the assets of the endowment funds. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2004, net appreciation of \$849.24 was available to be spent, all of which was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 5,878.06	\$ 1,218.00	\$ 4,660.06
Intergovernmental	65,906.19		65,906.19
Other	<u>4,124.91</u>		<u>4,124.91</u>
Total Current Receivables	<u>\$ 75,909.16</u>	<u>\$ 1,218.00</u>	<u>\$ 74,691.16</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 7,959.11</u>	<u>\$ 5,427.33</u>	<u>\$ 2,531.78</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2003	Adjustments	Increases	Balance June 30, 2004
Capital Assets, Nondepreciable:				
Land	\$ 381,050.00	\$ 0.00	\$ 0.00	\$ 381,050.00
Construction in Progress	44,730.84	(735,251.77)	690,520.93	
Total Capital Assets, Nondepreciable	<u>425,780.84</u>	<u>(735,251.77)</u>	<u>690,520.93</u>	<u>381,050.00</u>
Capital Assets, Depreciable:				
Buildings	3,387,178.67	735,251.77		4,122,430.44
Machinery and Equipment	489,452.77		10,310.92	499,763.69
General Infrastructure	21,347.94			21,347.94
Total Capital Assets, Depreciable	<u>3,897,979.38</u>	<u>735,251.77</u>	<u>10,310.92</u>	<u>4,643,542.07</u>
Less Accumulated Depreciation:				
Buildings	1,280,687.31		92,465.88	1,373,153.19
Machinery and Equipment	226,833.88		45,202.55	272,036.43
General Infrastructure	9,695.74		1,111.68	10,807.42
Total Accumulated Depreciation	<u>1,517,216.93</u>		<u>138,780.11</u>	<u>1,655,997.04</u>
Total Capital Assets, Depreciable, Net	<u>2,380,762.45</u>	<u>735,251.77</u>	<u>(128,469.19)</u>	<u>2,987,545.03</u>
Capital Assets, Net	<u>\$ 2,806,543.29</u>	<u>\$ 0.00</u>	<u>\$ 562,051.74</u>	<u>\$ 3,368,595.03</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accrued Payroll	\$ 1,036.13
Contract Retainage	10,000.00
Other	8,338.06
Total Accounts Payable and Accrued Liabilities	<u>\$ 19,374.19</u>

NOTE 7 - 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	<u>\$ 137,616.11</u>	<u>\$ 147,565.72</u>	<u>\$ 115,382.64</u>	<u>\$ 169,799.19</u>	<u>\$ 48,132.65</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - 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	\$ 3,626.16
2006	1,813.08
Total Minimum Lease Payments	<u>\$ 5,439.24</u>

Rental expense for all operating leases during the year was \$3,667.42.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees	\$ 211,507.59	\$ 0.00	\$ 44,913.60	\$ 166,593.99
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 88,334.77	\$ 0.00	\$ 0.00	\$ 88,334.77
Central Supply	10,650.06	10,650.06		
Other	21,321.53			21,321.53
Total Sales and Services	<u>\$ 120,306.36</u>	<u>\$ 10,650.06</u>	<u>\$ 0.00</u>	<u>\$ 109,656.30</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - 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	\$ 2,386,920.63	\$ 89,570.40	\$ 21,723.44	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,498,214.47
Public Service	54,050.51	932.67	8,964.59				63,947.77
Academic Support	436,156.21	13,768.90	122,746.47	2,265.96			574,937.54
Student Services	247,664.76	3,734.73	31,639.29				283,038.78
Institutional Support	83,820.16	136,559.63	141,290.52				361,670.31
Operations and Maintenance of Plant	133,873.43	58,905.39	39,895.95		71,253.15		303,927.92
Student Financial Aid			1,497.53	362,422.20			363,919.73
Auxiliary Enterprises		112,211.19	10,496.85				122,708.04
Depreciation						138,780.11	138,780.11
Total Operating Expenses	<u>\$ 3,342,485.70</u>	<u>\$ 415,682.91</u>	<u>\$ 378,254.64</u>	<u>\$ 364,688.16</u>	<u>\$ 71,253.15</u>	<u>\$ 138,780.11</u>	<u>\$ 4,711,144.67</u>

NOTE 11 - 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 \$2,800,600.04, of which \$2,523,836.17 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$151,316.28 and \$5,552.44, respectively. The College made 100 percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$5,552.44, \$0.00, and \$43,853.43, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

home page <http://www.osc.state.nc.us/> and clicking on “Financial Reports”, or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund’s assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$9,403.76 for the year ended June 30, 2004.

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 \$23,215.00 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 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 \$1,050.00 for the year ended June 30, 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - 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 \$80,762.76. 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 13 - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. All employees are covered under a blanket policy for employee dishonesty and fraud with a private insurance company. Limits of the coverage are \$10,000 per occurrence and a \$250 deductible.

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

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

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on other purchases. Outstanding commitments on other purchases were \$106.00 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 \$1,887,554.00 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 15 - NET ASSET RESTATEMENT

As of July 1, 2003, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2003, Net Assets as Previously Reported	\$ 3,687,832.25
Restatements - Unrecorded Land Purchase in 2001	<u>200,000.00</u>
July 1, 2003, Net Assets as Restated	<u><u>\$ 3,887,832.25</u></u>

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

Schedule 1

Capital Improvement Projects	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>Projects Approved by the State Board</i>									
Expansion of Bayboro Center # 1224	Jul 2001	Aug 2003	\$ 350,000.00	\$ 250,000.00	\$ 600,000.00	\$ 526,015.40	100.00%	Jan 2004	Jun 2004
Repair and Renovations #1011	Jul 2003	Feb 2002	233,376.00		233,376.00	233,376.00	100.00%	Jan 2005	Jun 2004
<i>Projects Pending Approval by the State Board</i>									
Life Care Center	Jan 2005	Nov 2004	1,837,555.00	1,264,466.00	3,102,021.00			Mar 2007	Mar 2007
Total All Projects			\$ 2,420,931.00	\$ 1,514,466.00	\$ 3,935,397.00	\$ 759,391.40			

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.

DISTRIBUTION OF REVIEW REPORT

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

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The Honorable Michael F. Easley
The Honorable Beverly M. Perdue
The Honorable Richard H. Moore
The Honorable Roy A. Cooper, III
Mr. David T. McCoy
Mr. Robert L. Powell
Mr. H. Martin Lancaster
Dr. F. Marion Altman, Jr.
Ms. Virginia Traver

Ms. Louise Muse

Governor of North Carolina
Lieutenant Governor of North Carolina
State Treasurer
Attorney General
State Budget Officer
State Controller
President, North Carolina Community College System
President, Pamlico Community College
Vice President of Administrative Services,
Pamlico Community College
Chairman, Board of Trustees
Pamlico Community College

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Director, Fiscal Research Division

June 20, 2005

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