



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF TRI-COUNTY COMMUNITY COLLEGE

MURPHY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

TRI-COUNTY COMMUNITY COLLEGE

MURPHY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

H. MARTIN LANCASTER, PRESIDENT

BOARD OF TRUSTEES

FRANK BRADLEY, CHAIRMAN

FRANKIE MCMILLAN, VICE CHAIRMAN

IMAGEAN V. ADAMS

L. B. ADAMS

TIMOTHY B. BROCK

DONNA BRYANT

LINDA DITMORE

PAUL W. JORDAN

DAVID LIDEN

REBA J. SMITH

CAROL WISHON

EVA H. WOOD

ADMINISTRATIVE OFFICERS

DR. NORMAN G. OGLESBY, PRESIDENT

JAN WESTMORELAND, VICE PRESIDENT FOR ADMINISTRATIVE SERVICES



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of Tri-County Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures, as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Tri-County Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Tri-County Community College. A summary of our reporting objectives and audit results is:

- 1. Objective** - To express an opinion on the accompanying financial statements that relate solely to Tri-County Community College.

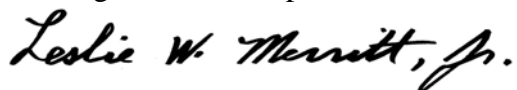
Results - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

AUDITOR'S TRANSMITTAL (CONCLUDED)

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

Results - Our tests disclosed no significant deficiencies in internal control over financial reporting and no instances of noncompliance, which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

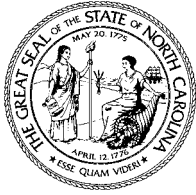
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Exhibits	
A-1 Statement of Net Assets	8
A-2 Statement of Revenues, Expenses, and Changes in Net Assets	9
A-3 Statement of Cash Flows	10
Notes to the Financial Statements	13
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures	26
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27
DISTRIBUTION OF AUDIT REPORT	29



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri-County Community College
Murphy, North Carolina

We have audited the accompanying basic financial statements of Tri-County 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. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Tri-County Community College Foundation, Inc., which represent two percent, three percent, and one percent, respectively, of the assets, net assets, and revenues of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tri-County Community College Foundation, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Community College as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2005, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Leslie W. Merritt, Jr.

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

April 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information.

Overview of the Financial Statements

Effective July 1, 2001, the College implemented 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's and Universities*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. The College has elected to report as a special purpose government engaged in business-type activities. Under this option, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this option are the following: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements.

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, short-term certificates of deposit, receivables, inventories, and prepaid items. There were no significant changes in current assets.

Current Assets

	<u>2003-2004</u>	<u>2002-2003</u>
Cash	\$ 634,381.21	\$ 609,233.96
Certificates of Deposit	175,000.00	225,000.00
Receivables	100,682.10	80,588.19
Inventories	67,034.07	63,769.40
Prepaid items	<u>19,529.09</u>	<u>15,986.06</u>
Total Current Assets	<u>\$ 996,626.47</u>	<u>\$ 994,577.61</u>

Noncurrent assets include cash, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). The most significant increase was \$486,210.16 in additions to capital assets for construction in progress. There was also a \$271,543.00 increase in Restricted Due from Primary Government for bond funds allotted through the North Carolina Community College System.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Noncurrent Assets

	2003-2004	2002-2003
Cash	\$ 86,375.90	\$ 254,283.22
Certificates of Deposit	135,000.00	85,000.00
Restricted Due from Primary Government	284,132.00	12,589.00
Capital Assets, Net	5,912,648.36	5,512,495.79
Total Noncurrent Assets	\$ 6,418,156.26	\$ 5,864,368.01

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

The College uses straight-line depreciation to determine the current value of capital assets. In general, infrastructure is depreciated over a 15 to 25 year period, buildings are depreciated over a 15 to 40 year period, and equipment is depreciated in five to 15 years, depending on the expected useful life of the infrastructure, equipment, or building.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. This compensated absences liability had the largest increase for the fiscal year due to the bonus leave awarded which is described in Note 1.K to the financial statements.

Liabilities

	2003-2004	2002-2003
Current		
Other Liabilities	\$ 149,699.01	\$ 104,249.81
Funds Held for Others	21,271.24	17,825.54
Long term-Current Portion	127,925.86	24,271.98
Total Current Liabilities	298,896.11	146,347.33
Noncurrent		
Long-Term Liabilities	52,190.94	91,025.11
Total Liabilities	\$ 351,087.05	\$ 237,372.44

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$442,122.50 for the fiscal year to \$7,063,695.68. This increase includes a beginning net assets restatement of \$30,790.90 due to an adjustment to construction in progress. The largest increase to Net Assets is in Invested in Capital Assets as stated previously.

Net Assets

	<u>2003-2004</u>	<u>2002-2003</u>
Invested in Capital Assets	\$ 5,912,648.36	\$ 5,512,495.79
Restricted	615,667.50	491,879.96
Unrestricted	535,379.82	617,197.43
Restatement		30,970.90
Total Net Assets	<u>\$ 7,063,695.68</u>	<u>\$ 6,652,544.08</u>

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore and vending. Operating revenues had no significant changes for 2004.

Operating Revenues

	<u>2003-2004</u>	<u>2002-2003</u>
Student Tuition and Fees, Net	\$ 819,544.50	\$ 880,301.19
Federal Grants and Contracts	1,754,627.53	1,549,675.66
State and Local Grants	451,513.88	245,221.26
Sales and Services	154,822.01	236,654.88
Total Operating Revenues	<u>\$ 3,180,507.92</u>	<u>\$ 2,911,852.99</u>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements as well as funds appropriated from the Cherokee, Clay and Graham Counties Board of Commissioners. Noncapital gifts include contributions from the Tri-County Community College Foundation, Inc. The most significant change was in State aid, which decreased \$634,830.36 because of decreased general and equipment expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating Revenues

	<u>2003-2004</u>	<u>2002-2003</u>
State Aid	\$ 4,540,218.67	\$ 5,175,049.03
County Appropriations	445,000.00	391,947.92
Noncapital Grants	498,042.88	184,882.43
Noncapital Gifts	79,580.50	181,236.17
Investment Income	7,071.22	12,032.05
Other Nonoperating Revenues	20,391.94	32,100.16
Total Nonoperating Revenues	<u>\$ 5,590,305.21</u>	<u>\$ 5,977,247.76</u>

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as "personal services". Depreciation expense and accumulated depreciation were identified, consistent with the requirements of GASB Statement No.'s 34/35. The overall change in operating expenses had no significant impact.

Operating Expenses

	<u>2003-2004</u>	<u>2002-2003</u>
Salaries and Benefits	\$ 5,045,040.34	\$ 4,631,562.64
Supplies and Materials	880,345.32	1,241,681.33
Sales and Services	1,227,018.74	1,241,278.18
Scholarships and Fellowships	1,179,790.91	1,374,132.72
Utilities	223,413.29	203,819.63
Depreciation	207,456.43	240,203.60
Total Expenses	<u>\$ 8,763,065.03</u>	<u>\$ 8,932,678.10</u>

Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. Cherokee, Clay and Graham Counties provide capital contributions for maintenance equipment and small construction items. Capital gifts are provided through annual contributions of the Tri-County Community College Foundation, Inc., for the Fire Training Center. These contributions remained stable when compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Contributions

	<u>2003-2004</u>	<u>2002-2003</u>
State Capital Aid	\$ 345,183.50	\$ 331,753.60
County Capital Appropriations	<u>58,220.00</u>	<u>63,680.00</u>
Total Capital Contributions	<u>\$ 403,403.50</u>	<u>\$ 395,433.60</u>

Total revenues, including capital contributions, decreased from \$9,284,534.35 to \$9,174,216.63, for a total decrease of \$110,317.72. The decline does not have a significant impact on the operations of the College.

Significant Capital Asset Activity

Funds generated and received for the Fire Training Center provided for additional asset value of \$547,250.77. Renovations of the Enloe Building are currently under construction. Outstanding commitments related to this project total \$54,056.55.

Significant Effects on Financial Position

The Cherokee County Board of Commissioners increased the College's allocation for funds by \$33,010.00 for FY 2004-2005 representing a 9.6% increase in funds for the operation of the physical plant.

The College will be receiving as a due from state \$284,132.00 for approved bond funded construction.

The College anticipates growth in the in the 2004-2005 year. State and county funding remain relatively stable.

Tri-County Community College
Statement of Net Assets
June 30, 2004

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 480,175.79
Restricted Cash and Cash Equivalents	154,205.42
Short-Term Investments	155,000.00
Restricted Short-Term Investments	20,000.00
Receivables, Net (Note 4)	98,872.79
Due from State of North Carolina Component Units	1,809.31
Inventories	67,034.07
Prepaid Items	19,529.09
	<hr/>
Total Current Assets	996,626.47

Noncurrent Assets:

Restricted Cash and Cash Equivalents	86,375.90
Restricted Due from Primary Government	284,132.00
Endowment Investments	85,000.00
Other Long-Term Investments	50,000.00
Capital Assets - Nondepreciable (Note 5)	687,617.78
Capital Assets - Depreciable, Net (Note 5)	5,225,030.58
	<hr/>
Total Noncurrent Assets	6,418,156.26

Total Assets	<hr/> <hr/> 7,414,782.73
--------------	--------------------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	126,109.62
Deferred Revenue	23,589.39
Funds Held for Others	21,271.24
Long-Term Liabilities - Current Portion (Note 7)	127,925.86
	<hr/>
Total Current Liabilities	298,896.11

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	52,190.94
	<hr/>
Total Liabilities	351,087.05

NET ASSETS

Invested in Capital Assets	5,912,648.36
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	101,114.48
Expendable:	
Scholarships and Fellowships	121,656.18
Capital Projects	392,896.84
Unrestricted	535,379.82
	<hr/>
Total Net Assets	\$ 7,063,695.68

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

***Tri-County 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)	\$ 819,544.50
Federal Grants and Contracts	1,754,627.53
State and Local Grants and Contracts	451,513.88
Sales and Services (Note 8)	154,822.01

Total Operating Revenues	3,180,507.92
--------------------------	--------------

EXPENSES

Operating Expenses:

Salaries and Benefits	5,045,040.34
Supplies and Materials	880,345.32
Services	1,227,018.74
Scholarships and Fellowships	1,179,790.91
Utilities	223,413.29
Depreciation	207,456.43

Total Operating Expenses	8,763,065.03
--------------------------	--------------

Operating Loss	(5,582,557.11)
----------------	----------------

NONOPERATING REVENUES

State Aid	4,540,218.67
County Appropriations	445,000.00
Noncapital Grants	498,042.88
Noncapital Gifts, Net	79,580.50
Investment Income, Net	7,071.22
Other Nonoperating Revenues	20,391.94

Net Nonoperating Revenues	5,590,305.21
---------------------------	--------------

Income Before Other Revenues	7,748.10
------------------------------	----------

State Capital Aid	345,183.50
County Capital Appropriations	58,220.00

Increase in Net Assets	411,151.60
------------------------	------------

NET ASSETS

Net Assets, July 1, 2003 as Restated (Note 14)	6,652,544.08
--	--------------

Net Assets, June 30, 2004	\$ 7,063,695.68
---------------------------	-----------------

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

***Tri-County 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	\$ 3,173,442.84
Payments to Employees and Fringe Benefits	(4,980,220.63)
Payments to Vendors and Suppliers	(2,303,659.99)
Payments for Scholarships and Fellowships	(1,179,790.91)
Other Receipts	23,873.53

Net Cash Used by Operating Activities (5,266,355.16)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	4,540,218.67
County Appropriations	445,000.00
Noncapital Grants Received	496,452.57
Noncapital Gifts Received	79,580.50

Cash Provided by Noncapital Financing Activities 5,561,251.74

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	73,640.50
County Capital Appropriations	58,220.00
Acquisition and Construction of Capital Assets	(576,638.10)

Net Cash Used by Capital and Related Financing Activities (444,777.60)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	7,120.95
-------------------	----------

Net Decrease in Cash and Cash Equivalents (142,760.07)

Cash and Cash Equivalents, July 1, 2003 863,517.18

Cash and Cash Equivalents, June 30, 2004 \$ 720,757.11

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

Operating Loss \$ (5,582,557.11)

Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:

Depreciation Expense	207,456.43
Miscellaneous Nonoperating Income	20,391.94
Changes in Assets and Liabilities:	
Receivables, Net	(18,553.33)
Inventories	(3,264.67)
Prepaid Items	(3,543.03)
Accounts Payable and Accrued Liabilities	33,925.06
Deferred Revenue	11,524.14
Funds Held for Others	3,445.70
Compensated Absences	64,819.71

Net Cash Used by Operating Activities \$ (5,266,355.16)

Tri-County 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	\$ 480,175.79
Restricted Cash and Cash Equivalents	154,205.42
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>86,375.90</u>
Total Cash and Cash Equivalents - June 30, 2004	<u>\$ 720,757.11</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$ 273,133.31
--	---------------

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

[This Page Left Blank Intentionally]

TRI-COUNTY 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. Tri-County 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, Tri-County Community College Foundation, Inc., is reported as if it were part of the College. The Foundation is governed by a 17-member board consisting of nine ex officio directors and eight elected directors. 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 Tri-County Community College Board of Trustees and the Foundation's sole purpose is to benefit Tri-County Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the Tri-County Community College Business Office, 4600 East US 64, Murphy, NC 28906 or by calling 828-837-6810.

- 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, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit reported at cost.
- F. Receivables** - Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises’ sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 25 years for general infrastructure, 15 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 July 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 June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

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

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

- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$260.00. The carrying amount of cash on deposit was \$1,030,497.11 and the bank balance was \$1,121,607.22. All of the cash was on deposit with private financial institutions.

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

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

Of the cash on deposit with private financial institutions at June 30, 2004, \$370,000.00 of the bank balance was covered by federal depository

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

insurance and \$751,607.22 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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to General Statute 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

Investments of the College's component units, 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.

At June 30, 2004, the College held certificates of deposit in the amount of \$310,000.00, which is not subject to categorization of custodial credit risk. The aforementioned certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - ENDOWMENT INVESTMENTS

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 104,908.32	\$ 10,696.96	\$ 94,211.36
Intergovernmental	4,578.52		4,578.52
Investment Earnings	82.91		82.91
Total Current Receivables	<u>\$ 109,569.75</u>	<u>\$ 10,696.96</u>	<u>\$ 98,872.79</u>

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	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 364,807.78	\$ 0.00	\$ 0.00	\$ 0.00	\$ 364,807.78
Construction in Progress	383,850.61	(547,250.77)	486,210.16		322,810.00
Total Capital Assets, Nondepreciable	<u>748,658.39</u>	<u>(547,250.77)</u>	<u>486,210.16</u>	<u>0.00</u>	<u>687,617.78</u>
Capital Assets, Depreciable:					
Buildings	6,838,642.24	499,250.77			7,337,893.01
Machinery and Equipment	699,186.23		148,473.85	58,045.91	789,614.17
General Infrastructure	324,842.95	48,000.00			372,842.95
Total Capital Assets, Depreciable	<u>7,862,671.42</u>	<u>547,250.77</u>	<u>148,473.85</u>	<u>58,045.91</u>	<u>8,500,350.13</u>
Less Accumulated Depreciation:					
Buildings	2,514,688.72		177,547.93		2,692,236.65
Machinery and Equipment	322,201.07		73,677.67	51,162.60	344,716.14
General Infrastructure	230,973.33		7,393.43		238,366.76
Total Accumulated Depreciation	<u>3,067,863.12</u>		<u>258,619.03</u>	<u>51,162.60</u>	<u>3,275,319.55</u>
Total Capital Assets, Depreciable, Net	<u>4,794,808.30</u>	<u>547,250.77</u>	<u>(110,145.18)</u>	<u>6,883.31</u>	<u>5,225,030.58</u>
Capital Assets, Net	<u>\$ 5,543,466.69</u>	<u>\$ 0.00</u>	<u>\$ 376,064.98</u>	<u>\$ 6,883.31</u>	<u>\$ 5,912,648.36</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 76,046.35
Accrued Payroll	48,727.32
Other	1,335.95
Total Accounts Payable and Accrued Liabilities	\$ 126,109.62

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2003	Additions	Balance June 30, 2004	Current Portion
Compensated Absences	\$ 115,297.09	\$ 64,819.71	\$ 180,116.80	\$ 127,925.86

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 1,334,649.75	\$ 506,555.02	\$ 8,550.23	\$ 819,544.50
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 16,839.28	\$ 0.00	\$ 0.00	\$ 16,839.28
Bookstore	19,283.16			19,283.16
Parking	13,086.10			13,086.10
Other	105,613.47			105,613.47
Total Sales and Services	\$ 154,822.01	\$ 0.00	\$ 0.00	\$ 154,822.01

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 2,994,380.03	\$ 520,091.72	\$ 694,500.72	\$ 1,179,790.91	\$ 0.00	\$ 0.00	\$ 5,388,763.38
Academic Support	423,777.56	48,538.76	120,532.24				592,848.56
Student Services		26,450.44	37,828.64				64,279.08
Institutional Support	1,227,188.85	205,197.61	247,082.68				1,679,469.14
Operations and Maintenance of Plant	122,182.68	80,066.79	127,074.46		223,413.29		552,737.22
Student Financial Aid	277,511.22						277,511.22
Depreciation						207,456.43	207,456.43
Total Operating Expenses	<u>\$ 5,045,040.34</u>	<u>\$ 880,345.32</u>	<u>\$ 1,227,018.74</u>	<u>\$ 1,179,790.91</u>	<u>\$ 223,413.29</u>	<u>\$ 207,456.43</u>	<u>\$ 8,763,065.03</u>

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 \$4,275,623.61, of which \$3,444,195.42 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$ 206,651.71 and \$7,577.21, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$7,577.21, \$0.00, and \$63,644.72, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. The voluntary contributions by employees amounted to \$40,620.00 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 \$1,200.00 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 post employment 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 \$110,214.23. 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Long-Term Disability - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. Employer contributions are established in the Appropriations Bill by the General Assembly. The College was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, there have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. A private insurer covers losses from County and Institutional paid employees.

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

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

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

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$54,056.33 and on other purchases were \$20,696.67 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$820,021.00 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 - NET ASSET RESTATEMENT

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

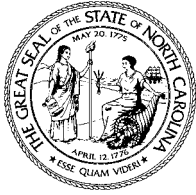
	<u>Amount</u>
July 1, 2003 Net Assets as Previously Reported	\$ 6,621,573.18
Restatements:	
Correction to Construction in Progress	<u>30,970.90</u>
July 1, 2003 Net Assets as Restated	<u>\$ 6,652,544.08</u>

**Tri-County 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>									
Renovation of Enloe - Project 1308	Feb 2004	Jan 2005	\$ 891,527.00	\$ 0.00	\$ 891,527.00	\$ 37,952.00	4.26%	Jun 2004	Nov 2005
Land Acquisition - Project 1270	Mar 2004	Undesignated	125,294.00		125,294.00			May 2003	Undesignated
Lighted Parking/Concrete Sidewalks - Project 1202	Jan 2002	Feb 2002	43,597.00		43,597.00	43,597.00	100.00%	May 2002	May 2002
Total All Projects			<u>\$ 1,060,418.00</u>	<u>\$ 0.00</u>	<u>\$ 1,060,418.00</u>	<u>\$ 81,549.00</u>			

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.



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Tri-County Community College
Murphy, North Carolina

We have audited the financial statements of Tri-County Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2004, and have issued our report thereon dated April 29, 2005. We did not audit the financial statements of Tri-County Community College Foundation, Inc., which represent two percent, three percent, and one percent, respectively, of the assets, net assets, and revenues of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tri-County Community College Foundation, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Tri-County Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to Tri-County Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a functions. We noted no matters involving the internal control over financial reporting and its

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

operation that we consider to be material weaknesses relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Leslie W. Merritt, Jr.

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

April 29, 2005

DISTRIBUTION OF AUDIT 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.

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Norman Oglesby	President, Tri-County Community College
Ms. Jan Westmoreland	Vice President for Administrative Services
	Tri-County Community College
Mr. Frank Bradley	Chairman, Board of Trustees
	Tri-County Community College

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Alma S. Adams
Senator Thomas M. Apodaca	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Harold J. Brubaker
Senator Walter H. Dalton	Representative Lorene T. Coates
Senator Charlie S. Dannelly	Representative E. Nelson Cole
Senator James Forrester	Representative James W. Crawford, Jr.
Senator Linda Garrou	Representative William T. Culpepper, III
Senator Kay R. Hagan	Representative W. Pete Cunningham
Senator Fletcher L. Hartsell, Jr.	Representative Beverly M. Earle
Senator David W. Hoyle	Representative Pryor A. Gibson, III
Senator John H. Kerr, III	Representative Joe Hackney
Senator Ellie Kinnaird	Representative R. Phillip Haire
Senator Jeanne H. Lucas	Representative Dewey L. Hill
Senator Anthony E. Rand	Representative Lindsey H. Holliman
Senator R. C. Soles, Jr.	Representative Julia C. Howard
Senator Richard Y. Stevens	Representative Howard J. Hunter, Jr.
Senator A. B. Swindell, IV	Representative Margaret M. Jeffus
Senator Scott Thomas	Representative Daniel F. McComas
	Representative Charles L. McLawhorn
	Representative Henry M. Michaux, Jr.
	Representative Richard T. Morgan
	Representative Edd Nye
	Representative William C. Owens, Jr.
	Representative Deborah K. Ross
	Representative Drew P. Saunders
	Representative Wilma M. Sherrill
	Representative Joe P. Tolson
	Representative Edith D. Warren
	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
----------------------	------------------------------------

June 28, 2005

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647