



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

ASHEVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF
ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE
ASHEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2004

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REVIEWER'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Trustees, Asheville-Buncombe Technical Community College

This report presents the results of our financial statement review of Asheville-Buncombe Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our review was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a review is to achieve limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

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

As part of the work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Asheville-Buncombe Technical Community College. As a result of our review, we are not aware of any material modifications necessary for the accompanying financial statements to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements:

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

Leslie W. Merritt, Jr.

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
Exhibits	
A-1 Statement of Net Assets.....	9
A-2 Statement of Revenues, Expenses, and Changes in Net Assets	10
A-3 Statement of Cash Flows	11
Notes to the Financial Statements	13
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures.....	27
DISTRIBUTION OF REVIEW REPORT	29



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have reviewed the accompanying basic financial statements of Asheville-Buncombe Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2004, as listed in the table of contents. We conducted our review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

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.

Leslie W. Merritt, Jr.

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

January 11, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of Asheville-Buncombe Community College's annual financial report presents management's discussion and analysis of the College's financial activity for the fiscal year ended June 30, 2004. The discussion should be read in conjunction with the financial statements and notes to the financial statements of the College. The financial statements, notes and this discussion are the responsibility of management.

Using the Annual Report

This report consists 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*.

The statement format presents financial information in a form similar to that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column on the statements. Three basic financial statements are included in this report along with the required supplementary information: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets includes all assets and liabilities. This statement combines current financial resources and capital assets.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model classifies State and County appropriations as nonoperating revenue. Because the College receives the majority of its funding from appropriations, this classification of appropriations results in an operating loss on the statements. Depreciation is recognized and is presented as an operating expense. The College's net assets (the difference between assets and liabilities) are one indicator of the financial well-being of the College. Over a period of time, increases or decreases in the College's net assets are one factor in determining the financial health of the institution. Nonfinancial factors must also be analyzed to determine the complete picture of the College's condition. Enrollment levels and the age and condition of its buildings are examples of nonfinancial factors that have an impact on the College's condition.

The Statement of Cash Flows presents an analysis of cash receipts and cash payments during the period. It shows the College's ability to meet financial obligations as they mature. The information is summarized by the different types of activities: operating activities, noncapital financing activities, capital and related financing activities and investing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

College Assets, Liabilities, and Net Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, inventories and notes receivable for student loans. Noncurrent assets consist of cash, receivables and capital assets (land, construction in progress, buildings, infrastructure, and equipment). The College's capital assets are stated at historical cost less depreciation. A purchase is recorded as a capital asset if the item costs \$5,000 or more and has a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 25 years for general infrastructure, 10 to 40 years for buildings and 2 to 15 years for equipment.

Current assets at June 30, 2004, decreased slightly. Cash in county funds was less at the end of 2004 due to increased spending in 2003-04, largely at the Enka campus. Additional space at the Enka campus became available and more campus activities moved to that campus. Part of the expense was covered with fund balance carry over from June 30, 2003 thus reducing cash. In addition, the evening nursing grant cash balance decreased by \$100,686. The cash for the three-year project was received up front in 2001-02. As annual expenditures occur, the cash balance decreases. Receivables increased significantly due to large construction receivables. Also, student receivables increased \$65,385 between the two years due to increases in enrollment, tuition rates, and textbook prices.

Noncurrent assets increased due to an increase in the receivable due from the North Carolina Community College System for construction projects from \$1,861,562 at 2003 to \$4,599,843 at 2004. Noncurrent cash and cash equivalents consist mainly of assets held in the College's State Treasurer's Investment Fund (STIF) account belonging to the Asheville-Buncombe Technical Community College Foundation, Inc. These assets decreased from \$1,059,211 at 2003 to \$849,214 at 2004 because the Foundation moved funds out of the College's account into Foundation investment accounts.

Current and Noncurrent Assets

	FY 2003-04	FY 2002-03	\$ Change	% Change
Assets:				
Cash and Cash Equivalents	\$ 2,397,336.97	\$ 3,059,889.52	\$ (662,552.55)	(21.65%)
Receivables, Net	943,363.30	480,296.87	463,066.43	96.41%
Inventories	593,849.72	539,928.34	53,921.38	9.99%
Notes Receivable, Net	8,635.57	5,964.18	2,671.39	44.79%
Total Current Assets	3,943,185.56	4,086,078.91	(142,893.35)	(3.50%)
Cash and Cash Equivalents	982,678.72	1,147,676.38	(164,997.66)	(14.38%)
Receivables	4,599,843.17	1,861,562.04	2,738,281.13	147.10%
Capital Assets, Net	41,909,114.10	39,353,996.83	2,555,117.27	6.49%
Total Noncurrent Assets	47,491,635.99	42,363,235.25	5,128,400.74	12.11%
Total Assets	\$ 51,434,821.55	\$ 46,449,314.16	\$ 4,985,507.39	10.73%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year and Funds Held for Others which represents cash held in the College's State Treasurer's Investment Fund (STIF) account for the Asheville-Buncombe Technical Community College Foundation, Inc. Compensated absences long-term increased \$508,459 from 2003 to 2004. Compensated absences at 2004 included the accumulated unused portion of a special annual leave bonus of 10 days awarded to all full-time permanent employees as of July 1, 2003. The increase was also due to salary increases and having more full time employees at June 30, 2004. Foundation cash held in the STIF account decreased by almost \$210,000 as explained above in the discussion concerning noncurrent assets.

Current and Noncurrent Liabilities

	FY 2003-04	FY 2002-03	\$ Change	% Change
Liabilities:				
Other Liabilities	\$ 1,489,710.88	\$ 1,418,555.98	\$ 71,154.90	5.02%
Funds Held for Others	31,123.65	61,978.37	(30,854.72)	(49.78%)
Long-Term Liabilities - Current Portion	117,540.02	111,142.28	6,397.74	5.76%
Total Current Liabilities	1,638,374.55	1,591,676.63	46,697.92	2.93%
Funds Held for Others	894,213.83	1,062,800.44	(168,586.61)	(15.86%)
Long-Term Liabilities	1,834,212.98	1,325,753.68	508,459.30	38.35%
Total Noncurrent Liabilities	2,728,426.81	2,388,554.12	339,872.69	14.23%
Total Liabilities	\$ 4,366,801.36	\$ 3,980,230.75	\$ 386,570.61	9.71%

Net assets are a measure of the value of all the College's assets less liabilities. The College's net assets increased \$4,598,937 for the fiscal year for a year-end total of \$47,068,020. The total consists of net assets invested in capital assets net of related debt of \$41,909,114, restricted net assets of \$4,657,620, and unrestricted net assets of \$501,285. Total net assets increased from \$42,469,083 at June 30, 2003 to \$47,068,020 at the 2004 year-end. Unrestricted net assets decreased 60.49% largely due to an increase in the compensated absences liability described above. Restricted net assets increased 152.26% almost entirely due to an over \$2.9 million increase in capital projects net assets. Both State and county construction revenue increased sharply which increased capital projects net assets. The increase is described in detail in the capital contributions section of this discussion.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets

	<u>FY 2003-04</u>	<u>FY 2002-03</u>	<u>\$ Change</u>	<u>% Change</u>
Invested in Capital Assets, Net of Related Debt	\$ 41,909,114.10	\$ 39,353,996.83	\$ 2,555,117.27	6.49%
Restricted Net Assets	4,657,620.43	1,846,387.99	2,811,232.44	152.26%
Unrestricted Net Assets	<u>501,285.66</u>	<u>1,268,698.59</u>	<u>(767,412.93)</u>	(60.49%)
 Total Net Assets	 <u>\$ 47,068,020.19</u>	 <u>\$ 42,469,083.41</u>	 <u>\$ 4,598,936.78</u>	 10.83%

Revenues

The College's revenues are classified as operating and nonoperating revenues. Total revenues increased from \$28,806,860 in 2002-03 to \$30,674,104 in 2003-04 for an increase of \$1,867,244 or 6.48%. Operating revenues include student tuition and fees; federal, State, and local operating grants; sales and services revenue; and other operating revenues. Sales and services revenue mainly is derived from bookstore operations. Federal grant revenue consists mainly of revenue from the Federal Title IV student financial aid programs. The Pell grant program is the largest and accounts for \$3,111,596 or 95% of the total. Student tuition and fees and sales and services revenue both rose due to increased student enrollment and higher tuition and textbook costs. Operating revenues in total remained stable over the two-year period.

Operating Revenues

	<u>FY 2003-04</u>	<u>FY 2002-03</u>	<u>\$ Change</u>	<u>% Change</u>
Student Tuition and Fees	\$ 4,295,904.04	\$ 3,937,722.92	\$ 358,181.12	9.10%
Federal Grants and Contracts	3,275,306.81	2,612,326.58	662,980.23	25.38%
State and Local Grants and Contracts	18,052.01	12,330.03	5,721.98	46.41%
Sales and Services, Net	2,361,522.50	2,113,306.28	248,216.22	11.75%
Other Operating Revenues	<u>12,478.00</u>	<u>9,812.15</u>	<u>2,665.85</u>	27.17%
 Total Operating Revenues	 <u>\$ 9,963,263.36</u>	 <u>\$ 8,685,497.96</u>	 <u>\$ 1,277,765.40</u>	 14.71%

Nonoperating revenues comprise the major portion of the College's income and include appropriations from state and local governments, noncapital gifts and grants, and investment income. The largest amount, State Aid, consists of amounts allotted from the North Carolina State Board of Community Colleges to the College for operations. Nonoperating revenues experienced a small increase in 2003-04. Fiscal year 2002-03 other nonoperating expenses consisted mainly of a loss on the disposal of a piece of equipment which was not fully depreciated. Fiscal year 2003-04 had no activity in this line-item.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating Revenues

	FY 2003-04	FY 2002-03	\$ Change	% Change
State Aid	\$ 14,816,234.87	\$ 14,398,489.43	\$ 417,745.44	2.90%
County Appropriations	5,156,669.12	4,887,839.00	268,830.12	5.50%
Noncapital Grants and Gifts	642,729.19	745,968.21	(103,239.02)	(13.84%)
Investment Income	95,207.36	107,050.39	(11,843.03)	(11.06%)
Other Nonoperating (Expense)		(17,984.68)	17,984.68	100.00%
Net Nonoperating Revenues	<u>\$ 20,710,840.54</u>	<u>\$ 20,121,362.35</u>	<u>\$ 589,478.19</u>	2.93%

Operating Expenses

The majority of operating expenses is for direct cost of salaries and fringe benefits. Other expenses are for operating activities which are necessary and essential to the mission of the College. Depreciation expense is recognized in accordance with GASB Statement No. 34/35. Operating expenses showed an increase in 2003-04. Supplies and material expenses increased in all functional areas particularly in instruction and auxiliary services. Scholarships and fellowships grew due to increased Pell grant expenditures (net of tuition discounts).

Operating Expenses

Salaries and Benefits	\$ 21,502,085.69	\$ 20,420,119.73	\$ 1,081,965.96	5.30%
Supplies and Materials	5,368,286.24	4,480,750.58	887,535.66	19.81%
Services	2,363,141.34	2,039,865.78	323,275.56	15.85%
Scholarships and Fellowships	2,566,250.20	2,100,524.35	465,725.85	22.17%
Utilities	1,205,267.36	1,067,885.20	137,382.16	12.86%
Depreciation	<u>1,664,583.52</u>	<u>1,546,327.16</u>	<u>118,256.36</u>	7.65%
Total Operating Expenses	<u>\$ 34,669,614.35</u>	<u>\$ 31,655,472.80</u>	<u>\$ 3,014,141.55</u>	9.52%

Capital Contributions

Capital contributions consist of state and local appropriations for equipment, construction, building improvements and infrastructure. The federal portion of the state capital aid is classified as capital grants. State capital aid increased significantly because state construction revenue increased over \$1.5 million from \$3,961,664 in 2002-03 to \$5,497,199 in 2003-04. County capital appropriations increased by 570%. County construction funds went from \$102,702 in 2002-03 to \$936,429 in 2003-04 for an increase of \$833,727. The funds are for capital projects at the Enka campus. In addition, the regular county capital appropriation increased \$244,005 between the two years. Capital grants increased between the two years because the College received a capital HUD grant for the Enka campus. The College also received more donated gifts of equipment in the 2003-04 year. Donated equipment was gifted to the College from the Asheville-Buncombe Technical Community College Foundation, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Contributions

	<u>FY 2003-04</u>	<u>FY 2002-03</u>	<u>\$ Change</u>	<u>% Change</u>
State Capital Aid	\$ 6,746,884.76	\$ 4,879,395.46	\$ 1,867,489.30	38.27%
County Capital Appropriations	1,243,162.11	185,428.77	1,057,733.34	570.43%
Capital Grants	538,362.98	361,142.39	177,220.59	49.07%
Capital Gifts	<u>66,037.38</u>	<u>47,000.00</u>	<u>19,037.38</u>	40.51%
 Total Capital Contributions	 <u>\$ 8,594,447.23</u>	 <u>\$ 5,472,966.62</u>	 <u>\$ 3,121,480.61</u>	 57.03%

Capital Asset Activity

Asheville-Buncombe Technical Community College's capital assets as of June 30, 2004, amount to \$41,909,114 net of accumulated depreciation of \$33,277,642. Significant capital activity in the current year consists primarily of net additions to buildings of \$4,099,770. The Computer Technology Center named the Balsam building was completed and occupied in 2003-04. Other additions consist of renovations to the buildings on the Enka campus and renovations to the Elm Building for the addition of a College Transfer Advising Center.

Analysis of Financial Position

For the year ended June 30, 2004, the College had a slight decrease in current assets of 3.5% but an increase in total assets of 10.73%. Total liabilities increased at about the same percentage.

Net Assets increased by almost \$4.6 million in 2003-04, reflecting a 10.8% change from Net Assets as of June 30, 2003.

Management concludes that financial position remained strong during the past fiscal year.

Economic Factors and Next Year's Budget

The College anticipates continued growth in the 2004-05 year. State and county funding remain stable and funding from grant activities will increase probably significantly.

Asheville-Buncombe Technical Community College**Statement of Net Assets****June 30, 2004****Exhibit A-1****ASSETS**

Current Assets:

Cash and Cash Equivalents	\$	1,887,414.88
Restricted Cash and Cash Equivalents		509,922.09
Receivables, Net (Note 4)		943,363.30
Inventories		593,849.72
Notes Receivable, Net (Note 4)		8,635.57
Total Current Assets		3,943,185.56

Noncurrent Assets:

Restricted Cash and Cash Equivalents		982,678.72
Restricted Due from Primary Government		4,599,843.17
Capital Assets - Nondepreciable, Net (Note 5)		7,101,446.28
Capital Assets - Depreciable, Net (Note 5)		34,807,667.82
Total Noncurrent Assets		47,491,635.99
Total Assets		51,434,821.55

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)		1,250,470.28
Due to Primary Government		1,417.90
Deferred Revenue		237,822.70
Funds Held for Others		31,123.65
Long-Term Liabilities - Current Portion (Note 7)		117,540.02
Total Current Liabilities		1,638,374.55

Noncurrent Liabilities:

Funds Held for Others		894,213.83
Long-Term Liabilities (Note 7)		1,834,212.98
Total Noncurrent Liabilities		2,728,426.81
Total Liabilities		4,366,801.36

NET ASSETS

Invested in Capital Assets		41,909,114.10
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		54,668.33
Expendable:		
Scholarships and Fellowships		6,800.58
Loans		8,460.42
Capital Projects		4,526,133.12
Other		61,557.98
Unrestricted		501,285.66
Total Net Assets	\$	47,068,020.19

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

<i>Asheville-Buncombe Technical Community College</i>		
<i>Statement of Revenues, Expenses, and</i>		
<i>Changes in Net Assets</i>		
<i>For the Fiscal Year Ended June 30, 2004</i>		<i>Exhibit A-2</i>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	\$	4,295,904.04
Federal Grants and Contracts		3,275,306.81
State and Local Grants and Contracts		18,052.01
Sales and Services, Net (Note 9)		2,361,522.50
Other Operating Revenues		12,478.00
Total Operating Revenues		9,963,263.36
EXPENSES		
Operating Expenses:		
Salaries and Benefits		21,502,085.69
Supplies and Materials		5,368,286.24
Services		2,363,141.34
Scholarships and Fellowships		2,566,250.20
Utilities		1,205,267.36
Depreciation		1,664,583.52
Total Operating Expenses		34,669,614.35
Operating Loss		(24,706,350.99)
NONOPERATING REVENUES		
State Aid		14,816,234.87
County Appropriations		5,156,669.12
Noncapital Grants		600,577.11
Noncapital Gifts, Net		42,152.08
Investment Income, Net		95,207.36
Net Nonoperating Revenues		20,710,840.54
Loss Before Other Revenues, Expenses, Gains, and Losses		(3,995,510.45)
State Capital Aid		6,746,884.76
County Capital Appropriations		1,243,162.11
Capital Grants		538,362.98
Capital Gifts		66,037.38
Increase in Net Assets		4,598,936.78
NET ASSETS		
Net Assets, July 1, 2003		42,469,083.41
Net Assets, June 30, 2004	\$	47,068,020.19
The accompanying notes to the financial statements are an integral part of this statement.		

<i>Asheville-Buncombe Technical Community College</i>		
<i>Statement of Cash Flows</i>		
<i>For the Fiscal Year Ended June 30, 2004</i>		<i>Exhibit A-3</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers		\$ 10,026,479.13
Payments to Employees and Fringe Benefits		(20,927,900.06)
Payments to Vendors and Suppliers		(8,988,276.53)
Payments for Scholarships and Fellowships		(2,566,160.20)
Loans Issued to Students		(33,674.57)
Collection of Loans to Students		30,629.33
Other Payments		(210,665.57)
Net Cash Used by Operating Activities		(22,669,568.47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		14,816,234.87
County Appropriations		5,156,669.12
Noncapital Grants Received		548,237.55
Noncapital Gifts and Endowments Received		42,152.08
Net Cash Provided by Noncapital Financing Activities		20,563,293.62
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		4,008,603.63
County Capital Appropriations		855,364.49
Capital Grants Received		522,479.98
Acquisition and Construction of Capital Assets		(4,216,186.25)
Net Cash Provided by Capital and Related Financing Activities		1,170,261.85
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		108,462.79
Net Decrease in Cash and Cash Equivalents		(827,550.21)
Cash and Cash Equivalents, July 1, 2003		4,207,565.90
Cash and Cash Equivalents, June 30, 2004		\$ 3,380,015.69
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (24,706,350.99)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,664,583.52
Provision for Uncollectible Loans and Write-Offs		651.46
Changes in Assets and Liabilities:		
Receivables, Net		(20,301.68)
Inventories		(53,921.38)
Notes Receivable, Net		(3,322.85)
Accounts Payable and Accrued Liabilities		57,556.29
Due to Primary Government		(22.67)
Deferred Revenue		76,144.12
Funds Held for Others		(199,441.33)
Compensated Absences		514,857.04
Net Cash Used by Operating Activities		\$ (22,669,568.47)

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ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Asheville-Buncombe Technical 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 or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. 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 amounts due from bookstore vendors. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** – Inventories, consisting of expendable supplies, are valued at cost using last invoice cost. Merchandise for resale is valued using the average 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 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 25 years for general infrastructure, 10 to 40 years for buildings, and 2 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 July 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30st plus the leave earned, less the leave taken between July 1st and June 30th.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonuses awarded by the College to all full-time permanent employees as of October 1, 2002 and as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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** – The College Bookstore provides goods and services to College departments, as well as to customers. 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)

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

NOTE 2 - DEPOSITS

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 \$6,649.00. The carrying amount of cash on deposit was \$3,373,366.69 and the bank balance was \$3,703,912.82.

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	\$ 3,326,390.51	\$ 3,311,192.30
Cash on Deposit with Private Financial Institutions	46,976.18	392,720.52
	\$ 3,373,366.69	\$ 3,703,912.82

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2004, \$100,000 of the bank balance was covered by federal depository insurance; \$292,720.52 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents – noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2004, net appreciation of \$6,435.64 was available to be spent, of which \$6,435.64 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2004 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 302,108.06	\$ 20,415.55	\$ 281,692.51
Accounts	109,676.04	1,536.51	108,139.53
Intergovernmental	553,531.26		553,531.26
Total Current Receivables	\$ 965,315.36	\$ 21,952.06	\$ 943,363.30
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 9,597.37	\$ 961.80	\$ 8,635.57

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2003	Adjustments	Increases	Balance June 30, 2004
Capital Assets, Nondepreciable:				
Land	\$ 5,798,514.00	\$ 0.00	\$ 0.00	\$ 5,798,514.00
Construction in Progress	3,170,802.17	(2,930,009.42)	1,062,139.53	1,302,932.28
Total Capital Assets, Nondepreciable	8,969,316.17	(2,930,009.42)	1,062,139.53	7,101,446.28
Capital Assets, Depreciable:				
Buildings	55,425,166.83	2,672,792.19	2,600,372.90	60,698,331.92
Machinery and Equipment	4,930,669.14		256,143.97	5,186,813.11
General Infrastructure	1,641,903.57	257,217.23	301,044.39	2,200,165.19
Total Capital Assets, Depreciable	61,997,739.54	2,930,009.42	3,157,561.26	68,085,310.22
Less Accumulated Depreciation:				
Buildings	27,810,914.24	(93,241.38)	1,266,636.45	28,984,309.31
Machinery and Equipment	2,851,135.84		306,505.36	3,157,641.20
General Infrastructure	951,008.80	93,241.38	91,441.71	1,135,691.89
Total Accumulated Depreciation	31,613,058.88		1,664,583.52	33,277,642.40
Total Capital Assets, Depreciable, Net	30,384,680.66	2,930,009.42	1,492,977.74	34,807,667.82
Capital Assets, Net	\$ 39,353,996.83	\$ 0.00	\$ 2,555,117.27	\$ 41,909,114.10

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 769,107.00
Accrued Payroll	311,154.52
Contract Retainage	170,208.76
Total Accounts Payable and Accrued Liabilities	\$ 1,250,470.28

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Compensated Absences	\$ 1,436,895.96	\$ 1,439,719.40	\$ 924,862.36	\$ 1,951,753.00	\$ 117,540.02

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 24,105.04
2006	3,893.55
2007	<u>2,492.10</u>
Total Minimum Lease Payments	<u>\$ 30,490.69</u>

Rental expense for all operating leases during the year was \$65,296.10.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	\$ 4,758,914.16	\$ 0.00	\$ 449,944.43	\$ 13,065.69	\$ 4,295,904.04
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 2,397,735.05	\$ 17,682.68	\$ 275,772.39	\$ 19,603.43	\$ 2,084,676.55
Other	181,130.45				181,130.45
Sales and Services of Education and Related Activities	<u>99,646.81</u>	<u>3,931.31</u>			<u>95,715.50</u>
Total Sales and Services	<u>\$ 2,678,512.31</u>	<u>\$ 21,613.99</u>	<u>\$ 275,772.39</u>	<u>\$ 19,603.43</u>	<u>\$ 2,361,522.50</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 13,015,101.08	\$ 2,327,567.35	\$ 495,771.66	\$ 0.00	\$ 0.00	\$ 0.00	\$ 15,838,440.09
Public Service	1,488.67	1,547.16					3,035.83
Academic Support	2,189,248.77	248,941.47	170,134.47				2,608,324.71
Student Services	1,166,659.49	58,243.14	170,814.59				1,395,717.22
Institutional Support	2,683,196.46	259,570.02	927,768.13				3,870,534.61
Operations and Maintenance of Plant	2,299,695.73	504,438.98	549,191.64		1,205,267.36		4,558,593.71
Student Financial Aid				2,566,250.20			2,566,250.20
Auxiliary Enterprises	146,695.49	1,967,978.12	49,460.85				2,164,134.46
Depreciation						1,664,583.52	1,664,583.52
Total Operating Expenses	<u>\$ 21,502,085.69</u>	<u>\$ 5,368,286.24</u>	<u>\$ 2,363,141.34</u>	<u>\$ 2,566,250.20</u>	<u>\$ 1,205,267.36</u>	<u>\$ 1,664,583.52</u>	<u>\$ 34,669,614.35</u>

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the College had a total payroll of \$17,892,021.96, of which \$13,396,892.08 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$803,813.52 and \$29,473.17, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$29,473.17, \$0.00, and \$238,009.64, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. The voluntary contributions by employees amounted to \$13,669.00 for the year ended June 30, 2004.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. The voluntary contributions by employees amounted to \$261,092.00 for the year ended June 30, 2004.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The voluntary contributions by employees amounted to \$74,103.50 for the year ended June 30, 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Care for Long-Term Disability Beneficiaries and Retirees -

The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 3.2% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended

June 30, 2004, the College's total contribution to the Plan was \$428,700.54. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.

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

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, there have been no significant reductions in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

Fire and other property losses are covered by 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.

Employee dishonesty insurance for employees paid from non-State funds is purchased from Cincinnati Insurance Company with coverage of \$50,000 per occurrence and a \$1,000 deductible.

The College's dental plan is self-funded and administered by the Guardian Life Insurance Company. The administrative fee includes aggregate stop loss protection of \$49.12 per month.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

NOTE 14 - 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 \$6,742,650.25 and on other purchases were \$132,701.18 at June 30, 2004.

B. Community College General Obligation Bonds – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of 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 \$3,521,658 is contingent on future

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 15 - ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC.

The Asheville-Buncombe Technical Community College Foundation, Inc., 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 and the Foundation's cash held in the College's State Treasurer's Investment Fund. Noncurrent Funds Held for Others of \$894,213.83 represents the Foundation's cash held in the College's State Treasurer's Investment Fund account. The distributions received and/or benefits provided approximated \$101,730.58 for the year ended June 30, 2004.

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

Schedule 1

	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
<i>Capital Improvement Projects</i>									
<i>Projects Approved by the State Board</i>									
Computer Technology Center	Nov 2000	Nov 2002	\$ 4,700,000.00	\$ 0.00	\$ 4,700,000.00	\$ 4,549,529.62	96.80%	Oct 2003	Feb 2004
Dental Lab Renovations	Dec 2000	Dec 2001	400,000.00		400,000.00	384,753.00	100.00%	Aug 2002	Aug 2002
Enka Center Renovations	Jan 2001	Jan 2002	600,000.00		600,000.00	600,000.00	100.00%	May 2003	May 2003
Hospitality Education Center Renovations #1	Nov 2000	May 2004	6,198,254.00	916,351.00	7,114,605.00	775,961.53	10.91%	Feb 2005	Jul 2005
	Dec 2000	Dec 2000	41,000.00		41,000.00	41,000.00	100.00%	Jul 2001	Jul 2001
<i>Projects Pending Approval by the State Board</i>									
Femihurst Renovation	Feb 2001	Feb 2001	900,000.00		900,000.00	30,035.75	3.34%	Oct 2005	Oct 2005
Marketing Tech Renovations	Mar 2004	Dec 2004	916,351.00	1,426,299.00	2,342,650.00	106,042.50	4.53%	Aug 2005	Aug 2005
Renovations #2	Jan 2003	Jan 2005	22,176.00		22,176.00			Aug 2003	Jul 2005
<i>Projects Not Started - To Be Funded in Future Years</i>									
Corporate Technology Center Renovations	Jan 2001	Jan 2005	300,000.00		300,000.00			Sep 2005	Sep 2005
Total All Projects			\$ 14,077,781.00	\$ 2,342,650.00	\$ 16,420,431.00	\$ 6,487,322.40			

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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February 24, 2005

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