



# STATE OF NORTH CAROLINA

**CENTRAL CAROLINA COMMUNITY COLLEGE**

**SANFORD, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**CENTRAL CAROLINA COMMUNITY COLLEGE**

**SANFORD, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**DR. R. SCOTT RALLS, PRESIDENT**

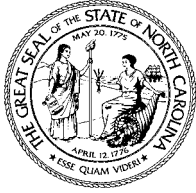
**BOARD OF TRUSTEES**

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**ADMINISTRATIVE OFFICERS**

**DR. T. ESTON MARCHANT, PRESIDENT**

**WAYNE ROBINSON, VICE PRESIDENT FOR ADMINISTRATIVE SERVICES**



**Beth A. Wood, CPA**  
State Auditor

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

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
Board of Trustees, Central Carolina Community College

We have completed a financial statement audit of Central Carolina Community College for the year ended June 30, 2012, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Central Carolina Community College  
Sanford, North Carolina

We have audited the accompanying financial statements of Central Carolina Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the 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 Carolina Community College Foundation, Inc., 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 opinions, insofar as they relate to the amounts included for that entity, are 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 Carolina 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 the 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 Carolina Community College and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and 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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In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013 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, grant agreements, and other matters. The purpose of that 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Beth A. Wood, CPA  
State Auditor

February 18, 2013

**CENTRAL CAROLINA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Purpose**

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

**Overview of the Financial Statements**

Central Carolina Community College's discussion and analysis provides a summary of the College's financial statements and a comparison of prior year information. Based on the Governmental Accounting Standards Board Statement No. 34 and Statement No. 35, the College reports as a business type entity. Under this option, the College presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this option are the following: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and Notes to the Financial Statements.

**Institutional Assets**

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, and inventories. While the overall cash status of the College remained basically the same from fiscal year 2011 to fiscal year 2012 (\$3,853,627.83 as compared to \$3,864,106.08), cash presentation changed with an increase in current cash and a decrease in noncurrent cash. Current cash increased due to the increase in the cash balances of several of the College's student fee accounts. Net receivables decreased from the prior year mainly due to the write-off of old student receivables during the 2011-2012 fiscal year. The amount due from state of NC component units at fiscal year end 2011 was a grant from Golden Leaf which was received during fiscal year 2012. Inventories remained basically the same from the prior fiscal year.

<b>Current Assets</b>	2012	2011	Difference
Cash	\$ 3,684,233.81	\$ 3,304,204.62	\$ 380,029.19
Receivables, Net	269,756.61	460,123.55	(190,366.94)
Due from State of NC Component Units		100,000.00	(100,000.00)
Inventories	278,500.19	254,506.60	23,993.59
Total Current Assets	\$ 4,232,490.61	\$ 4,118,834.77	\$ 113,655.84

Noncurrent assets include cash, due from state of NC component units, due from primary government for construction projects, and capital assets. Noncurrent cash at year end was significantly lower than the prior year cash balance due to purchasing Caterpillar training equipment (\$358,130.40) associated with the Golden Leaf capital grant - Project Butterfly.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Due from primary government increased in 2012 over the prior year due to the College transferring state equipment funding (\$800,000.00) from the 2011-2012 state budget allocation to state construction Project 1908 (renovations for the Lee Main Campus). The \$800,000.00 had not been expended as of June 30, 2012. During 2012, the College deeded the old Siler City Center back to Chatham County resulting in a decrease to capital assets in the amount of \$215,867.00. The College no longer needed the old Siler City Center for classroom or office space due to the opening of the new Siler City Center in 2011. In addition, the College booked equipment disposals of \$279,704.47 during 2012.

<b>Noncurrent Assets</b>	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Restricted Cash	\$ 179,872.27	\$ 549,423.21	\$ (369,550.94)
Restricted Due from Primary Government	800,002.13	26,303.13	773,699.00
Due from State of NC Component Units	89,532.60	89,532.60	
Capital Assets, Net	<u>40,666,170.83</u>	<u>41,357,588.08</u>	<u>(691,417.25)</u>
<b>Total Noncurrent Assets</b>	<u>\$ 41,735,577.83</u>	<u>\$ 42,022,847.02</u>	<u>\$ (287,269.19)</u>

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
<b>Total Assets</b>	<u>\$ 45,968,068.44</u>	<u>\$ 46,141,681.79</u>	<u>\$ (173,613.35)</u>

### **Institutional Liabilities**

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. Current liabilities increased in 2012 primarily due to an increase in the current portion associated with compensated absences (\$615,366.44 in 2012 as compared to \$337,102.51 in 2011). The increase in the current portion of compensated absences is due to an increase in leave taken by employees as compared to prior year which also corresponds to the \$532,211.55 decrease in the long-term portion. A \$140,506.61 decrease in the capital lease liability also accounted for the overall decrease in long-term liabilities as shown.

<b>Liabilities</b>	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Current	\$ 1,282,732.82	\$ 918,269.93	\$ 364,462.89
Long-Term	<u>1,989,581.05</u>	<u>2,662,299.20</u>	<u>(672,718.15)</u>
<b>Total Liabilities</b>	<u>\$ 3,272,313.87</u>	<u>\$ 3,580,569.13</u>	<u>\$ (308,255.26)</u>

### **Net Assets**

Net Assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. Significant changes in the College's net assets included a decrease in invested in capital assets due to the disposal of equipment and the old Siler City Center and



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

an increase in capital projects due to the funding allotted for Project 1908: Lee Main Campus Renovations.

Net Assets	2012	2011	Difference
Invested in Capital Assets, Net	\$ 40,265,863.22	\$ 40,822,274.22	\$ (556,411.00)
Restricted for Expendable:			
Scholarships and Fellowships	7,176.96	3,731.51	3,445.45
Loans	5,491.26	5,453.45	37.81
Capital Projects	1,068,365.81	602,286.11	466,079.70
Restricted for Specific Programs	166,732.88	183,229.73	(16,496.85)
Other	21,792.46	3,908.32	17,884.14
Unrestricted	1,160,331.98	940,229.32	220,102.66
Total Net Assets	<u>\$ 42,695,754.57</u>	<u>\$ 42,561,112.66</u>	<u>\$ 134,641.91</u>

### Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, state and local grants and contracts (excluding student financial aid, which is classified as nonoperating), and the revenue received from sales and services, principally comprised of the revenue received from the daycare, vending, and rental of the Civic Center. The increase in student tuition can be attributed to the increase in tuition from \$56.50 per credit hour in 2010-2011 to \$66.50 per credit hour in 2011-2012. The decrease associated with state and local grants and contracts can be attributed to the decrease in receipt of state energy grant funds (\$45,897.16 less than prior year), Energy CIP funds (\$74,085.25 less than prior year), and the discontinuance of the Lee Early College Grant (received \$60,000.00 in prior year). Sales and services revenue decreased primarily due to decreased bookstore revenues since the lease of the College's bookstore to Follett Bookstores. Based on contract terms with Follett Bookstores, the College is still responsible for collections on bookstore account sales.

Operating Revenues	2012	2011	Difference
Student Tuition and Fees, Net	\$ 4,489,820.40	\$ 4,143,280.68	\$ 346,539.72
State/Local Grants and Contracts	78,536.39	379,309.54	(300,773.15)
Sales and Services, Net	532,932.51	883,172.68	(350,240.17)
Other Operating Revenues	3,914.48	4,632.91	(718.43)
Total Operating Revenues	<u>\$ 5,105,203.78</u>	<u>\$ 5,410,395.81</u>	<u>\$ (305,192.03)</u>

Nonoperating revenues comprise the major portion of the College's income and include state funds allocated to the College based on the FTE (full-time equivalent) formula budget computation from the North Carolina State Board of Community Colleges for current expenses, equipment, and capital improvements. The decrease in state aid is attributed primarily to the decrease in supplies and materials expenditures by the College as evidenced by the decrease shown in the table below. County appropriations changed slightly over prior year. Changes by county are as follows: Lee County, increase of less than 4%; Chatham County, increase of 6.8%; and Harnett County, decrease of 6.0%. County increases were due mainly to cover increased costs in maintenance expenses and utilities. Student financial aid

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

decreased significantly due to the decrease in students enrolled. Likewise, noncapital grants consisting of state scholarships and grants decreased due to decreased student enrollment and less state funding available. Investment income dropped due to the decrease in the interest percentage earned in the College's STIF account.

Nonoperating Revenues	2012	2011	Difference
State Aid	\$ 22,603,601.61	\$ 23,130,420.94	\$ (526,819.33)
County Appropriations	3,855,383.90	3,679,094.04	176,289.86
Noncapital Grants - Student Financial Aid	8,211,957.89	8,987,800.77	(775,842.88)
Noncapital Grants	3,277,735.45	4,327,394.62	(1,049,659.17)
Investment Income	24,555.64	30,027.16	(5,471.52)
Other Nonoperating Revenues	11,304.00	11,304.00	
<b>Total Nonoperating Revenues</b>	<b>\$ 37,984,538.49</b>	<b>\$ 40,166,041.53</b>	<b>\$ (2,181,503.04)</b>

### Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits. The State Legislature mandated that the salaries in place during fiscal year 2010-2011 remain in effect for 2011-2012 with limited exceptions. Supplies and materials expense decreased primarily due to less funds available for equipment purchases as compared to prior year and purchasing restrictions imposed by the State. The College also set aside funds for a possible reversion during the year. Services expense decreased primarily due to a decrease in contract payments made by the Workforce Investment Act (WIA) grant in the amount of \$356,160.96. The grant contracts with agencies outside the College to provide worker training services for adult, youth, and dislocated worker populations. Scholarships and fellowships expense decreased due to the decreased student enrollment.

Operating Expenses	2012	2011	Difference
Salaries and Benefits	\$ 28,141,911.47	\$ 28,220,400.37	\$ (78,488.90)
Supplies and Materials	3,117,420.51	5,530,393.67	(2,412,973.16)
Services	5,526,921.90	5,915,491.13	(388,569.23)
Scholarships and Fellowships	6,293,705.98	7,306,468.03	(1,012,762.05)
Utilities	769,307.82	877,877.01	(108,569.19)
Depreciation	1,336,195.03	1,450,659.46	(114,464.43)
<b>Total Operating Expenses</b>	<b>\$ 45,185,462.71</b>	<b>\$ 49,301,289.67</b>	<b>\$ (4,115,826.96)</b>

### Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under the FTE formula allocation for educational equipment and instructional resources. County capital appropriations provided to the College by the three counties served is primarily approved for the construction of new facilities at the campuses. The significant decrease in county capital aid is due to only \$117,446.09 in reimbursements to the College from Chatham County for the construction of the Siler City Center, as opposed to

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

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\$1,698,005.46 in the prior fiscal year. The College received \$512,781.29 less for state capital certification during the 2011-2012 fiscal year.

<b>Capital Contributions</b>	2012	2011	Difference
State Capital Aid	\$ 1,898,652.26	\$ 2,411,433.55	\$ (512,781.29)
County Capital Aid	325,710.09	1,981,837.42	(1,656,127.33)
Capital Gifts	6,000.00	10,000.00	(4,000.00)
Total Capital Contributions	\$ 2,230,362.35	\$ 4,403,270.97	\$ (2,172,908.62)

**Economic Forecast**

The economic future of Central Carolina Community College has been very much affected by the recent economic downturns in the national, state, and local economies. However, state legislative appropriations for the NC Community College System have been maintained at a consistent level. Salary increases have not been funded in the past three years, but the 2012-2013 budget does include a 1.2% increase for College personnel. There continues to be a strong commitment from legislative leaders to further enhance funding for workforce training (especially in health sciences) and small business centers.

County officials in all three of our counties (Harnett, Lee, and Chatham) realize that a robust community college is necessary in their planning for industrial growth to provide jobs and tax revenues to meet the needs of their ever increasing populations. Chatham County officials funded a new facility in Siler City which was occupied by the College in 2010-2011. Chatham County also financed the completion of two new facilities at our Pittsboro Campus in 2010-2011. The new Library and our Sustainable Technologies Building enhance the College’s capacity to serve more of the Chatham County population. In addition, Chatham County has purchased land in its northeast corner to finance future College expansion.

The College worked closely with Lee County in the 2012 fiscal period to help attract a \$28.3 million expansion of a local Caterpillar manufacturing plant which will add 325 new jobs. Lee County has also established a training center in our local industrial park to be used by the College to carry out training for Caterpillar and other industrial clients.

Harnett County is in the process of building a Health Sciences training facility in a business park occupied by the new Harnett Health Services hospital in Lillington, NC. This facility will be used by the College to provide health services training for that area. This project should provide a significant enrollment boost in that part of our service area.

Our counties (Harnett, Lee, and Chatham) have been able to maintain our support allotment at an acceptable level, but may be forced to delay some improvements due to declining county revenues. However, we are seeing some improvement in the unemployment rate and job growth in our three host counties and we think the industrial employment base in our region will continue to be strong. In a comparison of the unemployment rates at July 2011 to July 2012, the Harnett County rate decreased from 12.4% to 11.3%, the Lee County rate from

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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13.8% to 12.2%, and Chatham County rate from 7.8% to 7.0%. The Chatham unemployment rate is one of the lowest in the state.

Central Carolina Community College serves one of the fastest growing population regions in the state. This rapid growth has made planning difficult for community leaders. Chatham County Commissioners state that their county will grow from the current 60,000 to as many as 150,000 residents by 2030, as Chapel Hill and Cary communities continue to overflow into the northeast part of Chatham County. In that same period of time, Harnett County leaders are predicting a growth from the current 105,000 to as many as 200,000 people. Harnett County's growth is being fueled by the Base Realignment and Closing Plan at Fort Bragg that will bring perhaps 60,000 new residents to the region bordering Fayetteville by 2015. Lee County is having similar growth, but may lag just a bit behind the other two with a 3%+ annual growth rate.

The College continues to look beyond traditional governmental funding to seek resources for new educational missions. Our sister organization, the Central Carolina Community College Foundation, Inc., continues to seek donations from both industrial and private citizens of our community to augment state and local funding. The Foundation has grown significantly in the past few years, and now has total assets in excess of \$4 million.

The College actively seeks grant funding to promote educational initiatives. Programs that have already benefited from grant revenues are our new dental hygiene and assisting programs as well as our new Associate Degree program in Alternative Energies. We were recently awarded a \$1.65 million Title III grant to enhance program retention and completion.

The College remains committed to providing access to adult education throughout our three-county service area. We are heavily involved in vocational and technical training with 3,800 students enrolled in these programs. At the same time, the College has almost 1,000 students in the university transfer options. In addition to "credit" programs awarding degrees and diplomas, the College also provides non-credit continuing education and occupational courses to over 15,000 students annually. The College is working closely with numerous industries to provide specialized training for their employees, and our Small Business Center is a major force in helping small businesses grow in our community. In the 2006-2007 fiscal year, we partnered with the Lee County Schools to open an Early College for high school students at the College campus. We are now beginning the sixth year of that program with an enrollment of nearly 300 students. The College is dynamically reaching out to citizens, businesses, and industries to help our local economy continue to grow and provide jobs for our people. As long as our governmental entities continue to support our educational mission, the economic future for Central Carolina Community College is bright.

**Central Carolina Community College**  
**Statement of Net Assets**  
**June 30, 2012**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,392,232.52
Restricted Cash and Cash Equivalents	292,001.29
Receivables, Net (Note 3)	269,756.61
Inventories	278,500.19

Total Current Assets	4,232,490.61
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	179,872.27
Restricted Due from Primary Government	800,002.13
Restricted Due from State of North Carolina Component Units	89,532.60
Capital Assets - Nondepreciable (Note 4)	4,211,404.63
Capital Assets - Depreciable, Net (Note 4)	36,454,766.20

Total Noncurrent Assets	41,735,577.83
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Total Assets	45,968,068.44
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	210,702.55
Unearned Revenue	235,165.38
Funds Held for Others	80,991.84
Long-Term Liabilities - Current Portion (Note 6)	755,873.05

Total Current Liabilities	1,282,732.82
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	1,989,581.05
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Total Liabilities	3,272,313.87
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	40,265,863.22
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Restricted for Expendable:

Scholarships and Fellowships	7,176.96
Loans	5,491.26
Capital Projects	1,068,365.81
Restricted for Specific Programs	166,732.88
Other	21,792.46

Unrestricted	1,160,331.98
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Total Net Assets	\$ 42,695,754.57
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The accompanying notes to the financial statements are an integral part of this statement.

***Central Carolina Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2012***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 4,489,820.40
State and Local Grants and Contracts	78,536.39
Sales and Services, Net (Note 8)	532,932.51
Other Operating Revenues	3,914.48
	<hr/>
Total Operating Revenues	5,105,203.78
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**EXPENSES**

Operating Expenses:	
Salaries and Benefits	28,141,911.47
Supplies and Materials	3,117,420.51
Services	5,526,921.90
Scholarships and Fellowships	6,293,705.98
Utilities	769,307.82
Depreciation	1,336,195.03
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Total Operating Expenses	45,185,462.71
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Operating Loss	(40,080,258.93)
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**NONOPERATING REVENUES**

State Aid	22,603,601.61
County Appropriations	3,855,383.90
Noncapital Grants - Student Financial Aid	8,211,957.89
Noncapital Grants	3,277,735.45
Investment Income	24,555.64
Other Nonoperating Revenues	11,304.00
	<hr/>
Total Nonoperating Revenues	37,984,538.49
	<hr/>
Loss Before Other Revenues	(2,095,720.44)
	<hr/>
State Capital Aid	1,898,652.26
County Capital Aid	325,710.09
Capital Gifts	6,000.00
	<hr/>
Increase in Net Assets	134,641.91

**NET ASSETS**

Net Assets, July 1, 2011	42,561,112.66
	<hr/>
Net Assets, June 30, 2012	\$ 42,695,754.57
	<hr/> <hr/>

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

**Central Carolina Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 5,279,567.73
Payments to Employees and Fringe Benefits	(28,388,889.20)
Payments to Vendors and Suppliers	(9,415,381.25)
Payments for Scholarships and Fellowships	(6,283,596.53)
Other Receipts	269,536.66
	<hr/>
Net Cash Used by Operating Activities	(38,538,762.59)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	22,603,601.61
County Appropriations	3,855,383.90
Noncapital Grants - Student Financial Aid	8,211,957.89
Noncapital Grants Received	3,395,432.46
	<hr/>
Cash Provided by Noncapital Financing Activities	38,066,375.86

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

State Capital Aid Received	1,124,953.26
County Capital Aid	325,710.09
Acquisition and Construction of Capital Assets	(857,347.76)
Principal Paid on Capital Leases	(135,006.25)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	458,309.34

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	24,555.64
	<hr/>
Cash Provided by Investing Activities	24,555.64

Net Increase in Cash and Cash Equivalents	10,478.25
Cash and Cash Equivalents, July 1, 2011	3,853,627.83
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 3,864,106.08

**Central Carolina Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

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

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

Operating Loss	\$ (40,080,258.93)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,336,195.03
Miscellaneous Nonoperating Income	229,873.98
Changes in Assets and Liabilities:	
Receivables, Net	172,669.93
Inventories	(23,993.59)
Accounts Payable and Accrued Liabilities	29,232.46
Unearned Revenue	6,591.10
Funds Held for Others	44,875.05
Compensated Absences	(253,947.62)
Net Cash Used by Operating Activities	<u>\$ (38,538,762.59)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 3,392,232.52
Restricted Cash and Cash Equivalents	292,001.29
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>179,872.27</u>
Total Cash and Cash Equivalents - June 30, 2012	<u>\$ 3,864,106.08</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through a Gift	\$ 6,000.00
Increase in Receivables Related to Nonoperating Income	775,501.99
Loss on Disposal of Capital Assets	(218,569.98)

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



**Central Carolina Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2012**

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$	810,689
Investments		3,586,753
Receivables, Net		1,217
Pledges Receivable/Promises		7,796
		<hr/>
Total Assets		4,406,455
		<hr/>

**NET ASSETS**

Unrestricted		793,940
Temporarily Restricted		655,999
Permanently Restricted		2,956,516
		<hr/>
Total Net Assets	\$	4,406,455
		<hr/> <hr/>

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

**Central Carolina Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

**Exhibit B-2**

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenues and Gains:	
Contributions	\$ 190,221
Fund Raising Activities	104,560
Investment Return	19,557
	<hr/>
Total Unrestricted Revenues and Gains	314,338
	<hr/>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	281,477
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	595,815
	<hr/>
Expenses:	
Awards and Scholarships	309,546
General and Administrative	218,148
Fund Raising	34,222
	<hr/>
Total Expenses	561,916
	<hr/>
Increase in Unrestricted Net Assets	33,899
	<hr/>

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	200,998
Investment Return	(41,861)
Transfers from Funds	(6,513)
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(281,477)
	<hr/>
Decrease in Temporarily Restricted Net Assets	(128,853)
	<hr/>

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	70,715
Transfers from Funds	6,513
	<hr/>
Increase in Permanently Restricted Net Assets	77,228
	<hr/>
Decrease in Net Assets	(17,726)
Net Assets at Beginning of Year	4,424,181
	<hr/>
Net Assets at End of Year	<u>\$ 4,406,455</u>

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

**CENTRAL CAROLINA COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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 (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Central Carolina Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. Central Carolina Community College Foundation, Inc., the College's component unit, is discretely presented in the College's 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 its legal separateness.

**Discretely Presented Component Unit** - Central Carolina Community College Foundation, Inc. (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 acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of not less than one nor more than eight of the voluntary Trustees of Central Carolina Community College and such non-Trustee members may be selected pursuant to the bylaws of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

During the year ended June 30, 2012, the Foundation distributed \$309,546 to the College for unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Services Division, Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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 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 FASB pronouncements issued after November 30, 1989, 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, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 Fund. The Short-Term Investment Fund 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 charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, 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 value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 60 years for buildings, and 2 to 30 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include capital lease obligations and 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 1 or for which an employee can be paid upon

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

**Invested in Capital Assets, Net of Related Debt** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina 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. Also, the College may establish time deposit accounts, money

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$2,680.00 and deposits in private financial institutions with a carrying value of \$86,422.97 and a bank balance of \$299,441.93.

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.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2012, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$3,775,003.11 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

weighted average maturity of 1.5 years as of June 30, 2012. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2012 is as follows:

Cash on Hand	\$	2,680.00
Carrying Amount of Deposits with Private Financial Institutions		86,422.97
Investments in the Short-Term Investment Fund		<u>3,775,003.11</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u><u>3,864,106.08</u></u></b>
Current:		
Cash and Cash Equivalents	\$	3,392,232.52
Restricted Cash and Cash Equivalents		292,001.29
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>179,872.27</u>
<b>Total</b>	<b>\$</b>	<b><u><u>3,864,106.08</u></u></b>

**Investments of Component Unit** - Investments of the College's discretely presented component unit, the Central Carolina Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Cost	Market Value
Mutual Funds	\$ <u>3,741,988</u>	\$ <u>3,586,753</u>

The following schedule summarizes the investment return for the fiscal year ended June 30, 2012:

	Unrestricted	Temporarily Restricted
Interest and Dividends	\$ 47,187	\$ 87,751
Unrealized Loss	(27,277)	(127,958)
Realized Loss	<u>(353)</u>	<u>(1,654)</u>
	<u>\$ 19,557</u>	<u>\$ (41,861)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2012 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 540,169.47	\$ 368,524.34	\$ 171,645.13
Student Sponsors	26,791.05		26,791.05
Intergovernmental	24,424.05		24,424.05
Bookstore Credit Memos	18,763.05		18,763.05
Other	28,133.33		28,133.33
	<b>Total Current Receivables</b>	<b>\$ 368,524.34</b>	<b>\$ 269,756.61</b>

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012 is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 4,121,404.63	\$ 0.00	\$ 0.00	\$ 4,121,404.63
Construction in Progress	90,000.00			90,000.00
<b>Total Capital Assets, Nondepreciable</b>	<b>4,211,404.63</b>			<b>4,211,404.63</b>
Capital Assets, Depreciable:				
Buildings	46,399,285.83		215,867.00	46,183,418.83
Machinery and Equipment	7,008,218.13	855,497.76	279,704.47	7,584,011.42
General Infrastructure	544,450.11	7,850.00		552,300.11
<b>Total Capital Assets, Depreciable</b>	<b>53,951,954.07</b>	<b>863,347.76</b>	<b>495,571.47</b>	<b>54,319,730.36</b>
Less Accumulated Depreciation for:				
Buildings	13,803,626.17	1,078,700.00	81,849.04	14,800,477.13
Machinery and Equipment	2,892,029.21	220,838.72	195,152.45	2,917,715.48
General Infrastructure	110,115.24	36,656.31		146,771.55
<b>Total Accumulated Depreciation</b>	<b>16,805,770.62</b>	<b>1,336,195.03</b>	<b>277,001.49</b>	<b>17,864,964.16</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>37,146,183.45</b>	<b>(472,847.27)</b>	<b>218,569.98</b>	<b>36,454,766.20</b>
<b>Capital Assets, Net</b>	<b>\$ 41,357,588.08</b>	<b>\$ (472,847.27)</b>	<b>\$ 218,569.98</b>	<b>\$ 40,666,170.83</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012 were as follows:

	Amount
Accounts Payable	\$ 116,169.30
Accrued Payroll	67,138.72
Other	27,394.53
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 210,702.55</b>

### NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2012 is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Capital Leases Payable	\$ 535,313.86	\$ 0.00	\$ 135,006.25	\$ 400,307.61	\$ 140,506.61
Compensated Absences	2,599,094.11	1,481,086.15	1,735,033.77	2,345,146.49	615,366.44
<b>Total Long-Term Liabilities</b>	<b>\$ 3,134,407.97</b>	<b>\$ 1,481,086.15</b>	<b>\$ 1,870,040.02</b>	<b>\$ 2,745,454.10</b>	<b>\$ 755,873.05</b>

Additional information regarding capital lease obligations is included in Note 7.

### NOTE 7 - LEASE OBLIGATIONS

**A. Capital Lease Obligations** - Capital lease obligations relating to modular units are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2012:

	Fiscal Year	Amount
	2013	\$ 153,961.56
	2014	153,961.56
	2015	115,471.16
Total Minimum Lease Payments		423,394.28
Amount Representing Interest (4% Rate of Interest)		23,086.67
<b>Present Value of Future Lease Payments</b>		<b>\$ 400,307.61</b>

Modular units acquired under capital lease amounted to \$696,664.00 at June 30, 2012. Depreciation for the capital assets associated with capital leases is included in depreciation expense.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**B. Operating Lease Obligations** - The College entered into operating leases for copiers and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	\$ 417,618.40
2014	329,085.48
2015	229,489.12
2016	81,876.00
2017	27,912.00
<b>Total Minimum Lease Payments</b>	<b>\$ 1,085,981.00</b>

Rental expense for all operating leases during the year was \$470,757.75.

### NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 7,257,363.12	\$ 2,591,050.17	\$ 176,492.55	\$ 4,489,820.40
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 78,282.95	\$ 0.00	\$ 0.00	\$ 78,282.95
Bookstore	124,771.67		106,925.81	17,845.86
Sales and Services of Education and Related Activities	436,803.70			436,803.70
<b>Total Sales and Services</b>	\$ 639,858.32	\$ 0.00	\$ 106,925.81	\$ 532,932.51

### 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	\$ 16,741,161.65	\$ 1,926,537.76	\$ 781,264.75	\$ 0.00	\$ 0.00	\$ 0.00	\$ 19,448,964.16
Public Service	544,184.71	30,994.80	1,517,719.20		60,874.14		2,153,772.85
Academic Support	4,345,429.11	313,552.68	399,543.64				5,058,525.43
Student Services	1,585,992.17	92,345.20	253,072.15				1,931,409.52
Institutional Support	3,978,751.31	233,998.79	1,199,585.59				5,412,335.69
Operations and Maintenance of Plant	840,017.22	491,943.27	1,312,440.89		708,433.68		3,352,835.06
Student Financial Aid			24,336.99	6,293,705.98			6,318,042.97
Auxiliary Enterprises	106,375.30	28,048.01	38,958.69				173,382.00
Depreciation						1,336,195.03	1,336,195.03
<b>Total Operating Expenses</b>	\$ 28,141,911.47	\$ 3,117,420.51	\$ 5,526,921.90	\$ 6,293,705.98	\$ 769,307.82	\$ 1,336,195.03	\$ 45,185,462.71

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 (Plan) is a cost-sharing multiple-employer defined benefit pension plan established by the state to provide pension benefits for employees of the state, its component units and local boards of education. The Plan is 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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$22,761,922.40, of which \$17,033,698.91 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,267,307.20 and \$1,022,021.93, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$1,267,307.20, \$853,331.80, and \$604,215.46, 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. **Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$58,700.00 for the year ended June 30, 2012.

Internal Revenue Code 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 \$152,059.00 for the year ended June 30, 2012.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides 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. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$851,684.95, \$848,139.11, and \$761,616.13, respectively. 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*. 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2012, the College made a statutory contribution of 0.52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2011, and 2010, were 0.52% and 0.52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$88,575.23, \$90,006.60, and \$88,008.98, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, 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 are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. 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. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by private insurance coverage.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The types of



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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insurance policies purchased include: General Liability, Crime, Business Auto, Umbrella, Property, Health Professional, Officers Liability, and Employers Liability.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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 (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% 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

The College has established an encumbrance system to track its outstanding commitments on other purchases. Outstanding commitments on purchases were \$4,554.46 at June 30, 2012.

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Beth A. Wood, CPA  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
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<http://www.ncauditor.net>

**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 Carolina Community College  
Sanford, North Carolina

We have audited the financial statements of Central Carolina Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 18, 2013. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

The College's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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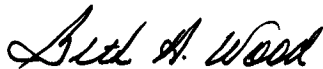
possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management of the College, the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

February 18, 2013

## ORDERING INFORMATION

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

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This audit required 429 audit hours at an approximate cost of \$30,888. The cost represents 0.07% of the College's total assets and 0.07% of the College's total expenses subjected to audit.