STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

CENTRAL PIEDMONT COMMUNITY COLLEGE

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

CENTRAL PIEDMONT COMMUNITY COLLEGE

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

STATE OF NORTH CAROLINA
Office of the State Auditor

Ralph Campbell, Jr.
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

REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Central Piedmont Community College, a component unit of the State of North Carolina, for the year ended June 30, 2003. Our review 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 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 Central Piedmont Community College. The review procedures were conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

The purpose of this report is to present the results of our review of the accompanying financial statements that relate solely to Central 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)

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 that came to our attention during our review of the financial statements.

   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.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

STATE OF NORTH CAROLINA
Office of the State Auditor

Ralph Campbell, Jr.
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 ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Central Piedmont Community College
Charlotte, North Carolina

We have reviewed the accompanying Statement of Net Assets of Central Piedmont Community College, a component unit of the State of North Carolina, as of June 30, 2003, 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), as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

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

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

May 5, 2004

[This Page Left Blank Intentionally]

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Central Piedmont Community College (the "College") for the year ended June 30, 2003, with selected comparative information for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the transmittal letter, financial statements and accompanying notes which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

The College is a public two-year college with approximately 70,000 students and 1,500 faculty members on 7 campuses in the Charlotte-Mecklenburg region of North Carolina. The College offers a broad range of undergraduate, associate and technical degree programs. The College is the largest community college in North Carolina, offering over 70 degree and certification programs, customized corporate training, market-focused continuing education, and special interest classes. The College consistently ranks among the leaders of community colleges nationally in terms of quality of academic offerings and workforce development.

Financial Highlights

The College's financial position remained strong at June 30, 2003 with assets of $155.7 million and liabilities of $9.2 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, totaled $146.5 million. The net assets of the College increased by $28.1 million. This is primarily attributable to increased building assets from construction occurring in the current year.

Changes in net assets represent the operating and nonoperating activity of the College, which results from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2003 and 2002 as follows:

(Dollars in millions)

	2003	2002
Total Operating Revenues	$ 27.9	$ 21.6
Total Operating Expenses	85.8	76.6
Net Nonoperating Revenues	86.0	65.5
Increase in Net Assets	$ 28.1	$ 10.5

Fiscal 2003 operating revenues increased 30.0%, while operating expenses increased 12.0%. On a net basis, fiscal 2003 nonoperating revenue increased $20.5 million due to increased governmental grants for capital projects. Fiscal 2003 and 2002 have been restated to classify all State and county capital revenues as nonoperating revenues.

Using the Financial Statements

The College's financial report includes three financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) principles. During 2002, the College adopted GASB Statement 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements 37 and 38, and applied those standards on a retroactive basis. These statements establish standards for external financial reporting for public colleges 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 three net asset categories. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole.

Other significant changes to the financial statements are as follows:

- Revenues and expenses are now categorized as either operating or nonoperating. Previously, a measure of operations was not presented. Significant annual portions of the College's revenues, including State and county appropriations and gifts are considered nonoperating as defined by GASB Statement 35. Nonoperating revenues totaled $86.0 and $65.5 million for the years ended June 30, 2003 and 2002, respectively.

- Tuition remission applied to student accounts is now shown as a reduction of student tuition, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses. Previously all tuition remissions were presented as expenses. For the years ended June 30, 2003 and 2002, student tuition remissions totaled $705 thousand and $672 thousand, respectively.

- Assets and liabilities are now classified as current and noncurrent. The difference between the two categories being expectation of converting to cash within a 1 year period.

- Under GASB Statement 35, the accounting measurement focus now includes all economic resources and requires all capital assets to be depreciated. The College has extensively identified all capital assets and retroactively calculated depreciation. Based on this change in accounting principle, the College recorded a prior period adjustment of $24.6 million for 2002 and has included depreciation of $4.8 million and $3.3 million in 2003 and 2002, respectively.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities - net assets - is one indicator of the current financial position of the College. Additionally, the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Asset and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30, 2003 and 2002 is presented below:

(Dollars in millions)

	2003	2002
Assets		
Current Assets	$ 12.7	$ 9.2
Noncurrent Assets:		
Capital Assets	141.3	115.1
Other	1.7	
Total Assets	155.7	124.3
Liabilities		
Current Liabilities	5.5	5.8
Noncurrent Liabilities	3.7	0.1
Total Liabilities	9.2	5.9
Net Assets	146.5	143.0
Prior Period Adjustment for Fixed Assets		(24.6)
Adjusted Net Assets	$ 146.5	$ 118.4

Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2003 and 2002 are summarized below:

(Dollars in millions)

	2003	2002
Invested in Capital Assets	$ 141.3	$ 139.7
Prior Period Adjustment for GASB 35		(24.6)
Invested in Capital Assets	141.3	115.1
Restricted:		
Expendable	1.5	1.5
Unrestricted	3.7	1.8
Total Net Assets	$ 146.5	$ 118.4

Net assets invested in capital assets represent the College's capital assets net of accumulated depreciation. The $26.2 million increase represents the College's continued development and renewal of its capital assets in accordance with its Strategic Plan.

Unrestricted assets is the "residual" component of net assets. It consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

Statement of Revenues, Expenses, and Changes in Net Assets

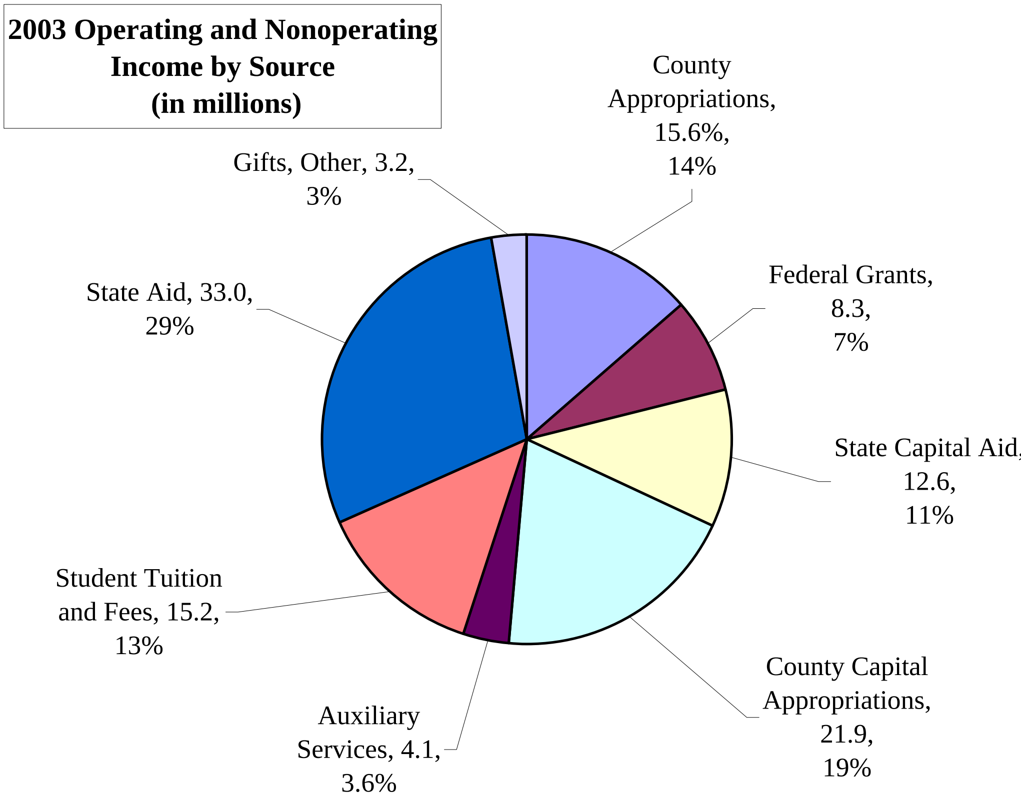
The Statement of Revenues, Expenses, and Changes in Net Assets presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2003 and 2002:

(Dollars in millions)

	2003	2002
Operating Revenues:		
Student Tuition and Fees	$ 15.9	$ 13.9
Less: Scholarship Allowances	(0.7)	(0.7)
Net Student Tuition and Fees	15.2	13.2
Federal Grants	8.3	5.9
State and Local Grants		0.2
Other	4.4	2.3
Total Operating Revenues	27.9	21.6
Operating Expenses	85.8	76.6
Operating Loss	(57.9)	(55.0)
Nonoperating Revenues:		
State Aid	33.0	32.9
State Capital Aid	12.6	4.3
County Appropriations	15.6	14.2
County Capital Appropriations	21.9	11.1
Private Gifts	2.6	2.8
Net Investment Income	0.2	0.2
Other	0.1	
Net Nonoperating Revenues	86.0	65.5
Increase in Net Assets	28.1	10.5
Net Assets, Beginning of Year	118.4	107.9
Net Assets, End of Year	$ 146.5	$ 118.4

One of the College's strengths is its alternative sources of revenues to which it has access. Gifts and appropriations from federal, county and State sources help support student tuition and fees. The College will continue to aggressively seek alternative funding from those sources. This is consistent with its mission to provide affordable student tuition and to prudently manage the financial resources for current and strategic operations.

While tuition and State appropriation fund a large percentage of College costs, private support has been, and will continue to be essential.



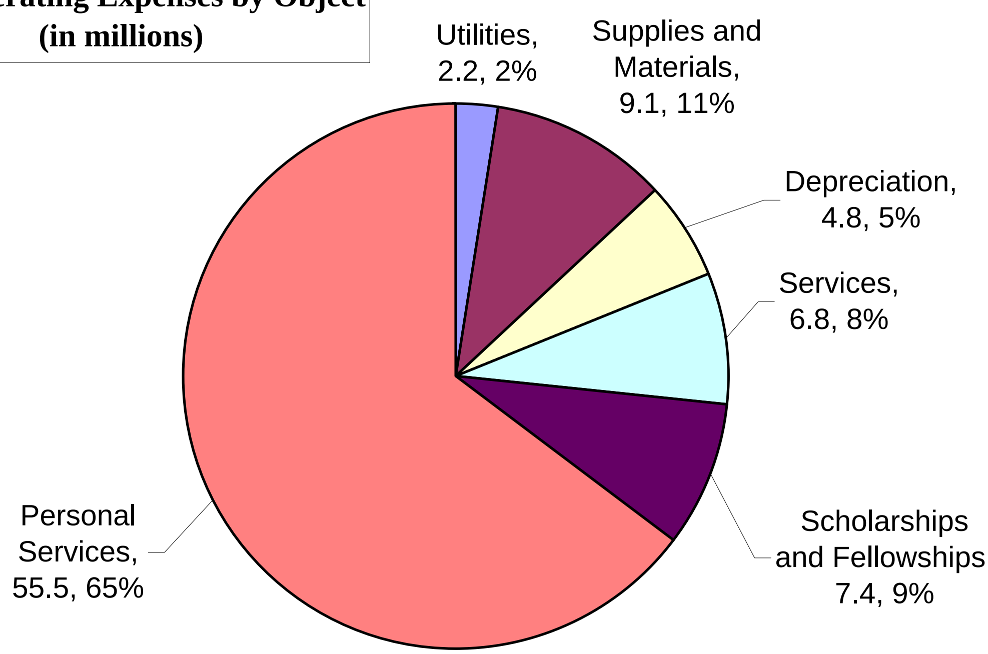
The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits (which represent $46.3 million of total expenses), energy and technology costs.

Tuition and State appropriations are the primary sources of funding for the College's academic programs. Student tuition and fees (net of allowances for tuition remission) increased by $2.0 million to $15.2 million reflecting a State approved 10% increase in tuition for the most recent school year. General State appropriations remained generally constant at $33.0 million in 2003.

A comparison of expenses by object classification is as follows:

	(Dollars in millions) 2003	2002
Operating:		
Personal Services	$ 55.5	$ 51.5
Supplies and Materials	9.1	4.5
Depreciation	4.8	3.3
Services	6.8	9.6
Scholarships and Fellowships	7.4	5.2
Utilities	2.2	2.5
Total Expenses	$ 85.8	$ 76.6

2003 Operating Expenses by Object (in millions)



In addition to natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the College's expense of functional classification for the years ended June 30, 2003 and 2002 follows:

	(Dollars in millions) 2003	2002
Operating:		
Instruction	$ 33.8	$ 33.2
Institutional and Academic Support	23.1	20.8
Auxiliary Enterprises	4.5	4.3
Operations and Maintenance of Plant	12.2	9.8
Depreciation	4.8	3.3
Scholarships and Fellowships	7.4	5.2
Total Expenses	$ 85.8	$ 76.6

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the College's financial results, by reporting the major sources and uses of cash. A comparative summary of the Statement of Cash Flows for the years ended June 30, 2003 and 2002 follows:

	(Dollars in millions) 2003	2002
Cash Received from Operations	$ 28.0	$ 21.1
Cash Expended for Operations	(79.4)	(72.9)
Net Cash Used by Operating Activities	(51.4)	(51.8)
Net Cash Provided by Noncapital and Related Financing Activities	50.3	50.0
Net Cash Provided by Capital and Related Financing	3.7	2.3
Net Cash Provided by Investing Activities	0.2	0.2
Net Increase in Cash and Cash Equivalents	2.8	0.7
Cash and Cash Equivalents, Beginning of Year	6.4	5.7
Cash and Cash Equivalents, End of Year	$ 9.2	$ 6.4

The College's cash and cash equivalents increased $2.8 million due to the positive flow of funds provided from State aid, State capital aid, county appropriations and county capital appropriations. The College's significant sources of cash provided by noncapital financing activity, as defined by GASB Statement 35, include State aid, county appropriations and private gifts used to fund operating activities, for which cash received totaled $47.7 million and $2.6 million, respectively in fiscal 2003, as compared to $47.1 million and $2.9 million in 2002.

Capital Activities

The College continues to complete extensive building and building improvements according to its master plan. Using proceeds from State and county sponsored bond issues the College has expended $30.8 million on capital asset projects in 2003 as compared to $25.7 million in 2002. Capital additions primarily comprise replacement, renovation and new construction of academic and administrative facilities, as well as significant investments in equipment, including information technology. Current year capital asset additions were funded with State and county capital appropriations of $34.5 million. Current construction in progress totals $37.6 million. Outstanding commitments on construction contracts were $17.9 million at June 30, 2003.

The table below describes the significant building activities in 2003:

Project	Project Cost (millions – % Complete)	Description
Sloan-Morgan	$4.8 / 74%	Renovation and expansion of Sloan-Morgan began in Summer 2002. The interior will be demolished; an addition will be constructed at the front. The facility will be approximately 35,000 sq.ft. and will house the music program and general classrooms. Plans call for 10 classrooms, 20 studios and practice rooms, a music library, 13 offices, and other instructional and support space. Funding for the $4.8 million facility comes from 2000 State bonds.
Information Technology Building	$16.4 / 42%	The Information Technology Building is a 5-story structure of approximately 100,000 sq.ft. planned at the corner of Elizabeth Avenue and Independence Boulevard. It will house approximately 28 full-time and 24 part-time faculty offices and 46 classrooms, of which 33 are computer equipped. Corporate and Continuing Education classes will be housed on the first floor, in addition to approximately 6,000 sq.ft. of retail space. Funding for the $16.4 million facility comes from 2000 State bonds.
Central Energy Center	$3.6 / 77%	The Central Energy Center is planned to meet several key objectives for CPCC: 1. Provide heating and cooling in an energy-efficient and cost-effective manner to the new Academic Center Building and renovated Sloan-Morgan Building on Central

		Campus. 2. Size the infrastructure so that additional buildings on Central Campus between Elizabeth Avenue and Fourth Street can be heated by this plant and so all of the main body of Central Campus can be cooled. 3. Provide back-up capability for all buildings served by this facility. As part of the Central Campus Master Plan, the Central Energy Center will be designed and constructed to serve three buildings and to be capable of serving the rest of Central Campus as existing systems are scheduled for replacement. The facility will be completed in Fall 2003. Funding for the $3.6 million project comes from 1999 Mecklenburg County bonds of $2.515 million and 2000 State bonds of $1.054 million.
South Campus Phase II	$21.6 / 47%	South Campus Phase II will add the second building to the College campus located in southeast Mecklenburg County. This facility will double the size of this Campus with an additional approximate 130,000 square feet. The new facility will combine classroom, lab and office space to facilitate general and specific educational programs. Funding for the $21.6 million facility comes from 1999 Mecklenburg County bonds.

The College plans additional building or improvements in 2004. Budgeted projects totaling $68.4 million are expected to begin construction in fiscal 2004. Below are building projects for 2004.

Project	Current Project Cost (millions)	Description
Academic Center	$30.4	The Academic Center is a 120,000 sq.ft. building planned for the southern side of Elizabeth Avenue at the current location of Pease Lane. The Academic Center will house the College's Visual and Performing Arts Programs, a 1,000 seat performance theatre, Student Life, and other programs. The facility will contain conference rooms, and other instructional and support spaces. Construction and demolition began in Spring 2003 with facility completion in Summer 2005. Funding for the $30.4 million facility comes from 1999 Mecklenburg

		County bonds.
West Campus Phase III	$11.2	A second building is being planned for the West Campus. This building, the **James J. and Angelia M. Harris Conference Center**, will open in Spring 2004. Planned as a 60,000 sq.ft. facility, the first floor will house over 5,000 square feet of meeting space (to seat approximately 300 people banquet-style) that can also be subdivided into smaller areas. A boardroom, video-conferencing area, flexible break-out spaces, computer classroom, small business center, offices, and other support space round out the first floor. The second floor will house general and computer classrooms, offices, and other support space. Between the two buildings, a plaza is being planned with inviting areas for individuals or small groups to relax or use as break-out space. Funding for the $11.2 million facility comes from 1999 Mecklenburg County bonds and 2000 State bonds.
North Campus Phase III	$17.2	The North Campus Phase II project consists of a major renovation to the Claytor building providing administrative support space and general classroom space, and for the construction of a 92,000 sq.ft. building that will house the Transportation System Technology programs of Automotive Technology, -Auto Body and Heavy Equipment and Transport systems; College transfer classrooms, and an open computer lab for students. Funding for this $17.2 million dollar project comes from 2000 State bonds. A second building for Forensics is currently in design with funding for this project pending. The new facility is scheduled to start construction in January of 2004 with occupancy planned for the summer of 2005.
Northeast Phase II	$9.6	The Northeast Campus project consists of providing administrative support space and general classroom space, through the construction of a 50,000 sq.ft. building and associated site work in support of the College transfer, Paralegal, Horticulture, Turf Management and Office Systems Technology programs. Funding for this $9.57 million dollar project comes from 2000 State bonds. Construction of this new building is scheduled to start in August of 2004 with occupancy planned for late fall of 2005.

Economic Factors that will affect the Future

Looking into the future, management believes the College is well positioned to continue its strong financial condition and level of excellence to the community. A critical element to the College's future will continue to be our relationship with the State of North Carolina, as we work to manage tuition to make it competitive while providing a quality college education. There is a direct relationship between the growth of State/county support and the College's ability to expand and meet the needs of Mecklenburg County's citizens as declines in State and county appropriations generally result in tuition increases. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the College. Because of the uncertainty surrounding the State's economy, the College has been advised by the State to withhold from its budget allocations a minimum of four and one-half percent (4.5%) for possible reversion in fiscal year 2004. The College has adjusted its budget accordingly. The State has elected to increase tuition by an average of 4% for the 2004 fiscal year.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Authorized cost to complete construction and other projects totaled $89.9 at June 30, 2003. Funding for these projects has already been approved.

While it is not possible to predict the ultimate results, management believes that the College's financial position is strong enough to withstand economic uncertainties as it moves into the future.

Central Piedmont Community College
Statement of Net Assets
June 30, 2003 ***Exhibit A***

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	8,714,375.14
Restricted Cash and Cash Equivalents		455,803.00
Receivables, Net (Note 3)		3,299,671.73
Inventories		197,107.31
Total Current Assets		12,666,957.18
Noncurrent Assets:		
Restricted Due from Primary Government		1,697,491.77
Notes Receivable, Net (Note 3)		45,529.79
Capital Assets - Nondepreciable, Net (Note 4)		49,586,222.22
Capital Assets - Depreciable, Net (Note 4)		91,691,696.09
Total Noncurrent Assets		143,020,939.87
Total Assets		155,687,897.05
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		5,431,551.91
Funds Held for Others		4,567.24
Total Current Liabilities		5,436,119.15
Noncurrent Liabilities:		
U.S. Government Grants Refundable		17,063.54
Long-Term Liabilities (Note 6)		3,706,992.77
Total Noncurrent Liabilities		3,724,056.31
Total Liabilities		9,160,175.46
NET ASSETS		
Invested in Capital Assets		141,277,918.31
Restricted for:		
Expendable:		
Loans		63,378.65
Capital Projects		767,251.65
Other		695,359.42
Unrestricted		3,723,813.56
Total Net Assets	$	146,527,721.59

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

Central Piedmont Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2003

Exhibit B

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	15,221,408.63
Federal Grants and Contracts		8,310,050.06
Sales and Services, Net (Note 8)		4,137,855.58
Other Operating Revenues		280,696.97
Total Operating Revenues		27,950,011.24
EXPENSES		
Operating Expenses:		
Personal Services		55,533,028.28
Supplies and Materials		9,101,887.65
Services		6,834,803.83
Scholarships and Fellowships		7,411,865.17
Utilities		2,199,421.78
Depreciation		4,778,254.52
Total Operating Expenses		85,859,261.23
Operating Loss		(57,909,249.99)
NONOPERATING REVENUES		
State Aid		32,968,062.52
County Appropriations		15,623,225.00
Noncapital Gifts, Net (Note 8)		2,622,060.72
Investment Income, Net		241,039.19
Other Nonoperating Revenues		125,194.55
Net Nonoperating Revenues		51,579,581.98
Loss Before Other Revenues, Expenses, Gains, and Losses		(6,329,668.01)
State Capital Aid		12,568,167.90
County Capital Appropriations		21,890,509.41
Increase in Net Assets		28,129,009.30
NET ASSETS		
Net Assets, July 1, 2002		118,398,712.29
Net Assets, June 30, 2003	$	146,527,721.59

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

Central Piedmont Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2003 ***Exhibit C***

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	27,950,011.24
Payments to Employees and Fringe Benefits		(54,349,513.06)
Payments to Vendors and Suppliers		(16,180,238.91)
Payments for Scholarships and Fellowships		(7,632,780.66)
Loans Issued to Students		(30,157.86)
Other Payments		(1,340,988.54)
Net Cash Used by Operating Activities		(51,583,667.79)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		32,108,659.75
County Appropriations		15,623,225.00
Noncapital Gifts and Endowments Received		2,622,060.72
Net Cash Provided by Noncapital Financing Activities		50,353,945.47
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIE		
State Capital Aid Received		12,568,167.90
County Capital Appropriations		21,890,509.41
Proceeds from Sale of Capital Assets		2,471.20
Proceeds from Insurance on Capital Assets		125,194.55
Acquisition and Construction of Capital Assets		(30,873,565.48)
Net Cash Provided by Capital and Related Financing Activities		3,712,777.58
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		241,039.19
Net Cash Provided by Investing Activities		241,039.19
Net Increase in Cash and Cash Equivalents		2,724,094.45
Cash and Cash Equivalents, July 1, 2002		6,446,083.69
Cash and Cash Equivalents, June 30, 2003	$	9,170,178.14

Central Piedmont Community College		
Statement of Cash Flows		***Exhibit C***
For the Fiscal Year Ended June 30, 2003		***Page 2***
RECONCILIATION OF OPERATING LOSS TO NET CASH		
USED BY OPERATING ACTIVITIES		
Operating Loss	$	(57,909,249.99)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		4,778,254.52
Changes in Assets and Liabilities:		
Receivables, Net		(1,559,277.81)
Inventories		(79,149.55)
Notes Receivable, Net		(30,157.86)
Accounts Payable and Accrued Liabilities		292,315.77
Funds Held for Others		(2,625.76)
Cost of Capital Assets Write-Offs		1,799,789.32
Compensated Absences		1,126,433.57
Net Cash Used by Operating Activities	$	(51,583,667.79)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	$	8,714,375.14
Restricted Cash and Cash Equivalents		455,803.00
Total Cash and Cash Equivalents - June 30, 2003	$	9,170,178.14
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Assets Acquired through Assumption of a Liability	$	3,053,282.40
Increase in Receivables Related to Nonoperating Income		859,402.77
The accompanying notes to the financial statements are an integral part of this statement.		

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. Central 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 nonprofit 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*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

C. **Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. **Cash and Cash Equivalents –** This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, overnight repurchase agreements, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. **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. Receivables are recorded net of estimated uncollectible amounts.

F. **Inventories –** Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.

G. **Capital Assets –** Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 40 years for general infrastructure, 15 to 40 years for buildings, and 5 to 15 years for equipment.

H. **Restricted Assets –** Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.

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

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each June 30th or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at June 30th 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 between July 1st and June 30th, less the leave taken between July 1st and June 30th, not to exceed 30 days.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the College to all full-time permanent employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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

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

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

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

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

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

L. **Scholarship Discounts –** Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and

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

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

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

N. **Internal Sales Activities –** Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. Central Piedmont Community College has Campus Printing as its single internal service. In addition, the College has other miscellaneous sales and service units that operated either in a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was $17,575.00. The carrying amount of cash on deposit was $9,152,603.14 and the bank balance was $9,370,528.19.

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:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	$ 4,927,405.98	$ 4,912,068.56
Cash on Deposit with Private Financial Institutions	4,225,197.16	4,458,459.63
	$ 9,152,603.14	$ 9,370,528.19

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

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

Of the cash on deposit with private financial institutions at June 30, 2003, $100,000 of the bank balance was covered by federal depository insurance and $4,358,459.63 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, 2003 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 595,426.72	$ 152,563.43	$ 442,863.29
Accounts	2,856,808.44		2,856,808.44
Total Current Receivables	$ 3,452,235.16	$ 152,563.43	$ 3,299,671.73
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 45,529.79	$ 0.00	$ 45,529.79

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2003, is presented as follows:

	Balance July 1, 2002	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	$ 10,698,780.22	$ 1,267,265.87	$ 0.00	$ 0.00	$ 11,966,046.09
Construction in Progress	13,864,429.00	(5,245,220.68)	30,800,757.13	1,799,789.32	37,620,176.13
Total Capital Assets, Nondepreciable	24,563,209.22	(3,977,954.81)	30,800,757.13	1,799,789.32	49,586,222.22
Capital Assets, Depreciable:					
Buildings	105,697,887.69	3,977,954.81	1,099,534.25	909,156.13	109,866,220.62
Machinery and Equipment	11,677,144.96		811,911.78	287,362.49	12,201,694.25
Total Capital Assets, Depreciable	117,375,032.65	3,977,954.81	1,911,446.03	1,196,518.62	122,067,914.87
Less Accumulated Depreciation:					
Buildings	19,889,925.72		3,790,661.96	909,156.13	22,771,431.55
Machinery and Equipment	6,902,085.96		987,592.56	284,891.29	7,604,787.23
Total Accumulated Depreciation	26,792,011.68		4,778,254.52	1,194,047.42	30,376,218.78
Total Capital Assets, Depreciable, Net	90,583,020.97	3,977,954.81	(2,866,808.49)	2,471.20	91,691,696.09
Capital Assets, Net	$ 115,146,230.19	$ 0.00	$ 27,933,948.64	$ 1,802,260.52	$ 141,277,918.31

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2003 were as follows:

	Amount
Accounts Payable	$ 3,142,620.14
Accrued Payroll	712,265.41
Contract Retainage	1,576,666.36
Total Accounts Payable and Accrued Liabilities	$ 5,431,551.91

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Compensated Absences	$ 2,580,559.20	$ 2,764,502.46	$ 1,638,068.89	$ 3,706,992.77

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2003:

Fiscal Year	Amount
2004	$ 1,010,124.60
2005	779,554.24
2006	104,566.24
Total Minimum Lease Payments	$ 1,894,245.08

Rental expense for all operating leases during the year was $1,002,728.86.

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	$ 15,343,690.43	$ 0.00	$ 122,281.80	$ 15,221,408.63
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	$ 138,144.11	$ 0.00	$ 0.00	$ 138,144.11
Student Union Services	460,094.75		2,668.50	457,426.25
Bookstore	376,773.00			376,773.00
Parking	977,196.25		165.00	977,031.25
Other	2,192,286.22		3,805.25	2,188,480.97
Sales and Services of Education and Related Activities	544,098.10	544,098.10		
Total Sales and Services	$ 4,688,592.43	$ 544,098.10	$ 6,638.75	$ 4,137,855.58
Nonoperating - Noncapital Gifts	$ 2,622,060.72	$ 0.00	$ 0.00	$ 2,622,060.72

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	$ 31,185,892.63	$ 1,177,424.30	$ 1,348,457.12	$ 70,818.29	$ 0.00	$ 0.00	$ 33,782,592.34
Academic Support	5,291,728.15	526,096.39	229,415.96	254.75			6,047,495.25
Student Services	5,398,968.69	262,857.48	321,818.57	64,958.53			6,048,603.27
Institutional Support	8,672,640.69	320,850.19	2,260,334.97				11,253,825.85
Operations and Maintenance of Plant	2,881,008.17	6,007,286.34	1,187,459.62		2,199,421.78		12,275,175.91
Student Financial Aid			25,705.98	7,047,901.81			7,073,607.79
Auxiliary Enterprises	2,102,789.95	807,372.95	1,461,611.61	227,931.79			4,599,706.30
Depreciation						4,778,254.52	4,778,254.52
Total Operating Expenses	$ 55,533,028.28	$ 9,101,887.65	$ 6,834,803.83	$ 7,411,865.17	$ 2,199,421.78	$ 4,778,254.52	$ 85,859,261.23

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, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members.

For the year ended June 30, 2003, the College had a total payroll of $46,254,886.02, of which $35,689,240.79 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were $2,141,354.45. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were $0.00, $696,244.14, and $1,777,202.55, respectively.

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

B. Supplemental Retirement Income Plans - IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $475,223.47 for the year ended June 30, 2003.

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 $363,943.88 for the year ended June 30, 2003.

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, 2003, the College's total contribution to the Plan was $838,697.16. 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 to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was $185,584.05. 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 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, subject to a $20 million annual aggregate. Reinsurance is purchased by the fund to cover catastrophic events in excess of the $10 million deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of $5,000,000 per occurrence and a $50,000 deductible. Losses from the county and institutional fund paid employees are covered by private insurance with a deductible of $1,000 and limits of $100,000 for employee dishonesty coverage, $100,000 for forgery or alteration coverage, and $10,000 for theft, disappearance and destruction outside or inside coverage.

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.

The College provides malpractice for instructors and doctors in the Health Sciences program with coverage of $1,000,000 per person with a total aggregate of $3,000,000 and no deductible.

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 $17,944,389.40 at June 30, 2003.

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 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 $50,784,349.00 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.

C. **Central Piedmont Community College (CPCC) County Construction Bonds –** In 1995, 1997, and 1999 the voters of Mecklenburg County approved the sale of bonds for capital improvements of various entities supported by the county. Central Piedmont was a recipient of a portion of these bond sales. The funds authorized for Central Piedmont are to be used to construct new buildings, to remove and modernize existing buildings at any of its six campuses and related administrative costs. Based on an official request of cash needs from CPCC, Mecklenburg County authorizes allotments. The College records the allotments as revenue on the accompanying financial statements. In addition, amounts not allotted but accrued as expended at year-end are recorded as revenue. The College's remaining authorization of $55,265,421.00 is contingent on future bond sales and Mecklenburg County 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 - CENTRAL PIEDMONT COMMUNITY COLLEGE FOUNDATION

The Central Piedmont Community College Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, 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 $1,359,542.26 for the year ended June 30, 2003.

Central Piedmont Community College
Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures
For Project-to-Date as of June 30, 2003

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
Projects Approved by the State Board							
Northeast Campus Phase I	Nov 2000	$ 752,000.00	$ 8,500,000.00	$ 9,252,000.00	$ 9,064,147.00	97.97%	Oct 2002
Central Energy Facility	Apr 2002	1,054,000.00	2,515,000.00	3,569,000.00	2,731,945.00	76.55%	Sep 2003
Sloan-Morgan Renovation	Sep 2000	4,766,143.00		4,766,143.00	3,520,330.00	73.86%	Jun 2003
Information Technology Building	Oct 2001	16,427,960.00		16,427,960.00	6,830,234.16	41.58%	Dec 2003
West Campus Phase III	Feb 2001	3,500,000.00	7,671,407.00	11,171,407.00	557,466.00	4.99%	Aug 2004
North Campus Phase III	Sep 2002	17,200,000.00		17,200,000.00	613,965.00	3.57%	May 2004
Van Every Building Reconstruction	Jul 2004	5,161,434.00		5,161,434.00			Jun 2006
Garinger Exterior Renovation	Sep 2004	3,000,000.00		3,000,000.00			Nov 2006
Belk Addition and Renovation	Mar 2004	2,430,117.00		2,430,117.00			Mar 2007
Northeast Campus Phase II	Jan 2004	9,570,000.00		9,570,000.00			Sep 2005
Total All Projects		$ 63,861,654.00	$ 18,686,407.00	$ 82,548,061.00	$ 23,318,087.16		

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.

[This Page Left Blank Intentionally]

DISTRIBUTION OF REVIEW REPORT

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

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. P. Anthony Zeiss	President, Central Piedmont Community College
Mr. Michael Moss	Vice President for Administrative Services Central Piedmont Community College
Mr. Bill Disher	Chairman, Board of Trustees Central Piedmont 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 Richard T. Morgan, Co-Chair
Senator Patrick J. Ballantine	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Rex L. Baker
Senator Walter H. Dalton	Representative Bobby H. Barbee, Sr.
Senator Charlie S. Dannelly	Representative Harold J. Brubaker
Senator James Forrester	Representative Debbie A. Clary
Senator Linda Garrou	Representative E. Nelson Cole
Senator Wilbur P. Gulley	Representative James W. Crawford, Jr.
Senator Fletcher L. Hartsell, Jr.	Representative William T. Culpepper, III
Senator David W. Hoyle	Representative W. Pete Cunningham
Senator Ellie Kinnaird	Representative W. Robert Grady
Senator Jeanne H. Lucas	Representative Joe Hackney
Senator Stephen M. Metcalf	Representative Julia C. Howard
Senator Anthony E. Rand	Representative Joe L. Kiser
Senator Eric M. Reeves	Representative Edd Nye
Senator Robert A. Rucho	Representative William C. Owens, Jr.
Senator R. C. Soles, Jr.	Representative Wilma M. Sherrill
Senator Scott Thomas	Representative Thomas E. Wright

Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division

June 30, 2004

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