



STATE OF NORTH CAROLINA

COASTAL CAROLINA COMMUNITY COLLEGE

JACKSONVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

COASTAL CAROLINA COMMUNITY COLLEGE

JACKSONVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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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

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Coastal Carolina Community College

We have completed a financial statement audit of Coastal Carolina 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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Assets	9
A-2 Statement of Revenues, Expenses, and Changes in Net Assets	10
A-3 Statement of Cash Flows	11
Notes to the Financial Statements	13
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 <i>GOVERNMENT AUDITING STANDARDS</i>	31
ORDERING INFORMATION	33

Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Coastal Carolina Community College
Jacksonville, North Carolina

We have audited the accompanying basic financial statements of Coastal Carolina Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Coastal Carolina Community College Foundation, Inc., the College's blended component unit which represent 11 percent, 12 percent, and 3 percent, respectively, of the assets, net assets, and revenues of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

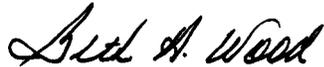
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Carolina Community College as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 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 2, 2011

COASTAL CAROLINA COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of Coastal Carolina Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2010, with comparative data for the fiscal year ended June 30, 2009. Because 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 to the financial statements. 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) 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 College and Universities*. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. 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 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 indicators of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Statement of Cash Flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

Financial Highlights

Our fourth construction project funded with state bond funds which consisted of the construction of covered walkways and fascia repair was completed this fiscal year. The covered walkways portion of the project was completed at a total cost of \$3,382,033.45. Other construction projects completed this fiscal year included the construction of a stage storage facility and the expansion of an existing parking lot.

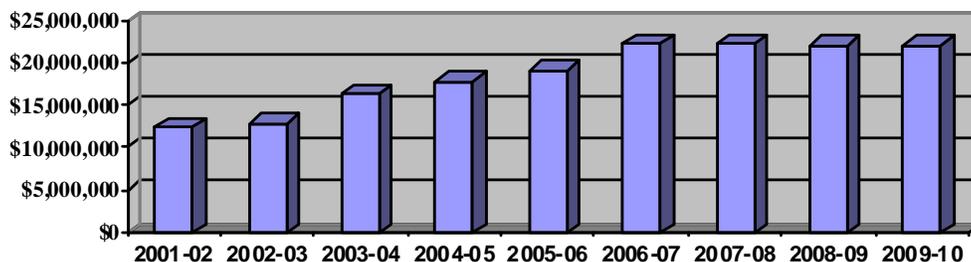
In response to a special provision of the NC General Assembly, the State Board of Community Colleges approved, in 1999, twelve performance measures and standards to enhance accountability in North Carolina community colleges. In 2007, the NC General Assembly approved modifications to the NC Community College Performance Measures and Standards as recommended by the NC State Board of Community Colleges. The modifications, effective immediately, reduced the number of measures from 12 to 8. This year the College achieved all eight performance standards, however, performance funding for accomplishing this achievement was not approved as part of this fiscal year's state-budget allotment.

In September 2009, the College reverted 5% of their annual state appropriations to the NC Community College System Office (NCCCSO). This reversion totaled \$886,988. In November 2009, reversion relief funds were allotted back to the College in the amount of \$354,795. Mandatory management flexibility funds were also due back to the NCCCSO in September 2009 in the amount of \$541,252.

In addition to the funding we receive from the State based on a full-time equivalent formula, we receive funding from Onslow County for the maintenance of buildings and infrastructure.

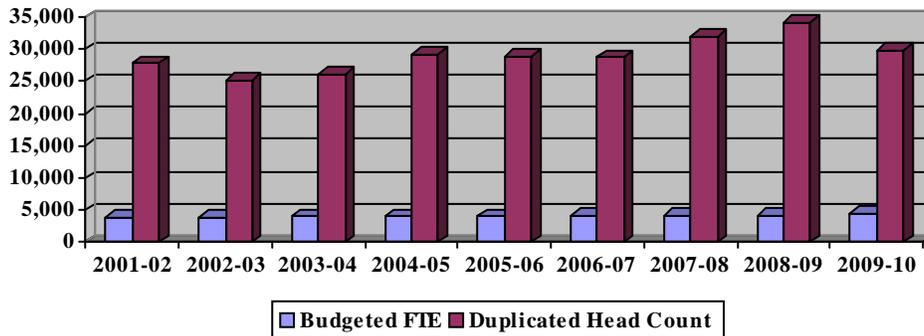
The College continues to grow by budget increases, campus expansion, and student enrollment.

State Appropriations



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Enrollment



Financial Analysis

Analysis of Current Assets and Net Assets

As of June 30, 2010, the College's total net assets have increased .69% from the last fiscal year. Other noncurrent assets decreased by 47.89% due to a decrease in restricted due from primary government of over \$3.3 million dollars. This is due to the decrease in the amount of bond funds due from the State for the construction of covered walkways. The majority of these funds were received during the fiscal year, with only \$116,926.76 remaining in construction bond funds due to the College at June 30, 2010. This decrease also contributed to the 94.08% decrease in net assets restricted for expendable capital projects. The College Foundation's expendable scholarships have increased by 615.41% from last fiscal year. Investment losses in the two years prior had greatly reduced the amount of scholarship funds available. This fiscal year, the value of foundation investments recovered enough to increase the amount of funds that were available to be awarded to students for scholarships.

Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009 (as restated)	Increase (Decrease)	Percent Change
Current Assets:	\$ 6,005,596.25	\$ 5,512,417.14	\$ 493,179.11	8.95%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	27,799,668.67	25,219,337.07	2,580,331.60	10.23%
Other	3,216,843.62	6,173,573.88	<u>(2,956,730.26)</u>	-47.89%
Total Assets	<u>37,022,108.54</u>	<u>36,905,328.09</u>	<u>116,780.45</u>	0.32%
Current Liabilities:	1,047,448.45	1,170,406.77	(122,958.32)	-10.51%
Noncurrent Liabilities	548,326.17	550,284.19	<u>(1,958.02)</u>	-0.36%
Total Liabilities	<u>1,595,774.62</u>	<u>1,720,690.96</u>	<u>(124,916.34)</u>	-7.26%
Net Assets:				
Investment in Capital Assets	27,799,668.67	25,219,337.07	2,580,331.60	10.23%
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	2,686,809.86	2,554,452.66	132,357.20	5.18%
Expendable:				
Scholarships and Fellowships	345,485.00	48,292.21	297,192.79	615.41%
Capital Projects	208,514.94	3,520,060.56	(3,311,545.62)	-94.08%
Restricted for Specific Programs	197,744.55	199,141.08	(1,396.53)	-0.70%
Other	263,394.72	239,163.55	24,231.17	10.13%
Unrestricted	<u>3,924,716.18</u>	<u>3,404,190.00</u>	<u>520,526.18</u>	15.29%
Total Net Assets	<u>\$ 35,426,333.92</u>	<u>\$ 35,184,637.13</u>	<u>\$ 241,696.79</u>	0.69%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Liabilities

The College had no significant change in current or noncurrent liabilities from the prior fiscal year.

Analysis of Liabilities				
	<u>June 30, 2010</u>	<u>June 30, 2009 (as restated)</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Liabilities	\$ 970,893.40	\$ 1,086,494.07	\$ (115,600.67)	-10.64%
Long-Term Liabilities - Current Portion	76,555.05	83,912.70	(7,357.65)	-8.77%
Total Current Liabilities	<u>1,047,448.45</u>	<u>1,170,406.77</u>	<u>(122,958.32)</u>	-10.51%
Noncurrent Long-Term Liabilities	548,326.17	550,284.19	(1,958.02)	-0.36%
Total Liabilities	<u>\$ 1,595,774.62</u>	<u>\$ 1,720,690.96</u>	<u>\$ (124,916.34)</u>	-7.26%

Analysis of Net Capital Assets

The schedule below defines the categories of the College's capital assets. It is prepared from the College's Statement of Net Assets which is presented on the accrual basis of accounting whereby assets are capitalized and depreciated. The year consisted of routine purchases and disposals of equipment. Construction in progress decreased substantially due to the completion of construction of the covered walkways and other projects, which were reclassified to the general infrastructure caption. The increase in general infrastructure was caused by the reclassification of completed construction projects from the construction in progress caption.

	<u>June 30, 2010</u>	<u>June 30, 2009 (as restated)</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Asset s:				
Land	\$ 823,349.75	\$ 823,349.75	\$ 0.00	0.00%
Buildings	27,996,105.89	27,996,105.89		0.00%
Machinery and Equipment	2,964,260.89	2,659,327.41	304,933.48	11.47%
General Infrastructure	11,645,359.11	7,731,200.52	3,914,158.59	50.63%
Construction in Progress	9,962.90	690,105.58	(680,142.68)	-98.56%
Total	<u>43,439,038.54</u>	<u>39,900,089.15</u>	<u>3,538,949.39</u>	8.87%
Less: Accumulated Depreciation	<u>(15,639,369.87)</u>	<u>(14,680,752.08)</u>	<u>958,617.79</u>	6.53%
Net Capital Assets	<u>\$ 27,799,668.67</u>	<u>\$ 25,219,337.07</u>	<u>\$ 2,580,331.60</u>	10.23%

Analysis of Revenues

The College experienced a 12% overall increase in revenues from the prior fiscal year. Noncapital grants - federal student financial aid increased by 84.30% due to an increase in the annual maximum Pell grant award per student, as well as an increased number of Pell students receiving aid. The increase in investment income was due to improved performance of the College Foundation's investment portfolio as compared to the prior fiscal year. The reduction

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

in other nonoperating expenses was due to the College incurring fewer losses on capital asset disposals as compared to the prior fiscal year. State capital aid, county capital appropriations, and capital grants increased due to the continuation of existing construction projects, and in response to the College's increased capital needs and purchases this fiscal year.

	June 30, 2010	June 30, 2009 (as restated)	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 4,988,913.38	\$ 4,245,466.26	\$ 743,447.12	17.51%
Sales and Services and Other, Net	2,148,621.02	2,066,585.31	82,035.71	3.97%
Total Operating Revenues	7,137,534.40	6,312,051.57	825,482.83	13.08%
Less Operating Expenses	37,198,801.18	34,212,626.46	2,986,174.72	8.73%
Operating Loss	(30,061,266.78)	(27,900,574.89)	2,160,691.89	7.74%
Nonoperating Revenues:				
State Aid	13,790,004.07	16,427,262.97	(2,637,258.90)	-16.05%
County Appropriations	2,344,838.27	2,680,363.94	(335,525.67)	-12.52%
Noncapital Grants - Federal Student Financial Aid	9,575,437.44	5,195,531.46	4,379,905.98	84.30%
Noncapital Gifts and Grants	1,870,162.02	1,662,937.28	207,224.74	12.46%
Investment Income (Loss), Net	545,522.89	(542,468.12)	1,087,991.01	200.56%
Other Nonoperating Expenses	(12,641.34)	(123,978.55)	111,337.21	89.80%
Net Nonoperating Revenues	28,113,323.35	25,299,648.98	2,813,674.37	11.12%
Other Revenues:				
State Capital Aid	1,006,424.49	700,901.26	305,523.23	43.59%
County Capital Aid	948,174.73	776,516.06	171,658.67	22.11%
Capital Grants	125,590.00	89,091.06	36,498.94	40.97%
Additions to Endowments	109,451.00	133,990.00	(24,539.00)	-18.31%
Total Nonoperating and Other Revenues	30,302,963.57	27,000,147.36	3,302,816.21	12.23%
Increase (Decrease) in Net Assets	\$ 241,696.79	\$ (900,427.53)	\$ 1,142,124.32	126.84%

Analysis of Expenses

The College experienced an 8.73% overall increase in operating expenses from the prior fiscal year. Salaries and benefits, which comprise the largest category of operating expenses, remained relatively consistent with the prior fiscal year. This category includes salary and benefit expenses, retirement contributions, and employer tax amounts. Services increased by 34.68% due to strict state spending restrictions and cash availability uncertainty that existed in the prior fiscal year. Scholarships and fellowships increased by 64.62% due primarily to increased awards of financial aid pertaining to the federal Pell grant.

	June 30, 2010	June 30, 2009	Increase (Decrease)	Percent Change
Salaries and Benefits	\$ 20,742,365.41	\$ 21,914,675.76	\$ (1,172,310.35)	-5.35%
Supplies and Materials	4,603,623.49	4,059,488.51	544,134.98	13.40%
Services	3,010,160.87	2,235,000.93	775,159.94	34.68%
Scholarships and Fellowships	7,063,195.53	4,290,497.72	2,772,697.81	64.62%
Utilities	737,337.14	721,109.77	16,227.37	2.25%
Depreciation	1,042,118.74	991,853.77	50,264.97	5.07%
Total Operating Expenses	\$ 37,198,801.18	\$ 34,212,626.46	\$ 2,986,174.72	8.73%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Economic Forecast

For the 2009-2010 fiscal year, approximately 40% of the College's total revenue was funded by the State of North Carolina and approximately 9% was funded by Onslow County. Budget cuts and reversions totaled 5%. Although occupational extension enrollment decreased by less than one-half of one percent, curriculum and basic skills full-time equivalency (FTE) enrollments increased by 15% and 9%, respectively.

As negotiations are underway toward next year's state budget, the North Carolina Community College System is preparing for at least a 10% state-budget reduction. Meeting the increased educational demands of the service area with decreasing revenues will necessitate the consideration of reduced spending, increased workloads, enrollment caps, and/or a reduction in force.

In summary, this annual report is designed to provide our community, students, donors, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives through grants, donations, and tuition revenues.

Coastal Carolina Community College
Statement of Net Assets
June 30, 2010

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,478,073.41
Restricted Cash and Cash Equivalents	325,020.96
Short-Term Investments	489,558.00
Restricted Short-Term Investments	472,321.00
Receivables, Net (Note 4)	734,871.73
Inventories	434,279.46
Prepaid Items	69,385.69
Notes Receivable (Note 4)	2,086.00
	<hr/>
Total Current Assets	6,005,596.25

Noncurrent Assets:

Restricted Cash and Cash Equivalents	90,350.86
Restricted Due from Primary Government	116,926.76
Restricted Investments	2,665,717.00
Other Investments	309,640.00
Notes Receivable (Note 4)	34,209.00
Capital Assets - Nondepreciable (Note 5)	833,312.65
Capital Assets - Depreciable, Net (Note 5)	26,966,356.02
	<hr/>
Total Noncurrent Assets	31,016,512.29

Total Assets

37,022,108.54

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	617,839.90
Unearned Revenue	327,461.61
Funds Held for Others	25,591.89
Long-Term Liabilities - Current Portion (Note 7)	76,555.05
	<hr/>
Total Current Liabilities	1,047,448.45

Noncurrent Liabilities:

Funds Held for Others	43,597.45
Long-Term Liabilities (Note 7)	504,728.72
	<hr/>
Total Noncurrent Liabilities	548,326.17

Total Liabilities

1,595,774.62

NET ASSETS

Invested in Capital Assets	27,799,668.67
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,686,809.86
Expendable:	
Scholarships and Fellowships	345,485.00
Capital Projects	208,514.94
Restricted for Specific Programs	197,744.55
Other	263,394.72
Unrestricted	3,924,716.18
	<hr/>
Total Net Assets	\$ 35,426,333.92

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

***Coastal Carolina 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)	\$ 4,988,913.38
Sales and Services, Net (Note 9)	2,075,462.62
Other Operating Revenues	73,158.40

Total Operating Revenues	7,137,534.40
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EXPENSES

Operating Expenses:

Salaries and Benefits	20,742,365.41
Supplies and Materials	4,603,623.49
Services	3,010,160.87
Scholarships and Fellowships	7,063,195.53
Utilities	737,337.14
Depreciation	1,042,118.74

Total Operating Expenses	37,198,801.18
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Operating Loss	(30,061,266.78)
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NONOPERATING REVENUES (EXPENSES)

State Aid	13,790,004.07
County Appropriations	2,344,838.27
Noncapital Grants - Federal Student Financial Aid	9,575,437.44
Noncapital Grants	1,568,180.06
Noncapital Gifts	301,981.96
Investment Income, Net	545,522.89
Other Nonoperating Expenses	(12,641.34)

Net Nonoperating Revenues	28,113,323.35
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Loss Before Other Revenues	(1,947,943.43)
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State Capital Aid	1,006,424.49
County Capital Aid	948,174.73
Capital Grants	125,590.00
Additions to Endowments	109,451.00

Increase in Net Assets	241,696.79
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NET ASSETS

Net Assets, July 1, 2009 as Restated (Note 16)	35,184,637.13
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Net Assets, June 30, 2010	\$ 35,426,333.92
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The accompanying notes to the financial statements are an integral part of this statement.

***Coastal Carolina 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	\$ 7,068,030.73
Payments to Employees and Fringe Benefits	(20,804,828.03)
Payments to Vendors and Suppliers	(8,608,952.98)
Payments for Scholarships and Fellowships	(7,063,195.53)
Collection of Loans to Students	1,955.00
Other Receipts	87,623.13
	<hr/>
Net Cash Used by Operating Activities	(29,319,367.68)
	<hr/>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	13,790,004.07
County Appropriations	2,344,838.27
Noncapital Grants - Federal Student Financial Aid	9,575,437.44
Noncapital Grants Received	1,485,665.19
Noncapital Gifts and Endowments Received	186,432.96
	<hr/>
Cash Provided by Noncapital Financing Activities	27,382,377.93
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	4,346,802.58
County Capital Aid	948,174.73
Capital Grants Received	125,590.00
Acquisition and Construction of Capital Assets	(3,635,091.68)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,785,475.63
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	3,739,624.00
Investment Income	116,790.89
Purchase of Investments and Related Fees	(3,969,572.00)
	<hr/>
Net Cash Used by Investing Activities	(113,157.11)
	<hr/>

Net Decrease in Cash and Cash Equivalents	(264,671.23)
Cash and Cash Equivalents, July 1, 2009	4,158,116.46
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 3,893,445.23
	<hr/> <hr/>

Coastal Carolina 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	\$ (30,061,266.78)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,042,118.74
Changes in Assets and Liabilities:	
Receivables, Net	(118,798.79)
Inventories	(48,568.51)
Prepaid Items	(9,891.00)
Notes Receivable	1,955.00
Accounts Payable and Accrued Liabilities	(264,410.05)
Unearned Revenue	145,009.41
Funds Held for Others	(8,091.16)
Compensated Absences	2,575.46
	<u>2,575.46</u>
Net Cash Used by Operating Activities	<u>\$ (29,319,367.68)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 3,478,073.41
Restricted Cash and Cash Equivalents	325,020.96
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>90,350.86</u>
Total Cash and Cash Equivalents - June 30, 2010	<u>\$ 3,893,445.23</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Investment in Real Estate Acquired Through a Gift to the College's Component Unit	\$ 225,000.00
Change in Fair Value of Investments	52,691.00
Increase in Receivables Related to Nonoperating Income	82,514.87
Capital Asset Write-Offs	96,142.29

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

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College.

Blended Component Unit - Although legally separate, Coastal Carolina Community College Foundation, Inc. (Foundation) is reported as if it were part of the College. The Foundation is governed by a 27-member board consisting of two ex officio directors and 25 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Coastal Carolina Community College Board of Trustees and the Foundation's sole purpose is to benefit Coastal Carolina Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, 444 Western Boulevard, Jacksonville, NC 28546, or by calling (910) 938-6218. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

- 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase in the fair value of investments is recognized as a component of investment income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

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

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 100 years for buildings, 5 to 25 years for equipment, and 2 to 30 years for computer software.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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 - 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as The College Store and Coastal Café. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge 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.
- P. 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 \$9,360, and deposits in private financial institutions with a carrying value of \$799,390.59, and a bank balance of \$2,794,983.66.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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** - In addition to donated securities and real estate held by the College, 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 amount shown on the Statement of Net Assets as cash and cash equivalents includes \$3,084,694.64, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Investments of the College's component units, the Foundation, 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.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2010, for the College's investments. 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.

Investment Type	Investments		
	Fair Value	Investment Maturities (in Years)	
		Less Than 1	6 to 10
Debt Securities			
Money Market Mutual Funds	\$ 68,328.00	\$ 68,328.00	\$ 0.00
Domestic Corporate Bonds	1,237,907.00		1,237,907.00
Foreign Government Bonds	374,515.00		374,515.00
		<u>\$ 68,328.00</u>	<u>\$ 1,612,422.00</u>
Other Securities			
Mutual Funds	275,783.00		
Investments in Real Estate	309,640.00		
Hedge Funds	275,472.00		
Domestic Stocks	1,034,063.00		
Foreign Stocks	361,528.00		
	<u>\$ 3,937,236.00</u>		
Total Investments	<u>\$ 3,937,236.00</u>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 College's investments were rated as follows:

	Fair Value	AAA Aaa	AA Aa	BBB Baa	BB/Ba and below
Money Market Mutual Funds	\$ 68,328.00	\$ 68,328.00	\$ 0.00	\$ 0.00	\$ 0.00
Domestic Corporate Bonds	1,237,907.00	92,287.00	847,881.00		297,739.00
Foreign Government Bonds	374,515.00			374,515.00	
Mutual Funds	275,783.00	275,783.00			

Rating Agency: 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	\$ 9,360.00
Carrying Amount of Deposits with Private Financial Institutions	799,390.59
Investments in the Short-Term Investment Fund	3,084,694.64
Other Investments	<u>3,937,236.00</u>
Total Deposits and Investments	<u>\$ 7,830,681.23</u>
Current:	
Cash and Cash Equivalents	\$ 3,478,073.41
Restricted Cash and Cash Equivalents	325,020.96
Short-Term Investments	489,558.00
Restricted Short-Term Investments	472,321.00
Noncurrent:	
Restricted Cash and Cash Equivalents	90,350.86
Restricted Investments	2,665,717.00
Other Investments	<u>309,640.00</u>
Total	<u>\$ 7,830,681.23</u>

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. 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 investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2010, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the College's endowment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's endowment funds are based on an adopted spending policy which allows up to 100% of the endowment income each year for the sole purpose of funding student scholarships. At June 30, 2010, endowment net assets of \$472,324 were available to be spent, all of which was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	<u>Gross Receivables</u>	<u>Change in Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 581,642.80	\$ 73,331.65	\$ 508,311.15
Accounts	110,609.92		110,609.92
Intergovernmental	106,198.95		106,198.95
Other	<u>9,751.71</u>		<u>9,751.71</u>
Total Current Receivables	<u><u>\$ 808,203.38</u></u>	<u><u>\$ 73,331.65</u></u>	<u><u>\$ 734,871.73</u></u>
Notes Receivable:			
Notes Receivable - Current:			
Real Estate Loan	<u><u>\$ 2,086.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 2,086.00</u></u>
Notes Receivable - Noncurrent:			
Real Estate Loan	<u><u>\$ 34,209.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 34,209.00</u></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 and Permanent Easements	\$ 823,349.75	\$ 0.00	\$ 0.00	\$ 823,349.75
Construction in Progress	690,105.58	3,382,283.45	4,062,426.13	9,962.90
Total Capital Assets, Nondepreciable	1,513,455.33	3,382,283.45	4,062,426.13	833,312.65
Capital Assets, Depreciable:				
Buildings	27,996,105.89			27,996,105.89
Machinery and Equipment	2,659,327.41	401,075.77	96,142.29	2,964,260.89
General Infrastructure	7,731,200.52	3,914,158.59		11,645,359.11
Total Capital Assets, Depreciable	38,386,633.82	4,315,234.36	96,142.29	42,605,725.89
Less Accumulated Depreciation:				
Buildings	12,042,611.70	684,868.56		12,727,480.26
Machinery and Equipment	1,287,950.04	189,764.30	83,500.95	1,394,213.39
General Infrastructure	1,350,190.34	167,485.88		1,517,676.22
Total Accumulated Depreciation	14,680,752.08	1,042,118.74	83,500.95	15,639,369.87
Total Capital Assets, Depreciable, Net	23,705,881.74	3,273,115.62	12,641.34	26,966,356.02
Capital Assets, Net	\$ 25,219,337.07	\$ 6,655,399.07	\$ 4,075,067.47	\$ 27,799,668.67

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 139,501.29
Accrued Payroll	478,338.61
Total Accounts Payable and Accrued Liabilities	\$ 617,839.90

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	\$ 578,708.58	\$ 400,757.34	\$ 398,182.15	\$ 581,283.77	\$ 76,555.05

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2011	\$ 188,060.64
2012	160,796.64
2013	82,147.14
2014	591.47
Total Minimum Lease Payments	\$ 431,595.89

Rental expense for all operating leases during the year was \$227,138.41.

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	\$ 7,350,801.64	\$ 0.00	\$ 2,312,726.16	\$ 49,162.10	\$ 4,988,913.38
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Cafeteria	\$ 357,298.33	\$ 7,077.88	\$ 0.00	\$ 0.00	\$ 350,220.45
Vending	41,558.24				41,558.24
Bookstore	3,140,046.08	23,212.36	1,488,836.92		1,627,996.80
Other	569.96				569.96
Sales and Services of Education and Related Activities	55,117.17				55,117.17
Total Sales and Services	\$ 3,594,589.78	\$ 30,290.24	\$ 1,488,836.92	\$ 0.00	\$ 2,075,462.62

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 13,364,110.28	\$ 1,384,686.56	\$ 538,175.39	\$ 307,476.19	\$ 1,299.13	\$ 0.00	\$ 15,595,747.55
Academic Support	2,490,598.97	80,795.01	50,882.03				2,622,276.01
Student Services	1,387,402.62	65,770.70	187,953.32				1,641,126.64
Institutional Support	2,444,787.57	274,123.03	652,130.87	3,408.42			3,374,449.89
Operations and Maintenance of Plant	856,332.89	140,787.25	1,484,044.74		736,038.01		3,217,202.89
Student Financial Aid				6,752,310.92			6,752,310.92
Auxiliary Enterprises	199,133.08	2,657,460.94	96,974.52				2,953,568.54
Depreciation						1,042,118.74	1,042,118.74
Total Operating Expenses	<u>\$ 20,742,365.41</u>	<u>\$ 4,603,623.49</u>	<u>\$ 3,010,160.87</u>	<u>\$ 7,063,195.53</u>	<u>\$ 737,337.14</u>	<u>\$ 1,042,118.74</u>	<u>\$ 37,198,801.18</u>

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System 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 \$17,197,090.70, of which \$13,305,177.06 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$474,994.82 and \$798,310.62, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$474,994.82, \$481,006.98, and \$445,052.09, 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. Supplemental Retirement Income Plans** - 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. The voluntary contributions by employees amounted to \$253,406.54 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 \$43,995.96 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$598,732.96, \$586,943.04, and \$598,266.74, 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 \$69,186.92, \$74,441.55, and \$75,877.74, 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. The College is protected from losses from employee dishonesty for employees paid from county or institutional funds by contracts with private insurance companies.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Other insurance purchased by the College includes firearms training general liability insurance with coverage of \$2,000,000 for bodily injury and property damage, and boiler, machinery, and equipment insurance with coverage based on the buildings and contents value of \$72,065,224.

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 on construction projects and other purchases. Outstanding commitments on construction contracts were \$242,989.83 and on other purchases were \$28,095.00 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 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.

NOTE 16 - NET ASSET RESTATEMENTS

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

	<u>Amount</u>
July 1, 2009 Net Assets as Previously Reported	\$ 35,270,408.43
Restatements:	
To Correct Error in Classification of Building Costs Expensed in a Prior Period	28,735.28
Correct Error in Compensated Absences not Expensed in the Prior Year	<u>(114,506.58)</u>
July 1, 2009 Net Assets as Restated	<u><u>\$ 35,184,637.13</u></u>

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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
Coastal Carolina Community College
Jacksonville, North Carolina

We have audited the financial statements of Coastal Carolina Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2010, and have issued our report thereon dated May 2, 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 Coastal Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

**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)**

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 College 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 2, 2011

ORDERING INFORMATION

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

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