



STATE OF NORTH CAROLINA

VANCE-GRANVILLE COMMUNITY COLLEGE

HENDERSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

VANCE-GRANVILLE COMMUNITY COLLEGE

HENDERSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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Beth A. Wood, CPA
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Vance-Granville 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*.

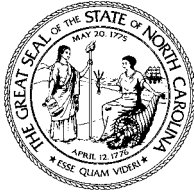
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Board of Trustees
Vance-Granville Community College
Henderson, North Carolina

We have audited the accompanying financial statements of Vance-Granville 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 Vance-Granville Community College Endowment Fund Corporation, 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 Vance-Granville Community College Endowment Fund Corporation 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.

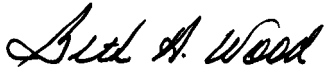
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vance-Granville Community College and its discretely presented component unit as of June 30, 2010, and the respective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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 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

March 10, 2011

VANCE-GRANVILLE COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Statements

In accordance with GASB Statements No. 34 and No. 35, the enclosed report focuses on the financial condition of the College, the results of operations, and cash flows of the College as a whole. As required, this report contains three basic financial statements and the Notes to the Financial Statements:

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

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

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

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

In accordance with GASB Statement No. 39, the enclosed report also contains the Vance-Granville Community College Endowment Fund Corporation's "Statement of Financial Position" (Exhibit B-1) and "Statement of Activities" (Exhibit B-2). GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, clarifies GASB Statement No. 14, *The Financial Reporting Entity*, as to which organizations affiliated with the College, but separately accountable, should be reported as a component unit based on the organization's nature and significance to the College. The Notes to the Financial Statements do not address the Corporation unless specified.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Highlights

Below is a condensed comparative analysis between the June 30, 2010 Statement of Net Assets and the Statement of Net Assets for the fiscal year ended June 30, 2009, followed by a discussion on the changes in assets, liabilities, and net assets.

Statement of Net Assets For the Year Ended June 30, 2010 with Comparative Data for the Year Ended June 30, 2009				
	2010	2009	Change	
			Amount	Percentage
Assets				
Current	\$ 6,298,671.30	\$ 5,687,488.29	\$ 611,183.01	10.75%
Capital Assets, Net	28,393,801.36	28,827,457.57	(433,656.21)	(1.50%)
Other Noncurrent	1,673,080.65	1,563,006.17	110,074.48	7.04%
Total Assets	<u>36,365,553.31</u>	<u>36,077,952.03</u>		
Liabilities				
Current	639,376.20	779,063.47	(139,687.27)	(17.93%)
Noncurrent	1,826,179.67	1,779,082.24	47,097.43	2.65%
Total Liabilities	<u>2,465,555.87</u>	<u>2,558,145.71</u>		
Net Assets				
Invested in Capital Assets	28,393,801.36	28,827,457.57	(433,656.21)	(1.50%)
Restricted	273,775.65	423,816.87	(150,041.22)	(35.40%)
Unrestricted	5,232,420.43	4,268,531.88	963,888.55	22.58%
TOTAL NET ASSETS	<u>\$ 33,899,997.44</u>	<u>\$ 33,519,806.32</u>		

The College classifies its assets as current and noncurrent. Current assets include cash, receivables and inventories. Noncurrent assets include long-term investments, bond funds for construction due from the State, as well as buildings, infrastructure, and equipment with a historical cost of \$5,000 or more. Current Assets increased 10.75% over the prior year primarily as a result of the increase in accounts receivable due to late processing of summer term PELL awards.

Restricted Net Assets decreased substantially from the prior year due to the fact that the College received proceeds from the 2000 State Bond Referendum during the 2009 fiscal year for the use of capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Current Assets

Cash and Cash Equivalents	\$ 5,088,957.55	13.99%
Receivables	696,013.79	1.91%
Inventories	<u>513,699.96</u>	1.41%

Sub-Total Current	<u>6,298,671.30</u>
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Noncurrent Assets

Due from Primary Government	74,556.13	0.21%
Investments	1,598,524.52	4.40%
Capital Assets, Net	<u>28,393,801.36</u>	78.08%

Sub-Total Noncurrent	<u>30,066,882.01</u>
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TOTAL ASSETS	<u>\$ 36,365,553.31</u>	<u>100.00%</u>
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The composition of assets at June 30, 2010 is presented in the table to the left.

Total Assets increased \$287,601 over the prior year. This is a combination of a decrease in the value of net capital assets and an increase in cash and cash equivalents and receivables. The decrease in net capital assets was a result of the depreciation expense on assets already in service and the disposal of assets no longer being used being greater than equipment purchased during the year.

There was a decrease of \$79,749 in "Due from Primary Government" which was a result of a reduction of previously allocated bond funds.

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

Liabilities are classified as either current or noncurrent. Current liabilities are those due and payable within one year of the date of the financial statements, while noncurrent liabilities are due and payable one year or more after the date of the financial statements.

Current Liabilities

Accounts Payable	\$ 205,398.42	8.33%
Compensated Absences	164,753.85	6.68%
Funds Held for Others	62,267.74	2.53%
Unearned Revenue	<u>206,956.19</u>	8.39%
Sub-Total Current	<u>639,376.20</u>	25.93%

Noncurrent Liabilities

Compensated Absences	<u>1,826,179.67</u>	74.07%
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TOTAL LIABILITIES	<u>\$ 2,465,555.87</u>	<u>100.00%</u>
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Total liabilities decreased from the prior year by \$92,590. The primary factor contributing to this decrease was the decrease in the liability for compensated absences due to payments made to employees retiring or leaving the College.

The composition of liabilities on June 30, 2010 is presented in the table above.

Additional details for the composition of liabilities are available in Exhibit A-1 and Notes to the Financial Statements 1-J, 1-K, 5, and 6.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total net assets is the difference between assets and liabilities. The composition of the College's net assets at June 30, 2010 is shown in the table below:

Net Assets

Invested in Capital Assets	\$ 28,393,801.36	83.76%
Restricted Expendable	273,775.65	0.81%
Unrestricted	<u>5,232,420.43</u>	<u>15.43%</u>
TOTAL NET ASSETS	<u>\$ 33,899,997.44</u>	<u>100.00%</u>

Additional information on net assets is available in Exhibit A-1 and Notes to the Financial Statements 1-L and 4.

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

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

	2010	2009	Change	
			Amount	Percent
Operating Revenues	\$ 6,026,235.76	\$ 5,055,357.02	\$ 970,878.74	19.20%
Operating Expenses	(37,536,832.13)	(34,677,690.49)	2,859,141.64	8.24%
Nonoperating Revenues	30,349,272.89	28,518,605.86	1,830,667.03	6.42%
Other Revenues	<u>1,541,514.60</u>	<u>1,515,762.66</u>	25,751.94	1.70%
INCREASE IN NET ASSETS	<u>\$ 380,191.12</u>	<u>\$ 412,035.05</u>		

Revenues are presented as operating and nonoperating. Operating revenues are derived from activities that are necessary and essential to the mission of the College. As the table above illustrates, operating revenues increased by \$970,879. The majority of this increase was due to an increase in student tuition and fees.

Operating expenses are all expenses except for those related to investing, capital and related financing and noncapital financing activities. Again, as the table above illustrates, operating expenses increased by \$2,859,142. This increase was due primarily to an increase in the amount of financial aid awarded to students during this fiscal year and to an increase in the amount of supplies and materials expensed during the year. The increase in financial aid awarded is reflected in the Scholarships and Fellowships category of expenses. Federal Pell Grants alone awarded to students during the current year were \$1,420,131 greater than those awarded in the previous year. Supplies and materials expensed during the year were \$1,307,150 greater than the previous year. The previous year was significantly down due to State budget restrictions and cost reduction measures implemented in order to comply with the Governor's budget directives. Operating expenses are presented in Exhibit A-2 by

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

classification - Salaries and Benefits, Supplies and Materials, etc. An analysis of expenses by their functional classification (i.e. instruction, financial aid, etc.) is shown in Note 8.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. For instance, a gift to the College is a nonexchange transaction because the College did not exchange a good or service to receive the gift. Net nonoperating revenues increased by \$1,830,667 over the previous year. This increase is primarily due to the increase in the amount of Federal Pell Grants awarded to students and an increase in investment income over the previous year.

The table below presents the College's revenues for the fiscal year ended June 30, 2010 with comparative data for the fiscal year ended June 30, 2009.

	2010	2009	Change	
			Amount	Percent
Operating Revenues				
Student Tuition & Fees	\$ 4,170,403.91	\$ 3,373,031.59	\$ 797,372.32	23.64%
Grants & Contracts (State & Local)	143,706.17	102,932.50	40,773.67	39.61%
Sales and Services, Net	1,671,849.67	1,547,944.70	123,904.97	8.00%
Other Operating Revenues	40,276.01	31,448.23	8,827.78	28.07%
Sub-Total Operating	6,026,235.76	5,055,357.02		
Nonoperating Revenues				
State Aid	18,000,873.54	18,272,029.07	(271,155.53)	-1.48%
County Appropriations	1,971,268.00	1,981,100.00	(9,832.00)	-0.50%
Grants and Gifts (Noncapital)	10,130,739.92	8,550,859.88	1,579,880.04	18.48%
Investment Income (Loss)	246,391.43	(285,383.09)	531,774.52	-186.34%
Sub-Total Nonoperating	30,349,272.89	28,518,605.86		
Other Revenues				
State Capital Aid	1,485,119.68	1,458,904.66	26,215.02	1.80%
County Capital Aid	56,394.92	56,858.00	(463.08)	-0.81%
Sub-Total Other Revenues	1,541,514.60	1,515,762.66		
TOTAL REVENUES	\$ 37,917,023.25	\$ 35,089,725.54		

More information on the composition of revenues can be found in Exhibit A-2 and Notes 1-N and 7.

The table below presents the College's operating expenses for the fiscal year ended June 30, 2010, with comparative data for the fiscal year ended June 30, 2009.

	2010	2009	Change	
			Amount	Percent
Operating Expenses				
Salaries and Benefits	\$ 21,997,437.76	\$ 21,989,337.09	\$ 8,100.67	0.04%
Supplies and Materials	4,506,282.77	3,199,132.47	1,307,150.30	40.86%
Services	2,084,653.99	1,689,978.77	394,675.22	23.35%
Scholarships and Fellowships	7,247,130.18	6,182,576.12	1,064,554.06	17.22%
Utilities	562,993.51	592,137.43	(29,143.92)	-4.92%
Depreciation	1,138,333.92	1,024,528.61	113,805.31	11.11%
Total Operating Expenses	\$ 37,536,832.13	\$ 34,677,690.49		

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The change in net assets is the difference between total revenues and total expenses. The change in net assets, as presented in Exhibit A-2, is an increase of \$380,191, bringing the College's total net assets to \$33,899,997 as follows:

Beginning Net Assets	\$ 33,519,806.32
Revenues	
Operating	6,026,235.76
Nonoperating	30,349,272.89
Other	<u>1,541,514.60</u>
Sub-Total Revenues	37,917,023.25
Expenses	
Operating	<u>37,536,832.13</u>
Sub-Total Expenses	37,536,832.13
Change in Net Assets	<u>380,191.12</u>
ENDING NET ASSETS	<u><u>\$ 33,899,997.44</u></u>

The increase in net assets is primarily the result of an increase in investment income. The College experienced a net loss on its investments in the prior year of \$285,383 and a net gain on its investments of \$246,391 in the current year.

Capital Assets

As of June 30, 2010, the College recorded \$39,570,105 invested in capital assets, \$11,176,304 in accumulated depreciation, resulting in net capital assets of \$28,393,801. The composition of net capital assets is detailed in Note 4.

During the 1999-2000 Session, the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State to provide for capital improvements to community colleges. Vance-Granville Community College's share of the general obligation bonds was \$17,070,446 with \$15,797,311 designated for new construction and \$1,273,135 designated for repairs and renovations. Since bond issuance, the College has expended \$16,335,774 of the bond appropriation for various projects at its main and satellite campuses, leaving a balance of \$734,672 yet to be spent.

In the 1999 Session, the General Assembly of North Carolina enacted House Bill 275 which implemented a zero unemployment insurance tax rate for employers with positive experience rating, temporarily reduced the unemployment insurance tax by twenty percent for most employers, and substituted an equivalent contribution to fund enhanced employment services and worker training programs. As a result of this legislation, North Carolina's Community Colleges received non-reverting appropriations to increase its training to new and expanding industries, to provide focused industrial training, and to purchase equipment. At June 30, 2010, the College had \$965,222 remaining from its original House Bill 275 equipment appropriation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

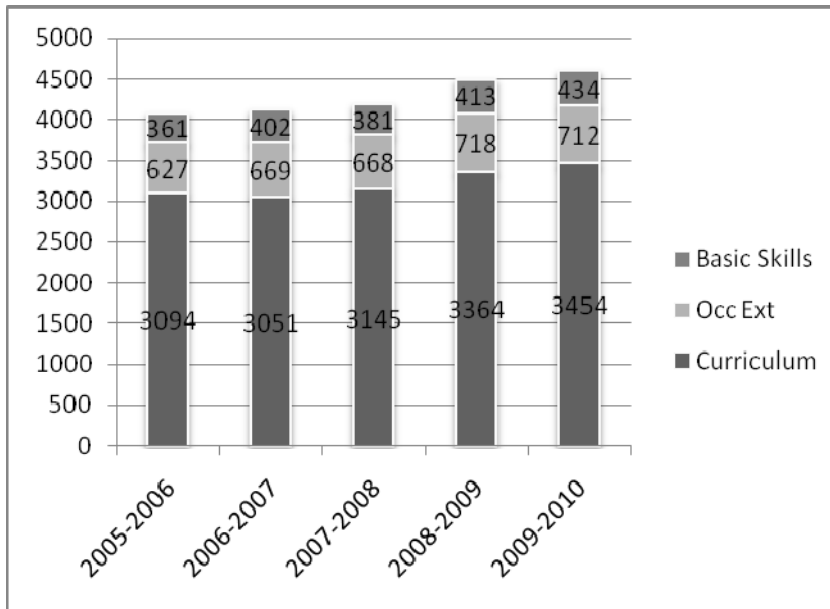
The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are State and County appropriations and the Federal Vocational Education Grant. Construction expenditures are funded by State issued general obligation bonds and matching local funds, as required.

The College's Financial Position

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

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

ACTUAL FULL TIME EQUIVALENCY



The State appropriation for 2010-2011 for curriculum, basic skills and occupational extension is based on actual FTEs earned for 2009-2010 less the FTEs earned on courses taught in our federal prisons. The State Appropriations Act of 2010 did not provide funding for courses taught in federal prisons or local jails as it had in previous years.

Additionally, the College only received approximately 60% funding for the occupational extension courses taught in State prisons. Budget FTE for 2010-2011 is 3,220 for curriculum, 428 for basic skills, and 629 for occupational extension.

Appropriations from Vance, Granville, Warren and Franklin Counties are primarily for plant operations and maintenance. For the budget year 2010-2011 County appropriations increased by less than .5% from the prior year. This increase is reflected in both capital appropriations and appropriations for current expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Historically, a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. As the economy improves, job availability increases and community colleges see a decline in enrollment. Vance-Granville Community College has historically followed this trend. This past year, the College experienced increases in enrollment in two of its major areas, curriculum and basic skills. It experienced a slight decrease in its third major area, occupational extension.

Intercollegiate athletics, which became a part of the Vance-Granville Community College (VGCC) student life during the 2008-2009 year, continues to expand. Men's basketball and men's golf were introduced during that first year. In 2009-2010, women's volleyball was introduced, joining men's basketball and men's golf as National Junior College Athletic Association level sports opportunities for VGCC students.

The 2009-2010 year saw VGCC partner to open two additional innovative new high school programs, one in Granville County and the other in Franklin County, bringing the total Early College Programs to four, one in each of the four counties that VGCC serves. VGCC is the only community college in the nation with four Early College Programs under its umbrella of services.

In addition to focusing on the College's current economic needs, the College also concentrated on looking towards the future and how the College could better serve our community. The College completed a process of strategic planning for the next five years, with the goal being to identify local economic, social, cultural and educational needs, and then to develop educational solutions to meet those needs.

The College's Financial Future

The College remains confident in its ability to maintain its fiscal stability and to attract citizens into higher education. The College's Board of Trustees and administrators are dedicated in their efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education programs; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to institutional goals, freeing up resources to support change, and growing new programs and opportunities. As a result, Vance-Granville Community College is positioned to increase enrollment strategically, and when appropriate, eliminate programs, partner with the State in economic development and meet public expectations, while remaining financially sound.

Vance-Granville Community College
Statement of Net Assets
June 30, 2010

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	\$ 4,774,788.89
Restricted Cash and Cash Equivalents (Note 2)	314,168.66
Receivables (Note 3)	686,013.79
Due from State of North Carolina Component Units	10,000.00
Inventories	513,699.96

Total Current Assets	<u>6,298,671.30</u>
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Noncurrent Assets:

Restricted Due From Primary Government	74,556.13
Investments (Note 2)	1,598,524.52
Capital Assets - Nondepreciable (Note 4)	884,916.49
Capital Assets - Depreciable, Net (Note 4)	<u>27,508,884.87</u>

Total Noncurrent Assets	<u>30,066,882.01</u>
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Total Assets	<u>36,365,553.31</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	205,086.98
Due to Primary Government	311.44
Unearned Revenue	206,956.19
Funds Held for Others	62,267.74
Long-Term Liabilities - Current Portion (Note 6)	<u>164,753.85</u>

Total Current Liabilities	<u>639,376.20</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>1,826,179.67</u>
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Total Liabilities	<u>2,465,555.87</u>
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NET ASSETS

Invested in Capital Assets	28,393,801.36
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Restricted for:

Expendable:

Scholarships and Fellowships	10,070.41
Loans	14,922.00
Capital Projects	223,311.45
Other	25,471.79

Unrestricted	<u>5,232,420.43</u>
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Total Net Assets	<u>\$ 33,899,997.44</u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Vance-Granville 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 7)	\$ 4,170,403.91
State and Local Grants and Contracts	143,706.17
Sales and Services, Net (Note 7)	1,671,849.67
Other Operating Revenues	40,276.01

Total Operating Revenues	<u>6,026,235.76</u>
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EXPENSES

Operating Expenses:

Salaries and Benefits	21,997,437.76
Supplies and Materials	4,506,282.77
Services	2,084,653.99
Scholarships and Fellowships	7,247,130.18
Utilities	562,993.51
Depreciation	1,138,333.92

Total Operating Expenses	<u>37,536,832.13</u>
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Operating Loss	<u>(31,510,596.37)</u>
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NONOPERATING REVENUES

State Aid	18,000,873.54
County Appropriations	1,971,268.00
Noncapital Grants - Federal Student Financial Aid	7,817,902.23
Noncapital Grants	2,308,297.53
Noncapital Gifts	3,702.70
Investment Income	246,391.43
Other Nonoperating Revenues	837.46

Total Nonoperating Revenues	<u>30,349,272.89</u>
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Loss Before Other Revenues	<u>(1,161,323.48)</u>
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State Capital Aid	1,485,119.68
County Capital Aid	56,394.92

Increase in Net Assets	380,191.12
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NET ASSETS

Net Assets, July 1, 2009	<u>33,519,806.32</u>
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Net Assets, June 30, 2010	<u><u>\$ 33,899,997.44</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Vance-Granville 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	\$ 5,665,446.38
Payments to Employees and Fringe Benefits	(22,133,000.94)
Payments to Vendors and Suppliers	(7,041,026.31)
Payments for Scholarships and Fellowships	(7,246,424.20)
Other Receipts	5,314.56
	<hr/>
Net Cash Used by Operating Activities	(30,749,690.51)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	18,000,873.54
County Appropriations	1,971,268.00
Noncapital Grants - Federal Student Financial Aid	7,855,320.18
Noncapital Grants Received	2,297,815.03
Noncapital Gifts Received	3,702.70
	<hr/>
Cash Provided by Noncapital Financing Activities	30,128,979.45

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,564,868.48
County Capital Aid	56,394.92
Acquisition and Construction of Capital Assets	(704,677.71)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	916,585.69

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	1,056,400.00
Investment Income	79,121.71
Purchase of Investments and Related Fees	(1,078,953.56)
	<hr/>
Net Cash Provided by Investing Activities	56,568.15

Net Increase in Cash and Cash Equivalents	352,442.78
Cash and Cash Equivalents, July 1, 2009	4,736,514.77
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 5,088,957.55

Vance-Granville 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	\$ (31,510,596.37)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,138,333.92
Miscellaneous Nonoperating Income	837.46
Changes in Assets and Liabilities:	
Receivables	(391,587.54)
Inventories	105,911.86
Accounts Payable and Accrued Liabilities	(8,210.33)
Due to Primary Government	(1,677.16)
Unearned Revenue	31,504.14
Funds Held for Others	4,477.10
Compensated Absences	(118,683.59)
Net Cash Used by Operating Activities	<u><u>\$ (30,749,690.51)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 4,774,788.89
Restricted Cash and Cash Equivalents	<u>314,168.66</u>
Total Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 5,088,957.55</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ 439,925.72
Increase in Receivables Related to Nonoperating Income	10,000.00

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

***Vance-Granville Community College
Endowment Fund Corporation
Statement of Financial Position
June 30, 2010***

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	731,395
Investments		<u>3,067,973</u>
Total Assets	\$	<u><u>3,799,368</u></u>

NET ASSETS

Unrestricted	\$	(609,896)
Temporarily Restricted		93,321
Permanently Restricted		<u>4,315,943</u>
Total Net Assets	\$	<u><u>3,799,368</u></u>

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

***Vance-Granville Community College
Endowment Fund Corporation
Statement of Activities
For the Fiscal Year Ended June 30, 2010***

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 35,791
Fund-raising Events	5,306
Unrealized Gains on Investments	648,429
In-kind Contributions	102,538
	<u>792,064</u>
Total Unrestricted Revenues and Gains	
	<u>792,064</u>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	104,681
	<u>104,681</u>
Total Unrestricted Revenues, Gains, and Other Support	
	<u>896,745</u>
Expenses and Losses:	
Scholarships	28,990
Other	7,274
Management and General	79,403
Fund Raising	43,627
	<u>159,294</u>
Total Expenses	
	<u>159,294</u>
Loss	377,720
	<u>377,720</u>
Total Expenses and Losses	
	<u>537,014</u>
Increase in Unrestricted Net Assets	
	<u>359,731</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	15,822
Investment Income	81,417
Net Assets Released from Restrictions:	(104,681)
	<u>(7,442)</u>
Decrease in Temporarily Restricted Net Assets	
	<u>(7,442)</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	152,899
	<u>152,899</u>
Increase in Permanently Restricted Net Assets	
	<u>152,899</u>
Increase in Net Assets	505,188
Net Assets at Beginning of Year	3,294,180
	<u>3,294,180</u>
Net Assets at End of Year	\$ <u>3,799,368</u>

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

VANCE-GRANVILLE 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. Vance-Granville 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. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - The Vance-Granville Community College Endowment Fund Corporation (the "Corporation") is a legally separate, tax-exempt component unit of the College. The Corporation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Corporation board consists of eighteen (18) members including the College's President serving as chair. Although the College does not control the timing or amount of receipts from the Corporation, the majority of resources, or income thereon, that the Corporation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Corporation can only be used by, or for the benefit of the College, the Corporation 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 Vance-Granville Community College Endowment Fund Corporation 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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

revenue recognition criteria and presentation features. No modifications have been made to the Corporation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2010, the Corporation distributed \$28,990 to the College for both restricted and unrestricted purposes. Complete financial statements for the Corporation can be obtained from the College's Vice-President of Finance and Operations at P.O. Box 917, Henderson, NC 27536 or by calling (252) 738-3221.

- 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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (decrease) in the fair value of investments is recognized as a component of investment income.
- 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 at book value with no provision for doubtful accounts considered necessary.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is 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. 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 10 to 75 years for general infrastructure, 20 to 100 years for buildings, and 5 to 30 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 - 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - 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 \$4,300.00, and deposits in private financial institutions with a carrying value of \$169,545.75, and a bank balance of \$503,144.08.

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** - 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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$4,915,111.80, 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.

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.

Investments			
	Fair Value	Investment Maturities (in Years)	
		Less Than 1	6 to 10
Investment Type			
Debt Securities			
Mutual Bond Funds	\$ 1,278,425.97	\$ 0.00	\$ 1,278,425.97
Annuity Contracts	320,098.55	320,098.55	
Total Investments	<u><u>\$ 1,598,524.52</u></u>	<u><u>\$ 320,098.55</u></u>	<u><u>\$ 1,278,425.97</u></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 in mutual bond funds were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in Alliance Bernstein mutual funds and AXA Equitable annuities. These investments are 80% and 20%, respectively, of College's investments.

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

Cash on Hand	\$ 4,300.00
Carrying Amount of Deposits with Private Financial Institutions	169,545.75
Investments in the Short Term Investment Fund	4,915,111.80
Other Investments	<u>1,598,524.52</u>
Total Deposits and Investments	<u><u>\$ 6,687,482.07</u></u>
Current:	
Cash and Cash Equivalents	\$ 4,774,788.89
Restricted Cash and Cash Equivalents	314,168.66
Noncurrent:	
Investments	<u>1,598,524.52</u>
Total	<u><u>\$ 6,687,482.07</u></u>

Component Unit - Investments of the College's discretely presented component unit, the Vance-Granville Community College Endowment Fund Corporation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Corporation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type as of June 30, 2010:

	Cost	Fair Value	Carry Value
Permanently Restricted:			
AllianceBernstein Balance			
Wealth Strategy CLA	\$ 516,901	\$ 385,662	\$ 385,662
AllianceBernstein Conservation			
Wealth Strategy CLA	1,596,558	1,545,975	1,545,975
AXA Equitable Accumulator Plus	<u>1,203,947</u>	<u>1,136,336</u>	<u>1,136,336</u>
	<u><u>\$ 3,317,406</u></u>	<u><u>\$ 3,067,973</u></u>	<u><u>\$ 3,067,973</u></u>

Investment fees were \$39,872.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	Gross Receivables
Current Receivables:	
Students	\$ 515,549.20
Accounts	94,447.56
Intergovernmental	9,898.49
Other	66,118.54
	<u>686,013.79</u>
Total Current Receivables	<u><u>\$ 686,013.79</u></u>

NOTE 4 - 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	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 792,058.99	\$ 0.00	\$ 0.00	\$ 792,058.99
Construction in Progress		92,857.50		92,857.50
Total Capital Assets, Nondepreciable	<u>792,058.99</u>	<u>92,857.50</u>		<u>884,916.49</u>
Capital Assets, Depreciable:				
Buildings	32,317,303.82	17,900.00		32,335,203.82
Machinery and Equipment	4,334,799.68	580,390.21	293,353.83	4,621,836.06
General Infrastructure	1,714,618.77	13,530.00		1,728,148.77
Total Capital Assets, Depreciable	<u>38,366,722.27</u>	<u>611,820.21</u>	<u>293,353.83</u>	<u>38,685,188.65</u>
Less Accumulated Depreciation for:				
Buildings	8,375,456.54	646,420.76		9,021,877.30
Machinery and Equipment	1,571,391.65	459,494.32	293,353.83	1,737,532.14
General Infrastructure	384,475.50	32,418.84		416,894.34
Total Accumulated Depreciation	<u>10,331,323.69</u>	<u>1,138,333.92</u>	<u>293,353.83</u>	<u>11,176,303.78</u>
Total Capital Assets, Depreciable, Net	<u>28,035,398.58</u>	<u>(526,513.71)</u>		<u>27,508,884.87</u>
Capital Assets, Net	<u><u>\$ 28,827,457.57</u></u>	<u><u>\$ (433,656.21)</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 28,393,801.36</u></u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 137,431.31
Accrued Payroll	67,655.67
Total Accounts Payable and Accrued Liabilities	<u><u>\$ 205,086.98</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - 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	\$ 2,109,617.11	\$ 1,355,607.60	\$ 1,474,291.19	\$ 1,990,933.52	\$ 164,753.85

NOTE 7 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	<u>\$ 6,596,117.59</u>	<u>\$ 2,425,713.68</u>	<u>\$ 4,170,403.91</u>
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	\$ 2,431,420.99	\$ 1,372,467.72	\$ 1,058,953.27
Facilities Rental	46,214.15		46,214.15
Vending	42,919.02		42,919.02
Sales and Services of Education and Related Activities	<u>523,763.23</u>		<u>523,763.23</u>
Total Sales and Services	<u>\$ 3,044,317.39</u>	<u>\$ 1,372,467.72</u>	<u>\$ 1,671,849.67</u>

NOTE 8 - 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	\$ 13,694,127.56	\$ 1,538,787.55	\$ 460,424.95	\$ 0.00	\$ 0.00	\$ 0.00	\$ 15,693,340.06
Public Service	8,693.61	5,777.14	3,904.97				18,375.72
Academic Support	1,679,911.98	84,731.63	147,601.31				1,912,244.92
Student Services	1,885,883.11	67,798.82	140,311.22				2,093,993.15
Institutional Support	3,696,740.77	532,758.89	1,050,385.64				5,279,885.30
Operations and Maintenance of Plant	844,106.76	310,056.60	226,052.90		562,993.51		1,943,209.77
Student Financial Aid			75.31	7,247,130.18			7,247,205.49
Auxiliary Enterprises	187,973.97	1,966,372.14	55,897.69				2,210,243.80
Depreciation						1,138,333.92	1,138,333.92
Total Operating Expenses	<u>\$ 21,997,437.76</u>	<u>\$ 4,506,282.77</u>	<u>\$ 2,084,653.99</u>	<u>\$ 7,247,130.18</u>	<u>\$ 562,993.51</u>	<u>\$ 1,138,333.92</u>	<u>\$ 37,536,832.13</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - 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 \$18,245,712.26, of which \$14,975,807.04 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$534,636.31 and \$898,548.42, 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 \$534,636.31, \$516,642.07, and \$465,634.74, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,200.00 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. The voluntary contributions by employees amounted to \$269,638.00 for the year ended June 30, 2010.

NOTE 10 - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$673,911.32, \$630,426.34, and \$625,935.23, 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 \$77,874.20, \$79,956.51, and \$79,386.91, respectively. The College

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 11 - 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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premium 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

loss less a \$75,000 deductible. The College purchases dishonesty/crime insurance for employees whose salaries or wages are paid by the Board solely from county or institutional funds.

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 12 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction contracts and outstanding commitments on other purchases were \$236,219.32 at June 30, 2010.

NOTE 13 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Material Violations of Finance - Related Legal or Contractual Provisions -
At June 30, 2010, Vance-Granville Community College had funds invested with AllianceBernstein in balanced mutual funds in the amount of \$1,278,425.97 and in an annuity contract with a cash surrender value of \$320,098.55 that might not qualify as allowable investment options under *North Carolina General Statute* 159-30(c) and other statutes referenced therein.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

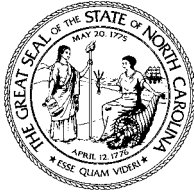
General Counsel for the North Carolina Community College System Office requested an opinion from the North Carolina Department of Justice on this matter. If the legal opinion from the Department of Justice indicates that this investment is not allowable, the College will divest from these investments as soon as it is economically prudent to do so.

NOTE 14 - 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.



Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Vance-Granville Community College
Henderson, North Carolina

We have audited the financial statements of Vance-Granville 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 March 10, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, 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
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deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



Beth A. Wood, CPA
State Auditor

March 10, 2011

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