



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT REVIEW REPORT OF CENTRAL CAROLINA COMMUNITY COLLEGE

SANFORD, 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**

**CENTRAL CAROLINA COMMUNITY COLLEGE**

**SANFORD, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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

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Office of the State Auditor

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**REVIEWER'S TRANSMITTAL**

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

This report presents the results of our financial statement review of Central Carolina 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 Central Carolina Community College. As a result of our review, we are not aware of any material modifications necessary for the accompanying financial statements to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

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

*Leslie W. Merritt, Jr.*

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

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STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Central Carolina Community College  
Sanford, North Carolina

We have reviewed the accompanying financial statements of Central Carolina Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2004, which collectively comprise Central Carolina Community College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. We did not review the financial statements of Central Carolina Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other accountants whose report thereon has been furnished to us, and our report, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other accountants.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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

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

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT (CONCLUDED)

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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

February 18, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Purpose

The information in this section is intended to provide a general overview of Central Carolina Community College's (CCCC) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Division of Finance at (919) 718-7498.

### Overview of the Financial Statements

Central Carolina Community College's discussion and analysis provides a summary of the College's financial statements and a comparison of prior year information. The College has elected to report as a special purpose government engaged in business-type activities. Under this option, the College presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this option are the following: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements. For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement 39, *Determining Whether Certain Organizations are Component Units*. As a result, the Central Carolina Community College Foundation, Inc. (the "Foundation") is discretely presented as a part of this year's financial statements.

### Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, inventories, and notes receivable.

<u>Current Assets</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Cash	\$ 2,692,692.41	\$ 2,419,918.18	\$ 272,774.23
Receivables, Net	1,184,375.21	1,413,675.51	(229,300.30)
Inventories	401,257.55	354,753.52	46,504.03
Notes Receivable	<u>2,672.10</u>	<u>3,212.10</u>	<u>(540.00)</u>
Total Current Assets	<u>\$ 4,280,997.27</u>	<u>\$ 4,191,559.31</u>	<u>\$ 89,437.96</u>

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

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Noncurrent assets include cash, receivables due from the State for construction projects, receivables due from primary government, and capital assets.

<u>Noncurrent Assets</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Cash	\$ 30,093.16	\$ 360,840.74	\$ (330,747.58)
Receivables		1,060,376.17	(1,060,376.17)
Due from Primary Government	2,958,497.51	2,122,151.66	836,345.85
Capital Assets, Net	<u>22,282,920.50</u>	<u>18,037,503.33</u>	<u>4,245,417.17</u>
Total Noncurrent Assets	<u>\$ 25,271,511.17</u>	<u>\$ 21,580,871.90</u>	<u>\$ 3,690,639.27</u>

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
<b>Total Assets</b>	<u>\$ 29,552,508.44</u>	<u>\$ 25,772,431.21</u>	<u>\$ 3,780,077.23</u>

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

The College uses straight-line depreciation to determine the current value of capital assets. In general, infrastructure is depreciated over a 10 to 75 year period, buildings are depreciated over a 10 to 50 year period, and equipment is depreciated in 2 to 25 years, depending on the expected useful life of the infrastructure, equipment, or building.

**Institutional Liabilities**

The College's liabilities are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of employees' accrued annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies.

<u>Liabilities</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Current	\$ 929,574.19	\$ 1,755,995.96	\$ (826,421.77)
Long-Term	<u>1,576,066.85</u>	<u>1,030,178.30</u>	<u>545,888.55</u>
Total Liabilities	<u>\$ 2,505,641.04</u>	<u>\$ 2,786,174.26</u>	<u>\$ (280,533.22)</u>

**Net Assets**

Net Assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$4,060,610.45 for the fiscal



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

year to \$27,046,867.40. Net assets invested in capital assets are \$22,282,920.50. Net assets restricted for nonexpendable scholarships and fellowships are \$5,180.00. Net assets restricted for expendable scholarships and fellowships are \$443,636.00. Net assets restricted for expendable loans are \$6,407.64. Net assets restricted for capital projects are \$3,177,612.29. Unrestricted net assets are \$1,131,110.97.

### Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition, though identified as a revenue, is remitted back to the State Treasurer and is not netted against the College's State aid identified as nonoperating revenue. The largest operating revenue of \$4,066,525.02 accrues from the College's participation in the Federal Title IV financial aid programs, including Pell Grants of \$3,790,991.54.

<u>Operating Revenues</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Student Tuition and Fees, Net	\$ 2,514,377.89	\$ 2,221,467.08	\$ 292,910.81
Federal Grants and Contracts	4,066,525.02	3,960,747.33	105,777.69
State and Local Grants and Contracts	362,224.81	247,243.64	114,981.17
Sales and Services, Net	2,260,035.72	2,425,080.42	(165,044.70)
Other Operating Revenues	<u>35,697.33</u>	<u>26,500.80</u>	<u>9,196.53</u>
Total Current Assets	<u>\$ 9,238,860.77</u>	<u>\$ 8,881,039.27</u>	<u>\$ 357,821.50</u>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, as well as funds appropriated from the Lee, Harnett and Chatham County Boards of Commissioners.

<u>Nonoperating Revenues (Expenses)</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
State Aid	\$ 17,172,158.14	\$ 16,324,370.83	\$ 847,787.31
County Appropriations	2,297,837.00	2,136,339.00	161,498.00
Noncapital Grants	823,284.23	935,951.48	(112,667.25)
Noncapital Gifts	6,362.97	9,956.28	(3,593.31)
Investment Income, Net	85,552.24	90,669.93	(5,117.69)
Other Nonoperating Expenses	<u>(41,999.79)</u>	<u></u>	<u>(41,999.79)</u>
Total Nonoperating Revenues	<u>\$ 20,343,194.79</u>	<u>\$ 19,497,287.52</u>	<u>\$ 845,907.27</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits.

<u>Operating Expenses</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Salaries and Benefits	\$ 19,280,384.87	\$ 19,783,073.24	\$ (502,688.37)
Supplies and Materials	4,192,861.58	3,994,171.38	198,690.20
Services	2,633,603.54	2,439,094.37	194,509.17
Scholarships and Fellowships	3,135,257.40	3,053,258.38	81,999.02
Utilities	648,758.94	575,320.58	73,438.36
Depreciation	<u>886,379.56</u>	<u>891,720.34</u>	<u>(5,340.78)</u>
Total Operating Expenses	<u>\$ 30,777,245.89</u>	<u>\$ 30,736,638.29</u>	<u>\$ 40,607.60</u>

### Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as a part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. Capital gifts are provided through annual contributions of the Foundation.

<u>Capital Contributions</u>	<u>2004</u>	<u>2003</u>	<u>Difference</u>
State Capital Aid	\$ 3,411,848.32	\$ 1,053,098.65	\$ 2,358,749.67
County Capital Appropriations		53,254.96	(53,254.96)
Capital Grants	1,822,952.46	2,629,887.97	(806,935.51)
Capital Gifts	<u>21,000.00</u>		<u>21,000.00</u>
Total Capital Contributions	<u>\$ 5,255,800.78</u>	<u>\$ 3,736,241.58</u>	<u>\$ 1,519,559.20</u>

### Significant Capital Asset Activities

The College was authorized \$13,902,295.00 from the 2000 North Carolina Higher Education Bond Referendum for new construction and \$5,000,000.00 from Lee County, of which \$11,695,465.15 is remaining to be spent. Funds are allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges with final distribution of funds ending June 2007.

The following contractual amounts have been paid for projects listed:

1. Project #1106 Classroom/Science Lab Building \$4,527,374.64
2. Project #1107 Telecommunications Building \$2,535,247.40

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

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3. Project #1325 Harnett County Classroom Building \$98,391.21
4. Project #1359 Roofing (Student Center & Adm.) (Bundled R&R) \$9,974.51
5. Project #1360 Roof Repairs Main Classroom (Bundled R&R) \$15,575.00
6. Project #1361 Roofing (LRC & Science) (Bundled R&R) \$13,345.24
7. Project # 1363 Emergency Training Center \$6,921.85

The Lee County Board of Commissioners reduced the College's allocations for current expense by \$27,800.00 for FY 2004-2005 for the operation of plant. No appropriations were provided for equipment.

### **Economic Forecast**

Central Carolina Community College believes that the economic future of the College looks very good. We have positive discussions in progress with our three service counties (Lee, Harnett, and Chatham), which should address our needs for future expansion of the College (through land acquisition and capital improvements). Forecasts from the Office of State Budget and Management indicate that the State's economy is slowly improving and that this should allow funding for initiatives already approved by the State legislature regarding salaries and multi-campus funding.

<b>Central Carolina Community College</b>		
<b>Statement of Net Assets</b>		
<b>June 30, 2004</b>		<b>Exhibit A-1</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	2,205,579.59
Restricted Cash and Cash Equivalents		487,112.82
Receivables, Net (Note 4)		1,184,375.21
Inventories		401,257.55
Notes Receivable (Note 4)		2,672.10
<b>Total Current Assets</b>		<b>4,280,997.27</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		30,093.16
Restricted Due from Primary Government		2,958,497.51
Capital Assets - Nondepreciable (Note 5)		7,231,860.18
Capital Assets - Depreciable, Net (Note 5)		15,051,060.32
<b>Total Noncurrent Assets</b>		<b>25,271,511.17</b>
<b>Total Assets</b>		<b>29,552,508.44</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		545,888.28
Deferred Revenue		262,793.63
Funds Held for Others		24,913.16
Long-Term Liabilities - Current Portion (Note 7)		95,979.12
<b>Total Current Liabilities</b>		<b>929,574.19</b>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		1,576,066.85
<b>Total Liabilities</b>		<b>2,505,641.04</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		22,282,920.50
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		5,180.00
Expendable:		
Scholarships and Fellowships		443,636.00
Loans		6,407.64
Capital Projects		3,177,612.29
Unrestricted		1,131,110.97
<b>Total Net Assets</b>	<b>\$</b>	<b>27,046,867.40</b>
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Central Carolina Community College</b>		
<b>Statement of Revenues, Expenses, and</b>		
<b>Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Exhibit A-2</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	\$	2,514,377.89
Federal Grants and Contracts		4,066,525.02
State and Local Grants and Contracts		362,224.81
Sales and Services, Net (Note 9)		2,260,035.72
Other Operating Revenues		35,697.33
Total Operating Revenues		9,238,860.77
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits		19,280,384.87
Supplies and Materials		4,192,861.58
Services		2,633,603.54
Scholarships and Fellowships		3,135,257.40
Utilities		648,758.94
Depreciation		886,379.56
Total Operating Expenses		30,777,245.89
Operating Loss		(21,538,385.12)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		17,172,158.14
County Appropriations		2,297,837.00
Noncapital Grants		823,284.23
Noncapital Gifts		6,362.97
Investment Income		85,552.24
Other Nonoperating Expenses		(41,999.79)
Net Nonoperating Revenues		20,343,194.79
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,195,190.33)
State Capital Aid		3,411,848.32
Capital Grants		1,822,952.46
Capital Gifts		21,000.00
Increase in Net Assets		4,060,610.45
<b>NET ASSETS</b>		
Net Assets, July 1, 2003		22,986,256.95
Net Assets, June 30, 2004	\$	27,046,867.40
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Central Carolina Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Exhibit A-3</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers		\$ 9,189,395.34
Payments to Employees and Fringe Benefits		(19,774,814.00)
Payments to Vendors and Suppliers		(7,769,993.37)
Payments for Scholarships and Fellowships		(3,135,257.40)
Collection of Loans to Students		540.00
Other Receipts		763.67
Net Cash Used by Operating Activities		(21,489,365.76)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		17,172,158.14
County Appropriations		2,297,837.00
Noncapital Grants Received		823,284.23
Noncapital Gifts Received		6,362.97
Net Cash Provided by Noncapital Financing Activities		20,299,642.34
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		2,575,502.47
Capital Grants Received		3,218,518.23
Acquisition and Construction of Capital Assets		(4,747,822.87)
Net Cash Provided by Capital and Related Financing Activities		1,046,197.83
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		85,552.24
Net Decrease in Cash and Cash Equivalents		(57,973.35)
Cash and Cash Equivalents, July 1, 2003		2,780,758.92
Cash and Cash Equivalents, June 30, 2004		\$ 2,722,785.57
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (21,538,385.12)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		886,379.56
Changes in Assets and Liabilities:		
Receivables, Net		(105,889.30)
Inventories		(46,504.03)
Notes Receivable		540.00
Accounts Payable and Accrued Liabilities		(248,009.45)
Deferred Revenue		56,423.87
Funds Held for Others		763.67
Compensated Absences		(494,684.96)
Net Cash Used by Operating Activities		\$ (21,489,365.76)

<b>Central Carolina Community College</b>		
<b>Statement of Cash Flows</b>		<b>Exhibit A-3</b>
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Page 2</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	2,205,579.59
Restricted Cash and Cash Equivalents		487,112.82
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		30,093.16
Total Cash and Cash Equivalents - June 30, 2004	\$	<u>2,722,785.57</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Assets Acquired through Assumption of a Liability	\$	404,973.65
Assets Acquired through a Gift		21,000.00
Increase in Receivables Related to Nonoperating Income		836,345.85
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Central Carolina Community College Foundation, Inc.</b>			
<b>Statement of Financial Position</b>			
<b>June 30, 2004</b>			<b>Exhibit B-1</b>
<b>ASSETS</b>			
Cash and Cash Equivalents		\$	298,298
Investments			1,555,200
Accrued Sales Tax Receivable			439
Property and Equipment, Net			674
Total Assets			1,854,611
<b>NET ASSETS</b>			
Unrestricted			348,206
Temporarily Restricted			275,673
Permanently Restricted			1,230,732
Total Net Assets		\$	1,854,611
See Note 1 in the Notes to the Financial Statements			



<b>Central Carolina Community College Foundation, Inc.</b>		
<b>Statement of Activities</b>		
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Exhibit B-2</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues:		
Contributions	\$	120,632
Fund Raising Activities		37,455
Investment Return		111,428
Total Unrestricted Revenues		269,515
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		189,157
Total Unrestricted Revenues and Other Support		458,672
Expenses:		
Awards and Scholarships		236,462
General and Administrative		114,685
Fund Raising		18,122
Total Expenses		369,269
Increase in Unrestricted Net Assets		89,403
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions		155,925
Interest Income Added to Endowment Principal		(10,669)
Investment Return		72,321
Conversion of Restricted Funds to Endowments		(12,673)
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(189,157)
Increase in Temporarily Restricted Net Assets		15,747
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions		94,205
Interest Income Added to Endowment Principal		10,669
Conversion of Restricted Funds to Endowments		12,673
Increase in Permanently Restricted Net Assets		117,547
Increase in Net Assets		222,697
<b>NET ASSETS</b>		
Net Assets at Beginning of Year		1,631,914
Net Assets at End of Year	\$	1,854,611
See Note 1 in the Notes to the Financial Statements		

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**CENTRAL CAROLINA COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

The accompanying financial statements present all funds of the College and component units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the financial statements. The blended component units, although legally separate, are, in substance, part of the College's operations and therefore, are reported as if they were part of the College. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

**Discretely Presented Component Units** – The Central Carolina Community College Foundation, Inc. (the "Foundation") is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of not less than one and not more than eight members of the College's Board of Trustees, and non-Board of Trustees members as selected pursuant to Section 3 of Article II of the by-laws of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2004, the Foundation distributed \$152,179.76 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Services Department, Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

- 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market 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 method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the College to all full-time permanent employees as of September 30, 2002, and as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- M. Revenue and Expense Recognition** – The College 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. 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.

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

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**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 \$2,455.00. The carrying amount of cash on deposit was \$2,720,330.57 and the bank balance was \$3,130,952.01.

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	\$ 2,713,743.62	\$ 2,770,975.34
Cash on Deposit with Private Financial Institutions	6,586.95	359,976.67
	\$ 2,720,330.57	\$ 3,130,952.01

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<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, \$100,000.00 of the bank balance was covered by federal depository insurance and \$259,976.67 was covered by collateral held by the depository’s agent in the name of the College under the dedicated method described above.

### 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 \$230.85 was available to be spent, all of which 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
<b>Current Receivables:</b>			
Students	\$ 521,295.25	\$ 104,829.41	\$ 416,465.84
Intergovernmental	666,801.93		666,801.93
Other	101,107.44		101,107.44
	<b>Total Current Receivables</b>	<b>\$ 104,829.41</b>	<b>\$ 1,184,375.21</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	\$ 2,672.10	\$ 0.00	\$ 2,672.10

## 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	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:				
Land	\$ 503,896.49	\$ 0.00	\$ 0.00	\$ 503,896.49
Construction in Progress	1,739,491.55	4,988,472.14		6,727,963.69
<b>Total Capital Assets, Nondepreciable</b>	<b>2,243,388.04</b>	<b>4,988,472.14</b>		<b>7,231,860.18</b>
Capital Assets, Depreciable:				
Buildings	22,108,786.30			22,108,786.30
Machinery and Equipment	4,089,398.60	185,324.38	354,227.74	3,920,495.24
General Infrastructure	310,699.68			310,699.68
<b>Total Capital Assets, Depreciable</b>	<b>26,508,884.58</b>	<b>185,324.38</b>	<b>354,227.74</b>	<b>26,339,981.22</b>
Less Accumulated Depreciation:				
Buildings	8,473,385.21	531,520.08		9,004,905.29
Machinery and Equipment	1,952,260.32	333,283.08	312,227.95	1,973,315.45
General Infrastructure	289,123.76	21,576.40		310,700.16
<b>Total Accumulated Depreciation</b>	<b>10,714,769.29</b>	<b>886,379.56</b>	<b>312,227.95</b>	<b>11,288,920.90</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>15,794,115.29</b>	<b>(701,055.18)</b>	<b>41,999.79</b>	<b>15,051,060.32</b>
<b>Capital Assets, Net</b>	<b>\$ 18,037,503.33</b>	<b>\$ 4,287,416.96</b>	<b>\$ 41,999.79</b>	<b>\$ 22,282,920.50</b>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 232,072.53
Accrued Payroll	14,813.20
Contract Retainage	295,701.91
Other	3,300.64
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 545,888.28</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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	\$ 2,166,730.93	\$ 5,753,129.93	\$ 6,247,814.89	\$ 1,672,045.97	\$ 95,979.12

### NOTE 8 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2005	\$ 94,927.00
2006	25,675.00
2007	10,015.00
2008	10,015.00
Total Minimum Lease Payments	\$ 140,632.00

Rental expense for all operating leases during the year was \$124,637.27.

### NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 3,569,592.35	\$ 1,001,593.67	\$ 53,620.79	\$ 2,514,377.89
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 20,942.68	\$ 0.00	\$ 0.00	\$ 20,942.68
Bookstore	1,920,376.07		40,891.90	1,879,484.17
Other	369,925.59		10,316.72	359,608.87
<b>Total Sales and Services</b>	\$ 2,311,244.34	\$ 0.00	\$ 51,208.62	\$ 2,260,035.72

## 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	\$ 12,587,657.36	\$ 927,030.04	\$ 832,132.79	\$ 0.00	\$ 0.00	\$ 0.00	\$ 14,346,820.19
Public Service	190,421.86	6,090.97			52,144.25		248,657.08
Academic Support	2,810,100.87	56,589.60	500,416.46				3,367,106.93
Student Services	1,066,384.85	22,830.96	87,613.91				1,176,829.72
Institutional Support	1,491,022.22	1,575,945.59	612,882.42				3,679,850.23
Operations and Maintenance of Plant	857,463.20	87,222.56	421,797.44		596,614.69		1,963,097.89
Student Financial Aid				3,135,257.40			3,135,257.40
Auxiliary Enterprises	277,334.51	1,517,151.86	178,760.52				1,973,246.89
Depreciation						886,379.56	886,379.56
<b>Total Operating Expenses</b>	<b>\$ 19,280,384.87</b>	<b>\$ 4,192,861.58</b>	<b>\$ 2,633,603.54</b>	<b>\$ 3,135,257.40</b>	<b>\$ 648,758.94</b>	<b>\$ 886,379.56</b>	<b>\$ 30,777,245.89</b>

### 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 \$17,023,655.12, of which \$13,335,202.94 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$800,112.18 and \$29,337.45, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$29,337.45, \$0.00, and \$245,749.23, 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)

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*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 \$150,636.00 for the year ended June 30, 2004.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$136,502.00 for the year ended June 30, 2004.

### 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 \$426,726.49. The College assumes no liability for retiree health care

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by private insurance 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.

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 \$3,987,952.18 and on other purchases were \$218,536.02 at June 30, 2004.
- B. **Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600,000,000 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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 \$6,051,967.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

### **NOTE 15 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship to the College.



**Central Carolina 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
<b>Capital Improvement Projects</b>									
<i>Projects Approved by the State Board</i>									
Classroom/Science Lab Building (#1106)	Nov 2000	Nov 2000	\$ 4,800,000.00	\$ 0.00	\$ 4,800,000.00	\$ 4,527,374.64	94.32%	Mar 2004	Oct 2004
Telecommunications Building (#1107)	Nov 2000	Nov 2000	700,000.00	2,500,000.00	3,200,000.00	2,535,247.40	79.23%	Apr 2004	Nov 2004
Harnett County Classroom Building (#1325)	Jun 2003	Jun 2003	2,000,000.00		2,000,000.00	98,391.21	4.92%	Feb 2005	Feb 2005
Roofing (Student Center & Admin.) (Bundled R&R) (#1359)	Mar 2004	Mar 2004	295,000.00		295,000.00	9,974.51	3.38%	Dec 2004	Dec 2004
Roof Repairs Main Classroom Building (Bundled R&R) (#1360)	Apr 2004	Apr 2004	318,878.00		318,878.00	15,575.00	4.88%	Nov 2004	Nov 2004
Roofing (LRC & Science) (Bundled R&R) (#1361)	Jan 2004	Jan 2004	230,654.00		230,654.00	13,345.24	5.79%	Aug 2004	Aug 2004
Siler City Renovations of Classroom Building (#1362)	Apr 2004	Apr 2005	437,768.00		437,768.00			Dec 2005	Dec 2005
Classroom Building West Harnett (#1364)	Nov 2004	Nov 2004	1,000,000.00		1,000,000.00			Dec 2005	Dec 2005
<i>Projects Pending Approval by the State Board</i>									
Renovation of Science Building	May 2004	May 2005	723,648.00		723,648.00			Apr 2006	Apr 2006
Renovation of Main Classroom Building	Jun 2004	Jun 2005	188,070.00		188,070.00			Aug 2006	Apr 2006
Computer Technology Building	Jun 2004	Apr 2005	2,000,000.00		2,000,000.00			Jun 2005	Apr 2006
Renovation of Continuing Education Building Harnett Campus	Apr 2005	Apr 2006	580,469.00		580,469.00			Dec 2006	Dec 2006
<i>Projects Not Started - To Be Funded in Future Years</i>									
Chatham County Renovations	Apr 2005	Apr 2006	627,808.00		627,808.00			Dec 2006	Dec 2006
<b>Total All Projects</b>			<b>\$ 13,902,295.00</b>	<b>\$ 2,500,000.00</b>	<b>\$ 16,402,295.00</b>	<b>\$ 7,199,908.00</b>			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600,000,000 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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March 22, 2005

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