



STATE OF NORTH CAROLINA

CENTRAL CAROLINA COMMUNITY COLLEGE

SANFORD, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

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, 2008

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Beth A. Wood, CPA
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, 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, 2008, 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

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, 2008, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Central Carolina Community 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 the discretely presented component unit, 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 provides 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, 2008, 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.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2009, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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.

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



Beth A. Wood, CPA
State Auditor

July 30, 2009

CENTRAL CAROLINA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

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

Overview of the Financial Statements

Central Carolina Community College's discussion and analysis provides a summary of the College's financial statements and a comparison of prior year information. Based on GASB Statements No. 34 and 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, inventories, and current portion of notes receivable. Net receivables increased slightly over the prior year due to grant funds owed to the College at year-end from the NC Community College System. The College also received a Golden Leaf Grant in a prior year which provided funding to the new dental program. The due from State of NC Component Units amount of \$44,601.00 is the receivable due at year-end from the Golden Leaf Program. The prepaid item at year-end was necessary for the construction materials of the Maintenance Building at the Harnett Campus.

	2008	2007	Difference
Cash	\$ 3,185,063.65	\$ 3,223,585.43	\$ (38,521.78)
Receivables, Net	429,620.62	364,483.99	65,136.63
Due from State of NC Component Units	44,601.00	44,601.00	
Inventories	522,254.61	517,507.47	4,747.14
Prepaid items	7,534.00		7,534.00
Notes Receivable	3,422.10	3,422.10	
Total Current Assets	<u>\$ 4,192,495.98</u>	<u>\$ 4,153,599.99</u>	<u>\$ 38,895.99</u>

Noncurrent assets include cash, receivables, due from primary government for construction projects, and capital assets. Many of the College's construction projects associated with the state bond funds and county construction funds have been completed. This has resulted in a decrease in the amount due from primary government and noncurrent receivables, as opposed

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

to prior year. In the same respect, these projects increased the College's construction in progress, thereby increasing the overall capital assets of the College.

	2008	2007	Difference
Cash	\$ 84,677.64	\$ 184,273.72	\$ (99,596.08)
Receivables	2,670,620.53	4,846,605.46	(2,175,984.93)
Due from Primary Government	1,681,157.38	3,468,320.73	(1,787,163.35)
Capital Assets	35,879,480.42	30,263,135.75	5,616,344.67
Total Noncurrent Assets	<u>\$ 40,315,935.97</u>	<u>\$ 38,762,335.66</u>	<u>\$ 1,553,600.31</u>

	2008	2007	Difference
Total Assets	<u>\$ 44,508,431.95</u>	<u>\$ 42,915,935.65</u>	<u>\$ 1,592,496.30</u>

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. An increase in the fiscal year 2008 current liabilities is attributed to an increase in the amount of accounts payable, especially payables associated with construction. Due to the increase in construction activity during fiscal year 2008, construction payables at year-end totaled \$525,704.55. 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.

	2008	2007	Difference
Current	\$ 1,230,963.12	\$ 856,124.55	\$ 374,838.57
Long-Term	1,752,281.05	1,859,272.12	(106,991.07)
Total Liabilities	<u>\$ 2,983,244.17</u>	<u>\$ 2,715,396.67</u>	<u>\$ 267,847.50</u>

Net Assets

Net Assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. Considerable strides were made toward the completion of both the Emergency Services Training Center and the West Harnett Continuing Education Building. The additional construction in progress from the two projects increased invested in capital assets by \$3,289,202.29, and decreased capital projects by the same amount. In addition, the College's invested in capital assets increased by \$1,462,550.00 for the fiscal year due to the land donated to the College from Chatham County for the Siler City Center Project. The land donation is also responsible for the overall increase in total net assets of \$1,324,648.80.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	2008	2007	Difference
Invested in Capital Assets	\$ 35,879,480.42	\$ 30,263,135.75	\$ 5,616,344.67
Scholarships and Fellowships	4,959.98	1,395.63	3,564.35
Loans	5,296.15	5,204.98	91.17
Capital Projects	4,047,290.66	8,493,089.80	(4,445,799.14)
Restricted for Specific Programs	617,000.30	722,223.65	(105,223.35)
Other	56,492.26	6,740.61	49,751.65
Unrestricted	914,668.01	708,748.56	205,919.45
Total Net Assets	<u>\$ 41,525,187.78</u>	<u>\$ 40,200,538.98</u>	<u>\$ 1,324,648.80</u>

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. The increase in student tuition can be attributed to the increase in curriculum tuition amounts per credit hour for the 2007-2008 academic year. In-state tuition increased from \$39.50 to \$42.00 per credit hour, and out-of-state tuition increased from \$219.50 to \$233.30 per credit hour. Sales and services increased due to increased revenues of \$44,826.18 at the Pittsboro Daycare (a greater number of childcare slots were filled during 2007-2008), and an increase of \$30,957.36 in revenues in the CCCC Bookstore. The federal grants and contracts revenue of \$3,584,524.03 is from the College's participation in the Federal Title IV financial aid programs, including Pell grants of \$3,466,921.75.

	2008	2007	Difference
Student Tuition and Fees, Net	\$ 3,081,762.17	\$ 2,720,186.64	\$ 361,575.53
Federal Grants and Contracts	3,584,524.03	3,600,178.87	(15,654.84)
State/Local Grants and Contracts	660,015.91	630,042.09	29,973.82
Sales and Services, Net	1,688,347.69	1,598,950.76	89,396.93
Other Operating Revenues	5,435.78	4,984.23	451.55
Total Operating Revenues	<u>\$ 9,020,085.58</u>	<u>\$ 8,554,342.59</u>	<u>\$ 465,742.99</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 expense, equipment, and capital improvements. Increases in state aid were due primarily to increases in the current operating formula allocation and equipment allocation, which appropriates the College's budget based on the FTE formula approved by the State Legislature. County appropriations increased by the following percentages over prior year: Lee County, 4%; Chatham County, 11%; and Harnett County, 17%. County increases were due mainly to cover increased costs in salaries and utilities. Noncapital grants decreased in fiscal year 2008 due to a decrease in the amount of federal pass-through grant funding received by the College.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	2008	2007	Difference
State Aid	\$ 22,905,662.43	\$ 21,361,697.43	\$ 1,543,965.00
County Appropriations	3,326,814.74	2,861,793.14	465,021.60
Noncapital Grants	708,958.78	820,883.91	(111,925.13)
Noncapital Gifts		31,975.53	(31,975.53)
Investment Income	130,776.19	142,064.46	(11,288.27)
Other Nonoperating Revenues	11,304.00	16,036.00	(4,732.00)
Total Nonoperating Revenues	<u>\$ 27,083,516.14</u>	<u>\$ 25,234,450.47</u>	<u>\$ 1,849,065.67</u>

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 a 5% salary increase for "faculty and professional staff," and a 4% increase for all other employee categories. However, the College Administration decided to use enrollment growth funding to fund a 5% increase for all full-time employees. In addition, the College paid bonuses totaling \$314,425.56 from performance funding. Supplies and materials expenses for the year increased due mainly to the equipping of the dental program classrooms. The cost of services increased because of contractual service agreements in the areas of financial aid, construction, and Datatel computer program administration.

	2008	2007	Difference
Personal Services	\$ 25,142,104.63	\$ 24,064,068.95	\$ 1,078,035.68
Supplies and Materials	4,757,883.44	4,505,449.75	252,433.69
Services	3,339,048.22	2,998,046.41	341,001.81
Scholarships and Fellowships	2,638,214.10	2,428,535.32	209,678.78
Utilities	844,426.21	842,277.76	2,148.45
Depreciation	1,140,885.75	1,204,379.10	(63,493.35)
Total Operating Expenses	<u>\$ 37,862,562.35</u>	<u>\$ 36,042,757.29</u>	<u>\$ 1,819,805.06</u>

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 library books. In addition, state capital aid includes the 2000 State Bond Funds allocated for construction. The remainder of these construction funds were allocated to projects during the fiscal year 2007 (\$2,695,436), leaving only \$25,000 to be allocated in fiscal year 2008. Also, the College purchased \$1,500,526.42 in equipment and furniture in fiscal year 2007 (primarily to furnish new buildings), compared to only \$834,729.90 purchased in fiscal year 2008. 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 College received funding from Lee County in 2007 for renovations to the Lee Main Campus and Wilkinson Hall. This resulted in a decrease in county capital appropriations in 2008. The NC State Board of Community Colleges provides construction funds as a part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

funds for renovations and repairs. The increase in capital gifts for 2008 is due to the donation of land to the College from Chatham County. The land is valued at \$1,462,550 and will be the site of the new Siler City Center.

	2008	2007	Difference
State Capital Aid	\$ 859,729.89	\$ 4,195,962.42	\$ (3,336,232.53)
County Capital Aid	433,654.54	2,718,526.72	(2,284,872.18)
Capital Grants	180,000.00		180,000.00
Capital Gifts	1,610,225.00	43,611.30	1,566,613.70
Total Capital Contributions	\$ 3,083,609.43	\$ 6,958,100.44	\$ (3,874,491.01)

Significant Capital Asset Activities

The following information details the major accomplishments in construction at CCCC during fiscal year 2008.

Emergency Training Center: This is a Lee County project totaling \$2,592,173. The total amount paid on this project during fiscal year 2008 was \$1,633,837.56, making the total project amount completed to date \$2,090,422.49 (81%).

West Harnett Classroom: This project is funded by Harnett County funds (\$325,200), State Bond funds (\$1,000,000) and the State Facilities and Equipment Grant (\$647,620), and totals \$1,972,820. During fiscal year 2008, the College paid \$1,555,364.73 on this project, making the project amount completed to date \$1,607,985.83 (82%).

Harnett Cont. Ed. Building: This project is funded by Harnett County funds (\$111,000) and State Bond funds (\$593,986.61). The College paid \$618,277.75 in total funds for this project in fiscal year 2008, making the amount completed to date \$661,471.75 (94%).

Civic Center Roof: This project is funded totally by Lee County funds. The project was completed during fiscal year 2008. The amount paid for the total project was \$400,000.

Economic Forecast

The economic future of Central Carolina Community College looks good in the long term despite the recent economic downturns in the national and state economies. While we are seeing an increasing unemployment rate and slowing job growth in Harnett, Lee and Chatham counties, at present, we think that the industrial employment base in our region continues to be strong. Historically, during economic downturns, there has been a direct relationship between rising unemployment and rising enrollment at North Carolina community colleges. Our community colleges are often described as being the economic engine for recovery in our state. This was borne out in the fall 2008 semester as the enrollment increased at the majority of North Carolina colleges and Central Carolina Community College's enrollment increased by approximately 4.5%. Our early enrollment growth estimate for the spring 2009 semester exceeds 10%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

We are encouraged by the fact that legislative appropriations for the N.C. Community College System have continued to grow even in lean budget years. We were pleased to award a 3% salary increase to all of our staff for 2008-2009 fiscal year, but we continue to ask the General Assembly to increase community college salaries to a level that is competitive with the rest of the nation or at least with the Southeastern USA region. There has been a strong commitment from legislative leaders to further enhance funding for multi-campus funding, workforce training (especially allied health curriculums), and small business centers in the next five years. On the other hand, our local counties are challenged to adequately fund our facilities operational expenses, so this part of our budget continues to be tight. However, for the 2008-2009 fiscal year, the counties of Harnett, Lee, and Chatham collectively funded 97% of the College's current operating budget request. We are optimistic that this trend will continue.

Central Carolina Community College serves one of the fastest growing population regions in the state. This rapid growth has been hard for community leaders to predict. 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.

County officials in all three of these counties 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. The College has just completed a new facility in the Western Harnett Industrial Park to meet the training needs of industrial clients. Chatham County officials have committed funding for a new \$4.5 million facility in Siler City and for a new \$5.5 million classroom building in Pittsboro, both of which will start construction by July 2009. Chatham is also planning to purchase land in their northeast corner for future CCCC expansion. In Lee County, the College recently purchased 56 additional acres of land bordering the College's Main Campus to accommodate future college growth. Construction is nearly complete on a new classroom building and fire & emergency training scenarios at the College's Emergency Services Training Center in Lee County. In short, all three counties are making major commitments to a growing CCCC.

The College is also looking 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 five years, and now has total assets in excess of \$2.5 million. CCCC has also added a grants writer position to our staff to seek 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

CCCC 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. CCCC 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 third year of that program with an enrollment of 225 students. Plans are being made to open a second Early College in Chatham County. 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, 2008

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,469,931.02
Restricted Cash and Cash Equivalents	715,132.63
Receivables, Net (Note 3)	429,620.62
Due from State of North Carolina Component Units	44,601.00
Inventories	522,254.61
Prepaid Items	7,534.00
Notes Receivable	3,422.10

Total Current Assets	<u>4,192,495.98</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	84,677.64
Restricted Receivables (Note 3)	2,670,620.53
Restricted Due from Primary Government	1,681,157.38
Capital Assets - Nondepreciable (Note 4)	8,976,484.17
Capital Assets - Depreciable, Net (Note 4)	<u>26,902,996.25</u>

Total Noncurrent Assets	<u>40,315,935.97</u>
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Total Assets	<u>44,508,431.95</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	698,802.67
Unearned Revenue	188,402.72
Funds Held for Others	4,012.69
Long-Term Liabilities - Current Portion (Note 6)	<u>339,745.04</u>

Total Current Liabilities	<u>1,230,963.12</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>1,752,281.05</u>
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Total Noncurrent Liabilities	<u>1,752,281.05</u>
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Total Liabilities	<u>2,983,244.17</u>
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NET ASSETS

Invested in Capital Assets	35,879,480.42
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Restricted for:

Expendable:

Scholarships and Fellowships	4,959.98
Loans	5,296.15
Capital Projects	4,047,290.66
Restricted for Specific Programs	617,000.30
Other	56,492.26

Unrestricted	<u>914,668.01</u>
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Total Net Assets	<u>\$ 41,525,187.78</u>
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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, 2008***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 3,081,762.17
Federal Grants and Contracts	3,584,524.03
State and Local Grants and Contracts	660,015.91
Sales and Services, Net (Note 8)	1,688,347.69
Other Operating Revenues	5,435.78

Total Operating Revenues	<u>9,020,085.58</u>
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EXPENSES

Operating Expenses:

Personal Services	25,142,104.63
Supplies and Materials	4,757,883.44
Services	3,339,048.22
Scholarships and Fellowships	2,638,214.10
Utilities	844,426.21
Depreciation	1,140,885.75

Total Operating Expenses	<u>37,862,562.35</u>
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Operating Loss	<u>(28,842,476.77)</u>
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NONOPERATING REVENUES

State Aid	22,905,662.43
County Appropriations	3,326,814.74
Noncapital Grants	708,958.78
Investment Income	130,776.19
Other Nonoperating Revenues	11,304.00

Nonoperating Revenues	<u>27,083,516.14</u>
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Loss Before Other Revenues	(1,758,960.63)
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State Capital Aid	859,729.89
County Capital Aid	433,654.54
Capital Grants	180,000.00
Capital Gifts	1,610,225.00

Increase in Net Assets	1,324,648.80
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NET ASSETS

Net Assets, July 1, 2007	<u>40,200,538.98</u>
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Net Assets, June 30, 2008	<u>\$ 41,525,187.78</u>
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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, 2008

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 8,890,979.88
Payments to Employees and Fringe Benefits	(25,168,242.26)
Payments to Vendors and Suppliers	(8,951,836.18)
Payments for Scholarships and Fellowships	(2,642,665.10)
Other Receipts	19,360.70
	<hr/>
Net Cash Used by Operating Activities	(27,852,402.96)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	22,905,662.43
County Appropriations	3,326,814.74
Noncapital Grants Received	758,277.09
	<hr/>
Cash Provided by Noncapital Financing Activities	26,990,754.26

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	2,646,893.24
County Capital Aid	433,654.54
Capital Grants Received	2,355,984.93
Acquisition and Construction of Capital Assets	(4,843,778.06)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	592,754.65

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	130,776.19
	<hr/>
Cash Provided by Investing Activities	130,776.19
	<hr/>
Net Decrease in Cash and Cash Equivalents	(138,117.86)
Cash and Cash Equivalents, July 1, 2007	3,407,859.15
	<hr/>
Cash and Cash Equivalents, June 30, 2008	\$ 3,269,741.29

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (28,842,476.77)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,140,885.75
Miscellaneous Nonoperating Income	21,458.12
Changes in Assets and Liabilities:	
Receivables, Net	(114,454.94)
Inventories	(4,747.14)
Prepaid Items	(7,534.00)
Accounts Payable and Accrued Liabilities	32,341.43
Unearned Revenue	(19,101.76)
Funds Held for Others	(2,097.42)
Compensated Absences	(56,676.23)
	<hr/>
Net Cash Used by Operating Activities	\$ (27,852,402.96)

Central Carolina Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

Exhibit A-3
Page 2

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:

Cash and Cash Equivalents	\$ 2,469,931.02
Restricted Cash and Cash Equivalents	715,132.63

Noncurrent Assets:

Restricted Cash and Cash Equivalents	<u>84,677.64</u>
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Total Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 3,269,741.29</u></u>
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NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 525,704.55
Assets Acquired through a Gift	1,610,225.00
Capital Asset Write-Offs	40,992.56

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, 2008

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 604,783.00
Investments	2,370,913.00
Receivables	705.00
	<hr/>
Total Assets	2,976,401.00
	<hr/>

NET ASSETS

Unrestricted	546,362.00
Temporarily Restricted	266,064.00
Permanently Restricted	2,163,975.00
	<hr/>

Total Net Assets	<hr/> <hr/> \$ 2,976,401.00
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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, 2008

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenue and Other Support:

Contributions	\$ 125,239.00
Fund Raising Activities	61,559.00
Investment Return	(42,515.00)

Total Unrestricted Revenue and Other Support	144,283.00
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Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	164,694.00
--------------------------------------	------------

Total Unrestricted Revenue and Other Support	308,977.00
--	------------

Expenses:

Awards and Scholarships	202,232.00
General and administrative	141,752.00
Fund Raising	10,861.00

Total Expenses	354,845.00
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Decrease in Unrestricted Net Assets	(45,868.00)
-------------------------------------	-------------

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	97,112.00
Investment Return	(105,639.00)

Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	(164,694.00)
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Decrease in Temporarily Restricted Net Assets	(173,221.00)
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	187,128.00
---------------	------------

Increase in Permanently Restricted Net Assets	187,128.00
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Decrease in Net Assets	(31,961.00)
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Net Assets at Beginning of Year	3,008,362.00
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Net Assets at End of Year	\$ 2,976,401.00
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The accompanying notes to the financial statements are an integral part of this statement.

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CENTRAL CAROLINA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 component units 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 financial statements. Discretely presented component units' financial data are 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. 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 Central Carolina Community College Foundation, Inc. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Central Carolina Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from 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, 2008, the Foundation distributed \$202,232.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Service Department, Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

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

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

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** - This classification includes 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Receivables** – Current 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. Noncurrent receivables consists of amounts due from local government and private sources in connection with capital projects. Current receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale are valued at the lower of cost or market using the last invoice cost method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 25 years for general infrastructure, 20 to 50 years for buildings, and 5 to 25 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 or designated 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 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)

termination of employment. 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.

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

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

Invested in Capital Assets - This represents the College's total investment in capital assets.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

- N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include the activities of the bookstore. All internal sales activities to College departments from the sales and service unit have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the sales and service unit and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$2,970.00, and deposits in private financial institutions with a carrying value of \$37,792.90 and a bank balance of \$172,233.56.

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, 2008, 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 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 and banker's acceptances; 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, 2008, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$3,228,978.39 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 2.9 years as of June 30, 2008. 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.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Reconciliation of the College's Deposits and Investments

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2008, is as follows:

Cash on Hand	\$ 2,970.00
Carrying Amount of Deposits with Private Financial Institutions	37,792.90
Investments in the Short Term Investment Fund	<u>3,228,978.39</u>
Total Deposits and Investments	<u><u>\$ 3,269,741.29</u></u>
Current:	
Cash and Cash Equivalents	\$ 2,469,931.02
Restricted Cash and Cash Equivalents	715,132.63
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>84,677.64</u>
Total	<u><u>\$ 3,269,741.29</u></u>

Central Carolina Community College Foundation's Investments

Investments of the College's component unit, the Central Carolina Community College Foundation, Inc., are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Investments by the Foundation in marketable securities that potentially subject the Foundation to concentrations of market risk consist principally of investments held by a brokerage firm. A significant reduction in the stock market may have a significant effect on the organization's programs and activities. The investments in marketable securities with readily determinable fair values are reported at their fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments of the Central Carolina Community College Foundation, Inc. as of June 30, 2008 is summarized as follows:

	Cost	Market Value
Stocks	\$ 2,499,162	\$ 2,370,913

The following schedule summarizes the investment return for the fiscal year ended June 30, 2008:

	Unrestricted	Temporarily Restricted
Interest and Dividends	\$ 40,789.19	\$ 101,344.81
Unrealized Gain (Loss)	(36,803.62)	(91,445.38)
Realized Gain (Loss)	(46,500.33)	(115,538.67)
	<u>\$ (42,514.75)</u>	<u>\$ (105,639.25)</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 347,061.48	\$ 94,031.92	\$ 253,029.56
Intergovernmental	58,538.45		58,538.45
Bookstore Vendor Credit Memos	108,013.44		108,013.44
Other	10,039.17		10,039.17
Total Current Receivables	<u>\$ 523,652.54</u>	<u>\$ 94,031.92</u>	<u>\$ 429,620.62</u>
Noncurrent Receivables:			
Intergovernmental	\$ 2,490,620.53	\$ 0.00	\$ 2,490,620.53
Due from Private Grantors	180,000.00		180,000.00
	<u>\$ 2,670,620.53</u>	<u>\$ 0.00</u>	<u>\$ 2,670,620.53</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets, Nondepreciable:				
Land	\$ 2,743,304.35	\$ 1,462,550.00	\$ 0.00	\$ 4,205,854.35
Construction in Progress	711,429.03	4,218,229.79	159,029.00	4,770,629.82
Total Capital Assets, Nondepreciable	3,454,733.38	5,680,779.79	159,029.00	8,976,484.17
Capital Assets, Depreciable:				
Buildings	33,434,447.34	683,794.98		34,118,242.32
Machinery and Equipment	5,310,118.20	435,698.77	40,992.56	5,704,824.41
General Infrastructure	48,442.90	126,140.00		174,582.90
Total Capital Assets, Depreciable	38,793,008.44	1,245,633.75	40,992.56	39,997,649.63
Less Accumulated Depreciation:				
Buildings	10,235,892.54	776,028.17		11,011,920.71
Machinery and Equipment	1,742,681.92	346,332.09	30,838.44	2,058,175.57
General Infrastructure	6,031.61	18,525.49		24,557.10
Total Accumulated Depreciation	11,984,606.07	1,140,885.75	30,838.44	13,094,653.38
Total Capital Assets, Depreciable, Net	26,808,402.37	104,748.00	10,154.12	26,902,996.25
Capital Assets, Net	\$ 30,263,135.75	\$ 5,785,527.79	\$ 169,183.12	\$ 35,879,480.42

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2008, were as follows:

	Amount
Accounts Payable	\$ 462,989.39
Accrued Payroll	48,749.89
Contract Retainage	162,525.00
Other	24,538.39
Total Accounts Payable and Accrued Liabilities	\$ 698,802.67

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Compensated Absences	\$ 2,148,702.32	\$ 1,505,910.75	\$ 1,562,586.98	\$ 2,092,026.09	\$ 339,745.04

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 307,994.12
2010	306,660.12
2011	306,438.12
2012	179,555.12
2013	<u>33,535.00</u>
Total Minimum Lease Payments	<u>\$ 1,134,182.48</u>

Rental expense for all operating leases during the year was \$301,497.00.

NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	<u>\$ 4,124,180.90</u>	<u>\$ 0.00</u>	<u>\$ 985,316.37</u>	<u>\$ 57,102.36</u>	<u>\$ 3,081,762.17</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 11,526.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 11,526.01
Bookstore	1,939,836.07	35,539.17	577,732.65	36,929.56	1,289,634.69
Other	<u>387,186.99</u>				<u>387,186.99</u>
Total Sales and Services	<u>\$ 2,338,549.07</u>	<u>\$ 35,539.17</u>	<u>\$ 577,732.65</u>	<u>\$ 36,929.56</u>	<u>\$ 1,688,347.69</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 15,457,789.40	\$ 1,916,497.62	\$ 1,120,529.69	\$ 0.00	\$ 0.00	\$ 0.00	\$ 18,494,816.71
Public Service	229,319.24	97,846.60	73,897.99		57,367.76		458,431.59
Academic Support	3,287,943.32	209,056.63	94,201.37				3,591,201.32
Student Services	1,514,373.69	102,485.20	361,942.06				1,978,800.95
Institutional Support	3,269,719.98	543,986.66	1,128,512.29				4,942,218.93
Operations and Maintenance of Plant	1,061,013.75	411,985.89	534,855.51		787,058.45		2,794,913.60
Student Financial Aid			2,802.76	2,638,214.10			2,641,016.86
Auxiliary Enterprises	321,945.25	1,476,024.84	22,306.55				1,820,276.64
Depreciation						1,140,885.75	1,140,885.75
Total Operating Expenses	<u>\$ 25,142,104.63</u>	<u>\$ 4,757,883.44</u>	<u>\$ 3,339,048.22</u>	<u>\$ 2,638,214.10</u>	<u>\$ 844,426.21</u>	<u>\$ 1,140,885.75</u>	<u>\$ 37,862,562.35</u>

NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$20,899,414.63, of which \$16,752,499.26 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$510,951.23 and \$1,005,150.11, respectively.

Required employer contribution rates for the years ended June 30, 2007, and 2006, were 2.66% and 2.34%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were \$510,951.23, \$427,966.71, and \$350,384.53, 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.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 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 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 \$164,117.00 for the year ended June 30, 2008.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$186,419.00 for the year ended June 30, 2008.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$52,410.64 for the year ended June 30, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Chapter 135-7, Article 1, and Chapter 135, Article 3, 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.

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 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 General Assembly in the Appropriations Bill.

For the current fiscal year, the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were \$686,852.47, \$611,381.01, and \$569,000.52, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<http://www.ncosc.net/> and clicking on “Financial Reports,” or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

- 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 in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, 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, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were \$87,113.00, \$83,662.67, and \$77,863.23, 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 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, and can include 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.

Tort claims of up to \$1,000,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to \$5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence with a \$75,000 deductible and a 10% participation in each loss above the deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by private insurance coverage.

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

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,003,474.50 and on other purchases were \$102,590.68 at June 30, 2008.

NOTE 14 - OPERATING LEASE REVENUE

Future minimum lease revenue under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 11,304.00
2010	11,304.00
2011	11,304.00
2012	11,304.00
2013	11,304.00
2014-2018	56,520.00
2019-2023	56,520.00
2024-2028	56,520.00
2029-2033	56,520.00
2034-2036	33,912.00
Total Minimum Lease Revenues	<u>\$ 316,512.00</u>

Rental revenue for all operating leases during the year was \$11,304.00.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2008, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45, requires cost-sharing employers to recognize OPEB expense for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting*

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB.

GASB Statement No. 50, aligns financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement No. 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

NOTE 16 - SUBSEQUENT EVENTS

In the months subsequent to the College's fiscal year end of June 30, 2008, there has been a significant decline in the world's financial markets. As of March 31, 2009, the Central Carolina Community College Foundation's (a discretely presented component unit) investments declined approximately \$575,263.30 since fiscal year end.

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Beth A. Wood, CPA
State Auditor

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

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, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 30, 2009. Our report was modified to include a reference to other auditors.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

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

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.

**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)**

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 State Controller, and the General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

July 30, 2009

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at 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:

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