



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT REVIEW REPORT OF**

**PIEDMONT COMMUNITY COLLEGE**

**ROXBORO, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT REVIEW REPORT OF**

**PIEDMONT COMMUNITY COLLEGE**

**ROXBORO, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

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## REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Piedmont Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our review was made by authority of Article 5A of Chapter 147 of the General Statutes.

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

As part of the work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Piedmont Community College. The review 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 review of the accompanying financial statements that relate solely to Piedmont Community College. Our reporting objectives and review results are:

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

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

## REVIEWER'S TRANSMITTAL (CONCLUDED)

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

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

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

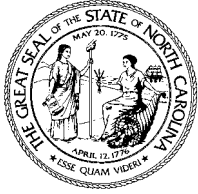


Ralph Campbell, Jr.  
State Auditor

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Office of the State Auditor

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Piedmont Community College  
Roxboro, North Carolina

We have reviewed the accompanying Statement of Net Assets of Piedmont Community College, a component unit of the State of North Carolina, as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 to 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor

June 11, 2003

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Piedmont Community College's Annual Financial Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2002. College management has prepared this discussion, along with the financial statements and related notes. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of the Management Discussion and Analysis (MD&A) is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. This discussion and analysis should, however, be read in conjunction with, and is qualified in its entirety by, the financial statements and related notes. Since this is a transition year for the new reporting format, only one year of financial data is presented. In future years the MD&A will have comparative data for both the prior and current years, with emphasis on the current year.

### **Using the Annual Report/Overview of Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the College as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole.

One of the most important questions asked about college finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

### **Statement of Net Assets**

The Statement of Net Assets presents college assets, liabilities, and net assets as of the end of the fiscal year (i.e., June 30th). The assets and liabilities are divided into current and noncurrent portions. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements. The Statement of Net Assets is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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From the data presented, readers of this Statement are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. The Statement of Net Assets also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories: invested in capital assets; unrestricted net assets; and restricted net assets, which are reflected in two subcategories – expendable and nonexpendable. These three categories of net assets are discussed further in the notes to the financial statements.

A Condensed Statement of Net Assets is reflected below:

### Condensed Statement of Net Assets June 30, 2002

Assets:	
Current Assets	\$ 1,131,378.26
Noncurrent Capital Assets, Net of Accumulated Depreciation	6,107,983.09
Other Noncurrent Assets	<u>9,060.43</u>
Total Assets	7,248,421.78
Liabilities:	
Current Liabilities	281,515.41
Noncurrent Liabilities	<u>463,329.84</u>
Total Liabilities	744,845.25
Net Assets:	
Invested in Capital Assets	6,107,983.09
Restricted – Expendable	159,491.45
Unrestricted	<u>236,101.99</u>
Total Net Assets	<u><u>\$ 6,503,576.53</u></u>

The total assets of the College decreased by \$46,557.49 for the year (an increase of \$131,881.94 for current assets and a decrease of \$178,439.43 for noncurrent assets). This largest decrease was attributable to depreciation expense of \$372,302.41 as mandated by the implementation of GASB Statement Nos. 34 and 35. The noncurrent asset, restricted due from primary government, decreased by \$71,740.40 since these funds were a one-time allocation from the State that were expended during the year. Cash and cash equivalents increased for the year by \$125,038.06.

The total liabilities of the College increased \$79,040.82. The primary reason for the increase is a net increase in the accrual of annual leave for employees.

**Statement of Revenues, Expenses and Changes in Net Assets**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the Statement is to present the revenues earned by the institution, both operating and nonoperating, and the expenses incurred by the institution, operating and nonoperating, and any other revenues, expenses, gains, and losses earned or incurred by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Nonoperating revenues are revenues earned for which goods and services are not provided. State and county appropriations and noncapital grants are included as nonoperating revenues in accordance with GASB guidelines, even though these revenues are instrumental to the College's mission and operations. Nonoperating expenses are expenses not directly related to the normal operations of the College (e.g., interest expense and other fees on capital asset related debt). Capital contributions and additions to the principal of permanent and term endowments, as well as revenues and expenses for special and extraordinary items, are reported separately after nonoperating revenues and expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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A Condensed Statement of Revenues, Expenses, and Changes in Net Assets are reflected below:

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2002

Operating Revenue	
Tuition and Fees	\$ 1,252,763.97
Federal Grants and Contracts	2,994,487.05
Other	721,199.10
	<hr/>
Total	4,968,450.12
Less Operating Expenses	
Personal Services	8,738,144.64
Supplies and Materials	1,260,600.49
Services	1,032,815.50
Scholarships and Fellowships	1,756,655.56
Utilities	252,803.15
Depreciation	372,302.41
	<hr/>
Total	13,413,321.75
Operating Loss	(8,444,871.63)
Nonoperating Revenue	
State/Local Grants and Contracts	7,910,298.50
Investment Income	20,149.43
Gifts and Other	(2,190.30)
	<hr/>
	7,928,257.63
Loss Before Other Revenue	(516,614.00)
Other Revenue	404,085.03
	<hr/>
Decrease in Net Assets	(112,528.97)
Net Assets, Beginning of Year, as Restated	6,616,105.50
	<hr/>
Net Assets, End of Year	<u>\$ 6,503,576.53</u>

The State and local appropriations are not classified as operating revenue per GASB Statement No. 35; therefore, the College will usually show a significant operating loss.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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Operating revenue increased overall by \$626,355.96 but the component parts have varying balance changes. The largest component changes were as follows:

- Tuition and Fees increased by \$192,332.93 primarily from a \$3.25 per semester credit hour increase for resident students and \$17.50 per semester credit hour for nonresident students in tuition rates legislated by the State of North Carolina and an increase in State appropriations due to enrollment growth.
- Federal grants and contracts had a \$513,770.68 increase that was directly related to the Pell Grant, SEOG and College Work Study grants.

Operating expenses for fiscal year 2002 increased \$949,919.12 over fiscal year 2001. Personal Services increased \$429,814.75 due to the effects of contractual increases for faculty and staff salaries. Supplies and materials accounted for a \$186,766.08 decrease due to legislated spending cuts. Scholarships and Fellowships increased \$598,533.84 due to Pell Grant activity. Depreciation increased \$26,563.87 due to the purchases of capital assets. Services increased \$89,491.28 due to increased costs. Utilities decreased \$7,718.54 due to spending cuts.

Nonoperating and Other Revenue decreased by \$524,542.81 in fiscal year 2002 from fiscal year 2001. State Capital Aid decreased by \$369,874.86 due to less fixed asset expenditures and State Certifications decreased by \$83,753.35 due to spending limitations imposed by the State of North Carolina. County capital appropriation decreased \$51,509.07.

Restatements for both years occurred from implementing the new GASB Statement Nos. 34 and 35. Net Assets at July 1, 2001 were reduced \$5,765,455.15. This restatement is primarily the result of accounting changes related to recording accumulated depreciation of \$4,550,228.71, expensing library books in the amount of \$937,019.90, and other restatements of \$278,196.54.

### **Statement of Cash Flows**

The final statement presented by Piedmont Community College is the Statement of Cash Flows. This statement is divided into five parts and presents detailed information about the cash activity of the College during the year. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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A Condensed Statement of Cash Flows is reflected below:

### Condensed Statement of Cash Flows For the Year Ended June 30, 2002

Cash Provided (Used) By:	
Operating Activities	\$ (8,046,841.00)
Noncapital Financing Activities	7,958,522.62
Capital and Related Financing Activities	191,985.09
Investing Activities	<u>21,371.35</u>
Net Change in Cash	125,038.06
Cash, Beginning of Year	<u>696,433.06</u>
Cash, End of Year	<u>\$ 821,471.12</u>

Major sources of funds included in operating activities are student tuition and fees \$1,252,763.97, auxiliary sales and services \$518,435.38, and contracts and grants \$3,119,649.10. Major uses of funds included in operating activities are payments to employees \$8,627,687.45, to vendors/suppliers \$2,564,060.78, and for scholarships and fellowships \$1,786,401.45.

The major source of funds included in noncapital financing activities is State appropriations \$6,895,134.63 and county appropriations \$938,214.00. The major sources of funds included in capital and related financing activities are State capital appropriations \$433,132.29 and county capital appropriations \$42,693.14. The major use is the acquisition and construction of capital assets \$283,840.34.

### Capital Asset and Debt Administration

**Capital Assets** - Piedmont Community College's investment in capital assets as of June 30, 2002 amounted to \$6,107,983.09, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery, and equipment. Additions to capital assets were \$290,056.71, deletions were \$87,565.69, and net depreciation was \$202,491.02.

Major capital asset events during the current fiscal year included the following:

- Hired engineering firm and began designing first phase of replacement of HVAC system; spent \$17,070.00 in engineering fees.
- Completed replacement of signage on the Person County Campus at a cost of \$22,475.64 and on the Caswell County Campus at a cost of \$10,051.05.
- Replaced HVAC system at the Person County Campus Child Development Center at a cost of \$28,509.75.

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

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- Various other infrastructure expenditures such as condensing units, ceiling replacements, etc. costing a total of \$32,325.18.
- Various machinery and equipment acquisitions totaling \$179,625.09 for the fiscal year ending June 30, 2002.

**Capital Assets, Net  
As of June 30, 2002**

Capital Assets		
Land	\$	153,654.15
Construction in Progress		17,070.00
Buildings		8,594,600.00
Infrastructure		716,255.18
Equipment		1,485,822.52
		<hr/>
Total		10,967,401.85
		<hr/>
Less Accumulated Depreciation		4,859,418.76
		<hr/>
Net Capital Assets	\$	6,107,983.09
		<hr/> <hr/>

**Long-Term Debt** - The College did not incur any long-term debt for fiscal years ending June 30, 2002 and 2001, other than current and noncurrent accrued vacation leave of \$598,433.54.

**Economic and Other Factors Impacting Future Periods**

The economic position of Piedmont Community College is closely tied to the State of North Carolina. State aid and State capital aid comprise 55 percent of total College revenues and are the largest source of funding. The appropriation for the upcoming year has not been finalized. As the national economy has slowed down, the State economy has followed. Plant closures and layoffs and changes in the tobacco industry have caused State revenues to decrease. This will most likely result in smaller increases in State appropriations for higher education. The specific impact on the College is uncertain; however, due to increased funding for enrollment increases it is felt there will not be a significant impact on College operations.

The biggest challenges facing the College are:

- the level of federal, State, and local support;
- the implementation of the new administrative computing system; and
- the assessment and reallocation of available resources.

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

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### **Requests for Information**

This financial report is designed to provide a general overview of Piedmont Community College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Piedmont Community College, Vice President for Administrative Services, PO Box 1197, 1715 College Drive, Roxboro, North Carolina 27573.

**Piedmont Community College**  
**Statement of Net Assets**  
**June 30, 2002**

**Exhibit A**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 722,270.35
Restricted Cash and Cash Equivalents	99,200.77
Receivables, Net (Note 3)	170,139.57
Inventories	136,299.32
Notes Receivable, Net (Note 3)	3,468.25

Total Current Assets	1,131,378.26
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Noncurrent Assets:

Restricted Due from Primary Government	9,060.43
Capital Assets, Net (Note 4)	6,107,983.09

Total Noncurrent Assets	6,117,043.52
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Total Assets	7,248,421.78
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	133,342.37
Funds Held for Others	13,069.34
Long-Term Liabilities - Current Portion (Note 6)	135,103.70

Total Current Liabilities	281,515.41
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	463,329.84
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Total Noncurrent Liabilities	463,329.84
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Total Liabilities	744,845.25
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**NET ASSETS**

Invested in Capital Assets	6,107,983.09
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Restricted For:

Expendable:

Scholarships and Fellowships	9,230.00
Loans	5,397.85
Capital Projects	1,409.98
Other	143,453.62

Unrestricted	236,101.99
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Total Net Assets	<b>\$ 6,503,576.53</b>
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The accompanying notes to the financial statements are an integral part of this statement.

See Independent Accountant's Review Report



<b><i>Piedmont Community College</i></b>		
<b><i>Statement of Revenues, Expenses, and Changes in Net Assets</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Exhibit B</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)		\$ 1,252,763.97
Federal Grants and Contracts		2,994,487.05
State and Local Grants and Contracts		125,162.05
Sales and Services, Net (Note 8)		518,435.38
Other Operating Revenues		77,601.67
Total Operating Revenues		4,968,450.12
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		8,738,144.64
Supplies and Materials		1,260,600.49
Services		1,032,815.50
Scholarships and Fellowships		1,756,655.56
Utilities		252,803.15
Depreciation		372,302.41
Total Operating Expenses		13,413,321.75
Operating Loss		(8,444,871.63)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		6,895,134.63
County Appropriations		938,214.00
Noncapital Grants		76,949.87
Noncapital Gifts, Net (Note 8)		2,727.06
Investment Income, Net		20,149.43
Other Nonoperating Expenses		(4,917.36)
Net Nonoperating Revenues		7,928,257.63
Income Before Other Revenues, Expenses, Gains, and Losses		(516,614.00)
State Capital Aid		361,391.89
County Capital Appropriations		42,693.14
Decrease in Net Assets		(112,528.97)
<b>NET ASSETS</b>		
Net Assets, July 1, 2001 as Restated (Note 16)		6,616,105.50
Net Assets, June 30, 2002		\$ 6,503,576.53
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

<b><i>Piedmont Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Exhibit C</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers		\$ 4,945,007.87
Payments to Employees and Fringe Benefits		(8,627,687.45)
Payments to Vendors and Suppliers		(2,564,060.78)
Payments for Scholarships and Fellowships		(1,786,401.45)
Loans Issued to Students		(10,107.24)
Collection of Loans to Students		7,228.99
Other Payments		(10,820.94)
	Net Cash Used by Operating Activities	(8,046,841.00)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		6,895,134.63
County Appropriations		938,214.00
Noncapital Grants Received		122,446.93
Noncapital Gifts and Endowments Received		2,727.06
	Net Cash Provided by Noncapital Financing Activities	7,958,522.62
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		433,132.29
County Capital Appropriations		42,693.14
Acquisition and Construction of Capital Assets		(283,840.34)
	Net Cash Provided by Capital and Related Financing Activities	191,985.09
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments		21,371.35
	Net Cash Provided by Investing Activities	21,371.35
	Net Increase in Cash and Cash Equivalents	125,038.06
	Cash and Cash Equivalents, July 1, 2001	696,433.06
	Cash and Cash Equivalents, June 30, 2002	\$ 821,471.12

<b><i>Name of Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit C</i></b>
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (8,444,871.63)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		372,302.41
Miscellaneous Nonoperating Income		250.26
Changes in Assets and Liabilities:		
Receivables, Net		(53,188.14)
Inventories		2,503.53
Notes Receivable, Net		(2,878.25)
Accounts Payable and Accrued Liabilities		(1,042.79)
Funds Held for Others		(11,071.20)
Compensated Absences		91,154.81
Net Cash Used by Operating Activities		<u>\$ (8,046,841.00)</u>
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* effective for the College's year ended June 30, 2002, 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.

- 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, and short-term investments with the State Treasurer’s Cash and Investment Pool (a governmental external investment pool). 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. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises’ sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Accounts and note receivables are shown at book value with no provision for doubtful accounts considered necessary.
- F Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at cost using the last invoice cost method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 years for general infrastructure, 40 years for buildings, and 5 to 15 years for equipment.

- H. Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.

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

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

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

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

**Restricted Net Assets – 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.

**L. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

- M. Revenue and Expense Recognition** – The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges, and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.
- N. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the copy centers. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

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**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 vehicles 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**

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 Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$470.00. The carrying amount of cash on deposit was \$821,001.12 and the bank balance was \$899,800.19.

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

Cash on deposit at year end consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Deposit with State Treasurer	\$ 345,276.85	\$ 346,692.77
Cash on Deposit with Private Financial Institutions	<u>475,724.27</u>	<u>553,107.42</u>
	<u>\$ 821,001.12</u>	<u>\$ 899,800.19</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Cash and 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Cash and 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, 2002, \$100,000 of the bank balance was covered by federal depository insurance, \$453,107.42 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	<u>Amount</u>
<b>Current Receivables:</b>	
Students	\$ 31,239.17
Accounts	3,469.05
Intergovernmental	134,015.43
Investment Earnings	<u>1,415.92</u>
<b>Total Current Receivables</b>	<u><u>\$ 170,139.57</u></u>
<b>Notes Receivables:</b>	
<b>Notes Receivable - Current</b>	
Institutional Student Loan Programs	<u><u>\$ 3,468.25</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
<b>Capital Assets, Non-Depreciable:</b>				
Land	\$ 153,654.15	\$ 0.00	\$ 0.00	\$ 153,654.15
Construction in Progress		17,070.00		17,070.00
<b>Total Capital Assets, Non-Depreciable</b>	<b>153,654.15</b>	<b>17,070.00</b>		<b>170,724.15</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	8,594,600.00			8,594,600.00
Machinery and Equipment	1,374,477.41	179,625.09	68,279.98	1,485,822.52
General Infrastructure	642,179.27	93,361.62	19,285.71	716,255.18
<b>Total Capital Assets, Depreciable</b>	<b>10,611,256.68</b>	<b>272,986.71</b>	<b>87,565.69</b>	<b>10,796,677.70</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	3,646,505.44	214,864.92		3,861,370.36
Machinery and Equipment	787,472.68	131,005.51	63,112.36	855,365.83
General Infrastructure	642,179.27	26,431.98		142,682.57
<b>Total Accumulated Depreciation</b>	<b>4,550,228.71</b>	<b>372,302.41</b>	<b>63,112.36</b>	<b>4,859,418.76</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>6,061,027.97</b>	<b>(99,315.70)</b>	<b>24,453.33</b>	<b>5,937,258.94</b>
<b>Capital Assets, Net</b>	<b>\$ 6,214,682.12</b>	<b>\$ (82,245.70)</b>	<b>\$ 24,453.33</b>	<b>\$ 6,107,983.09</b>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	\$ 31,952.98
Accrued Payroll	101,389.39
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 133,342.37</b>

### NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Compensated Absences	\$ 507,278.73	\$ 508,907.24	\$ 417,752.43	\$ 598,433.54	\$ 135,103.70

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ <u>8,344</u>
Total Minimum Lease Payments	\$ <u><u>8,344</u></u>

Rental expense for all operating leases during the year was \$15,512.16.

### NOTE 8 - 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>
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ <u>1,603,057.97</u>	\$ <u>0.00</u>	\$ <u>350,294.00</u>	\$ <u>1,252,763.97</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 615,091.35	\$ 96,372.70	\$ 246,099.00	\$ 272,619.65
Other	52,558.86			52,558.86
Sales and Services of Educational and Related Activities	<u>301,524.06</u>	<u>108,270.19</u>		<u>193,253.87</u>
<b>Total Sales and Services</b>	\$ <u>969,177.27</u>	\$ <u>204,642.89</u>	\$ <u>246,099.00</u>	\$ <u>518,435.38</u>
<b>Nonoperating - Noncapital Gifts</b>	\$ <u>2,727.06</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>2,727.06</u>

## 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	\$ 5,573,444.61	\$ 509,702.56	\$ 519,729.20	\$ 73,412.11	\$ 16,363.70	\$ 0.00	\$ 6,692,652.18
Research	16,939.92	24,278.06	15,991.69				57,209.67
Public Service		353.58	406.51				760.09
Academic Support	971,169.79	31,484.44	88,925.57				1,091,579.80
Student Services	360,960.57	25,708.45	32,488.66	651,495.28			1,070,652.96
Institutional Support	1,300,951.35	306,420.63	245,360.91		34,213.46		1,886,946.35
Operations and Maintenance of Plant	440,919.05	83,121.41	119,643.78		202,225.99		845,910.23
Student Financial Aid			4,702.60	1,031,748.17			1,036,450.77
Auxiliary Enterprises	73,759.35	279,531.36	5,566.58				358,857.29
Depreciation						372,302.41	372,302.41
Total Operating Expenses	<u>\$ 8,738,144.64</u>	<u>\$ 1,260,600.49</u>	<u>\$ 1,032,815.50</u>	<u>\$ 1,756,655.56</u>	<u>\$ 252,803.15</u>	<u>\$ 372,302.41</u>	<u>\$ 13,413,321.75</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 multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, members of the Teachers' and State Employees' Retirement System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2002, these rates were set at 1.97% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2002, the College had a total payroll of \$7,337,848.14, of which \$6,578,413.89 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$394,704.80 and \$129,594.75, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$129,594.75, \$328,806.09, and \$433,719.99, respectively.

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

**B. 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 \$11,127.24 for the year ended June 30, 2002.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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plan are the responsibility of the Plan participants. The voluntary contributions by employees amounted to \$74,267.00 for the year ended June 30, 2002.

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 \$21,686.40 for the year ended June 30, 2002.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees** - The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the College's total contribution to the Plan was \$154,592.73. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2002, the College's total contribution to the DIPNC was

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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\$34,207.75. The College assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 12 - RISK MANAGEMENT

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

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. Losses from county and institutional fund paid employees are covered by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor. Effective for the October 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through HMO plans.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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 \$39,830.00.

**B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization \$4,755,945.00 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 - PIEDMONT COMMUNITY COLLEGE FOUNDATION**

The Piedmont Community College Foundation is a separately incorporated non-profit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$87,477.00 for the year ended June 30, 2002.

### **NOTE 15 - ACCOUNTING CHANGES**

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 Colleges and Universities*. The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 16 - NET ASSET RESTATEMENT

As referred to in Note 15, 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 Colleges and Universities*.

July 1, 2001 Fund Equity as previously reported	\$ 12,381,550.65
Implementation of GASB 34/35	<u>(5,765,445.15)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 6,616,105.50</u>

***Piedmont Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2002***

***Schedule 1***

<b>Capital Improvement Projects</b>	<b>Projected Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Expected Completion Date</b>
<b><i>Projects Approved by the State Board</i></b>							
Renovate Gym	Apr 2002	\$ 1,447,857.00	\$ 0.00	\$ 1,447,857.00	\$ 0.00		Mar 2005
Classroom/Labs and Student Services/Learning Center	Sep 2002	1,567,922.00		1,567,922.00			Mar 2005
Renovate Student Complex	Mar 2004	1,405,690.00		1,405,690.00			May 2006
Renovate Auditorium	May 2004	334,476.00		334,476.00			Jan 2006
<b>Total All Projects</b>		<b>\$ 4,755,945.00</b>	<b>\$ 0.00</b>	<b>\$ 4,755,945.00</b>	<b>\$ 0.00</b>		

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

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

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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
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Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. H. James Owen	President, Piedmont Community College
Mr. William R. Barnes	Vice President for Administrative Services Piedmont Community College
Mr. Josiah Thomas	Chairman, Board of Trustees Piedmont Community College

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Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	N. C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

July 25, 2003

## ORDERING INFORMATION

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