



STATE OF NORTH CAROLINA

**ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY
COLLEGE**

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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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, Asheville-Buncombe Technical Community College

We have completed a financial statement audit of Asheville-Buncombe Technical Community College for the year ended June 30, 2010, 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*.

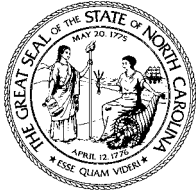
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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Beth A. Wood, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have audited the accompanying financial statements of Asheville-Buncombe Technical 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, 2010, 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 Asheville-Buncombe Technical 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 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 Asheville-Buncombe Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

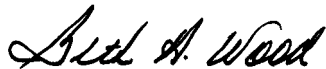
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Asheville-Buncombe Technical Community College and its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA
State Auditor

June 20, 2011

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FINANCIAL STATEMENTS

In accordance with GASB Statements 34 and 35, the enclosed report focuses on the financial condition of the College, the results of operations, and cash flows of the College as a whole. As required, this report contains three basic financial statements and supplementary information:

Statement of Net Assets: This statement includes all assets and liabilities. The College's net assets (the difference between assets and liabilities) are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)

Statement of Revenues, Expenses and Changes in Net Assets: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)

Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)

Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College is considered to be a business-type activity and is reported in a single column on the statements.

Financial Highlights

Statement of Net Assets

Below is a condensed comparative analysis between the Statement of Net Assets (Exhibit A-1) contained herein and for the fiscal year ended June 30, 2009 followed by a discussion on the changes in assets, liabilities, and net assets.

**Statement of Net Assets
For the Year Ended June 30, 2010
With Comparative Data for the Year Ended June 30, 2009**

	2010	2009, as restated	Change	
			Amount	Percent
Assets				
Current	\$ 5,951,274.21	\$ 4,415,309.20	\$ 1,535,965.01	34.79%
Capital Assets, Net	72,851,260.18	72,764,079.57	87,180.61	0.12%
Other Noncurrent	289,001.73	286,915.78	2,085.95	0.73%
Total Assets	79,091,536.12	77,466,304.55	1,625,231.57	2.10%
Liabilities				
Current	2,044,672.43	1,692,777.68	351,894.75	20.79%
Noncurrent	2,789,256.18	2,862,960.65	(73,704.47)	(2.57%)
Total Liabilities	4,833,928.61	4,555,738.33	278,190.28	6.11%
Net Assets				
Invested in Capital Assets	72,851,260.18	72,764,079.57	87,180.61	0.12%
Restricted Assets	556,099.64	1,497,338.66	(941,239.02)	(62.86%)
Unrestricted Assets	850,247.69	(1,350,852.01)	2,201,099.70	162.94%
TOTAL NET ASSETS	\$ 74,257,607.51	\$ 72,910,566.22	\$ 1,347,041.29	1.85%

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The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, inventories and notes receivable for student loans. Noncurrent assets consist of cash, receivables and capital assets. Capital assets are defined as land, construction in progress, buildings, infrastructure, and equipment with a cost of \$5,000 or more and a useful life of more than one year. The College's capital assets are stated at historical cost less depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment.

Current Assets	
Cash and Cash Equivalents	\$ 4,624,851.77
Receivables, Net	534,020.79
Inventories	784,017.23
Prepaid Items	8,384.42
Subtotal Current Assets	5,951,274.21
Noncurrent Assets	
Cash and Cash Equivalents	54,668.33
Receivables, Net	72,217.50
Due from Primary Government	162,115.90
Capital Assets, Net	72,851,260.18
Subtotal Noncurrent Assets	73,140,261.91
TOTAL ASSETS	\$ 79,091,536.12

The composition of assets at June 30, 2010 is presented in the table to the left and illustrated in the graph below.

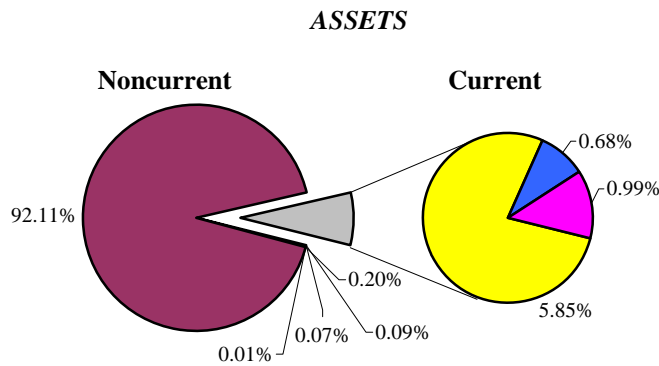
Assets increased from the prior year by \$1,625,231.57 as illustrated in the table on page 4. Current assets increased \$1,535,965.01. This increase is a combination of increases in cash and cash equivalents, receivables, inventories, and prepaid items. Current cash and equivalents increased by \$1,264,846.75 as a result of increased enrollment and advanced funding for grants.

Current receivables rose by \$125,358.58. Supplies inventories rose by \$139,220.91. As with cash, the increase in these assets is in response to rising enrollment.

Net capital assets increased over the prior year by \$87,180.61. This change is the result of net

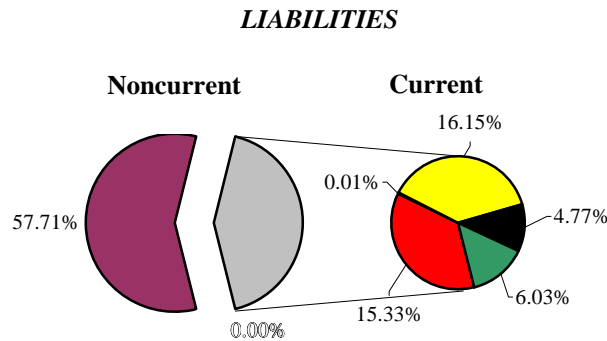
additions to buildings of \$356,845.32, to infrastructure of \$1,009,820.17, to equipment of \$745,219.43 and construction in progress of \$357,856.58, accompanied by a decrease in capital asset value due to the net change in accumulated depreciation of \$2,382,560.89. Further discussion of capital assets can be found on page 12.

Additional details for the composition of assets are available in Exhibit A-1 and Notes 1-D, 1-E, 1-F, 1-G, 1-H, 2, 3, 4, and 5.



LIABILITIES

The College's liabilities are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Current liabilities consist of amounts due to vendors for goods and services, unearned tuition revenue, funds held for others and the current portion of compensated absences. Noncurrent liabilities are the noncurrent portion of compensated absences.



The chart above and the table below present the composition of liabilities on June 30, 2010.

Current Liabilities

Accounts Payable	\$ 741,279.46	
Due to Primary Government	495.75	
Unearned Revenue	780,773.47	
Funds Held for Others	230,690.51	
Compensated Absences	<u>291,433.24</u>	
Subtotal Current Assets	2,044,672.43	

Noncurrent Liabilities

Compensated Absences	<u>2,789,256.18</u>	
Subtotal Noncurrent Assets	<u>2,789,256.18</u>	

TOTAL LIABILITIES \$ 4,833,928.61

As illustrated in the table on page 4, current liabilities decreased over the prior year by \$351,894.75. The detailed change in current liabilities is shown in the chart on the following page.

The changes in unearned revenue and funds held for others account for the increase. This variance is attributed to the increase in advance funded grants and a rise in enrollment where tuition collected prior to June 30 for summer term is

prorated between fiscal years. The College holds funds for various campus organizations and third party scholarship donors. Change in the amount of funds held for others is not relative to the College's financial position because the College has no ownership of the funds.

The College’s only long-term liability is employee compensated absences. The current portion of compensated absences increased by \$58,631.93, while the noncurrent portion decreased by \$73,704.47.

Change in Current Liabilities

Accounts Payable & Accrued Liabilities	\$ (108,615.11)
Due to Primary Government	495.75
Unearned Revenue	197,065.50
Funds Held for Others	204,316.68
Long-Term Liabilities-Current Portion	<u>58,631.93</u>
TOTAL CHANGE IN CURRENT LIABILITIES	<u>\$ 351,894.75</u>

Additional details for the composition of liabilities are available in Exhibit A-1 and Notes 1-I, 6, and 7.

NET ASSETS

Net assets are a measure of the value of all the College’s assets less liabilities. The College’s net assets are summarily categorized as “Invested in Capital Assets,” restricted, and unrestricted. “Invested in Capital Assets” represents the College’s investment in capital assets less depreciation. Restricted net assets include resources which must be spent in accordance with restrictions imposed by external parties. Restricted assets generally include capital, endowment, grant, and gift funds. Unrestricted assets include resources derived from sources not previously identified. The table below summarizes the College’s net assets. Changes in net assets are the direct result of increases and decreases in the College’s assets and liabilities. An increase in assets increases net assets; whereas, a decrease in assets decreases net assets.

Net Assets

Invested in Capital Assets	\$ 72,851,260.18
Restricted Assets	556,099.64
Unrestricted Assets	<u>850,247.69</u>
TOTAL NET ASSETS	<u>\$ 74,257,607.51</u>

An increase in liabilities decreases net assets; conversely, a decrease in liabilities increases net assets.

The increase in assets of \$1,625,231.57 combined with the increase in liabilities of \$278,190.28 results in an increase in net assets of \$1,347,041.29.

Additional information on net assets is available in Exhibit A-1 and Note 1-J.

Statement of Revenues, Expenses and Changes in Net Assets

Below is a condensed comparative analysis of the June 30, 2010 Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit A-2) contained herein and the year ended June 30, 2009, followed by discussion on changes in revenues and expenses.

**Statement of Revenues and Expenses and Changes in Net Assets
For the Year Ended June 30, 2010 with Comparative Data for the Year Ended June 30, 2009**

	2010	2009	Change	
			Amount	Percent
Operating Revenues	\$ 9,812,149.55	\$ 8,738,213.92	\$ 1,073,935.63	12.29%
Operating Expenses	(55,450,708.56)	(51,457,184.30)	(3,993,524.26)	7.76%
Nonoperating Revenues	43,869,620.20	38,820,707.12	5,048,913.08	13.01%
Capital Contributions	3,115,980.10	3,202,140.42	(86,160.32)	(2.69%)
CHANGE IN NET ASSETS	\$ 1,347,041.29	\$ (696,122.84)	\$ 2,043,164.13	293.51%

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The College's revenues are classified as operating, non-operating, and capital contributions. Operating revenues are derived from activities that are necessary and essential to the mission of the College. Nonoperating revenues include activities that have nonexchange characteristics; that is, the College received revenue without providing a good or service. Capital contributions consist of state and county appropriations, as well as grants for equipment, construction, building improvements, and infrastructure. The table to the right and the graph on the following page illustrates the composition of the College's revenues.

Operating Revenues

Student Tuition & Fees	\$ 6,579,073.85
Sales and Services	3,215,281.59
Other Revenues	17,794.11
Subtotal Operating	<u>9,812,149.55</u>

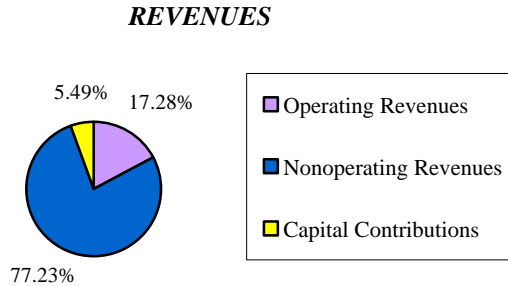
Nonoperating Revenues

Government Appropriations	31,623,231.95
Grants & Gifts	12,136,133.60
Investment Income	58,809.51
Other Nonoperating Revenue	51,445.14
Subtotal Nonoperating	<u>43,869,620.20</u>

Capital Contributions

Government Appropriations	1,797,254.46
Grants & Gifts	1,318,725.64
Subtotal Capital	<u>3,115,980.10</u>

TOTAL Revenues	\$ <u>56,797,749.85</u>
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Operating revenues increased by \$1,073,935.63 over the prior year. This increase is attributed to enrollment growth as illustrated by the “Full-Time Equivalency” graph on page 13. Of the revenue earned from enrollment growth, tuition and fees increased by \$1,049,294.20. Sales and services revenue increased by \$26,064.48 of which bookstore receipts rose significantly while sales

and services activities declined as a result of the economic downturn. Sales and services with decreased revenue include educational live projects, vending, and rent. Additional other operating income decreased by \$1,423.05 which accounts for the balance of the overall increase in revenues earned.

Nonoperating revenues increased by \$5,048,913.08. As with operating revenues, this increase is primarily the result of growing enrollment. The table below illustrates the change in nonoperating revenues.

The greatest change in nonoperating revenue is \$5,635,835.93 in noncapital grants. Of this variance, \$5,080,767.84 is an increase in Federal student assistance and an increase of \$142,695.65 in State student assistance funds.

Change in Nonoperating Revenue

State Aid	\$ (550,741.88)
County Appropriations	(142,709.62)
Noncapital Grants	5,635,835.93
Noncapital Gifts	115,702.42
Investment Income	(45,024.42)
Other Nonoperating Revenues	<u>35,850.65</u>
TOTAL CHANGE IN NONOPERATING REVENUE	\$ 5,048,913.08

These changes are directly related to a rise in student enrollment of 10.73%, more students qualifying for assistance grants because of a worsening economy, Pell grants becoming available year round, and an increase in the maximum annual Pell grant of \$619 from 2008-09 to 2009-10.

State Aid and County appropriations decreased during the fiscal year. While the rise in noncapital gifts is the result of additional contributions of \$116,007.94 from the College’s Foundation. Investment income fell as interest rates declined in a struggling economy.

The College recognized a decrease in capital contributions of \$86,160.32. This change is the net result of decrease in governmental aid of \$1,190,221.16 and an increase of \$1,104,060.84 in nongovernmental grants and gifts. Mission Hospital contributed \$1,264,841.00 to the

College in the form of constructing two parking lots in exchange for dumping fill dirt on College property as the hospital constructs an additional medical building. More information on the composition of revenues can be found in Exhibit A-2 and Notes 1-K, 1-L, 1-M, 1-N, and 9.

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Operating expenses are necessary and essential to the mission of the College; these do not include expenses related to investing, capital and related financing and noncapital financing activities. Depreciation is recognized as an operating expense in accordance with generally accepted accounting principles.

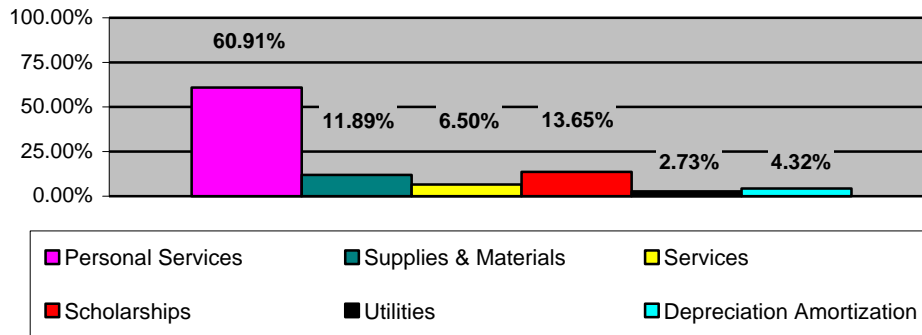
Operating Expenses	
Personal Services	\$ 33,773,536.70
Supplies & Materials	6,595,231.05
Services	3,604,817.92
Scholarships	7,569,274.97
Utilities	1,511,953.25
Depreciation	2,395,894.67
TOTAL Operating Expenses	\$ 55,450,708.56

The table to the left and the graph below illustrate the composition of operating costs.

Personnel services, supplies and materials, and scholarships expenses increased over the prior year; while services, utility costs, and depreciation decreased. The net result is an increase in operating expenses of \$3,993,524.26 over the

prior year. This net increase is due in part to an increase in personnel services expenses of \$426,216.70. The College's matching rate for retirement increased July 1, 2009. Also contributing to this increase was the hiring of additional faculty and staff to meet the needs of the growing student population. In response to enrollment growth, additional supplies and materials were needed for quality instruction. The primary factor resulting in the rise in operating costs is the need for student assistance grants which amounted to an increase of \$3,652,424.58. The College's sustainability efforts resulted in a reduction of utilities cost by \$257,349.53. During the year, the College revalued the useful life of fully depreciated assets; this action saved \$149,700.97 in depreciation expense.

OPERATING EXPENSES



More information on expenses can be found in Exhibit A-2 and Notes 1-M and 10.

NET ASSETS

The change in net assets is the difference between total revenues and total expenses. The change in net assets as presented in Exhibit A-2, is an increase of \$1,347,041.29, bringing the College's total net assets to \$74,257,607.51, as illustrated on the right. The change in net assets from June 30, 2009 to June 30, 2010 is a function of the changes in revenues and expenses as previously discussed.

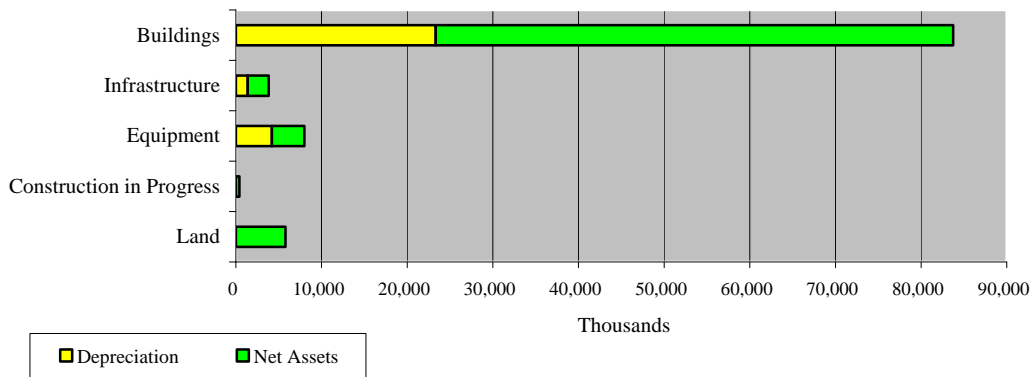
Beginning Net Assets, as restated	<u>\$ 72,910,566.22</u>
Revenues	
Operating	9,812,149.55
Nonoperating	43,869,620.20
Capital Contributions	<u>3,115,980.10</u>
Subtotal Revenues	56,797,749.85
Expenses	
Operating	<u>55,450,708.56</u>
Change in Net Assets	<u>1,347,041.29</u>
ENDING NET ASSETS	<u><u>\$ 74,257,607.51</u></u>

Other factors affecting net assets are the reversion of state appropriations and the non-reversion of unexpended county appropriations. Unexpended state aid reverts at fiscal year end and, therefore, only increases the College's assets through capital asset additions, that is, equipment costing \$5,000 or greater and State funded construction. On the other hand, unexpended County appropriations do not revert and therefore increase net assets. Federal funding does not typically affect the change in net assets since federal awards are primarily for financial assistance. Other federal grants are funded on a reimbursement basis and therefore do not significantly contribute to the College's financial position.

CAPITAL ASSETS

As of June 30, 2010 the College recorded \$101,772,377.26 invested in capital assets, \$28,921,117.08 in accumulated depreciation, resulting in net capital assets of \$72,851,260.18. The composition of capital assets is detailed in Note 5 and is illustrated below.

CAPITAL ASSETS



During 2009-2010, the College renovated existing facilities. The science laboratory in the Birch Building was updated by Buncombe County Schools for their Early and Middle College students. AB Tech benefits from this upgrade by using the lab when the high school students are not occupying it. The College also renovated the Maple Building to house its shipping and receiving department and duplication center. At the Enka Campus, a facility was retrofitted to accommodate a machining lab. This lab enhances the College's JobNOW Machining Technology program. These renovations added \$356,845.32 to the College's buildings (Note 5).

The College also added a parking lot and mass notification system to its infrastructure during the year in the amount of \$1,009,820.17 (Note 5). As a result of a donation from Mission Hospital, the College added the Sunnicrest parking lot to its infrastructure for \$946,541.87. This lot increased parking by 418 spaces. Installation of a mass notification system began with the arrival of equipment in June 2010. The cost for the equipment was \$63,278.30.

During 2009-2010, the College has reported \$410,463.00 as construction in progress (Note 5). This amount represents the on-going construction of the Bailey parking lot.

In the 1999 Session, the General Assembly of North Carolina enacted House Bill 275 which implemented a zero unemployment insurance tax rate for employers with positive experience rating, temporarily reduced the unemployment insurance tax by twenty percent for most employers and substituted an equivalent contribution to fund enhanced employment services

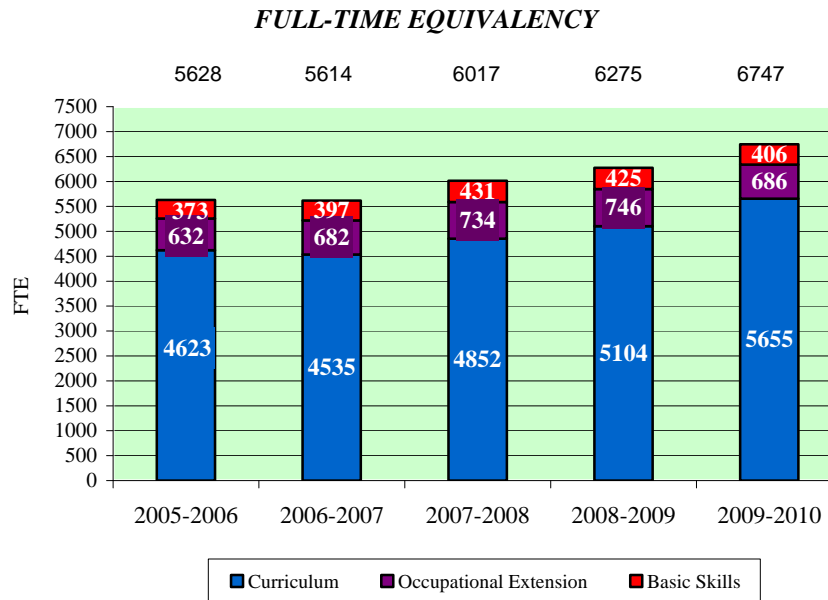
and worker training programs. As a result of this legislation, North Carolina’s Community Colleges received nonreverting appropriations to increase its training to new and expanding industries, to provide focused industrial training, and to purchase equipment. At June 30, 2010, the College has \$673,976.00 remaining from its original HB275 appropriation. The College intends to spend this appropriation on instructional equipment in fiscal year 2010-2011.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are State and County appropriations and the Federal Vocational Education Grant. Construction expenditures are funded by State issued general obligation bonds, County appropriations, and funds generated from College operations.

THE COLLEGE’S FINANCIAL POSITION

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by State, Federal, and County support, enrollment, and financial aid available to students. These issues impact the financial and budget planning process each year.

State support is the College’s primary funding source. To ensure the fiscal stability of community colleges, State support is based on the higher of total budgetary full-time equivalency (FTE) enrollment of the year preceding the budget year or the average of the three preceding years’ FTE. The table below illustrates the College’s actual FTE for the past five years.



In 2010-2011, to maintain its fiscal stability without capping enrollment, the College is increasing class size, expanding its offering of night and weekend classes, and restructuring facilities usage. At this time, the College is not introducing new programs and is examining low enrollment programs for possible discontinuation.

The State of North Carolina is struggling through the economic recession along with the nation. However, the General Assembly recognized the importance of community colleges' training and retraining dislocated workers by fully funding enrollment growth. In spite of this recognition and in an effort to balance the State's 2010-2011 budget, the General Assembly ratified an immediate budget reversion for community colleges. In accordance with State legislation, the College has reverted \$1,023,199 or approximately 3% of its 2010-2011 State funded unrestricted budget. During 2009-2010, the College reverted under mandate \$1,571,277. To date, the College's State funds are in a better position as a result of increased FTE and decreased reversions.

Appropriations from Buncombe and Madison Counties are primarily for plant operations, maintenance and capital asset repairs and renovation. For the budget year 2010-2011 county appropriations are consistent with the prior year. While the College typically experiences an increase in County appropriations, like the State, the County is suffering financially from the depressed economy. Additionally, the College is seeking alternatives to traditional utility delivery systems and expects to see continued savings through conservation efforts.

THE COLLEGE'S FINANCIAL FUTURE

What can the College expect in the future?

The College is experiencing FTE growth as it begins the Fall 2011 semester. Historically, a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. This phenomenon is evident from the growing FTE shown on the graph on page 13. Although the economic downturn will hamper industries from locating in North Carolina and will slow down the expansion of existing industries in the State, the College will provide training for new and expanding industries, as well as, develop partnerships with these industries that will enhance educational opportunities.

It is widely known and publicized that the road to economy recovery runs through North Carolina's community colleges. The Asheville-Buncombe Technical Community College is confident in its financial stability and ability to attract citizens to higher education. The College's Board and Administration are dedicated in its efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training and continuing education; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify

resource reallocation opportunities have expanded to new activities to enhance revenues and control expenses over the short and long term. As a result, Asheville-Buncombe Technical Community College is well positioned to increase enrollment, strategically add programs, partner with the State and community in economic development and meet public expectations, while remaining financially sound.

Asheville-Buncombe Technical Community College
Statement of Net Assets
June 30, 2010

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 3,984,159.48
Restricted Cash and Cash Equivalents	640,692.29
Receivables, Net (Note 4)	529,940.59
Inventories	784,017.23
Prepaid Items	8,384.42
Notes Receivable, Net (Note 4)	4,080.20
	<hr/>
Total Current Assets	5,951,274.21
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	54,668.33
Receivables (Note 4)	72,217.50
Restricted Due from Primary Government	162,115.90
Capital Assets - Nondepreciable (Note 5)	6,208,977.00
Capital Assets - Depreciable, Net (Note 5)	66,642,283.18
	<hr/>
Total Noncurrent Assets	73,140,261.91
	<hr/>
Total Assets	79,091,536.12

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	741,279.46
Due to Primary Government	495.75
Unearned Revenue	780,773.47
Funds Held for Others	230,690.51
Long-Term Liabilities - Current Portion (Note 7)	291,433.24
	<hr/>
Total Current Liabilities	2,044,672.43
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	2,789,256.18
	<hr/>
Total Noncurrent Liabilities	2,789,256.18
	<hr/>
Total Liabilities	4,833,928.61

NET ASSETS

Invested in Capital Assets	72,851,260.18
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	54,668.33
Expendable:	
Scholarships and Fellowships	17,925.03
Loans	8,460.42
Capital Projects	444,325.26
Other	30,720.60
Unrestricted	850,247.69
	<hr/>
Total Net Assets	\$ 74,257,607.51

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

***Asheville-Buncombe Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2010***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 6,579,073.85
Sales and Services, Net (Note 9)	3,215,281.59
Other Operating Revenues	17,794.11
	<hr/>
Total Operating Revenues	9,812,149.55
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	33,773,536.70
Supplies and Materials	6,595,231.05
Services	3,604,817.92
Scholarships and Fellowships	7,569,274.97
Utilities	1,511,953.25
Depreciation	2,395,894.67
	<hr/>
Total Operating Expenses	55,450,708.56
	<hr/>
Operating Loss	(45,638,559.01)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	23,628,239.61
County Appropriations	7,994,992.34
Noncapital Grants - Federal Student Financial Aid	9,310,047.76
Noncapital Grants	2,421,419.98
Noncapital Gifts	404,665.86
Investment Income	58,809.51
Other Nonoperating Revenues	51,445.14
	<hr/>
Net Nonoperating Revenues	43,869,620.20
	<hr/>
Income Before Other Revenues	(1,768,938.81)
	<hr/>
State Capital Aid	1,078,014.18
County Capital Aid	719,240.28
Capital Grants	30,437.99
Capital Gifts	1,288,287.65
	<hr/>
Increase in Net Assets	1,347,041.29
	<hr/>

NET ASSETS

Net Assets, July 1, 2009 as Restated (Note 16)	72,910,566.22
	<hr/>
Net Assets, June 30, 2010	\$ 74,257,607.51
	<hr/> <hr/>

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

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 9,838,217.25
Payments to Employees and Fringe Benefits	(33,741,544.17)
Payments to Vendors and Suppliers	(11,990,249.81)
Payments for Scholarships and Fellowships	(7,569,274.97)
Loans Issued to Students	(53,753.20)
Collection of Loans to Students	54,427.61
Other Receipts	255,761.82
	<hr/>
Net Cash Used by Operating Activities	(43,206,415.47)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	23,628,239.61
County Appropriations	7,994,992.34
Noncapital Grants - Federal Student Financial Aid	9,310,047.76
Noncapital Grants Received	2,426,937.19
Noncapital Gifts Received	404,665.86
	<hr/>
Cash Provided by Noncapital Financing Activities	43,764,882.76

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,078,014.18
County Capital Aid	713,630.91
Capital Grants Received	70,437.99
Capital Gifts Received	15,871.52
Proceeds from Sale of Capital Assets	7,388.40
Acquisition and Construction of Capital Assets	(1,237,773.05)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	647,569.95

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	58,809.51
	<hr/>
Cash Provided by Investing Activities	58,809.51

Net Increase in Cash and Cash Equivalents	1,264,846.75
Cash and Cash Equivalents, July 1, 2009	3,414,673.35
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 4,679,520.10

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Exhibit A-3
Page 2

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

Operating Loss	\$ (45,638,559.01)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,395,894.67
Provision for Uncollectible Loans and Write-Offs	1,171.24
Miscellaneous Nonoperating Income	51,445.14
Changes in Assets and Liabilities:	
Receivables, Net	(111,327.24)
Inventories	(139,220.91)
Prepaid Items	(8,384.42)
Notes Receivable, Net	674.41
Accounts Payable and Accrued Liabilities	(85,244.18)
Due to Primary Government	495.75
Unearned Revenue	137,394.94
Funds Held for Others	204,316.68
Compensated Absences	(15,072.54)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (43,206,415.47)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 3,984,159.48
Restricted Cash and Cash Equivalents	640,692.29
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	54,668.33
	<hr/>
Total Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 4,679,520.10</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 19,846.50
Assets Acquired through a Gift	1,272,416.13
Increase in Receivables Related to Nonoperating Income	16,117.29

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2010

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 606,728
Investments	3,760,255
Assets Held in Charitable Trusts and Annuities	1,057,938
Receivables, Net	17,253
Pledges Receivable/Promises	1,323,055
Property and Equipment, Net	<u>5,900</u>
Total Assets	<u>6,771,129</u>

LIABILITIES

Accounts Payable and Accrued Expenses	18,770
Funds Held for Others	<u>10,273</u>
Total Liabilities	<u>29,043</u>

NET ASSETS

Unrestricted	519,346
Temporarily Restricted	3,594,439
Permanently Restricted	<u>2,628,301</u>
Total Net Assets	<u>\$ 6,742,086</u>

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 351,463
Other Investment Income	13,050
Net Unrealized and Realized Gains on Long-Term Investments	72,034
Other	47,711
	<hr/>
Total Unrestricted Revenues and Gains	484,258
	<hr/>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	637,660
	<hr/>
Total Net Assets Released from Restrictions	637,660
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	1,121,918
	<hr/>
Expenses and Losses:	
Program Services	888,593
Management and General	128,419
Fund Raising	41,767
	<hr/>
Total Expenses	1,058,779
	<hr/>
Increase in Unrestricted Net Assets	63,139
	<hr/>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	705,106
Other	236
Net Unrealized and Realized Gains on Long-Term Investments	535,839
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(637,660)
	<hr/>
Increase in Temporarily Restricted Net Assets	603,521
	<hr/>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	94,647
Other	74
Net Unrealized and Realized Gains on Long-Term Investments	7,026
	<hr/>
Increase in Permanently Restricted Net Assets	101,747
	<hr/>
Increase in Net Assets	768,407
Net Assets at Beginning of Year	5,973,679
	<hr/>
Net Assets at End of Year	\$ 6,742,086
	<hr/> <hr/>

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

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ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the College's financial statements. The blended component units, although legally separate, are, in substance, part of the College's operations and therefore, are reported as if they were part of the College. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit - Asheville-Buncombe Technical Community College Foundation, Inc. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 32 selected members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2010, the Foundation distributed \$667,913.47 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Services Office at (828) 254-1921 extension 7542.

- 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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. 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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued using the average cost method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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. 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 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.

- 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 are 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

forward each July 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 fiscal 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 June 30 plus the leave earned, less the leave taken between July 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 June 30 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.

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

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

N. Internal Sales Activities - The College Bookstore provides goods to the College departments, as well as to its customers. The College also operates a central supply department and a copy center on a reimbursement basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 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 \$7,386.00, and deposits in private financial institutions with a carrying value of \$374,978.44 and a bank balance of \$559,451.40.

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, 2010, the College's bank balance in excess of federal depository insurance coverage was covered under 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$4,297,155.66 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 1.6 years as of June 30, 2010. 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 "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Component Unit - Investments of the College's discretely presented component unit, the Asheville-Buncombe Technical Community College Foundation, Inc. are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risk are not required. At June 30, 2010, the amount shown on the Statement of Financial Position includes \$594,902, which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund. The Foundation's investment portfolio with The Community Foundation of Western North Carolina was allotted as indicated below:

	Amount
Domestic Equity	\$ 634,543
International Equity	493,533
Global Allocation	188,013
Alternative Investments	940,064
Properties Fund	235,016
Fixed Income	<u>1,269,086</u>
Total Investment Portfolio	<u>\$ 3,760,255</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2010, net appreciation of \$1,180.53 was available to be spent, of which \$1,180.53 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 358,991.21	\$ 54,622.30	\$ 304,368.91
Vendors	137,570.00		137,570.00
Intergovernmental	58,887.71		58,887.71
Rent	16,885.78		16,885.78
Other	12,228.19		12,228.19
Total Current Receivables	<u>\$ 584,562.89</u>	<u>\$ 54,622.30</u>	<u>\$ 529,940.59</u>
Noncurrent Receivables:			
Intergovernmental	\$ 72,217.50	\$ 0.00	\$ 72,217.50
Total Noncurrent Receivables	<u>\$ 72,217.50</u>	<u>\$ 0.00</u>	<u>\$ 72,217.50</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 17,942.52	\$ 13,862.32	\$ 4,080.20
Total Notes Receivable - Current	<u>\$ 17,942.52</u>	<u>\$ 13,862.32</u>	<u>\$ 4,080.20</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009 (as restated)	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 5,798,514.00	\$ 0.00	\$ 0.00	\$ 5,798,514.00
Construction in Progress	52,606.42	632,660.00	274,803.42	410,463.00
Total Capital Assets, Nondepreciable	5,851,120.42	632,660.00	274,803.42	6,208,977.00
Capital Assets, Depreciable:				
Buildings	83,382,574.98	356,845.32		83,739,420.30
Machinery and Equipment	7,256,094.35	765,941.61	20,722.18	8,001,313.78
General Infrastructure	2,812,846.01	1,009,820.17		3,822,666.18
Total Capital Assets, Depreciable	93,451,515.34	2,132,607.10	20,722.18	95,563,400.26
Less Accumulated Depreciation/Amortization for:				
Buildings	21,575,503.32	1,749,194.43		23,324,697.75
Machinery and Equipment	3,687,424.70	531,659.86	13,333.78	4,205,750.78
General Infrastructure	1,275,628.17	115,040.38		1,390,668.55
Total Accumulated Depreciation	26,538,556.19	2,395,894.67	13,333.78	28,921,117.08
Total Capital Assets, Depreciable, Net	66,912,959.15	(263,287.57)	7,388.40	66,642,283.18
Capital Assets, Net	\$ 72,764,079.57	\$ 369,372.43	\$ 282,191.82	\$ 72,851,260.18

The carrying amount of impaired capital assets idle at year end is \$75,872.19 for machinery and equipment.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	\$ 108,436.25
Accrued Payroll	605,592.36
Contract Retainage	1,547.50
Intergovernmental Payables	25,273.44
Other	429.91
Total Accounts Payable and Accrued Liabilities	\$ 741,279.46

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Compensated Absences	<u>\$ 3,095,761.96</u>	<u>\$ 1,618,079.21</u>	<u>\$ 1,633,151.75</u>	<u>\$ 3,080,689.42</u>	<u>\$ 291,433.24</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for facilities and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

Fiscal Year	Amount
2011	\$ 128,071.48
2012	79,062.60
2013	79,062.60
2014	64,662.50
Total Minimum Lease Payments	\$ 350,859.18

Rental expense for all operating leases during the year was \$247,440.26.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 8,906,134.15	\$ 0.00	\$ 2,156,541.45	\$ 170,518.85	\$ 6,579,073.85
Sales and Services:					
Sales and Services of Auxiliary Enterprise:					
Bookstore	\$ 3,608,311.98	\$ 22,203.41	\$ 1,047,269.59	\$ 36,376.44	\$ 2,502,462.54
Rent	495,139.79				495,139.79
Vending	42,632.84				42,632.84
Other	10,079.80				10,079.80
Sales and Services of Education and Related Activities	164,966.62				164,966.62
Total Sales and Services	\$ 4,321,131.03	\$ 22,203.41	\$ 1,047,269.59	\$ 36,376.44	\$ 3,215,281.59

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 20,798,375.43	\$ 2,197,690.11	\$ 923,680.24	\$ 0.00	\$ 0.00	\$ 0.00	\$ 23,919,745.78
Public Service	619.06	229.60					848.66
Academic Support	3,654,560.82	263,206.64	209,299.69				4,127,067.15
Student Services	1,978,768.46	93,410.53	167,756.04				2,239,935.03
Institutional Support	4,018,217.52	399,520.29	1,197,697.84				5,615,435.65
Operations and Maintenance of Plant	3,099,043.93	743,893.01	987,279.58		1,511,953.25		6,342,169.77
Student Financial Aid				7,569,274.97			7,569,274.97
Auxiliary Enterprises	223,951.48	2,897,280.87	119,104.53				3,240,336.88
Depreciation						2,395,894.67	2,395,894.67
Total Operating Expenses	\$ 33,773,536.70	\$ 6,595,231.05	\$ 3,604,817.92	\$ 7,569,274.97	\$ 1,511,953.25	\$ 2,395,894.67	\$ 55,450,708.56

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$27,845,015.30, of which \$20,960,143.08 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$748,277.11 and \$1,257,608.59, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$748,277.11, \$702,384.02, and \$609,748.02, 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 "Proceed directly to OSC's index page," then "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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$51,584.00 for the year ended June 30, 2010.

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 except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2010, were \$4,532.65. The voluntary contributions by employees amounted to \$510,418.18 for the year ended June 30, 2010.

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 \$42,680.20 for the year ended June 30, 2010.

NOTE 12 - 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Plan's benefit and contribution provisions are established by *North Carolina General Statute 135-7* and Chapter 135, Article 3A, 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 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 General Assembly.

For the current fiscal year the College contributed 4.50% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.10% and 4.10%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$943,206.44, \$857,075.74, and \$819,661.28, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2010, 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, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$108,992.00, \$108,702.29, and \$103,957.04, 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.

Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Employee dishonesty insurance for employees paid from non-State funds is purchased from Cincinnati Insurance Company with coverage of \$50,000 per occurrence and a \$1,000 deductible.

The College's dental plan is self-funded and administered by the Sun Life and Health Insurance Company. The administrative fee includes aggregate stop loss protection.

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

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

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

The College has established an encumbrance system to track its outstanding commitments for purchases. Outstanding commitments on purchases were \$199,193.00 at June 30, 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2010, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires reporting certain intangible assets as capital assets.

NOTE 16 - NET ASSET RESTATEMENT

As of July 1, 2009, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2009 Net Assets as Previously Reported	\$ 72,382,370.83
Restatements:	
Error in Establishing Useful Lives of Capital Assets	<u>528,195.39</u>
July 1, 2009 Net Assets as Restated	<u><u>\$ 72,910,566.22</u></u>



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
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have audited the financial statements of Asheville-Buncombe Technical 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, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated June 20, 2011. 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. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

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.

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,

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

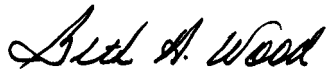
to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



Beth A. Wood, CPA
State Auditor

June 20, 2011

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