



# STATE OF NORTH CAROLINA

**CARTERET COMMUNITY COLLEGE**

**MOREHEAD CITY, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**CARTERET COMMUNITY COLLEGE**  
**MOREHEAD CITY, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**STATE BOARD OF COMMUNITY COLLEGES**  
**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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

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

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**AUDITOR'S TRANSMITTAL**

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The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
Board of Trustees, Carteret Community College

We have completed a financial statement audit of Carteret 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.

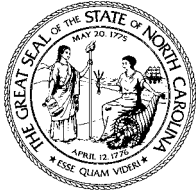
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Carteret Community College  
Morehead City, North Carolina

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Carteret 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.

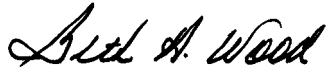
As discussed in Note 13 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 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

May 23, 2011

## **CARTERET COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of Carteret Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2010 and June 30, 2009. Since Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and notes. Responsibility for the completeness and fairness of this information rests with the College.

### **Using This Annual Report**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB). They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various College services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets spotlights both the gross costs and the net costs of College activities, which are supported mainly by State, local, federal, and other revenues. This statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on State aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature.

### **Financial Highlights**

State funds for community colleges in North Carolina are appropriated by the NC General Assembly and distributions are made to colleges by the North Carolina State Board of Community Colleges based on Full-Time Equivalencies (FTE) earned in the prior academic year. Carteret Community College's (CCC) State budget allotment increased by 2.88% in Fiscal 2010 due to the College's 5.17% enrollment growth from Fiscal 2009-2010. The

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

College’s Corporate and Community Education (Continuing Education) realized the largest increase in FTE with 13.19% growth in occupational enrollments. In academic 2009-2010, the College's FTE grew significantly by 11.91% with a 10.12% increase in occupational FTE and a 13.44% increase in curriculum FTE.

Table 1 is a five year comparison of State budget FTE and Table 2 is a five year comparison of State fund budget allotments. Over the five year period, total budget FTE increased 4.74% while State budget appropriations increased by 20.22%. However, reversions of State budget funds and restrictions on cash allotments impacted the College’s State revenues and the net increase in State aid from Fiscal 2006 to Fiscal 2010 was 18.18%. Within the five year period, the curriculum FTE fluctuated most significantly with decreases in Fiscal 2007 and Fiscal 2008. The fiscal budget allocations are predicated on enrollments for the previous year, so the College attributes these decreases in budget FTE to a strong local economy and near full employment during the academic years 2005-2006 and 2006-2007. The FTE increased slightly in Fiscal 2009 and rose significantly in Fiscal 2010 as the national, state, and local economies recognized unprecedented declines beginning in 2008. This is typical in community college environments as more students come to community colleges for training and re-training during slow economic times and during times of high unemployment, while enrollments remain relatively steady or even decline in strong economies.

**Table 1: Five Year Comparison of Budget FTE**

<b>Budget FTE</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007</b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>
Curriculum	1345	1302	1282	1286	1339
Occupational	230	247	276	288	326
Basic Skills	133	129	123	127	124
<b>Total</b>	<b>1708</b>	<b>1678</b>	<b>1681</b>	<b>1701</b>	<b>1789</b>

**Table 2: Five Year Comparison of State Budget Allotments**

State Allocation	\$ 8.9 M	\$ 9.4 M	\$ 9.9 M	\$ 10.4 M	\$ 10.7 M
Reversions	\$ 97.2 K	\$ 110.9 K	0	\$ 265.1 K	\$ 266.1 K
<b>Total</b>	<b>\$ 8.8 Mil</b>	<b>\$ 9.3 Mil</b>	<b>\$ 9.9 Mil</b>	<b>\$ 10.1 Mil</b>	<b>\$ 10.4 Mil</b>

In fiscal year 2009 and 2010, the presentation of federal and state financial aid revenues and certain other grant revenues were reclassified from operating to nonoperating in accordance with the Government Accounting Standards Board *Implementation Guide*. Additionally, as State and National economic recovery remained sluggish, financial aid awards increased and the College’s scholarships and fellowships expense grew by 118.03%. This expense grew in large part due to larger financial aid awards given to individual students during the fiscal year. Utilities and depreciation expenses also grew while other operating expenses such as supplies and materials and services declined during the year. This decline is a direct result of College efforts to meet State-imposed spending restrictions and required fund reversions back to the State of North Carolina. The net effect was an overall increase in total operating expenses of 5.48%.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Financial Analysis

#### Analysis of Assets

The College's current assets rose by 17.83% in Fiscal 2010 while noncurrent assets declined by a combined total of 7.75%. The increase in current assets is primarily due to increased cash balances maintained in Institutional funds and higher accounts receivable due from students. The increase in accounts receivable balances is due to the increased student enrollment and the recording of summer student financial aid awards after June 30, 2010. Additionally, inventories decreased in Fiscal 2010 by 54.90% because the supplies for the Photography department and Library were used throughout the year.

The slight decrease in noncurrent assets is the net result of increases in restricted cash and cash equivalents and nondepreciable capital assets, and decreases in depreciable capital assets and noncurrent receivables. Restricted cash and cash equivalents increased due to payments received for construction expenses and payments received from the State of North Carolina for collections of noncurrent student balances owed to the College. Nondepreciable capital assets rose slightly due to ongoing construction projects during the year and depreciable capital assets declined as unserviceable machinery and equipment were removed and the depreciation expense for the year recorded. Restricted receivables due from primary government were down by \$36,597.12 in Fiscal 2010 as construction tasks were completed with corresponding reductions in bond money due to the College from the State Higher Education Bonds. Additionally, the due from State of NC Component Units category decreased to zero in Fiscal 2010.

Overall cash and cash equivalents more than doubled by 114%. This large increase is the result of increases in student receipts, overhead receipts, and vending receipts, coupled with decreases in expenditures in Occupational and Community Service Self-Supporting funds and the Bookstore. Outstanding reimbursements from grants totaled \$63,712.62 on June 30, 2010.

The total net assets of the College decreased by 1.22% to \$26,001,841.98. The majority of the decrease in total net assets stems from a decline in depreciable capital assets due to the disposal of unserviceable machinery and equipment and the current year's depreciation expense. The College recognized a slight decrease of 1% in total assets and a 3.47% increase in total liabilities from the previous year. The total assets equal \$27,449,595.16 and include 94% capital assets, 3.96% cash, equivalents, and investments, and 1.64% receivables. As noted in the pie chart of liabilities, total liabilities of \$1,447,753.18 consist of 19.5% accounts due to vendors, 8.7% unearned revenue, 1.2% of funds held for others, 29.5% notes payable, and 41.1% accrued vacation and bonus leave for personnel. Current liabilities increased by 22.92% overall, with a 32.4% increase in accounts payable and 38.87% rise in unearned revenue from summer tuition. The current portion of long term liabilities and funds held for others both decreased. Noncurrent liabilities decreased by 5.35% as payments were made on the energy performance contract for the College.

A net increase of \$133,337.07 in unrestricted net assets is comprised of reduced expenses paid from overhead receipts and bookstore fund balances, as well as, increased revenues from

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

transcript fees, self-supporting classes, library fees, and vending receipts. Restricted net assets decreased by 7.73% due to the completion of construction projects.

Condensed Statement of Net Assets (in thousands)				
	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current Assets	\$ 1,394.65	\$ 1,183.64	\$ 211.01	17.83 %
Noncurrent Assets				
Capital Assets, Net of Depreciation	25,841.65	26,313.09	(471.44)	(1.79) %
Other	213.29	226.80	(13.51)	(5.96) %
<b>Total Assets</b>	<b>27,449.59</b>	<b>27,723.53</b>	<b>(273.94)</b>	<b>(0.99) %</b>
<b>Liabilities</b>				
Current Liabilities	536.50	436.45	100.05	22.92 %
Noncurrent Liabilities	911.25	962.79	(51.54)	(5.35) %
<b>Total Liabilities</b>	<b>1,447.75</b>	<b>1,399.24</b>	<b>48.51</b>	<b>3.47 %</b>
<b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	25,414.66	25,834.46	(419.80)	(1.62) %
Unrestricted	157.84	24.51	133.33	543.98 %
Restricted	429.34	465.32	(35.98)	(7.73) %
<b>Total Net Assets</b>	<b>\$ 26,001.84</b>	<b>\$ 26,324.29</b>	<b>\$ (322.45)</b>	<b>(1.22) %</b>

### Analysis of Net Capital Assets

Net capital assets decreased by 1.79% in Fiscal 2010 and the table below shows the classifications of the College's capital assets as of June 30, 2010. Machinery and equipment represents the majority of change in capital assets. The 3.19% decrease in this category corresponds to the disposal of equipment. The College also recognized a loss on disposal of assets of \$8,087.47 due to the disposal of equipment that had not been fully depreciated. Construction in progress rose slightly by 1.99% as a result of capital expenditures on the McGee Building renovation project. The College did not have any capital construction commitments as of June 30, 2010.

Condensed Statement of Capital Assets (in thousands)				
	2007	2006	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current Assets	\$ 1,288.53	\$ 1,448.11	\$ (159.58)	-11.02%
Noncurrent Assets				
Capital Assets, Net of Depreciation	24,746.96	21,871.02	2,875.94	13.15%
Other	784.42	499.03	285.39	57.19%
<b>Total Assets</b>	<b>26,819.91</b>	<b>23,818.16</b>	<b>3,001.75</b>	<b>12.60%</b>
<b>Liabilities</b>				
Current Liabilities	402.93	305.64	97.29	31.83%
Noncurrent Liabilities	1,057.58	1,072.44	(14.86)	-1.39%
<b>Total Liabilities</b>	<b>1,460.51</b>	<b>1,378.08</b>	<b>82.43</b>	<b>5.98%</b>
<b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	24,171.18	21,871.02	2,300.16	10.52%
Unrestricted	110.24	261.92	(151.68)	-57.91%
Restricted	1,077.99	307.15	770.84	250.97%
<b>Total Net Assets</b>	<b>\$ 25,359.41</b>	<b>\$ 22,440.09</b>	<b>\$ 2,919.32</b>	<b>13.01%</b>

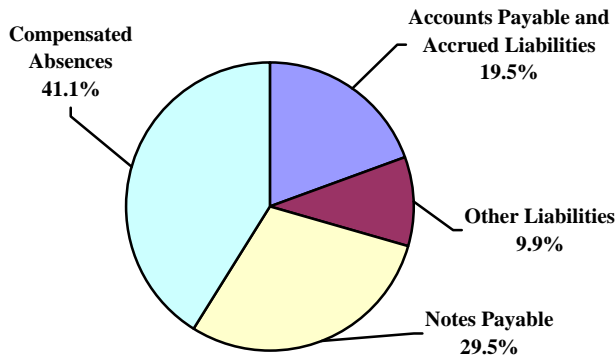
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of Liabilities

The chart below represents the composition of the total liabilities for the College of \$1,447,753.18. During Fiscal 2010, accruals owed to vendors and employees for purchases and services increased sharply by 32.4% due to increases in salaries payable and amounts owed to the bookstore provider for student financial aid transactions. Financial aid for students for the summer term was not posted to student accounts until July 2010 causing a higher balance owed for bookstore charges as of June 30, 2010. Unearned revenue also rose by 38.87% as summer tuition receipts increased. The College's compensated absences, funds held for others and the current portion of notes payable decreased slightly. Overall, changes to current liabilities resulted in a net increase of 22.92% in Fiscal 2010.

Long-term liabilities consist of payments for notes payable and compensated absences outside of a one year time frame. Long-term liabilities decreased by 5.35% from the previous year due to decreases in principal balance for notes payable and decreased liability for compensated absences for employees. Compensated absences declined as employees retired or left the employment of the College and their corresponding compensated absences were paid to them. The notes payable to Branch Banking and Trust for a Guaranteed Energy Savings contract has a total of \$426,995.16 due as of June 30, 2010. This note payable will continue through 2017 with an interest rate of 4.09% on the principal balance.

**Total Liabilities**



### Analysis of Revenues

Total operating revenues for the College decreased by 5.29% during fiscal year 2010. The greatest decrease occurred when the College ceased internal operation of the College bookstore in 2009 as they outsourced bookstore services. As a result, sales and services decreased by 74.36%. Increased tuition rates and student enrollment growth produced an increase in tuition and fees of 33.74%, and other operating revenues including library fines and student clubs decreased by 24.78%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating revenues increased by 8.56% overall from the previous year. Noncapital grants and gifts increased by 52.50% due to increased awards for federal and state financial aid. State and County appropriations decreased slightly by 7.41% and 2.92%, respectively. Other nonoperating expenses decreased significantly by 53.55% because realized investment income was low and the College realized a smaller loss on disposal of assets.

The College completed several capital projects and expended most of the State Higher Education Bonds monies during Fiscal 2009. A decrease in State capital aid of \$7,272.01 is shown for construction that continued on the McGee building renovation project during Fiscal 2010. The McGee building renovation project will be completed and capitalized during fiscal year 2011. County capital aid also declined by \$812,347.17 over the previous year as the majority of construction projects funded through a special local appropriation were completed in Fiscal 2009. Other capital aid increased by \$846.83 due to an increase received from Federal grants.

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

	<i>(in thousands)</i>			
	June 30, 2010	June 30, 2009 As Restated	Increase (Decrease)	Percent Change
<b>Operating Revenues:</b>				
Student Tuition and Fees	\$ 1,555.73	\$ 1,163.23	\$ 392.50	33.74 %
Sales and Services	166.91	650.97	(484.06)	(74.36) %
Other Operating Revenue	16.79	22.32	(5.53)	(24.78) %
<b>Total Operating Revenues</b>	<b>1,739.43</b>	<b>1,836.52</b>	<b>(97.09)</b>	<b>(5.29) %</b>
<b>Less Operating Expenses</b>	<b>17,665.50</b>	<b>16,747.75</b>	<b>917.75</b>	<b>5.48 %</b>
<b>Operating Loss</b>	<b>(15,926.07)</b>	<b>(14,911.23)</b>	<b>(1,014.84)</b>	
<b>Nonoperating Revenues (Expenses):</b>				
State Aid	7,729.89	8,348.54	(618.65)	(7.41) %
County Appropriations	2,025.00	2,086.00	(61.00)	(2.92) %
Noncapital Grants and Gifts	5,355.50	3,511.72	1,843.78	52.50 %
Other Nonoperating Expenses	(21.80)	(46.93)	25.13	(53.55) %
<b>Total Nonoperating Revenues</b>	<b>15,088.59</b>	<b>13,899.33</b>	<b>1,189.26</b>	<b>8.56 %</b>
State Capital Aid	340.24	347.51	(7.27)	(2.09) %
County Capital Aid	161.40	973.75	(812.35)	(83.42) %
Other Capital Aid	13.39	12.55	0.84	6.69 %
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (322.45)</b>	<b>\$ 321.91</b>	<b>\$ (644.36)</b>	

### Analysis of Operating Expenditures

Total operating expenditures for Fiscal 2010 increased by 5.48%. Scholarships and fellowships realized the largest increase of 118.03% due to increased awards from Federal Pell grants and higher awards of NC State grant aid programs due to larger enrollment and individual award amounts. Higher costs for electric, gas, and water services increased the College's utilities expense by 5.38% and depreciation expenses also increased by \$35,570.06 as new equipment purchases began depreciating during 2010. The College decreased expenses for supplies and materials, personnel, and services.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Comparison of Operating Expenses for FY2010 and FY2009

	<i>(in thousands)</i>			
	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent Change
Personal Services	\$ 11,196.71	\$ 11,337.26	\$ (140.55)	(1.24) %
Supplies and Materials	1,251.33	1,786.04	(534.71)	(29.94) %
Services	990.54	1,131.88	(141.34)	(12.49) %
Scholarships and Fellowships	3,094.09	1,419.09	1,675.00	118.03 %
Utilities	466.35	442.56	23.79	5.38 %
Depreciation	666.48	630.91	35.57	5.64 %
	<u>\$ 17,665.50</u>	<u>\$ 16,747.74</u>	<u>\$ 917.76</u>	5.48 %

### Summary

The College's primary funding source is State funding based on earned FTE. After experiencing modest enrollment growth of just over 1% in Fiscal 2009, the College realized an increase of 5.17% in Fiscal 2010. The economy remained sluggish in 2009-2010 and this triggered a more dramatic increase in enrollment of almost 12% for the Fiscal 2011. Over the five year period from Fiscal 2006 to Fiscal 2010, State fund appropriations increased by more than 20% and net increases after reversions and cash restrictions totaled more than 18%.

State funds for Fiscal 2010 included a Management Flexibility Reduction of almost 3% and mandated reversions totaling \$266.1 thousand. The College employs strong fiscal procedures and sound planning to manage significant FTE growth while dealing with State budget deficits and spending restrictions. The College also experienced a decrease of 3% in county funding in Fiscal 2010 as local governments were also adversely affected by the State's economic situation.

### Forecast

Funding for enrollment growth is appropriated in the following fiscal year, so the College must manage growth within the current fiscal year without a corresponding increase in funding. To deal with the situation of arrears funding, the College utilizes multiple strategies including:

- Deriving efficiencies from instructional scheduling and facilities management of classroom space
- Managing travel restrictions
- Reducing office supplies and materials costs through a centralized purchasing system
- Delaying hiring due to attrition
- Reducing contract terms for new and replacement faculty from nine-month contracts with three-month supplemental contracts to nine-month contracts with a one-month supplemental contract
- Monitoring faculty workloads

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

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- Supplementing instruction and instructional support with institutional funds as allowed by regulations and restrictions

In Fiscal 2011, Carteret Community College will respond to significant enrollment growth funding with inclusive and reliable planning based on solid and conservative fiscal procedures.



***Carteret 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 8)	\$ 1,555,730.64
Sales and Services	166,910.39
Other Operating Revenues	16,790.35
	<hr/>
Total Operating Revenues	1,739,431.38
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**EXPENSES**

Operating Expenses:	
Salaries and Benefits	11,196,706.94
Supplies and Materials	1,251,331.73
Services	990,538.78
Scholarships and Fellowships	3,094,094.20
Utilities	466,347.66
Depreciation	666,480.18
	<hr/>
Total Operating Expenses	17,665,499.49
	<hr/>
Operating Loss	(15,926,068.11)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	7,729,890.05
County Appropriations	2,025,000.00
Noncapital Grants - Federal Student Financial Aid	3,405,242.05
Noncapital Grants	1,767,360.33
Noncapital Gifts, Net	182,896.34
Investment Income	1,338.41
Interest and Fees on Debt	(18,615.20)
Other Nonoperating Expenses	(4,520.16)
	<hr/>
Net Nonoperating Revenues	15,088,591.82
	<hr/>
Loss Before Other Revenues	(837,476.29)
	<hr/>
State Capital Aid	340,238.15
County Capital Aid	161,402.97
Capital Grants	13,393.32
	<hr/>
Decrease in Net Assets	(322,441.85)
	<hr/>

**NET ASSETS**

Net Assets, July 1, 2009	26,324,283.83
	<hr/>
Net Assets, June 30, 2010	\$ 26,001,841.98
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The accompanying notes to the financial statements are an integral part of this statement.



***Carteret 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	\$ 1,931,936.55
Payments to Employees and Fringe Benefits	(11,187,457.92)
Payments to Vendors and Suppliers	(2,637,350.33)
Payments for Scholarships and Fellowships	(3,251,079.94)
Loans Issued to Students	(20,338.42)
Collection of Loans to Students	26,397.38
Other Payments	(4,014.04)
	<hr/>
Net Cash Used by Operating Activities	(15,141,906.72)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	7,729,890.05
County Appropriations	2,025,000.00
Noncapital Grants - Federal Student Financial Aid	3,405,242.05
Noncapital Grants Received	1,738,805.22
Stafford Loans Received	1,206,119.14
Stafford Loans Disbursed	(1,206,119.14)
Noncapital Gifts	182,896.34
	<hr/>
Net Cash Provided by Noncapital Financing Activities	15,081,833.66

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

State Capital Aid Received	376,781.27
County Capital Aid	161,402.97
Capital Grants Received	37,393.32
Acquisition and Construction of Capital Assets	(203,138.21)
Principal Paid on Capital Debt	(51,635.44)
Interest Paid on Capital Debt	(18,615.20)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	302,188.71

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	1,338.41
Purchase of Investments and Related Fees	(1,181.66)
	<hr/>
Net Cash Provided by Investing Activities	156.75

Net Increase in Cash and Cash Equivalents	242,272.40
Cash and Cash Equivalents, July 1, 2009	213,037.18
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 455,309.58

***Carteret 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	\$ (15,926,068.11)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	666,480.18
Provision for Uncollectible Loans and Write-Offs	(6,741.27)
Miscellaneous Nonoperating Income	3,567.31
Changes in Assets and Liabilities:	
Receivables, Net	(15,953.62)
Inventories	30,587.55
Prepaid Items	21.91
Notes Receivable, Net	6,058.96
Accounts Payable and Accrued Liabilities	69,074.76
Unearned Revenue	35,164.16
Funds Held for Others	(3,980.10)
Compensated Absences	(118.45)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (15,141,906.72)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 292,566.66
Restricted Cash and Cash Equivalents	56,552.28
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	106,190.64
	<hr/>
Total Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 455,309.58</u></u>

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

Increase in Receivables Related to Nonoperating Income	\$ 47,755.11
Capital Asset Write-Offs	286,760.37

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

***Carteret Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2010***

***Exhibit B-1***

**ASSETS**

Current Assets:

Cash	\$ 145,973
Unconditional Promise to Give	85,000
Donated Boat Inventory	<u>36,565</u>

Total Current Assets 267,538

Property and Equipment, Net 1,177,437

Investments 1,346,087

Total Assets 2,791,062

**LIABILITIES**

Current Liabilities

Accounts Payable and Accrued Expenses	1,282
Accrued Expenses	1,662
Current Portion of Long-Term Debt	<u>25,818</u>

Total Current Liabilities 28,762

Long-Term Liabilities

Notes Payable, Net of Current Portion 448,639

Total Liabilities 477,401

**NET ASSETS**

Unrestricted	1,019,991
Temporarily Restricted	162,238
Permanently Restricted	<u>1,131,432</u>

Total Net Assets \$ 2,313,661

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

***Carteret Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2010***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Support:	
Cash Donations	\$ 8,255
Special Program Revenues	21,953
Noncash Donations	51,992
Boat Contributions, Net of Gains or Losses	<u>95,639</u>
Total Support	<u>177,839</u>
Other Revenues:	
Real Estate Rental Income	60,780
Investment Income	158,255
Miscellaneous Income	<u>147</u>
Total Other Revenues	<u>219,182</u>
Total Net Assets Released from Restrictions	<u>200,544</u>
Total Unrestricted Support and Revenues	<u>597,565</u>
Expenses:	
Program Services:	
College Support	140,169
Scholarships	<u>113,947</u>
Total Program Services	<u>254,116</u>
Supporting Services:	
Property Management	58,176
Foundation Administration	78,945
Boat Program Expenses	94,725
Fund Raising Expense	<u>24,726</u>
Total Supporting Services	<u>256,572</u>
Total Expenses	<u>510,688</u>
Increase in Unrestricted Net Assets	<u>86,877</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	
Miscellaneous Donations	44,974
Scholarships Donations	99,216
Net Assets Released from Restrictions:	<u>(200,544)</u>
Decrease in Temporarily Restricted Net Assets	<u>(56,354)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>	
Endowment Fund Contributions	<u>131,800</u>
Increase in Permanently Restricted Net Assets	<u>131,800</u>
Increase in Net Assets	162,323
Net Assets at Beginning of Year	<u>2,151,338</u>
Net Assets at End of Year	<u>\$ 2,313,661</u>

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

**CARTERET COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. Discretely presented component unit's financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

**Discretely Presented Component Unit** - Carteret Community College Foundation, Inc. (Foundation) is a 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 22 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$328,539.79 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Christine Jonas, Controller, Carteret Community College or the Business Office of Carteret Community College Foundation, Inc.

- 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.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes a mutual fund holding by the College through the North Carolina Capital Management Trust - Cash

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Portfolio. Investment in the Trust is recorded at cost, which approximates market value held by the College.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. 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 50 years for general infrastructure, 40 to 60 years for buildings, and 5 to 25 years for equipment.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.
- K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous 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.

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

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

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

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

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

**M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - 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 \$1,855.00, and deposits in

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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private financial institutions with a carrying value of \$453,454.58, and a bank balance of \$571,496.23.

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 the pooling method.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings 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, 2010, the College's investments consisted of \$631,635.29 in the North Carolina Capital Management Trust - Cash Portfolio. The investment is subject to the following risks:

*Interest Rate Risk:* Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk. The North Carolina

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Capital Management Trust - Cash Portfolio had a maturity of approximately 36 days at June 30, 2010.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2010, the North Carolina Capital Management Trust - Cash Portfolio carried a credit rating of AAAM by Standard and Poor's.

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2010, is as follows:

Cash on Hand	\$	1,855.00
Carrying Amount of Deposits with Private Financial Institutions		453,454.58
Investments in the Short Term Investment Fund		<u>631,635.29</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u><u>1,086,944.87</u></u></b>
<b>Current:</b>		
Cash and Cash Equivalents	\$	292,566.66
Restricted Cash and Cash Equivalents		56,552.28
Short-Term Investments		444,513.25
Restricted Short-Term Investments		187,122.04
<b>Noncurrent:</b>		
Restricted Cash and Cash Equivalents		<u>106,190.64</u>
<b>Total</b>	<b>\$</b>	<b><u><u>1,086,944.87</u></u></b>

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

Investment Type	Carrying Value
Money Market Funds	\$ 1,157
Equity Stocks	1,168,781
Fixed Income	<u>176,149</u>
<b>Total Investments</b>	<b><u><u>\$ 1,346,087</u></u></b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 394,681.95	\$ 140,700.32	\$ 253,981.63
Intergovernmental	50,856.23		50,856.23
Other	<u>29,247.81</u>		<u>29,247.81</u>
<b>Total Current Receivables</b>	<u>\$ 474,785.99</u>	<u>\$ 140,700.32</u>	<u>\$ 334,085.67</u>
<b>Notes Receivable:</b>			
Institutional Student Loan Programs	<u>\$ 81,382.19</u>	<u>\$ 76,166.84</u>	<u>\$ 5,215.35</u>

### NOTE 4 - CAPITAL ASSETS

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

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 3,116,835.91	\$ 0.00	\$ 0.00	\$ 3,116,835.91
Construction in Progress	<u>307,742.60</u>	<u>6,117.15</u>		<u>313,859.75</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>3,424,578.51</u>	<u>6,117.15</u>		<u>3,430,695.66</u>
Capital Assets, Depreciable:				
Buildings	24,002,891.75			24,002,891.75
Machinery and Equipment	2,814,972.86	197,021.06	286,760.37	2,725,233.55
General Infrastructure	<u>1,598,268.44</u>			<u>1,598,268.44</u>
<b>Total Capital Assets, Depreciable</b>	<u>28,416,133.05</u>	<u>197,021.06</u>	<u>286,760.37</u>	<u>28,326,393.74</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	3,980,483.74	412,014.48		4,392,498.22
Machinery and Equipment	1,347,592.90	222,020.10	278,672.90	1,290,940.10
General Infrastructure	<u>199,549.77</u>	<u>32,445.60</u>		<u>231,995.37</u>
<b>Total Accumulated Depreciation</b>	<u>5,527,626.41</u>	<u>666,480.18</u>	<u>278,672.90</u>	<u>5,915,433.69</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>22,888,506.64</u>	<u>(469,459.12)</u>	<u>8,087.47</u>	<u>22,410,960.05</u>
<b>Capital Assets, Net</b>	<u>\$ 26,313,085.15</u>	<u>\$ (463,341.97)</u>	<u>\$ 8,087.47</u>	<u>\$ 25,841,655.71</u>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Accounts Payable	\$ 212,702.67
Accrued Payroll	<u>69,533.72</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 282,236.39</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - LONG-TERM LIABILITIES

**A. Changes in 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
Notes Payable	\$ 478,630.60	\$ 0.00	\$ 51,635.44	\$ 426,995.16	\$ 53,787.41
Compensated Absences	595,237.82	392,275.50	392,393.95	595,119.37	57,071.96
<b>Total Long-Term Liabilities</b>	<b>\$ 1,073,868.42</b>	<b>\$ 392,275.50</b>	<b>\$ 444,029.39</b>	<b>\$ 1,022,114.53</b>	<b>\$ 110,859.37</b>

**B. Notes Payable** - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2010	Principal Outstanding June 30, 2010
Energy Performance Contract	BB & T	4.09%	06/14/2017	\$ 665,324.17	\$ 238,329.01	\$ 426,995.16

The annual requirements to pay principal and interest on notes payable at June 30, 2010, are as follows:

Fiscal Year	Annual Requirements Notes Payable	
	Principal	Interest
2011	\$ 53,787.41	\$ 16,463.23
2012	56,029.01	14,221.63
2013	58,364.05	11,886.59
2014	60,796.39	9,454.25
2015	63,330.13	6,920.51
2016-2017	134,688.17	5,813.11
Total Requirements	<b>\$ 426,995.16</b>	<b>\$ 64,759.32</b>

### NOTE 7 - LEASE OBLIGATIONS

**Operating Lease Obligations** - The College entered into operating leases for building rentals. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

Fiscal Year	Amount
2011	\$ 62,510.00
2012	62,856.00
2013	64,676.00
2014	65,040.00
Total Minimum Lease Payments	<b>\$ 255,082.00</b>

Rental expense for all operating leases during the year was \$64,937.01.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 2,449,088.98	\$ 882,518.84	\$ 10,839.50	\$ 1,555,730.64

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 6,160,282.93	\$ 552,999.27	\$ 192,554.03	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,905,836.23
Public Service			2,367.86				2,367.86
Academic Support	1,228,614.02	209,162.24	89,403.80				1,527,180.06
Student Services	1,026,578.31	35,580.50	83,445.97		1,100.00		1,146,704.78
Institutional Support	1,819,092.05	100,546.51	177,130.36				2,096,768.92
Operations and Maintenance of Plant	912,816.59	298,471.09	395,882.52		465,247.66		2,072,417.86
Student Financial Aid		44,573.75	25,436.57	3,094,094.20			3,164,104.52
Auxiliary Enterprises	49,323.04	9,998.37	24,317.67				83,639.08
Depreciation						666,480.18	666,480.18
Total Operating Expenses	\$ 11,196,706.94	\$ 1,251,331.73	\$ 990,538.78	\$ 3,094,094.20	\$ 466,347.66	\$ 666,480.18	\$ 17,665,499.49

### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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For the current fiscal year, the College had a total payroll of \$10,073,324.23, of which \$7,477,924.81 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$266,961.92 and \$448,675.57, 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 \$266,961.92, \$262,686.61, and \$238,340.45, 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 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 \$33,604.00 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. The voluntary contributions by employees amounted to \$149,206.00 for the year ended June 30, 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 College did not offer 403(b) participation for the year ended June 30, 2010.

### 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 *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 4.5% 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 4.1% and 4.1%, respectively. The College made 100% of



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$336,506.62, \$320,540.21, and \$320,392.08, 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.

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 \$38,885.21, \$40,653.88, and \$40,635.09, 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, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and retains the risk for the \$10 million deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Losses for employees paid from county and institutional funds are covered under a blanket policy for employee dishonesty and fraud with a private insurance company with coverage of \$3,000,000 per occurrence and a \$10,000 deductible.

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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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. The College's total contribution to this benefit was \$11,964.42 for the year ended June 30, 2010.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

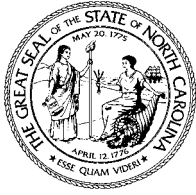
### **NOTE 13 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.

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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**

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Board of Trustees  
Carteret Community College  
Morehead City, North Carolina

We have audited the financial statements of Carteret 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 May 23, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 13 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 Carteret Community College Foundation, Inc., 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, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable

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

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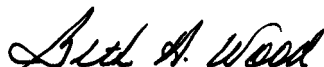
possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



Beth A. Wood, CPA  
State Auditor

May 23, 2011

## **ORDERING INFORMATION**

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

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