

# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT REVIEW REPORT OF FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE

FAYETTEVILLE, 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**

**FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE**

**FAYETTEVILLE, NORTH CAROLINA**

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

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**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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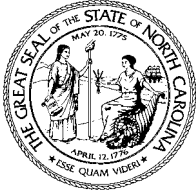
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Leslie W. Merritt, Jr., CPA, CFP  
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**REVIEWER'S TRANSMITTAL**

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

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

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

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

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

*Leslie W. Merritt, Jr.*

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

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Office of the State Auditor

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Fayetteville Technical Community College  
Fayetteville, North Carolina

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

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

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

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

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

*Leslie W. Merritt, Jr.*

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

January 28, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

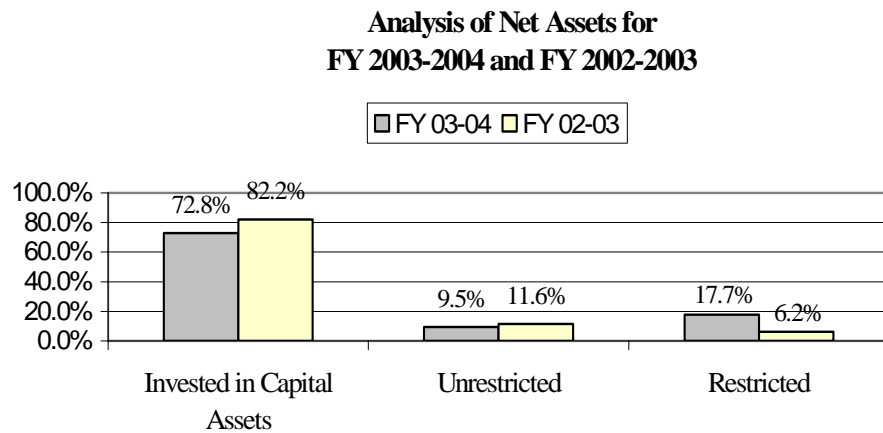
This section of Fayetteville Technical Community College's (FTCC's) Financial Statements presents management's discussion and analysis of the College's financial activity during the fiscal years June 30, 2004, and June 30, 2003. This management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes.

### Using This Annual Report

The new financial statement (implemented in the fiscal year ended June 30, 2002) focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross and the net costs of College activities, which are supported mainly by State funds, county appropriations and other revenues. This approach is intended to summarize and simplify the user's analysis of cost of various College services to students and the public.

### Financial Highlights

As of June 30, 2004, the College's net assets have increased to \$53.7 million from \$42.9 million at June 30, 2003. This increase of \$10.8 million is due primarily to an increase in tuition and investment in capital assets. The tuition rate increased in 2003-2004 approximately 3.6% over 2002-2003 and the enrollment (total FTE) increased approximately 7.9%. Total net assets as of June 30, 2004, consist of invested in capital assets (72.8%), restricted (17.7%) and unrestricted (9.5%). The following is a graphic illustration of net assets.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Current assets decreased as a result of the College reclassifying due from primary government from current assets to noncurrent assets.

As of June 30, 2004, the College had recorded \$57.8 million invested in capital assets, \$18.8 million in accumulated depreciation and \$39.1 million in net capital assets. Library books that had previously been capitalized were expensed at June 30, 2004.

In noncurrent liabilities, long-term liabilities consist of the long-term portion of compensated absences. Additionally in this balance, all full-time employees were granted ten days of bonus leave which with benefits is computed to be \$1,572,402.96. This is the second year that bonus leave has been granted to qualifying employees. Current accounts payable and accrued liabilities increased due to an increase in contracts payable for capital projects. Furthermore, prepaid items decreased due to a cash shortage at the end of the fiscal year. Therefore, since cash was not available, items that had been prepaid in 2003 could not be consistently prepaid in 2004.

### Condensed Statement of Net Assets

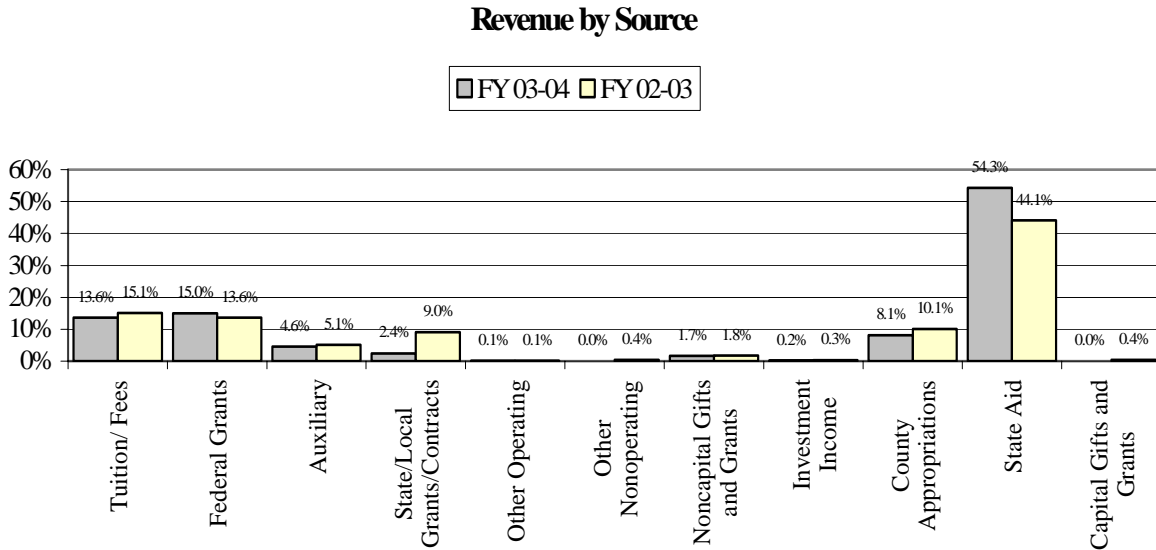
	2004	2003	Increase/ (Decrease)	Percent Change
<b>ASSETS</b>				
Current Assets	\$ 10,460,234.23	\$ 10,587,542.73	\$ (127,308.50)	(1.20%)
Noncurrent Assets:				
Capital	39,080,992.63	35,268,619.68	3,812,372.95	10.81%
Other	9,379,666.31	66,503.60	9,313,162.71	14,004.00%
<b>Total Assets</b>	<u>58,920,893.17</u>	<u>45,922,666.01</u>	<u>12,998,227.16</u>	<u>28.30%</u>
<b>LIABILITIES</b>				
Current Liabilities	1,365,035.34	977,236.39	387,798.95	39.68%
Noncurrent Liabilities	3,867,182.06	2,060,751.77	1,806,430.29	87.66%
<b>Total Liabilities</b>	<u>5,232,217.40</u>	<u>3,037,988.16</u>	<u>2,194,229.24</u>	<u>72.23%</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	39,080,992.63	35,268,619.68	3,812,372.95	10.81%
Restricted for:				
Scholarships	11,527.11	10,904.01	623.10	5.71%
Loans	213,731.56	229,699.10	(15,967.54)	(6.95%)
Capital Projects	9,214,902.40	2,339,100.77	6,875,801.63	293.95%
Other	60,608.13	61,465.26	(857.13)	(1.39%)
Unrestricted	5,106,913.94	4,974,889.03	132,024.91	2.65%
<b>Total Net Assets</b>	<u>\$ 53,688,675.77</u>	<u>\$ 42,884,677.85</u>	<u>\$ 10,803,997.92</u>	<u>25.19%</u>

Operating revenues at June 30, 2004, included an increase in the federal Pell grant program servicing 4,265 students. The number of Pell students in 2003-2004 increased by 25.4% over the 2002-2003 fiscal year. The Pell award increased 34.6% over the previous year, going from \$7.8 million in 2002-2003 to \$10.5 million in 2003-2004. State and local grants and contracts decreased primarily as the result of the College reclassifying revenue received for construction projects to the State capital aid account. Tuition and fees revenues are net of scholarship allowances in compliance with the implementation of GASB Statements

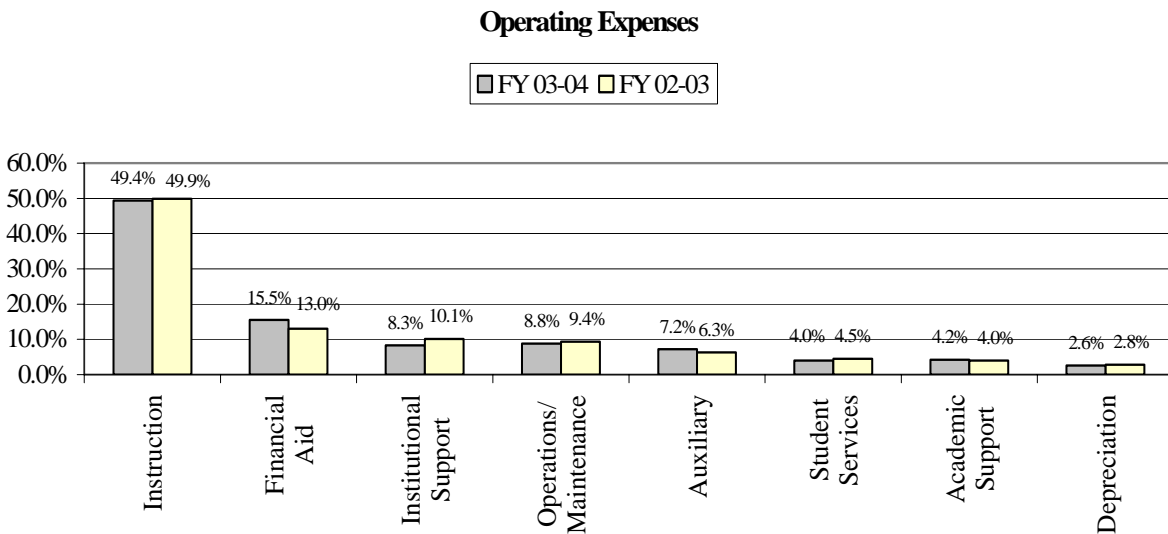


## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

No. 34 & 35 and increased from \$34.25 to \$35.50 per credit hour for in-State students and from \$190.75 to \$197.00 per credit hour for out-of-State students. The following is a graphic illustration of revenues by source.



Operating expenses at June 30, 2004, increased over the same period in fiscal year 2003. This increase was caused primarily by an increase in salaries and benefits (2.4%), supplies and materials (18.2%), and scholarships (16.0%). These increases were due to an increase in enrollment and higher faculty/staff salaries. All full-time employees received a 2% permanent raise and a bonus. The following is a graphic illustration of operating expenses.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total operating expenses at June 30, 2004, were \$62,253,553.04. At June 2003 they were \$58,568,205.60, resulting in a 6.3% increase from the 2003 to 2004 fiscal year.

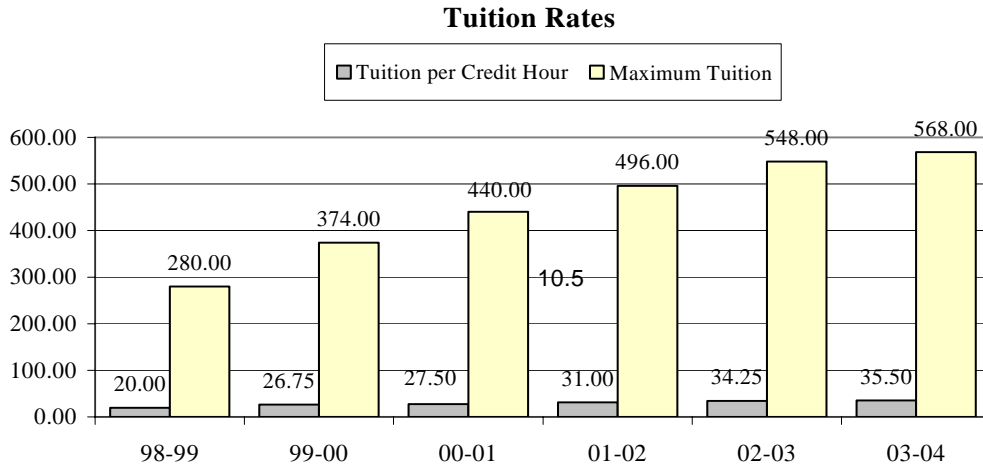
### Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2004	2003	Increase/ (Decrease)	Percent Change
<b>OPERATING REVENUES:</b>				
Tuition and Fees	\$ 9,903,067.89	\$ 9,211,979.15	\$ 691,088.74	7.50%
Grants and Contracts	12,759,765.52	13,862,602.34	(1,102,836.82)	(7.96%)
Sales and Services	3,387,485.39	3,103,562.81	283,922.58	9.15%
Other Operating Revenues	36,159.45	39,206.05	(3,046.60)	(7.77%)
<b>Total Operating Revenues</b>	<b>26,086,478.25</b>	<b>26,217,350.35</b>	<b>(130,872.10)</b>	<b>(0.50%)</b>
<b>OPERATING EXPENSES</b>				
	62,253,553.04	58,568,205.60	3,685,347.44	6.29%
<b>Operating Loss</b>	<b>(36,167,074.79)</b>	<b>(32,350,855.25)</b>	<b>(3,816,219.54)</b>	<b>11.80%</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State Aid	26,016,323.73	25,778,636.24	237,687.49	0.92%
County Appropriations	5,891,481.00	5,775,962.00	115,519.00	2.00%
Noncapital Grants and Gifts	1,232,876.39	1,260,148.73	(27,272.34)	(2.16%)
Investment Income	141,681.47	218,407.37	(76,725.90)	(35.13%)
Other Nonoperating Revenues (Expenses)	8,674.49	(268,652.17)	277,326.66	(103.23%)
<b>Total Nonoperating Revenues</b>	<b>33,291,037.08</b>	<b>32,764,502.17</b>	<b>526,534.91</b>	<b>1.61%</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(2,876,037.71)	413,646.92	(3,289,684.63)	(795.29%)
State Capital Aid	13,668,135.38	1,212,246.97	12,455,888.41	1027.50%
County Capital Appropriations	10,616.00	504,440.17	(504,440.17)	(100.00%)
Capital Gifts	1,284.25	295,841.00	(285,225.00)	(96.41%)
Additions to Endowments	1,284.25	2,183.70	(899.45)	(41.19%)
<b>Total Other Revenues</b>	<b>13,680,035.63</b>	<b>2,014,711.84</b>	<b>11,665,323.79</b>	<b>579.01%</b>
<b>Total Increase in Net Assets</b>	<b>10,803,997.92</b>	<b>2,428,358.76</b>	<b>8,375,639.16</b>	<b>344.91%</b>
<b>NET ASSETS</b>				
Beginning of Year	42,884,677.85	40,456,319.09	2,428,358.76	6.00%
Ending of Year	<b>\$ 53,688,675.77</b>	<b>\$ 42,884,677.85</b>	<b>\$ 10,803,997.92</b>	<b>25.19%</b>

As the State's economy takes a downturn and a search for increased revenues continues, the General Assembly increased the State tuition for in-State students for Fall 2003 from \$34.25 per credit hour to \$35.50 per credit hour, a 3.6% increase. The out-of-State tuition changed from \$190.75 per credit hour to \$197.00 per credit hour, a 3.3% increase. Over the last three years, the State tuition has increased approximately 29.09%. Over the last five years, tuition has increased approximately 77.5%.

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

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As was mentioned previously, the College receives funding from county and State sources. County appropriations increased from \$5,775,962.00 in 2002-2003 to \$5,891,481.00 in 2003-2004, a 2.0% increase. The capital outlay budget for 2002-2003 was \$504,440.17 and \$500,000.00 was awarded in 2003-2004. The amount awarded in 2003-2004 was not recognized as revenue at June 30, 2004, because a contract for the expense was not yet awarded.

The FTEs that generate the College's State budget (budget FTEs) increased overall from 2002-2003 to 2003-2004:

	<u>2003-2004</u>	<u>2002-2003</u>	<u>% Increase (Decrease)</u>
Curriculum	\$ 6,848	\$ 6,426	6.57%
Occupational Extension	1,318	1,280	2.97%
Basic Skills	<u>1,000</u>	<u>911</u>	9.77%
Total	<u>\$ 9,166</u>	<u>\$ 8,617</u>	6.37%

Along with the increased budget FTEs, the headcount or enrollment for 2003-2004 also increased. The headcount for Fall 2002 per December count was 9,462 and in 2003 the headcount was 10,142, a 7.2% increase. At the June 2004 graduation, 993 students graduated, an increase of 50 over the previous year. To add to the difficult situation of funding education for more students with less budget, the State required the colleges to revert 3% of their individual college's budget. For FTCC this amount was \$901,232. All colleges were requested to hold 4.5% for possible reversions. Even though the remaining 1.5% was not formally reverted, monthly cash certifications were reduced.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

During the past year, FTCC served over 15,033 curriculum students (unduplicated), an increase of 8.1%. New programs offered in the 2003-2004 year were Biotechnology, Community Spanish Interpreter, Information Systems Security, and Building Construction Technology.

FTCC continues to promote the advancement of technology in the classroom to prepare students for the future. The distance learning program enables students to take online courses anytime and anywhere using the Internet. FTCC served a total of 16,491 students (duplicated) at a distance in 2003-2004, an increase of 30.5% over 2002-2003. 15,051 curriculum students (duplicated) took online courses and 576 continuing education students (duplicated) participated in online occupational extension courses.

Furthermore, the state of the economy reflected by unemployment rates in Cumberland and surrounding counties has a direct relationship to the increased enrollment. The county as well as the State is beginning to see recovery in its economy. The following information reflects the unemployment rates in Cumberland County.

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>
January	5.1%	6.7%	5.9%	5.1%
February	5.5%	6.5%	5.5%	5.1%
March	5.0%	6.9%	5.3%	4.2%
April	4.9%	6.3%	5.3%	4.1%
May	5.0%	6.8%	5.1%	4.4%
June	5.7%	6.8%	6.0%	4.9%

As the College enrollment grows, so do its facilities to accommodate our students. The Spring Lake Center will be the newest addition to Fayetteville Technical Community College and will provide services to students at Fort Bragg, Pope Air Force Base, and the northern part of Cumberland County. The 69,973 square foot two-story building will house classrooms, labs, shops, faculty and administrative offices to accommodate both Curriculum and Continuing Education students. The groundbreaking took place on September 8, 2002. This multi-use education facility will replace the current leased properties in Spring Lake and surrounding areas. The facility will be funded from \$7 million of State Bond Funds, \$509,286 of County Capital Funds (HUD Funding) and \$598,729 of Institutional Funds. The project will be completed in the 2004-2005 fiscal year with the dedication scheduled for fall 2004. Classes will begin in this location in the fall of 2004.

The Virtual College Center will be built in response to the fast-paced changes in technology. The 48,000 square foot center will meet the economic growth needs of our region as well as reinforce the College's future growth in technology and education. The groundbreaking was held on May 17, 2004, and is scheduled for completion in the summer of 2005.

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

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The Cape Fear Botanical Gardens will house an on-site laboratory for FTCC's Horticulture Technology Program. The 22,536 square foot center will provide for on-site student training needs while simultaneously maintaining the garden and serving the community. The groundbreaking was held on March 14, 2004, and is scheduled for completion in the spring of 2005.

FTCC purchased the Fayetteville YMCA facilities in March 2003 for \$1.7 million. This 47,505 square foot facility on 5.97 acres will be used for instructional classrooms and faculty offices. Renovations took place in the summer of 2004 and classes will be held in the fall of 2004.

Additionally, at the July 19, 2002, State Board of Community Colleges Board meeting, the Board approved Project #1131 – Horace Sisk and Lafayette Hall Classroom Building Renovations. The estimated cost of this project is \$3,402,185 and the funding source will be State Bond Renovation monies. The completion of this project is scheduled for the summer of 2005.

The State Board of Community Colleges also approved Project #1211 – Central Mechanical Replacement – Horace Sisk Building. This mechanical replacement project is taking place concurrently with Project #1131, discussed above. The estimated cost of this project is \$1,581,100. This project is funded with \$1,259,969 from County Capital funds and \$321,131 from State Bond Renovation funds. This project is scheduled for completion in the fall of 2005.

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

## Current Assets:

Cash and Cash Equivalents	\$	7,894,614.70
Restricted Cash and Cash Equivalents		81,439.83
Receivables (Note 4)		1,902,364.66
Inventories		467,436.53
Prepaid Items		92,898.43
Notes Receivable, Net (Note 4)		21,480.08
<b>Total Current Assets</b>		<b>10,460,234.23</b>

## Noncurrent Assets:

Restricted Cash and Cash Equivalents		1,475,070.62
Restricted Due From Primary Government		7,904,595.69
Capital Assets - Nondepreciable (Note 5)		11,089,715.58
Capital Assets - Depreciable, Net (Note 5)		27,991,277.05
<b>Total Noncurrent Assets</b>		<b>48,460,658.94</b>
<b>Total Assets</b>		<b>58,920,893.17</b>

**LIABILITIES**

## Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)		1,013,610.08
Deferred Revenue		107,428.19
Funds Held for Others		78,286.32
Long-Term Liabilities - Current Portion (Note 7)		165,710.75
<b>Total Current Liabilities</b>		<b>1,365,035.34</b>

## Noncurrent Liabilities:

Funds Held for Others		1,360,138.78
Long-Term Liabilities (Note 7)		2,507,043.28
<b>Total Noncurrent Liabilities</b>		<b>3,867,182.06</b>
<b>Total Liabilities</b>		<b>5,232,217.40</b>

**NET ASSETS**

Invested in Capital Assets		39,080,992.63
Restricted for:		
Nonexpendable:		
Other		39,050.00
Expendable:		
Scholarships and Fellowships		11,527.11
Loans		213,731.56
Capital Projects		9,214,902.40
Other		21,558.13
Unrestricted		5,106,913.94
<b>Total Net Assets</b>	<b>\$</b>	<b>53,688,675.77</b>

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

<b>Fayetteville Technical 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)	\$	9,903,067.89
Federal Grants and Contracts		10,972,549.96
State and Local Grants and Contracts		1,787,215.56
Sales and Services, Net (Note 9)		3,387,485.39
Other Operating Revenues		36,159.45
Total Operating Revenues		26,086,478.25
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits		36,264,819.21
Supplies and Materials		8,324,828.22
Services		4,230,100.24
Scholarships and Fellowships		10,836,327.66
Utilities		947,884.89
Depreciation		1,649,592.82
Total Operating Expenses		62,253,553.04
Operating Loss		(36,167,074.79)
<b>NONOPERATING REVENUES</b>		
State Aid		26,016,323.73
County Appropriations		5,891,481.00
Noncapital Grants		1,125,161.55
Noncapital Gifts		107,714.84
Investment Income		141,681.47
Other Nonoperating Revenues		8,674.49
Net Nonoperating Revenues		33,291,037.08
Loss Before Other Revenues, Expenses, Gains, and Losses		(2,876,037.71)
State Capital Aid		13,668,135.38
Capital Gifts		10,616.00
Additions to Endowments		1,284.25
Increase in Net Assets		10,803,997.92
<b>NET ASSETS</b>		
Net Assets, July 1, 2003		42,884,677.85
Net Assets, June 30, 2004	\$	53,688,675.77
The accompanying notes to the financial statements are an integral part of this statement.		

**Fayetteville Technical 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	\$ 25,968,142.07
Payments to Employees and Fringe Benefits	(35,582,611.49)
Payments to Vendors and Suppliers	(13,469,554.22)
Payments for Scholarships and Fellowships	(10,836,327.66)
Loans Issued to Students	(205,686.29)
Collection of Loans to Students	199,448.43
Other Receipts	1,414,334.30
Net Cash Used by Operating Activities	(32,512,254.86)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	26,016,323.73
County Appropriations	5,891,481.00
Noncapital Grants Received	1,125,161.55
Noncapital Gifts and Endowments Received	164,410.89
Net Cash Provided by Noncapital Financing Activities	33,197,377.17

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

State Capital Aid Received	13,668,135.38
Capital Gifts Received	10,616.00
Proceeds from Sale of Capital Assets	4,861.02
Acquisition and Construction of Capital Assets	(12,737,082.71)
Net Cash Provided by Capital and Related Financing Activities	946,529.69

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	141,681.47
Net Increase in Cash and Cash Equivalents	1,773,333.47
Cash and Cash Equivalents, July 1, 2003	7,677,791.68
Cash and Cash Equivalents, June 30, 2004	\$ 9,451,125.15

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

Operating Loss	\$ (36,167,074.79)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,649,592.82
Provision for Uncollectible Loans and Write-Offs	20,011.33
Miscellaneous Nonoperating Income	3,813.47
Changes in Assets and Liabilities:	
Receivables	(118,336.18)
Inventories	(39,539.43)
Prepaid Items	85,083.65
Notes Receivable, Net	(6,237.86)
Accounts Payable and Accrued Liabilities	45,132.45
Funds Held for Others	1,410,520.83
Compensated Absences	604,778.85
Net Cash Used by Operating Activities	\$ (32,512,254.86)



<b><i>Fayetteville Technical Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit A-3</i></b>
<b><i>For the Fiscal Year Ended June 30, 2004</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 7,894,614.70
Restricted Cash and Cash Equivalents		81,439.83
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,475,070.62
Total Cash and Cash Equivalents - June 30, 2004		<u>\$ 9,451,125.15</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Assets Acquired through Assumption of a Liability		\$ 35,899.29
Capital Asset Write-Offs		352,358.99
The accompanying notes to the financial statements are an integral part of this statement.		

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**FAYETTEVILLE TECHNICAL 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. Fayetteville Technical Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 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 shown at book value with no provision for doubtful accounts considered necessary. Notes receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 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 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 – 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

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

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

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

**N. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores. 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

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

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operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

**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 \$3,780.00. The carrying amount of cash on deposit was \$9,447,345.15 and the bank balance was \$10,220,443.64.

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
	<u>                    </u>	<u>                    </u>
Cash on Deposit with State Treasurer	\$ 5,129,790.56	\$ 5,129,790.56
Cash on Deposit with Private Financial Institutions	<u>4,317,554.59</u>	<u>5,090,653.08</u>
	<u>\$ 9,447,345.15</u>	<u>\$ 10,220,443.64</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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Of the cash on deposit with private financial institutions at June 30, 2004, \$200,000.00 of the bank balance was covered by federal depository insurance, and \$4,890,653.08 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

### **NOTE 3 - DONOR RESTRICTED ENDOWMENTS**

The College’s endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool and are reported as restricted cash and cash equivalents – noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the assets of the endowment funds. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2004, net appreciation of \$1,284.25 was available to be spent, all of which was restricted to specific purposes.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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	\$ 435,469.53	\$ 0.00	\$ 435,469.53
Accounts	235,560.47		235,560.47
Intergovernmental	1,181,513.58		1,181,513.58
Investment Earnings	12,147.49		12,147.49
Other	37,673.59		37,673.59
<b>Total Current Receivables</b>	<b>\$ 1,902,364.66</b>	<b>\$ 0.00</b>	<b>\$ 1,902,364.66</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 891.15	\$ 891.15	\$ 0.00
Institutional Student Loan Programs	61,730.73	40,250.65	21,480.08
<b>Total Notes Receivable - Current</b>	<b>\$ 62,621.88</b>	<b>\$ 41,141.80</b>	<b>\$ 21,480.08</b>

### 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
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 2,045,492.73	\$ 0.00	\$ 0.00	\$ 2,045,492.73
Construction in Progress	4,186,838.96	4,857,383.89		9,044,222.85
<b>Total Capital Assets, Nondepreciable</b>	<b>6,232,331.69</b>	<b>4,857,383.89</b>		<b>11,089,715.58</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	36,939,363.99			36,939,363.99
Machinery and Equipment	8,553,335.48	615,068.05	352,358.99	8,816,044.54
General Infrastructure	1,003,021.12			1,003,021.12
<b>Total Capital Assets, Depreciable</b>	<b>46,495,720.59</b>	<b>615,068.05</b>	<b>352,358.99</b>	<b>46,758,429.65</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	11,093,262.45	874,123.07		11,967,385.52
Machinery and Equipment	5,589,583.47	686,563.07	341,872.82	5,934,273.72
General Infrastructure	776,586.68	88,906.68		865,493.36
<b>Total Accumulated Depreciation</b>	<b>17,459,432.60</b>	<b>1,649,592.82</b>	<b>341,872.82</b>	<b>18,767,152.60</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>29,036,287.99</b>	<b>(1,034,524.77)</b>	<b>10,486.17</b>	<b>27,991,277.05</b>
<b>Capital Assets, Net</b>	<b>\$ 35,268,619.68</b>	<b>\$ 3,822,859.12</b>	<b>\$ 10,486.17</b>	<b>\$ 39,080,992.63</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 498,149.50
Accrued Payroll	220,702.49
Contract Retainage	267,762.04
Other	26,996.05
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,013,610.08</b>

### 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	\$ 2,067,975.18	\$ 1,930,304.20	\$ 1,325,525.35	\$ 2,672,754.03	\$ 165,710.75

### NOTE 8 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$64,620.00.

### NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 12,635,009.48	\$ 0.00	\$ 2,731,941.59	\$ 9,903,067.89
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 348,474.07	\$ 0.00	\$ 0.00	\$ 348,474.07
Bookstore	4,019,543.39	14,269.21	1,629,721.01	2,375,553.17
Other	639,825.32			639,825.32
Sales and Services of Educational and Related Activities	23,632.83			23,632.83
<b>Total Sales and Services</b>	\$ 5,031,475.61	\$ 14,269.21	\$ 1,629,721.01	\$ 3,387,485.39

## 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	\$ 26,058,642.80	\$ 2,163,135.35	\$ 1,190,195.78	\$ 1,324,616.77	\$ 0.00	\$ 0.00	\$ 30,736,590.70
Academic Support	951,196.72	1,569,332.35	125,177.53				2,645,706.60
Student Services	2,236,722.24	135,493.15	103,822.80				2,476,038.19
Institutional Support	3,261,943.31	830,850.49	1,075,903.19				5,168,696.99
Operations and Maintenance of Plant	2,709,583.51	272,282.63	1,528,329.88		947,884.89		5,458,080.91
Student Financial Aid	128,144.72		20,011.33	9,511,710.89			9,659,866.94
Auxiliary Enterprises	918,585.91	3,353,734.25	186,659.73				4,458,979.89
Depreciation						1,649,592.82	1,649,592.82
Total Operating Expenses	<u>\$ 36,264,819.21</u>	<u>\$ 8,324,828.22</u>	<u>\$ 4,230,100.24</u>	<u>\$ 10,836,327.66</u>	<u>\$ 947,884.89</u>	<u>\$ 1,649,592.82</u>	<u>\$ 62,253,553.04</u>

### NOTE 11 - PENSION PLANS

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

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

For the year ended June 30, 2004, the College had a total payroll of \$31,144,746.76, of which \$26,368,027.05 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$1,582,085.98 and \$58,009.66, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$58,009.66, \$0.00, and \$495,919.62, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. The voluntary contributions by employees amounted to \$574,245.00 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 \$171,487.04 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 \$843,776.87. 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*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 directly from county or institutional funds by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

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 \$12,734,811.59 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$22,890,756.00 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 - FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC.**

The Fayetteville Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$184,852.12 for the year ended June 30, 2004.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 16 - 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.



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

**Schedule 1**

	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
<b>Capital Improvement Projects</b>									
<i>Projects Approved by the State Board</i>									
Spring Lake - Multi-Use Educational Building	Nov 2000	Nov 2000	\$ 7,000,000.00	\$ 1,108,015.00	\$ 8,108,015.00	\$ 7,580,473.25	93.49%	Apr 2004	Oct 2004
Horticulture Complex at Cape Fear Botanical Garden	Nov 2001	Nov 2001	2,430,349.00	800,000.00	3,230,349.00	335,068.99	10.37%	Oct 2004	May 2005
Purchase Land Along Fort Bragg Road	Mar 2003	Mar 2003	600,000.00	1,100,000.00	1,700,000.00	1,700,000.00	100.00%	Mar 2003	Mar 2003
Renovate Horace Sisk / LaFayette Hall	Apr 2002	Apr 2002	3,402,185.00		3,402,185.00	311,470.38	9.16%	Nov 2004	Jul 2005
Virtual College Center	Nov 2002	Nov 2002	6,000,000.00		6,000,000.00	444,462.35	7.41%	May 2005	Aug 2005
Horace Sisk Boiler Chiller Replacement	Apr 2002	Apr 2002	321,131.00	1,259,969.00	1,581,100.00	93,929.67	5.94%	Jul 2005	Oct 2005
<i>Projects Pending Approval by the State Board</i>									
General Classroom Building	Jan 2005	Jul 2005	10,500,000.00		10,500,000.00				
Purchase Land Along Fort Bragg Road	Jan 2006	Jan 2006	737,509.00		737,509.00			Dec 2004	Dec 2004
Renovate Student Center and Administration Buildings	Jul 2004	Jan 2005	2,000,000.00		2,000,000.00				
Bundled Repair and Renovation Projects	Jul 2004	Oct 2004	5,500,000.00		5,500,000.00			Jun 2006	Jun 2006
<b>Total All Projects</b>			<b>\$ 38,491,174.00</b>	<b>\$ 4,267,984.00</b>	<b>\$ 42,759,158.00</b>	<b>\$ 10,465,404.64</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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Lieutenant Governor of North Carolina  
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State Budget Officer  
State Controller  
President, North Carolina Community College System  
President, Fayetteville Technical Community College  
Vice President for Financial Services,  
Fayetteville Technical Community College  
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Fayetteville Technical Community College

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Director, Fiscal Research Division

March 11, 2005

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