



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF CENTRAL PIEDMONT COMMUNITY COLLEGE

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

# **FINANCIAL STATEMENT AUDIT REPORT OF**

**CENTRAL PIEDMONT COMMUNITY COLLEGE**

**CHARLOTTE, NORTH CAROLINA**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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

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

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

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

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

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

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

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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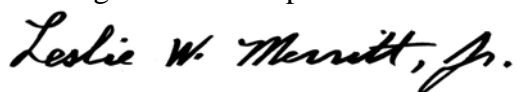
2. **Objective** - To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws,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

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

3. **Objective** - To present significant deficiencies, if any, in internal control over compliance that could adversely affect the College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants and present instances of noncompliance with federal laws, regulations, contracts or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in *OMB Circular A-133 Compliance Supplement*.

**Results** - Our tests disclosed no significant deficiencies in internal control over compliance and no instances of noncompliance, which require disclosure herein under *OMB Circular A-133*.

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

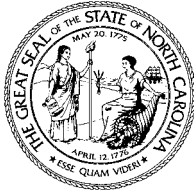


Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Central Piedmont Community College  
Charlotte, North Carolina

We have audited the accompanying financial statements of Central Piedmont 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 Piedmont Community College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Central Piedmont Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Central Piedmont Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



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

February 4, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

The following discussion and analysis provides an overview of the financial position and activities of Central Piedmont Community College (the "College") for the year ended June 30, 2004, with selected comparative information for the year ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the transmittal letter, financial statements and accompanying notes, which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

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

### Financial Highlights

The College's financial position remained strong at June 30, 2004, with assets of \$203.6 million and liabilities of \$10.0 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, totaled \$193.6 million. The net assets of the College increased by \$48.9 million. This is primarily attributable to increased building assets from construction occurring in the current year.

Changes in net assets represent the operating and nonoperating activity of the College, resulting from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2004, and 2003 as follows:

	<i>(Dollars in millions)</i>	
	2004	2003
Total Operating Revenues	\$ 26.0	\$ 27.9
Total Operating Expenses	86.0	87.6
Net Nonoperating Revenues	108.9	86.0
Increase in Net Assets	\$ 48.9	\$ 26.3

Fiscal 2004 operating revenues decreased 7.1%, while operating expenses decreased 1.8%. On a net basis, fiscal 2004 nonoperating revenue increased \$22.9 million due to increased governmental grants for capital projects.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Using The Financial Statements

The College's financial report includes three financial statements:

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

These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) principles.

For the fiscal year ended June 30, 2004, the College adopted GASB 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. The Central Piedmont Community College Foundation, Inc., (the "Foundation") is a legally separate, tax-exempt organization supporting 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 seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. 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 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 discretely presented in the College's financial statements.

During the year ended June 30, 2004, the Foundation made distributions of \$1,162,607.00 to or on behalf of the College for both restricted and unrestricted purposes.

### Statement of Net Assets

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities - net assets - is one indicator of the current financial position of the College. Additionally, the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30, 2004, and 2003 is presented below:

	<i>(Dollars in millions)</i>	
	2004	2003
<b>Assets</b>		
Current Assets	\$ 14.2	\$ 12.7
Noncurrent Assets:		
Capital Assets	168.8	139.5
Other	20.6	1.7
Total Assets	<u>203.6</u>	<u>153.9</u>
<b>Liabilities</b>		
Current Liabilities	5.5	5.5
Noncurrent Liabilities	4.5	3.7
Total Liabilities	<u>10.0</u>	<u>9.2</u>
<b>Net Assets</b>	<u>\$ 193.6</u>	<u>\$ 144.7</u>

### Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2004, and 2003 are summarized below:

	<i>(Dollars in millions)</i>	
	2004	2003
Invested in Capital Assets	\$ 168.8	\$ 139.5
Restricted:		
Expendable	21.7	1.5
Unrestricted	3.1	3.7
Total Net Assets	<u>\$ 193.6</u>	<u>\$ 144.7</u>

Net assets invested in capital assets represent the College's capital assets net of accumulated depreciation. The \$29.3 million increase represents the College's continued development and renewal of its capital assets in accordance with its Strategic Plan.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

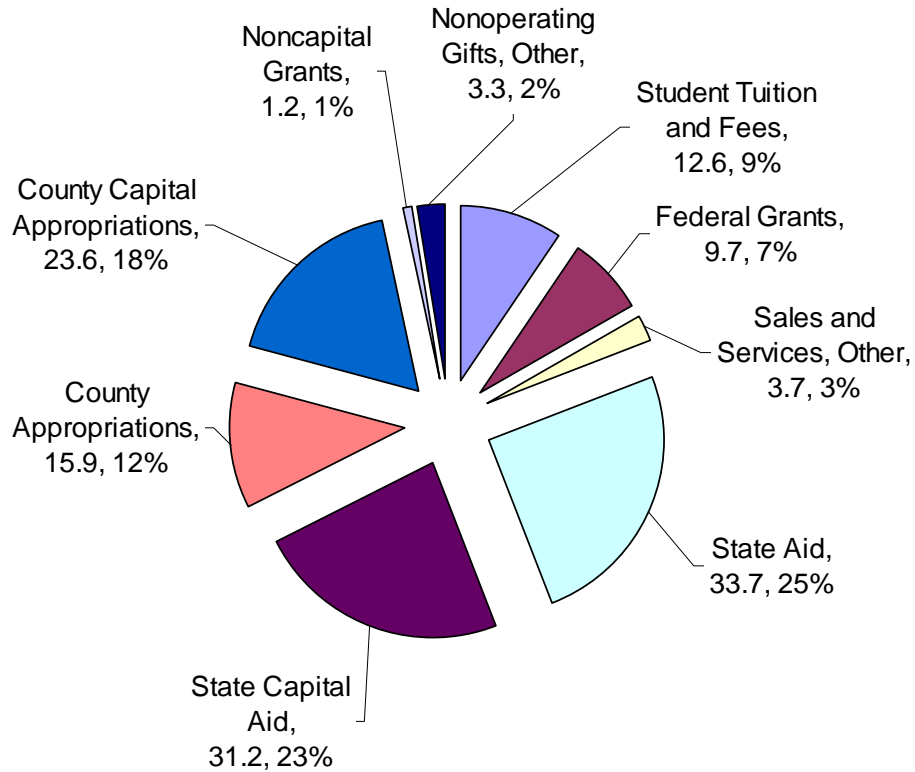
The Statement of Revenues, Expenses, and Changes in Net Assets presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2004, and 2003:

	<i>(Dollars in millions)</i>	
	2004	2003
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 16.3	\$ 15.3
Less: Scholarships and Allowances	3.7	0.1
Net Student Tuition and Fees	12.6	15.2
Federal Grants	9.7	8.3
Sales and Services, Other	3.7	4.4
Total Operating Revenues	26.0	27.9
Operating Expenses	86.0	87.6
Operating Loss	(60.0)	(59.7)
<b>Nonoperating Revenues:</b>		
State Aid	33.7	33.0
State Capital Aid	31.2	12.6
County Appropriations	15.9	15.6
County Capital Appropriations	23.6	21.9
Noncapital Gifts	1.2	
Private Gifts	3.0	2.6
Net Investment Income	0.2	0.2
Other	0.1	0.1
Net Nonoperating Revenues	108.9	86.0
Increase in Net Assets	48.9	26.3
Net Assets, Beginning of Year	144.7	118.4
Net Assets, End of Year	\$ 193.6	\$ 144.7

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

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

**2004 Operating and Nonoperating Income by Source  
(in millions)**



The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits (which represent \$55.9 million of total expenses), energy and technology costs.

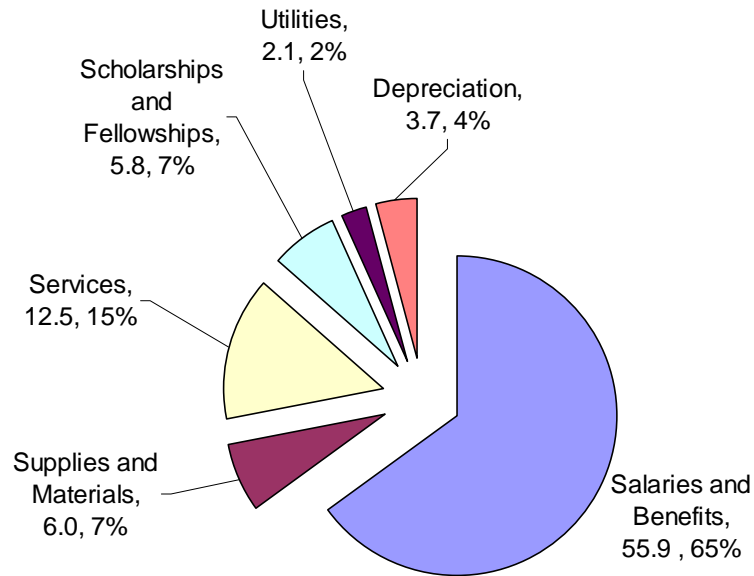
Tuition and State appropriations are the primary sources of funding for the College's academic programs. Student tuition and fees (net of allowances for tuition remission) decreased by \$2.6 million to \$12.6 million netting the effects of a State approved 4% increase in tuition and a change in accounting method for the recognition of federal Pell Grant

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

revenues for the most recent school year. General State appropriations increased slightly to \$33.7 million in 2004 versus \$33.0 million in 2003. A comparison of expenses by object classification is as follows:

	<i>(Dollars in millions)</i>	
	2004	2003
Operating:		
Salaries and Benefits	\$ 55.9	\$ 55.5
Supplies and Materials	6.0	10.9
Services	12.5	6.8
Scholarships and Fellowships	5.8	7.4
Utilities	2.1	2.2
Depreciation	3.7	4.8
Total Expenses	<u>\$ 86.0</u>	<u>\$ 87.6</u>

**2004 Operating Expenses by Object  
(in millions)**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In addition to natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the College's expense of functional classification for the years ended June 30, 2004, and 2003 follows:

	<i>(Dollars in millions)</i>	
	2004	2003
Operating:		
Instruction	\$ 33.9	\$ 33.8
Academic Support	6.3	6.0
Student Services	7.1	6.0
Institutional Support	11.9	11.3
Operations and Maintenance of Plant	12.0	14.1
Student Financial Aid	5.7	7.0
Auxiliary Services	5.1	4.6
Other	0.3	
Depreciation	3.7	4.8
Total Expenses	<u>\$ 86.0</u>	<u>\$ 87.6</u>

### Statement of Cash Flows

The Statement of Cash Flows provides additional information about the College's financial results, by reporting the major sources and uses of cash. A comparative summary of the Statement of Cash Flows for the years ended June 30, 2004, and 2003 follows:

	<i>(Dollars in millions)</i>	
	2004	2003
Cash Received from Operations	\$ 25.4	\$ 28.0
Cash Expended for Operations	<u>(81.3)</u>	<u>(79.4)</u>
Net Cash Used by Operating Activities	(55.9)	(51.4)
Net Cash Provided by Noncapital Financing Activities	53.5	50.3
Net Cash Provided by Capital and Related Financing Activities	4.0	3.7
Net Cash Provided by Investing Activities	<u>0.2</u>	<u>0.2</u>
Net Increase in Cash and Cash Equivalents	1.8	2.8
Cash and Cash Equivalents, Beginning of Year	<u>9.2</u>	<u>6.4</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11.0</u>	<u>\$ 9.2</u>

The College's cash and cash equivalents increased \$1.8 million due to the positive flow of funds provided from State aid, State capital aid, county appropriations and county capital appropriations. The College's significant sources of cash provided by noncapital financing

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, include State aid, county appropriations and private gifts used to fund operating activities, for which cash received totaled \$33.7 million, \$15.9 million and \$2.7 million, respectively in fiscal 2004, as compared to \$32.1 million, \$15.6 million and \$2.6 million in 2003.

### Capital Activities

The College continues to complete extensive building and building improvements according to its master plan. Using proceeds from State and county sponsored bond issues, the College has expended \$33.0 million on capital asset projects in 2004, as compared to \$30.8 million in 2003. Capital additions primarily comprise replacement, renovation and new construction of academic and administrative facilities, as well as significant investments in equipment, including information technology. Current year capital asset additions were funded with State and county capital appropriations of \$36.7 million. Current construction in progress totals \$60.6 million. Outstanding College commitments on construction contracts were \$22.9 million at June 30, 2004.

The table below describes the significant building activities in 2004:

Project	Current Project Cost (millions) % Complete	Description
Central Energy Facility	\$3.6 / 99%	<p>The Central Energy Facility is planned to meet several key objectives for CPCC:</p> <ol style="list-style-type: none"><li>1. Provide heating and cooling in an energy-efficient and cost-effective manner to the new Academic Center Building, Information Technology Building, Bookstore Building and renovated Sloan-Morgan Building on Central Campus.</li><li>2. Size the infrastructure so that additional buildings on Central Campus between Elizabeth Avenue and Fourth Street can be heated by this plant and so all of the main body of Central Campus can be cooled as existing systems need to be replaced.</li><li>3. Provide back-up capability for all buildings served by this facility.</li></ol> <p>Funding for the \$3.6 million project comes from 1999 Mecklenburg County bonds &amp; 2000 State bonds.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Northeast Campus Phase I	\$9.2 / 99%	The Northeast Campus Phase I project is a 45,000 sq.ft. building located in the northeast section of the county. The facility combines classroom, lab and office space to facilitate general and specific educational programs including office systems technology, paralegal technology and horticulture. The facility was occupied in Spring 2003. Funding for the \$9.2 million dollar project came from 1999 Mecklenburg County bonds & 2000 State bonds.
Sloan-Morgan Renovation	\$4.8 / 96%	Renovation and expansion of Sloan-Morgan began in Summer 2002. The interior was demolished; an addition was constructed at the front. The facility will be approximately 35,000 sq.ft. and will house the music program and general classrooms. Plans call for 10 classrooms, 20 studios and practice rooms, a music library, 13 offices, and other instructional and support space. Funding for the \$4.8 million facility came from 2000 State bonds.
Levine Campus Phase II	\$19.9 / 91%	Levine Campus Phase II will add the second building to the College campus located in southeast Mecklenburg County. This facility will double the size of this campus with an additional approximate 130,000 square feet. The new facility will combine classroom, lab and office space to facilitate general and specific educational programs. The facility opened in May 2004. Funding for the \$19.9 million facility comes from 1999 Mecklenburg County bonds.
Information Technology Building	\$16.9 / 81%	The Information Technology Building is a 5-story structure of approximately 100,000 sq. ft. at the corner of Elizabeth Avenue and Independence Boulevard. It will house approximately 44 offices and workstations for faculty & staff and 39 classrooms, of which 29 are computer equipped. Corporate and Continuing Education classes will be housed on the first floor, in addition to approximately 6,000 sq. ft. of retail space. The building opened in May 2004. Funding for the \$16.9 million facility comes from 2000 State bonds.
West Campus Phase III	\$11.2 / 47%	This building, the <b>James J. and Angelia M. Harris Conference Center</b> , is scheduled to open in January 2005. Planned as a 60,000 sq. ft. facility, the first floor will house over 5,000 square feet of meeting space (to seat approximately 300 people banquet-style) that can also be subdivided into smaller areas. A boardroom, video-conferencing area, flexible break-out spaces,



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

		computer classroom, small business center, offices, and other support space round out the first floor. The second floor will house general and computer classrooms, offices, and other support space. Between the two buildings, a plaza is being planned with inviting areas for individuals or small groups to relax or use as break-out space. Funding for the \$11.2 million facility comes from 1999 Mecklenburg County bonds and 2000 State bonds.
Academic Center	\$30.4 / 34%	The Academic Center is a 120,000 sq. ft. building currently under construction at the southern side of Elizabeth Avenue at the former location of Pease Lane. The Academic Center will house the College's Visual and Performing Arts Programs, a 1,000-seat performance theatre, Student Life, and other programs. The facility will contain conference rooms, and other instructional and support spaces. Demolition and construction began in Spring 2003 with facility completion scheduled for Summer 2005. Funding for the \$30.4 million facility comes from 1999 Mecklenburg County bonds.
Bookstore	\$6.7 / 20%	The Bookstore building is a 45,000 sq.ft. building on Central Campus that will house the College's Majors Bookstore, a small business center, and classrooms and offices. Funding for the \$6.7 million dollar project comes from 1999 Mecklenburg County bonds. Occupancy is scheduled for Spring 2005.
North Campus Phase III	\$17.9 / 7%	The North Campus Phase III project consists of a major renovation to the Claytor building providing administrative support space and general classroom space, and for the construction of a 97,000 sq. ft. building that will house the Transportation System Technology programs of Automotive Technology -- Auto Body and Heavy Equipment and Transport systems; College transfer classrooms; and an open computer lab for students. Funding for this \$17.9 million dollar project comes from 2000 State bonds. A 2,000 sq. ft addition and renovation to the existing Center for Justice at the campus is planned as part of the American Academy of Applied Forensics. Funding for this project comes from HUD appropriations. The new facility is scheduled to start construction in August of 2004, with occupancy planned for the Spring of 2006.

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

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Northeast Phase II	\$9.6 / 3%	The Northeast Campus Phase II project consists of providing administrative support space and general classroom space, through the construction of a 50,000 sq.ft. building and associated site work in support of the College transfer, Para-legal, Horticulture, Turf Management and Office Systems Technology programs. Funding for this \$9.6 million dollar project comes from 2000 State bonds. Construction is scheduled to start in Spring of 2005 with occupancy planned for fall of 2006.
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The College plans additional building or improvements in 2005. Budgeted projects totaling \$33.3 million are expected to begin in fiscal 2005. The table below describes the building projects for 2005:

Project	Current Project Cost (millions)	Description
Belk Addition & Renovation	\$17.4	The Belk Addition and Renovation Project on the Central Campus of Central Piedmont Community College involves an addition (new construction) of approximately 62,500 square feet and interior and exterior renovations of the existing 60,000 square feet building. The facility will be used for medical and health sciences programs of the College. It will house general classrooms, specialized classrooms and labs, faculty offices, and other support space. The Project is located at the corner of Elizabeth Avenue and Independence Boulevard. Funding for the \$17.4 million dollar facility comes from 2000 State bonds and Mecklenburg County Certificates of Participation (COPS.) Construction is scheduled to start in fall of 2004 with occupancy planned for 2007.
Independence Parking Deck	\$9.0	The Independence Parking Deck project will provide additional parking to support the projected growth in student population on the Central Campus of CPCC and the loss of surface parking along Little Sugar Creek Greenway. Funding for this \$9 million dollar project comes from Mecklenburg County COPS. Construction of the new parking deck is scheduled to start in late fall of 2004.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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Van Every Building Reconstruction	\$3.9	The Van Every Building Reconstruction project will demolish the existing building and construct a replacement for general classrooms with appropriate technologies. The projected start date is February of 2005.
Central High Exterior Renovation	\$3.0	The Central High Exterior Renovation project will provide exterior renovations to the existing Central High Building. The projected start date is February of 2005.

### **Economic Factors that will Affect The Future**

Looking into the future, management believes the College is well positioned to continue its strong financial condition and level of excellence to the community. A critical element to the College's future will continue to be our relationship with the State of North Carolina, as we work to manage tuition to make it competitive while providing a quality college education. There is a direct relationship between the growth of State/county support and the College's ability to expand and meet the needs of Mecklenburg County's citizens as declines in State and county appropriations generally result in tuition increases. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the College. Because of the uncertainty surrounding the State's economy, the College has been advised by the State to withhold from its budget allocations a minimum of three percent (3.0%) for possible reversion in fiscal year 2005. The College has adjusted its budget accordingly. The State has elected to increase tuition by an average of 7% for the 2005 fiscal year.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Authorized cost to complete construction and other projects totaled \$57.9 million at June 30, 2004. Funding for these projects has already been approved.

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

***Central Piedmont Community College***  
***Statement of Net Assets***  
***June 30, 2004***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 7,836,395.36
Restricted Cash and Cash Equivalents	2,391,060.97
Receivables, Net (Note 3)	3,852,305.51
Inventories	173,850.91

Total Current Assets	<u>14,253,612.75</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	726,019.06
Restricted Due from Primary Government	19,861,909.72
Notes Receivable	50,084.86
Capital Assets - Nondepreciable (Note 4)	75,984,626.18
Capital Assets - Depreciable, Net (Note 4)	<u>92,791,432.95</u>

Total Noncurrent Assets	<u>189,414,072.77</u>
-------------------------	-----------------------

Total Assets	<u>203,667,685.52</u>
--------------	-----------------------

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	5,199,709.69
Funds Held for Others	9,644.75
Long-Term Liabilities - Current Portion (Note 6)	<u>327,925.59</u>

Total Current Liabilities	<u>5,537,280.03</u>
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Noncurrent Liabilities:

U.S. Government Grants Refundable	11,751.61
Long-Term Liabilities (Note 6)	<u>4,487,428.17</u>

Total Noncurrent Liabilities	<u>4,499,179.78</u>
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Total Liabilities	<u>10,036,459.81</u>
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**NET ASSETS**

Invested in Capital Assets	168,776,059.13
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Restricted for:

Expendable:

Loans	35,952.38
Capital Projects	21,113,717.47
Other	530,896.93

Unrestricted	<u>3,174,599.80</u>
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Total Net Assets	<u>\$ 193,631,225.71</u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Central Piedmont Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2004***

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 12,611,715.51
Federal Grants and Contracts	9,654,598.20
Sales and Services, Net (Note 8)	3,275,322.26
Other Operating Revenues	425,290.31

Total Operating Revenues	25,966,926.28
--------------------------	---------------

**EXPENSES**

Operating Expenses:

Salaries and Benefits	55,864,752.46
Supplies and Materials	5,957,112.73
Services	12,461,006.00
Scholarships and Fellowships	5,831,954.03
Utilities	2,143,794.50
Depreciation	3,725,418.65

Total Operating Expenses	85,984,038.37
--------------------------	---------------

Operating Loss	(60,017,112.09)
----------------	-----------------

**NONOPERATING REVENUES**

State Aid	33,735,913.87
County Appropriations	15,923,225.00
Noncapital Grants	1,167,882.87
Noncapital Gifts	2,698,684.24
Investment Income, Net	189,944.67
Other Nonoperating Revenues	14,427.44

Total Nonoperating Revenues	53,730,078.09
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Loss Before Other Revenues	(6,287,034.00)
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State Capital Aid	31,232,161.71
County Capital Appropriations	23,639,519.16
Capital Gifts	305,000.00

Increase in Net Assets	48,889,646.87
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**NET ASSETS**

Net Assets, July 1, 2003 as Restated (Note 15)	144,741,578.84
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Net Assets, June 30, 2004	\$ 193,631,225.71
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The accompanying notes to the financial statements are an integral part of this statement.

***Central Piedmont Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 25,414,292.50
Payments to Employees and Fringe Benefits	(54,756,391.47)
Payments to Vendors and Suppliers	(20,770,499.05)
Payments for Scholarships and Fellowships	(5,831,954.03)
Loans Issued to Students	(4,555.07)
Other Receipts	22,989.31
	<u>22,989.31</u>
Net Cash Used by Operating Activities	<u>(55,926,117.81)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	33,735,913.87
County Appropriations	15,923,225.00
Noncapital Grants Received	1,167,882.87
Noncapital Gifts and Endowments Received	2,698,684.24
	<u>2,698,684.24</u>
Cash Provided by Noncapital Financing Activities	<u>53,525,705.98</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	13,067,743.76
County Capital Appropriations	23,639,519.16
Capital Gifts Received	305,000.00
Acquisition and Construction of Capital Assets	(33,018,498.51)
	<u>(33,018,498.51)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>3,993,764.41</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>189,944.67</u>
Net Increase in Cash and Cash Equivalents	1,783,297.25
Cash and Cash Equivalents, July 1, 2003	<u>9,170,178.14</u>
Cash and Cash Equivalents, June 30, 2004	<u><u>\$ 10,953,475.39</u></u>

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

Operating Loss	\$ (60,017,112.09)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,725,418.65
Miscellaneous Nonoperating Income	23,223.73
Changes in Assets and Liabilities:	
Receivables, Net	(552,633.78)
Inventories	23,256.40
Notes Receivable, Net	(4,555.07)
Accounts Payable and Accrued Liabilities	(231,842.22)
US Government Grants Refundable	(5,311.93)
Funds Held for Others	5,077.51
Compensated Absences	1,108,360.99
	<u>1,108,360.99</u>
Net Cash Used by Operating Activities	<u><u>\$ (55,926,117.81)</u></u>

***Central Piedmont Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit A-3***  
***Page 2***

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**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:

Cash and Cash Equivalents	\$ 7,836,395.36
Restricted Cash and Cash Equivalents	<u>3,117,080.03</u>

Total Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 10,953,475.39</u></u>
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**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase in Receivables Related to Nonoperating Income	\$ 18,164,417.95
Capital Asset Write-Offs	364,202.52

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

***Central Piedmont Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2004***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$ 273,479.00
Investments	13,939,926.00
Cash Surrender Value of Life Insurance	234,763.00
Real Estate Held for Resale	9,450.00
Receivables, Net	2,374.00
Pledges Receivable/Promises	4,731,699.00
Property and Equipment, Net	4,262.00
	<hr/>
Total Assets	19,195,953.00

**LIABILITIES**

Accounts Payable and Accrued Expenses	16,281.00
Funds Held for Others	234,763.00
	<hr/>
Total Liabilities	251,044.00

**NET ASSETS**

Unrestricted	2,586,997.00
Temporarily Restricted	7,645,531.00
Permanently Restricted	8,712,381.00
	<hr/>

Total Net Assets	<hr/> <hr/> \$ 18,944,909.00
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See Note 1 in the Notes to the Financial Statements



***Central Piedmont Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenues and Gains:	
Contributions	\$ 328,257.00
Income on Long-Term Investments	95,595.00
Other Investment Income	1,196.00
Net Unrealized and Realized Gains on Long-Term Investments	44,864.00
Other	49,622.00
	<hr/>
Total Unrestricted Revenues and Gains	519,534.00
	<hr/>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	652,306.00
	<hr/>
Total Net Assets Released from Restrictions	652,306.00
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	1,171,840.00
	<hr/>
Expenses and Losses:	
Scholarships	312,460.00
Sponsored Programs	861,939.00
Shared Services	220,000.00
Management and Fund Raising	205,546.00
Administration, Depreciation & Fiduciary Fees	101,027.00
	<hr/>
Total Expenses	1,700,972.00
	<hr/>
Decrease in Unrestricted Net Assets	(529,132.00)
	<hr/>

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	1,760,669.00
Income on Long-Term Investments	223,159.00
Net Unrealized and Realized Gains on Long-Term Investments	1,189,989.00
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(652,306.00)
	<hr/>
Increase in Temporarily Restricted Net Assets	2,521,511.00
	<hr/>

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	1,485,303.00
	<hr/>
Increase in Permanently Restricted Net Assets	1,485,303.00
	<hr/>
Increase in Net Assets	3,477,682.00
Net Assets at Beginning of Year	15,467,227.00
	<hr/>
Net Assets at End of Year	\$ 18,944,909.00
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See Note 1 in the Notes to the Financial Statements

**CENTRAL PIEDMONT 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 Piedmont Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. The College's material component unit is discretely presented in the financial statements. The Discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

**Discretely Presented Component Unit** - Central Piedmont 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 seven-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. 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 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)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Statements, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

Complete financial statements for the Foundation, including financial statement notes, may be obtained from the Central Piedmont Community College Foundation, Inc., PO Box 35009, Charlotte, NC 28235-5009, or by calling (704) 330-6869.

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Receivables** - Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of 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 40 years for general infrastructure, 15 to 40 years for buildings, and 5 to 15 years for equipment.

- H. Restricted Assets** - Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each June 30th or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at June 30th is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned between July 1<sup>st</sup> and June 30th, less the leave taken between July 1st and June 30<sup>th</sup>, and not to exceed 30 days.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. Central Piedmont Community College has Campus Printing as its single internal service. In addition, the College has other miscellaneous sales and service units that operated either 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.

**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 does not revert to the county.

### NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year end, cash on hand was \$17,575.00. The carrying amount of cash on deposit was \$10,935,900.39 and the bank balance was \$13,362,989.22.

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	\$ 5,951,200.88	\$ 5,601,300.88
Cash on Deposit with Private Financial Institutions	4,984,699.51	7,761,688.34
	<u>\$ 10,935,900.39</u>	<u>\$ 13,362,989.22</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, \$7,661,688.34 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 696,424.72	\$ 157,213.72	\$ 539,211.00
Accounts	3,313,094.51		3,313,094.51
<b>Total Current Receivables</b>	<u>\$ 4,009,519.23</u>	<u>\$ 157,213.72</u>	<u>\$ 3,852,305.51</u>

### NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2003	Adjustments	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 11,966,046.09	\$ 3,405,425.14	\$ 0.00	\$ 0.00	\$ 15,371,471.23
Art, Literature, and Artifacts					0.00
Construction in Progress	35,834,033.38	(7,523,773.48)	32,302,895.05		60,613,154.95
<b>Total Capital Assets, Nondepreciable</b>	<u>47,800,079.47</u>	<u>(4,118,348.34)</u>	<u>32,302,895.05</u>		<u>75,984,626.18</u>
Capital Assets, Depreciable:					
Buildings	109,866,220.62	3,968,134.74			113,834,355.36
Machinery and Equipment	12,201,694.25		715,603.46	364,202.52	12,553,095.19
<b>Total Capital Assets, Depreciable</b>	<u>122,067,914.87</u>	<u>3,968,134.74</u>	<u>715,603.46</u>	<u>364,202.52</u>	<u>126,387,450.55</u>
Less Accumulated Depreciation:					
Buildings	22,771,431.55	(150,213.60)	2,748,028.28		25,369,246.23
Machinery and Equipment	7,604,787.23		977,390.37	355,406.23	8,226,771.37
<b>Total Accumulated Depreciation</b>	<u>30,376,218.78</u>	<u>(150,213.60)</u>	<u>3,725,418.65</u>	<u>355,406.23</u>	<u>33,596,017.60</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>91,691,696.09</u>	<u>4,118,348.34</u>	<u>(3,009,815.19)</u>	<u>8,796.29</u>	<u>92,791,432.95</u>
<b>Capital Assets, Net</b>	<u>\$ 139,491,775.56</u>	<u>\$ 0.00</u>	<u>\$ 29,293,079.86</u>	<u>\$ 8,796.29</u>	<u>\$ 168,776,059.13</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Accounts Payable	\$ 3,069,174.09
Accrued Payroll	648,472.58
Contract Retainage	<u>1,482,063.02</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 5,199,709.69</u></b>

### NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 3,706,992.77</u>	<u>\$ 3,587,118.82</u>	<u>\$ 2,478,757.83</u>	<u>\$ 4,815,353.76</u>	<u>\$ 327,925.59</u>

### NOTE 7 - 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	\$ 1,061,249.26
2006	346,230.00
2007	59,860.05
2008	<u>13,072.93</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 1,480,412.24</u></b>

Rental expense for all operating leases during the year was \$1,145,457.34.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>					
Student Tuition and Fees	<u>\$ 16,268,258.90</u>	<u>\$ 0.00</u>	<u>\$ 3,519,715.24</u>	<u>\$ 136,828.15</u>	<u>\$ 12,611,715.51</u>
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 32,664.02	\$ 0.00	\$ 0.00	\$ 0.00	32,664.02
Student Union Services	472,516.15			2,658.07	469,858.08
Bookstore	451,491.00				451,491.00
Parking	1,286,042.12			307.50	1,285,734.62
Other	1,052,726.54			17,152.00	1,035,574.54
Sales and Services of Education and Related Activities	<u>482,597.06</u>	<u>482,597.06</u>			
<b>Total Sales and Services</b>	<u>\$ 3,778,036.89</u>	<u>\$ 482,597.06</u>	<u>\$ 0.00</u>	<u>\$ 20,117.57</u>	<u>\$ 3,275,322.26</u>

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 30,099,817.80	\$ 1,472,993.71	\$ 2,246,919.51	\$ 45,993.69	\$ 0.00	\$ 0.00	\$ 33,865,724.71
Academic Support	5,914,892.25	181,161.74	201,450.21	500.00			6,298,004.20
Student Services	6,276,832.96	325,434.72	390,282.72	106,283.15			7,098,833.55
Institutional Support	8,794,157.43	475,750.40	2,653,808.54	27,513.14			11,951,229.51
Operations and Maint of Plant	2,531,663.04	2,501,250.58	4,849,160.30		2,143,794.50		12,025,868.42
Student Financial Aid			26,506.57	5,625,166.45			5,651,673.02
Auxiliary Enterprises	2,247,388.98	994,981.11	1,834,111.62	26,497.60			5,102,979.31
Other		5,540.47	258,766.53				264,307.00
Depreciation						3,725,418.65	3,725,418.65
<b>Total Operating Expenses</b>	<u>\$ 55,864,752.46</u>	<u>\$ 5,957,112.73</u>	<u>\$ 12,461,006.00</u>	<u>\$ 5,831,954.03</u>	<u>\$ 2,143,794.50</u>	<u>\$ 3,725,418.65</u>	<u>\$ 85,984,038.37</u>

### NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$47,583,797.47, of which \$38,336,052.87 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$2,300,163.17 and \$84,339.32, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$84,339.32, \$0.00, and \$696,244.14, respectively.

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

**B. Deferred Compensation and 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 \$435,774.80 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 \$645,198.23 for the year ended June 30, 2004.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

The College participates in State-administered programs, which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 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 \$1,226,753.69. 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 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officer' 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)**

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

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

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a \$10 million self-insured deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. Losses from the County and Institutional fund paid employees are covered by private insurance. Employee theft per loss carries a deductible of \$2,500 with a limit of \$100,000. Theft, disappearance and destruction (money, securities and other property) a deductible of \$1,000 and a limit of \$10,000, forgery or alteration a \$1,000 deductible with a \$100,000 limit.

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)

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

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

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

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

**A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$22,909,168.60 at June 30, 2004.

**B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization of \$21,429,278.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

- C. CPCC County Construction Bonds** - In 1995, 1997 and 1999 the voters of Mecklenburg County approved the sale of bonds for capital improvements of various entities supported by the County. CPCC was a recipient of a portion of these bond sales. The funds authorized for CPCC are to be used to construct new buildings, to remove and modernize existing buildings at any of its six campuses, and related administrative costs. Based on an official request of cash needs from CPCC, Mecklenburg County authorizes allotments. The College records the allotments as revenue on the accompanying financial statements. In addition, amounts not allotted but accrued as expended at year-end are recorded as revenue. The College's remaining authorization of \$33,869,316.00 is contingent on future bond sales and Mecklenburg County allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements

### NOTE 14 - 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.

### NOTE 15 - NET ASSET RESTATEMENT(S)

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

	<u>Amount</u>
July 1, 2003 Net Assets as Previously Reported	\$ 146,527,721.59
Restatements: Expenses Erroneously Capitalized in the Prior Year	<u>(1,786,142.75)</u>
July 1, 2003 Net Assets as Restated	<u><u>\$ 144,741,578.84</u></u>

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

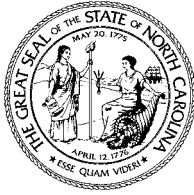
***Schedule 1***

<b>Capital Improvement Projects</b>	<b>Original Projected Start Date</b>	<b>Revised/ Actual Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Original Expected Completion Date</b>	<b>Revised/ Actual Completion Date</b>
<b><i>Projects Approved by the State Board</i></b>									
Central Energy Facility	Apr 2002	Apr 2002	\$ 1,054,000.00	\$ 2,515,000.00	\$ 3,569,000.00	\$ 3,568,213.00	99.98%	Sep 2003	Jul 2004
Northeast Campus Phase I	Nov 2000	Nov 2000	752,000.00	8,500,000.00	9,252,000.00	9,200,406.00	99.44%	Oct 2002	Jul 2004
Sloan-Morgan Renovation	Sep 2000	Sep 2000	4,766,143.00		4,766,143.00	4,578,629.00	96.07%	Apr 2003	Jul 2004
Information Technology Building	Oct 2000	Oct 2001	16,927,960.00		16,927,960.00	13,647,360.00	80.62%	Dec 2003	Aug 2004
West Campus Phase III	Feb 2001	Feb 2001	3,500,000.00	7,671,407.00	11,171,407.00	5,291,451.00	47.37%	Aug 2004	Dec 2004
North Campus Phase III	Sep 2002	Sep 2002	17,900,000.00		17,900,000.00	1,225,757.00	6.85%	May 2004	Dec 2005
Northeast Campus Phase II	Jan 2004	Jan 2004	9,570,000.00		9,570,000.00	245,886.00	2.57%	Sep 2005	Sep 2005
Belk Addition & Renovation	Mar 2004	Sep 2004	2,430,117.00	15,000,000.00	17,430,117.00			Mar 2007	Nov 2006
Van Every Building Reconstruction	Jul 2004	Feb 2005	3,961,434.00		3,961,434.00			Jun 2006	Nov 2006
Central High Exterior Renovation	Sep 2004	Feb 2005	3,000,000.00		3,000,000.00			Nov 2006	Nov 2006
<b>Total All Projects</b>			<u>\$ 63,861,654.00</u>	<u>\$ 33,686,407.00</u>	<u>\$ 97,548,061.00</u>	<u>\$ 37,757,702.00</u>			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.



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

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

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

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Board of Trustees  
Central Piedmont Community College  
Charlotte, North Carolina

We have audited the financial statements of Central Piedmont 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 the Central Piedmont Community College's basic financial statements, and have issued our report thereon dated February 4, 2005. We did not audit the financial statements of Central Piedmont Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Central Piedmont Community College Foundation, Inc., is based on the report of the other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, during the year ended June 30, 2004.

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting

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

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would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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



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

February 4, 2005

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

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Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
President, North Carolina Community College System  
President, Central Piedmont Community College  
Vice President for Administrative Services  
Central Piedmont Community College  
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Central Piedmont Community College

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Mr. James D. Johnson

Director, Fiscal Research Division

May 20, 2005

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