

**CALDWELL COMMUNITY COLLEGE AND
TECHNICAL INSTITUTE**

Hudson, North Carolina

Financial Statements

For The Year Ended June 30, 2012

CALDWELL COMMUNITY COLLEGE AND TECHNICAL INSTITUTE

HUDSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

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**CALDWELL COMMUNITY COLLEGE
AND TECHNICAL INSTITUTE**

Table of Contents
For The Year Ended June 30, 2012

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSS AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
College Exhibits	
A-1 Statement of Net Assets.....	8
A-2 Statement of Revenues, Expenses, and Changes in Nets Assets.....	9
A-3 Statement of Cash Flows	10
Component Unit Exhibits	
B-1 Statement of Financial Position	12
B-2 Statement of Activities.....	13
NOTES TO FINANCIAL STATEMENTS	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
COST OF CPA AUDIT REPORT PUBLISHED.....	35



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Caldwell Community College &
Technical Institute
Hudson, North Carolina

We have audited the accompanying financial statements of Caldwell Community College & Technical Institute (the "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 The Foundation of Caldwell Community College and Technical Institute, 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 related 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. 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 provides a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Caldwell Community College and Technical Institute 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 ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 read in conjunction with this report in considering 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 a 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 our audit of the basic financial statements. 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.

Rives & Associates LLP

February 11, 2013

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Caldwell Community College and Technical Institute (the College) for the year ended June 30, 2012, with selected comparative information for the year ended June 30, 2011. This management discussion and analysis is designed to provide an introduction and overview to help the reader interpret and understand the accompanying financial statements. Currently known facts, decisions and conditions are discussed in management's analysis of financial position and results of operations. This discussion has been prepared by management and includes highly summarized data that should be read in conjunction with the accompanying financial statements, notes to the financial statements and other supplementary information.

Caldwell Community College and Technical Institute is a public two-year college with approximately 5,000 students and 500 faculty and staff on two campuses serving Caldwell and Watauga counties in western North Carolina. The College offers a broad range of undergraduate, associate and technical degree programs. The College also offers customized corporate training, market-focused continuing education and special interest classes. In response to unemployment in the service area the College has placed increased focus on programs that will help long-term unemployed return to work quickly.

Overview of the Basic Financial Statements

Three basic financial statements are presented:

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

The following analysis discusses elements from each of these statements, except for the Statement of Cash Flows, as well as an overview of the College's activities. The Notes to the Financial Statements provide additional information required for an understanding of the financial Statements.

Important characteristics of the financial statements include the following:

- The Statement of Net Assets is separated by current and noncurrent assets. This designation is also used in reporting liabilities. The term current is used to designate a time period of one year or less while noncurrent is considered to be a period of greater than one year.
- Revenues and expenses are categorized as either operating or non-operating.
- Scholarships and fellowships applied to student accounts are discounted from revenue to avoid overstatement of tuition and fees.

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements.

Analysis of Financial Position and Results of Operations

Current Cash and Cash Equivalents increased by \$1,206,399.29 and Restricted Due from Primary Government in noncurrent assets increased by \$495,427.00 as the College continued to accumulate cash for two buildings that will be built during the 2013 fiscal year. Renovations to several buildings are also planned so that the college can implement changes in the way we provide developmental classes and increase operating efficiency.

State aid dropped from \$17,747,960.24 in 2011 to \$16,414,817.70 in 2012 as FTE dropped from 4,959 to 4,729. State funding is based on student enrollment in the prior year.

The College's expenditures for Supplies and Materials were \$1,533,867.82 less in 2012 compared to 2011. This is primarily the result of a smaller state operating budget. Expenditures for Scholarships and Fellowships were lower due to decreased student enrollment.

In 2012 the College was given authority, for the first time, to transfer state equipment funding to Capital Improvements. The College elected to move \$777,129 which reduced State Capital Aid, but increased Capital Grants.

Condensed Financial Information

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The following table summarizes the College's assets, liabilities and net assets as of June 30, 2012.

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

**Condensed Statement of Net Assets
For the Fiscal Year Ending June 30, 2012**

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 9,180,872.82	\$ 7,676,239.79	\$ 1,504,633.03
Capital Assets, Net	40,333,830.77	40,750,515.23	(416,684.46)
Other Noncurrent Assets	<u>1,190,657.57</u>	<u>701,271.80</u>	<u>489,385.77</u>
Total Assets	<u>50,705,361.16</u>	<u>49,128,026.82</u>	<u>1,577,334.34</u>
Liabilities			
Current Liabilities	1,714,673.16	2,346,398.72	(631,725.56)
Noncurrent Liabilities	<u>4,518,090.45</u>	<u>4,508,797.40</u>	<u>9,293.05</u>
Total Liabilities	<u>6,232,763.61</u>	<u>6,855,196.12</u>	<u>(622,432.51)</u>
NET ASSETS			
Invested in Capital Assets	37,255,472.51	37,742,237.14	(486,764.63)
Restricted:			
Nonexpendable	305,753.85	305,753.85	-
Expendable	2,118,392.41	1,615,210.97	503,181.44
Unrestricted	<u>4,792,978.78</u>	<u>2,609,628.74</u>	<u>2,183,350.04</u>
Total Net Assets	<u>\$ 44,472,597.55</u>	<u>\$ 42,272,830.70</u>	<u>\$ 2,199,766.85</u>

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The Statement of Revenues, Expense and Changes in Net Assets presents the results of the College's operations for the report period. The following table summarizes the College's revenues, expenses, and changes in net assets for the year ended June 30, 2012.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012**

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Operating Revenues			
Student Tuition and Fees, net	\$ 3,912,179.17	\$ 3,507,057.50	\$ 405,121.67
Grants and Contracts	705,651.19	95,096.00	610,555.19
Sales and Services, net	1,166,710.92	1,659,119.99	(492,409.07)
Other Operating Revenues	64,048.99	76,227.26	(12,178.27)
Total Operating Revenues	<u>5,848,590.27</u>	<u>5,337,500.75</u>	<u>511,089.52</u>
Operating Expenses:			
Salaries and Benefits	24,059,586.97	24,176,959.28	(117,372.31)
Supplies and Materials	4,689,669.65	6,223,537.47	(1,533,867.82)
Services	2,624,639.00	3,025,955.73	(401,316.73)
Scholarships and Fellowships	5,571,931.64	7,279,652.33	(1,707,720.69)
Utilities	756,411.45	820,176.16	(63,764.71)
Depreciation/ Amortization	1,344,853.62	1,383,321.49	(38,467.87)
Total Operating Expenses	<u>39,047,092.33</u>	<u>42,909,602.46</u>	<u>(3,862,510.13)</u>
Operating Loss	<u>(33,198,502.06)</u>	<u>(37,572,101.71)</u>	<u>4,373,599.65</u>
Nonoperating Revenues			
State Aid	16,414,817.70	17,747,960.24	(1,333,142.54)
County Appropriations	3,967,053.04	3,956,923.92	10,129.12
Noncapital Grants	11,930,378.54	13,160,727.69	(1,230,349.15)
Other Nonoperating Revenues	239,636.19	622,370.19	(382,734.00)
Loss Before Other Revenues	<u>(646,616.59)</u>	<u>(2,084,119.67)</u>	<u>1,437,503.08</u>
State Capital Aid	1,304,826.08	3,286,894.35	(1,982,068.27)
County Capital Aid	130,000.00	100,000.00	30,000.00
Capital Grants	1,078,830.00	521,632.67	557,197.33
Capital Gifts, Net	12,000.00	110,524.12	(98,524.12)
Capital Contributions	2,525,656.08	4,019,051.14	(1,493,395.06)
Increase (Decrease) in Net	<u>1,879,039.49</u>	<u>1,934,931.47</u>	<u>(55,891.98)</u>
Net Assets Beginning of Year	42,272,830.70	40,259,029.71	2,013,800.99
Restatement	<u>320,727.36</u>	<u>78,869.52</u>	
Net Assets End of Year	<u>\$ 44,472,597.55</u>	<u>\$ 42,272,830.70</u>	<u>\$ 2,199,766.85</u>

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Capital Assets and Long-term Debt Activities

Capital Assets

In 2011 the College incurred \$3,039,124.00 in long-term debt by entering into a guaranteed Energy Savings Contract. The proceeds of this debt were used to upgrade the College's lighting, heating and cooling systems. The debt will be paid using the utility savings from the upgrades. Should the utility savings be insufficient to make the scheduled payments, the vendor is contractually obligated to make up the difference. The College made the first scheduled payment on the debt in 2012 and the energy savings realized exceeded the required payment.

Economic Forecast

Management believes the College is well positioned to continue to provide innovative and excellent services and programs into the future. The College has the flexibility to design and implement new programs to meet current and future needs. Current levels of enrollment have been supported to some degree by difficult economic conditions in the College's service area and may be unsustainable in the long-term. Management believes, however, that a focus on quality and innovation in programming can maintain enrollment near the current level regardless of economic conditions.

Caldwell Community College and Technical Institute
Statement of Net Assets
June 30, 2012

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,428,958.04
Restricted Cash and Cash Equivalents	1,426,125.05
Restricted Short-Term Investments	4,000.00
Receivables, Net (Note 4)	689,353.90
Inventories	632,435.83
	<hr/>
Total Current Assets	9,180,872.82

Noncurrent Assets:

Restricted Cash and Cash Equivalents	684,729.99
Restricted Due from Primary Government	495,927.58
Restricted Investments	10,000.00
Capital Assets - Nondepreciable (Note 5)	6,710,890.28
Capital Assets - Depreciable, Net (Note 5)	33,622,940.49
	<hr/>
Total Noncurrent Assets	41,524,488.34

Total Assets	<hr/> <hr/> 50,705,361.16
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	996,640.34
Unearned Revenue	280,836.72
Funds Held for Others	87,325.32
Long-Term Liabilities - Current Portion (Note 7)	349,870.78
	<hr/>
Total Current Liabilities	1,714,673.16

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<hr/> 4,518,090.45
Total Noncurrent Liabilities	<hr/> 4,518,090.45
Total Liabilities	<hr/> <hr/> 6,232,763.61

NET ASSETS

Invested in Capital Assets, Net of Related Debt	37,255,472.51
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	190,753.85
Other	115,000.00
Expendable:	
Scholarships and Fellowships	244,325.13
Capital Projects	825,703.64
Other	1,048,363.64
Unrestricted	<hr/> 4,792,978.78
Total Net Assets	<hr/> <hr/> <hr/> \$ 44,472,597.55

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

***Caldwell Community College and Technical Institute
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 9)	\$ 3,912,179.17
State and Local Grants and Contracts	705,651.19
Sales and Services, Net (Note 9)	1,166,710.92
Other Operating Revenues	64,048.99
	<hr/>
Total Operating Revenues	5,848,590.27
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	24,059,586.97
Supplies and Materials	4,689,669.65
Services	2,624,639.00
Scholarships and Fellowships	5,571,931.64
Utilities	756,411.45
Depreciation/ Amortization	1,344,853.62
	<hr/>
Total Operating Expenses	39,047,092.33
	<hr/>
Operating Loss	(33,198,502.06)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	16,414,817.70
County Appropriations	3,967,053.04
Noncapital Grants - Student Financial Aid	10,711,500.72
Noncapital Grants	1,218,877.82
Noncapital Gifts, Net	515,524.20
Investment Income, Net	22,596.34
Interest and Fees on Debt	(274,601.18)
Other Nonoperating Revenues (Expenses)	(23,883.17)
	<hr/>
Net Nonoperating Revenues	32,551,885.47
	<hr/>

Income Before Other Revenues, Expenses, Gains, and Losses	(646,616.59)
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State Capital Aid	1,304,826.08
County Capital Aid	130,000.00
Capital Grants	1,078,830.00
Capital Gifts, Net	12,000.00
	<hr/>
Increase (Decrease) in Net Assets	1,879,039.49

NET ASSETS

Net Assets, July 1, 2011 as Restated (Note 14)	<hr/> 42,593,558.06
Net Assets, June 30, 2012	<hr/> \$ 44,472,597.55

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

Caldwell Community College and Technical Institute
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	\$ 5,553,322.79
Payments to Employees and Fringe Benefits	(24,084,032.50)
Payments to Vendors and Suppliers	(8,331,603.96)
Payments for Scholarships and Fellowships	(5,457,849.31)
Other Receipts (Payments)	325.68
	<hr/>
Net Cash Provided (Used) by Operating Activities	(32,319,837.30)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	16,414,817.70
County Appropriations	3,967,053.04
Noncapital Grants - Student Financial Aid	10,711,500.72
Noncapital Grants Received	1,218,877.82
Noncapital Gifts and Endowments Received	515,524.20
William D. Ford Direct Lending Receipts	10,176,494.44
William D. Ford Direct Lending Disbursements	(10,246,303.83)
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	32,757,964.09

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,259,399.08
County Capital Aid	130,000.00
Capital Grants Received	628,830.00
Acquisition and Construction of Capital Assets	(874,626.56)
Principal Paid on Capital Debt and Leases	(103,775.90)
Interest Paid on Capital Debt and Leases	(202,111.76)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	837,714.86

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	22,596.34
	<hr/>
Net Cash Provided (Used) by Investing Activities	22,596.34

Net Increase (Decrease) in Cash and Cash Equivalents	1,298,437.99
Cash and Cash Equivalents, July 1, 2011	7,241,375.09
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 8,539,813.08

Caldwell Community College and Technical Institute
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	\$ (33,198,502.06)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,344,853.62
Changes in Assets and Liabilities:	
Receivables, Net	(209,708.36)
Inventories	9,554.55
Accounts Payable and Accrued Liabilities	(293,685.73)
Unearned Revenue	19,131.34
Funds Held for Others	9,717.55
Compensated Absences	(1,198.21)
Net Cash Used by Operating Activities	<u><u>\$ (32,319,837.30)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 6,428,958.04
Restricted Cash and Cash Equivalents	1,426,125.05
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>684,729.99</u>
Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 8,539,813.08</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets acquired through a gift	\$ 12,000.00
Capital asset write offs	\$ (385,184.68)
Increase in Receivables Related to Nonoperating Income	\$ 45,427.00

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

***The Foundation of Caldwell Community College
and Technical Institute, Inc.
Statement of Financial Position
June 30, 2012***

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	6,291,599.00
Investments		3,521,219.00
Receivables, Net		1,510.00
Pledges Receivable/Promises		16,627.00
		<hr/>
Total Assets		9,830,955.00

LIABILITIES

Accounts Payable and Accrued Expenses		100,000.00
		<hr/>
Total Liabilities		100,000.00

NET ASSETS

Unrestricted		536,288.00
Temporarily Restricted		7,535,133.00
Permanently Restricted		1,659,534.00
		<hr/>
Total Net Assets	\$	9,730,955.00

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

***The Foundation of Caldwell Community College
and Technical Institute, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2012***

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 154,250.00
Contributed Services and Facilities	112,751.00
Income on Long-Term Investments	6,424.00
Net Unrealized and Realized Gains on Long-Term Investments	<u>9,224.00</u>
Total Unrestricted Revenues and Gains	<u>282,649.00</u>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>388,704.00</u>
Total Unrestricted Revenues, Gains, and Other Support	<u>671,353.00</u>
Expenses and Losses:	
Payments to College	730,096.00
Other Expenses	<u>224,937.00</u>
Total Expenses	<u>955,033.00</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>(283,680.00)</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	548,896.00
Income on Long-Term Investments	90,266.00
Net Unrealized and Realized Gains on Long-Term Investments	129,608.00
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>(494,928.00)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>273,842.00</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Income on Long-Term Investments	19,880.00
Net Unrealized and Realized Gains on Long-Term Investments	28,545.00
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>106,224.00</u>
Increase/(Decrease) in Permanently Restricted Net Assets	<u>154,649.00</u>
Increase/(Decrease) in Net Assets	144,811.00
Net Assets at Beginning of Year	<u>9,586,144.00</u>
Net Assets at End of Year	<u><u>\$ 9,730,955.00</u></u>

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

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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. Caldwell Community College and Technical Institute 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. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Units – The Foundation of Caldwell Community College and Technical Institute, Inc., 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 of Caldwell Community College and Technical Institute, Inc. is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 25 persons. 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.

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from 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 \$730,095.83 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College finance office by calling (828) 726-2222 or by calling the Foundation directly at (828) 726-2260.

- 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, 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, 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.

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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.

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment 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. Investments** – This classification consists of certificates of deposit held by the College. Certificates of deposit are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.
- F. 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.
- G. Inventories** - Inventories consisting of expendable supplies and fuel oil held for consumption are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- H. 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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment, and 2 to 30 years for computer software

- I. 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, resources whose use is limited by external parties or statute, and endowment and other restricted investments.

- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.

- K. 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 January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. 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 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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 December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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

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

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

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

M. 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

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

- N. 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - 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*

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 market accounts, and certificates of deposit. Cash on hand at June 30, 2012 was \$3,785.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit, was \$6,206,779.32, and the bank balance was \$6,234,374.62.

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.

- B. Investments** - 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 (STIF); 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;

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 of custodian.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$2,343,248.76, 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 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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the state of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; asset-backed securities and corporate bonds/notes with specified ratings; general obligations of other states; and general obligations of North Carolina local governments.

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$	3,785.00
Carrying Amount of Deposits with Private Financial Institutions		6,192,779.32
Investments in the Short-Term Investment Fund		2,343,248.76
Other Investments		14,000.00
		<u>8,553,813.08</u>
Total Deposits and Investments	\$	<u>8,553,813.08</u>
Current:		
Cash and Cash Equivalents	\$	6,428,958.04
Restricted Cash and Cash Equivalents		1,426,125.05
Restricted Short-Term Investments		4,000.00
Noncurrent:		
Restricted Cash and Cash Equivalents		684,729.99
Restricted Investments		10,000.00
		<u>10,000.00</u>
Total	\$	<u>8,553,813.08</u>

Component Units - Investments of the College's discretely presented component unit, The Foundation of Caldwell Community College and Technical Institute, 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:

<u>Investment Type:</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 148,198
Stocks and Options	2,780,555
Fixed Income Securities	80,591
Mutual Funds	511,875
	<u>511,875</u>
Total Investments	\$ <u>3,521,220</u>

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

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, net appreciation of \$97,185.57 was available to be spent, of which \$42,013.49 was classified in net assets as scholarships and fellowships as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as restricted expendable other net assets.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 861,036.94	\$ 192,602.29	\$ 668,434.65
Other	<u>20,919.25</u>		<u>20,919.25</u>
Total Current Receivables	<u>\$ 881,956.19</u>	<u>\$ 192,602.29</u>	<u>\$ 689,353.90</u>

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - 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 (as restated)	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 6,620,890.28	\$	\$	\$ 6,620,890.28
Construction in Progress	90,000.00			90,000.00
Total Capital Assets, Nondepreciable	<u>6,710,890.28</u>	<u>0.00</u>	<u>0.00</u>	<u>6,710,890.28</u>
Capital Assets, Depreciable:				
Buildings	41,407,271.80	381,348.16		41,788,619.96
Machinery and Equipment	7,279,765.78	505,278.40	385,184.68	7,399,859.50
General Infrastructure	1,706,111.84			1,706,111.84
Total Capital Assets, Depreciable	<u>50,393,149.42</u>	<u>886,626.56</u>	<u>385,184.68</u>	<u>50,894,591.30</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	10,844,864.45	802,362.90		11,647,227.35
Machinery and Equipment	4,783,984.04	507,566.18	361,301.51	4,930,248.71
General Infrastructure	659,250.21	34,924.54		694,174.75
Total Accumulated Depreciation	<u>16,288,098.70</u>	<u>1,344,853.62</u>	<u>361,301.51</u>	<u>17,271,650.81</u>
Total Capital Assets, Depreciable, Net	<u>34,105,050.72</u>	<u>(458,227.06)</u>	<u>23,883.17</u>	<u>33,622,940.49</u>
Capital Assets, Net	<u>\$ 40,815,941.00</u>	<u>\$ (458,227.06)</u>	<u>\$ 23,883.17</u>	<u>\$ 40,333,830.77</u>

Note 6 - Accounts Payable and Accrued Liabilities

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

	Amount
Accounts Payable	\$ 242,771.75
Accrued Payroll	588,696.86
Other	165,171.73
Total Accounts Payable and Accrued Liabilities	<u>\$ 996,640.34</u>

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in 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
Note Payable	\$ 3,039,124.00		\$ 103,775.90	\$ 2,935,348.10	\$ 87,549.61
Compensated Absences	1,933,811.34	1,304,370.75	1,305,568.96	1,932,613.13	262,321.17
Total Long-Term Liabilities	\$ 4,972,935.34	\$ 1,304,370.75	\$ 1,409,344.86	\$ 4,867,961.23	\$ 349,870.78

B. Note Payable - The College was indebted for a note payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
Energy Savings Contract	Bank of America	5.80%	09/01/2025	\$ 3,039,124.00	\$ 103,775.90	\$ 2,935,348.10
Total Notes Payable				\$ 3,039,124.00	\$ 103,775.90	\$ 2,935,348.10

The annual requirements to pay principal and interest on notes payable at June 30, 2012, are as follows:

Fiscal Year	Annual Requirements	
	Note Payable	
	Principal	Interest
2013	\$ 87,550	\$ 170,250
2014	106,123	165,172
2015	120,330	159,017
2016	135,603	152,038
2017	152,011	144,173
2018-2022	1,051,269	567,024
2023-2027	1,282,462	194,242
Total Requirements	\$ 2,935,348.10	\$ 1,551,915.99

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 - LEASE OBLIGATIONS

The College entered into operating leases for equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 46,991.28
2014	46,991.28
2015	46,991.28
2016	26,063.63
2017	2,537.00
Total Minimum Lease Payments	\$ 169,574.47

Rental expense for all operating leases during the year was \$50,362.10.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees	<u>\$ 7,837,856.95</u>	<u>\$ 3,819,184.06</u>	<u>\$ 106,493.72</u>	<u>\$ 3,912,179.17</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	2,553,585.74	1,967,436.95	70,889.93	515,258.86
Civic Center	315,516.27			315,516.27
Other	266,488.92			266,488.92
Sales and Services of Education and Related Activities	<u>69,446.87</u>			<u>0.00</u>
Total Sales and Services	<u>\$ 3,205,037.80</u>	<u>\$ 1,967,436.95</u>	<u>\$ 70,889.93</u>	<u>\$ 1,166,710.92</u>

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 - OPERATING EXPENSES BY FUNCTION

presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 13,917,211.49	\$ 1,368,297.54	\$ 680,098.55	\$ 1,500.00			\$ 15,967,107.58
Research							
Public Service							
Academic Support	2,015,995.83	152,287.77	121,580.20				2,289,863.80
Student Services	2,572,329.68	143,748.41	205,003.62	95,255.59			3,016,337.30
Institutional Support	3,994,441.06	447,068.94	877,373.87	32,713.95			5,351,597.82
Operations and Maintenance of Plant	1,334,906.60	536,266.27	474,922.91		756,411.45		3,102,507.23
Student Financial Aid				5,442,462.10			5,442,462.10
Auxiliary Enterprises	224,702.31	2,042,000.72	265,659.85				2,532,362.88
Independent Operations							
Depreciation/ Amortization						1,344,853.62	1,344,853.62
Total Operating Expenses	<u>\$ 24,059,586.97</u>	<u>\$ 4,689,669.65</u>	<u>\$ 2,624,639.00</u>	<u>\$ 5,571,931.64</u>	<u>\$ 756,411.45</u>	<u>\$ 1,344,853.62</u>	<u>\$ 39,047,092.33</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 (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 \$19,078,050.57, of which \$15,345,436.75 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,141,700.50 and \$920,729.47, respectively.

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$ 1,141,700.50, \$ 762,445.22, and \$ 554,117.54, 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 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 \$258,814.00 for the year ended June 30, 2012.

Internal Revenue Code Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The plan administrators are TIAA, USAA. No costs are incurred by the College. The voluntary contributions by employees amounted to \$29,337.60 for the year ended June 30, 2012.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 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 \$767,271.84, \$695,943.91, and \$698,467.49, 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

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 .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 .52% and .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 \$79,796.28, \$80,420.19, and \$80,711.80, respectively. 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. 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

CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 community 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. 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. All employees are covered by a contract with a private insurance company with coverage of \$100,000 per occurrence with a \$1,000 deductible.

The College purchased Non-owned Aircraft liability insurance with coverage of \$5,000,000 for bodily injury and property damage including passengers per occurrence and physical damage coverage of \$143,200 with a \$1,000 deductible per occurrence.

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

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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 .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 14 - NET ASSET RESTATEMENT(S)

As of July 1, 2011, net assets as previously reported were restated as follows:

	Amount
July 1, 2011 Net Assets as Previously Reported	\$ 42,272,830.70
Restatements: Accrued payroll	255,301.59
Restatements: Fully-depreciated equipment	65,425.77
July 1, 2011 Net Assets as Restated	\$ 42,593,558.06



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

Board of Trustees
Caldwell Community College &
Technical Institute
Hudson, North Carolina

We have audited the financial statements of Caldwell Community College and Technical Institute (the "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 comprises the College's basic financial statements, and have issued our report thereon dated February 11, 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

Management of the College 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 opinions 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 possibility that a material misstatement of the entity'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, the State Controller, and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Rives & Associates LLP

February 11, 2013

**CALDWELL COMMUNITY COLLEGE & TECHNICAL INSTITUTE
COST OF CPA AUDIT REPORT PUBLISHED
JUNE 30, 2012**

In accordance with North Carolina General Statute 147-64.6D, the audit of Caldwell Community College and Technical Institute required approximately 586 audit hours and cost the College \$20,900.