

STATE OF NORTH CAROLINA

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

ASHEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Asheville-Buncombe Technical Community College

We have completed a financial statement audit of Asheville-Buncombe Technical Community College for the year ended June 30, 2012, 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
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have audited the accompanying financial statements of Asheville-Buncombe Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Asheville-Buncombe Technical Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for that entity, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Asheville-Buncombe Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 Asheville-Buncombe Technical Community College and its discretely presented component unit as of June 30, 2012, 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)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Beth A. Wood, CPA
State Auditor

February 4, 2013



THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

Statement of Net Assets

Below is a condensed comparative analysis between the Statement of Net Assets (Exhibit A-1) contained herein and for the fiscal year ended June 30, 2011 followed by a discussion on the changes in assets, liabilities, and net assets.

**Condensed Statement of Net Assets
For the Year Ended June 30, 2012
With Comparative Data for the Year Ended June 30, 2011**

	2012	As Restated 2011	Change	
			Amount	Percent
Assets				
Current	\$ 8,742,601.29	\$ 6,723,872.25	\$ 2,018,729.04	30.02%
Capital Assets, Net	71,299,655.60	72,647,308.09	(1,347,652.49)	(1.86%)
Other Noncurrent	363,597.69	360,651.50	2,946.19	0.82%
Total Assets	80,405,854.58	79,731,831.84	674,022.74	0.85%
Liabilities				
Current	3,044,773.75	3,269,241.39	(224,467.64)	(6.87%)
Noncurrent	2,352,321.79	2,691,522.54	(339,200.75)	(12.60%)
Total Liabilities	5,397,095.54	5,960,763.93	(563,668.39)	(9.46%)
Net Assets				
Invested in Capital Assets, Net of Related Debt	71,177,456.70	72,485,939.73	(1,308,483.03)	(1.81%)
Restricted Assets	698,206.76	632,682.16	65,524.60	10.36%
Unrestricted Assets	3,133,095.58	652,446.02	2,480,649.56	380.21%
TOTAL NET ASSETS	\$ 75,008,759.04	\$ 73,771,067.91	\$ 1,237,691.13	1.68%

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The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, inventories, prepaid items, and notes receivable for student loans. Noncurrent assets consist of cash and cash equivalents, receivables and net capital assets. Capital assets are defined as land, construction in progress, buildings, infrastructure, and equipment with a cost of \$5,000 or more and a useful life of more than one year. The College's net capital assets are stated at historical cost less depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 6 to 100 years for buildings and 5 to 30 years for equipment.

Current Assets

Cash and Cash Equivalents	\$ 7,312,474.46
Receivables, Net	459,469.46
Inventories	933,819.30
Prepaid Items	36,838.07

TOTAL CURRENT ASSETS 8,742,601.29

Noncurrent Assets

Cash and Cash Equivalents	54,668.33
Receivables, Net	149,996.46
Due from Primary Government	158,932.90
Capital Assets, Net	71,299,655.60

TOTAL NONCURRENT ASSETS 71,663,253.29

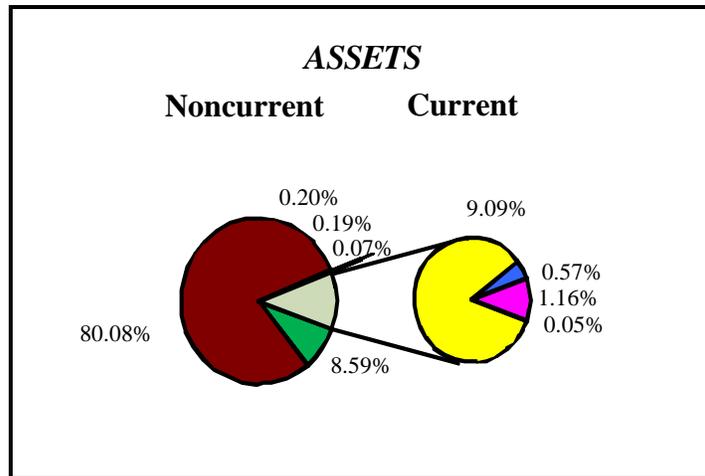
TOTAL ASSETS \$ 80,405,854.58

The composition of assets at June 30, 2012 is presented in the table to the left and illustrated in the graph below.



Assets increased from the prior year by \$674,022.74 as illustrated in the Condensed Statement of Net Assets. Current assets increased by \$2,018,729.04. Cash and cash equivalents increased by \$2,516,970.27; there were also minor increases in prepaid items and net notes receivables. Net receivables and inventory fell by a combined \$509,070.91.

The increase in cash and cash equivalents is the result of spending less funds than appropriated during 2011-12 so the College would have resources available during 2012-13 to remediate lead found in its Hemlock Building.



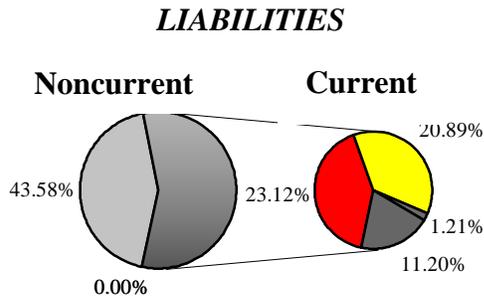
Net accounts receivable decreased by \$251,997.86 which is attributed to a decline in Bookstore vendor credit memos. During 2011-12, the Bookstore narrowed the gap between receiving texts and returning unsold texts to the publisher for credit. Inventories declined by \$257,073.05. A portion of this decrease is due to the Bookstore narrowing the text return gap as previously noted. Adding to the decline in inventories is the consumption of supplies purchased in bulk during 2010-11.

Net capital assets decreased from the prior year by \$1,347,652.49. This change is the result of net additions to construction in progress of \$1,110,419.42 and to net equipment of \$606,404.39 and a reduction in general infrastructure of \$19,790.00, accompanied by a decrease in capital asset value due to net depreciation of \$3,044,686.30. Further discussion of capital assets can be found in the Capital Asset section of this discussion.

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

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



The chart above and the following table present the composition of liabilities on June 30, 2012.

Accounts Payable	\$ 1,247,694.56	
Unearned Revenue	1,127,565.28	
Funds Held for Others	65,147.48	
Long-Term Liabilities	604,366.43	
Subtotal Current Liabilities	3,044,773.75	
Long-Term Liabilities	2,352,321.79	
Subtotal Noncurrent Liabilities	2,352,321.79	
	\$ 5,397,095.54	

The Condensed Statement of Net Assets illustrates, current liabilities decreased over the prior year by \$224,467.64. The detailed change in current liabilities is shown in the chart below.

The increase in accounts payable and accrued liabilities is the result of construction contracts and retainage related to remediation of lead at the Hemlock Building. The change in unearned revenue is due largely to decreased Summer FTE.

Summer classes cost more than fall and spring classes because they are offered as self-supporting. The increased costs kept FTE down. The variance in the amount of funds held for others is the direct result of moving funds previously held for the Asheville-Buncombe Technical Community College Education and Entrepreneurial Development Foundation from the College to the Foundation. For additional information about the Education and Entrepreneurial Development Foundation, refer to section "Notes to the Financial Statements," Note 15.

The College's long-term liabilities are capital lease payable and employee compensated absences. The current portion of long-term liabilities increased by \$80,891.40, while the noncurrent portion decreased by \$339,200.75.

Change in Current Liabilities

Accounts Payable & Accrued Liabilities	\$ 200,474.57
Due to Primary Government	11,527.62
Unearned Revenue	(245,818.43)
Funds Held for Others	(271,542.80)
Long-Term Liabilities - Current Portion	80,891.40

TOTAL CHANGE IN CURRENT LIABILITIES \$ (224,467.64)

Additional details for the composition of liabilities are available in Exhibit A-1 and Notes 1-I, I-J, 6, 7, 8, and 14.

NET
ASSETS

Net assets are a measure of the value of all College's assets less liabilities. The College's net assets are summarily categorized as Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted. Invested in capital assets represents the College's total investment in capital assets less depreciation and related debt. Restricted assets include resources which must be spent in accordance with restrictions imposed by external parties. Restricted assets generally include capital, endowment, grant, and gift funds. Unrestricted assets include resources derived from sources not previously identified. The table below recaps the College's net assets as

Net Assets		presented in the Condensed Statement of Net Assets.
Invested in Capital Assets, Net of Related Debt	\$ 71,177,456.70	Changes in net assets are the direct result of increases and decreases in the College's assets and liabilities. An increase in assets increases net assets; whereas, a decrease in assets decreases net assets.
Restricted Assets	698,206.76	
Unrestricted Assets	<u>3,133,095.58</u>	
TOTAL NET ASSETS	\$ <u>75,008,759.04</u>	

An increase in liabilities decreases net assets; conversely, a decrease in liabilities increases net assets. The increase in assets of \$674,022.74 combined with the decrease in liabilities of \$563,668.39 results in an increase in net assets of \$1,237,691.13. The dramatic increase in net assets is attributed to the change in funding source for allowable expenses in order to remove lead and re-occupy the Hemlock Building as noted in the Assets section of this discussion.

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

Statement of Revenues, Expenses and Changes in Net Assets

Below is a condensed comparative analysis of the June 30, 2012 Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit A-2) contained herein and the year ended June 30, 2011, followed by discussion on changes in revenues and expenses.

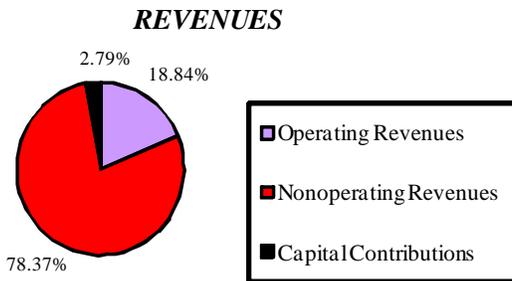
**Condensed Statement of Revenues and Expenses and Changes in Net Assets
For the Year Ended June 30, 2012 with Comparative Data for the Year Ended June 30, 2011**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Revenues				
Student Tuition & Fees	\$ 8,206,540.12	\$ 6,644,655.22	\$ 1,561,884.90	23.51%
Sales and Services	3,358,968.21	3,215,405.76	143,562.45	4.46%
Other Revenues	<u>32,679.44</u>	<u>54,375.45</u>	<u>(21,696.01)</u>	<u>(39.90%)</u>
Total Operating Revenues	11,598,187.77	9,914,436.43	1,683,751.34	16.98%
Operating Expenses				
Salaries and Benefits	35,028,873.35	35,204,749.53	(175,876.18)	(0.50%)
Supplies & Materials	7,553,537.20	9,553,169.71	(1,999,632.51)	(20.93%)
Services	4,586,971.87	5,438,670.94	(851,699.07)	(15.66%)
Scholarships	8,312,397.31	9,023,570.72	(711,173.41)	(7.88%)
Utilities	1,613,321.16	1,849,753.65	(236,432.49)	(12.78%)
Depreciation	<u>3,189,979.93</u>	<u>2,304,439.21</u>	<u>885,540.72</u>	<u>38.43%</u>
Total Operating Expenses	60,285,080.82	63,374,353.76	(3,089,272.94)	(4.87%)
Nonoperating Revenues (Expenses)				
Government Appropriations	31,768,576.57	32,222,318.89	(453,742.32)	(1.41%)
Grants & Gifts	16,464,650.60	15,839,647.77	625,002.83	3.95%
Investment Income	38,845.49	44,318.25	(5,472.76)	(12.35%)
Other Nonoperating Expenses	<u>(58,536.06)</u>	<u>(128,794.66)</u>	<u>70,258.60</u>	<u>(54.55%)</u>
Total Nonoperating Revenues	48,213,536.60	47,977,490.25	236,046.35	0.49%
Capital Contributions				
Government Appropriations	1,597,936.74	3,847,060.64	(2,249,123.90)	(58.46%)
Grants & Gifts	<u>113,110.84</u>	<u>274,751.27</u>	<u>(161,640.43)</u>	<u>(58.83%)</u>
Total Capital Contributions	1,711,047.58	4,121,811.91	(2,410,764.33)	(58.49%)
INCREASE IN NET ASSETS	<u>\$ 1,237,691.13</u>	<u>\$ (1,360,615.17)</u>	<u>\$ (3,580,239.58)</u>	<u>263.13%</u>

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The College’s revenues are classified as operating, nonoperating, and capital contributions. Operating revenues are derived from activities that are necessary and essential to the mission of the College. Nonoperating revenues include activities that have non-exchange characteristics; that is, the College received revenue without providing a good or service. Capital contributions consist of state and county appropriations, as well as grants and gifts for equipment, construction, building improvements, and infra-structure. The table to the right and the graph below illustrate the composition of the College’s revenues.

Operating Revenues	
Student Tuition & Fees	\$ 8,206,540.12
Sales and Services	3,358,968.21
Other Revenues	<u>32,679.44</u>
Subtotal Operating	11,598,187.77
Nonoperating Revenues (Expenses)	
Government Appropriations	31,768,576.57
Grants & Gifts	16,464,650.60
Investment Income	38,845.49
Other Nonoperating Expenses	<u>(58,536.06)</u>
Subtotal Nonoperating	48,213,536.60
Capital Contributions	
Government Appropriations	1,597,936.74
Grants & Gifts	<u>113,110.84</u>
Subtotal Capital	1,711,047.58
TOTAL REVENUES	<u>\$ 61,522,771.95</u>



Operating revenues increased by \$1,683,751.34 over the prior year. The variance in operating revenue from fiscal year 2011 to fiscal year 2012 is shown in the table below. This increase is primarily in student tuition and fees, net and is the result of multiple factors, including an overall growth in enrollment, as illustrated in the “Full-Time Equivalency” graph

the “Full-Time Equivalency” graph within the College’s Financial Position section of this discussion; an increase in tuition of \$10 per credit hour; an increase in the number of courses subject to consumable supplies fees; and summer classes taught as self supporting at \$90.00 per credit hour as opposed to the fall and spring rate of \$66.50 per credit hour.

Nonoperating revenues rose by \$236,046.35.

Capital revenue declined by \$2,410,764.33. Of this variance, \$2,144,697.30 is due to a decrease in State

capital aid. In 2012, the North Carolina Community College System did not allocate its reserve in the form of capital funds to the community colleges, resulting in a \$590,578.00 drop in capital revenue. Further, in 2011, the College transferred \$1,132,918.00 from its noncapital State appropriations to capital State appropriations for extraordinary technology purchases. During the current fiscal year, the College brought forward from 2011, \$155,672.00 less of its HB 275 allotment; refer to "Capital Assets" for further discussion on HB 275 funds. Also, restricted appropriations for the BioBusiness Center and Health Sciences programs for equipment decreased by \$359,805.00.

Change in Operating Revenue

Student Tuition and Fees, Net	\$	1,561,884.90
Sales and Services, Net		143,562.45
Other Operating Revenue		(21,696.01)

TOTAL CHANGE IN OPERATING REVENUE	\$	1,683,751.34
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More information on the composition of revenues can be found in Exhibit A-2 and Notes 1-L, 1-M, 1-N, 1-O, and 9.

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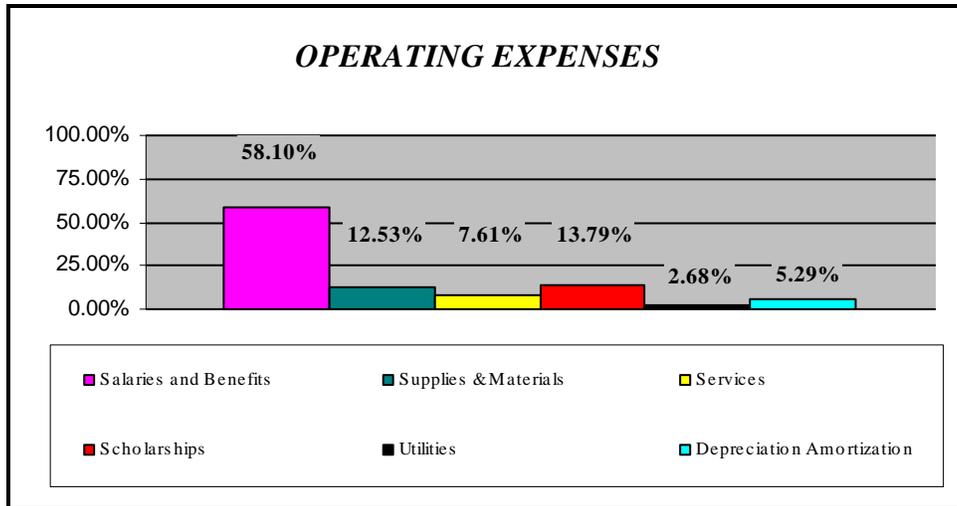
Operating expenses are necessary and essential to the mission of the College; these do not include expenses related to investing, capital and related financing and noncapital financing activities. Depreciation is recognized as an operating expense in accordance with generally accepted accounting principles.

Operating Expenses

Salaries and Benefits	\$	35,028,873.35	
Supplies & Materials		7,553,537.20	
Services		4,586,971.87	
Scholarships		8,312,397.31	
Utilities		1,613,321.16	
Depreciation		3,189,979.93	

TOTAL OPERATING EXPENSES	\$	60,285,080.82
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The table to the left and the graph below illustrate the composition of expenses.



Change in Expenses

Salaries and Benefits	\$ (175,876.18)
Supplies & Materials	(1,999,632.51)
Services	(851,699.07)
Scholarships	(711,173.41)
Utilities	(236,432.49)
Depreciation	<u>885,540.72</u>
TOTAL CHANGE IN OPERATING EXPENSES	<u><u>\$ (3,089,272.94)</u></u>

The table to the left shows the change in expenses from 2010-11 to 2011-12. With the exception of depreciation, all categories of expenses declined.

The cost for personnel services decreased marginally, while supplies and materials and services decreased significantly.

This drop is due to multiple factors, such as an increase in the amount of funds reverted to the State in the form of a management flexibility cut. This factor accounts for a decrease in expenses of \$1,110,558.00. Also contributing to the decrease is a reduction in restricted State appropriations of \$1,206,437.00. The College intentionally did not spend its entire State equipment allotment with the expectation of carrying those funds forward to fiscal year 2013. This amounted to a reduction in expenses of \$576,680.00. Scholarship expenses dropped considerably as a result of a reduction in State supported scholarship funds of \$305,179.76 and a drop in Pell grants, net of scholarship discounts, of \$529,025.74. In actuality, gross Pell grants were up; however, less funds were paid directly to students than in the prior year. Utilities costs declined by \$236,432.49 which is appropriate following a warm winter season and a mild spring. Also contributing to the decrease in utilities costs is the College's move to T-8 lighting which occurred in 2011.

More information on expenses can be found in Exhibit A-2 and Notes 1-M, 10, 11, and 12.

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The change in net assets is the difference between total revenues and total expenses. The change in net assets as presented in Exhibit A-2, is an increase of \$1,237,691.13, bringing the College's total net assets to \$75,008,759.04, as illustrated in the chart on to the right. The change in net assets from June 30, 2011 to June 30, 2012 is a function of the changes in revenues and expenses as previously discussed.

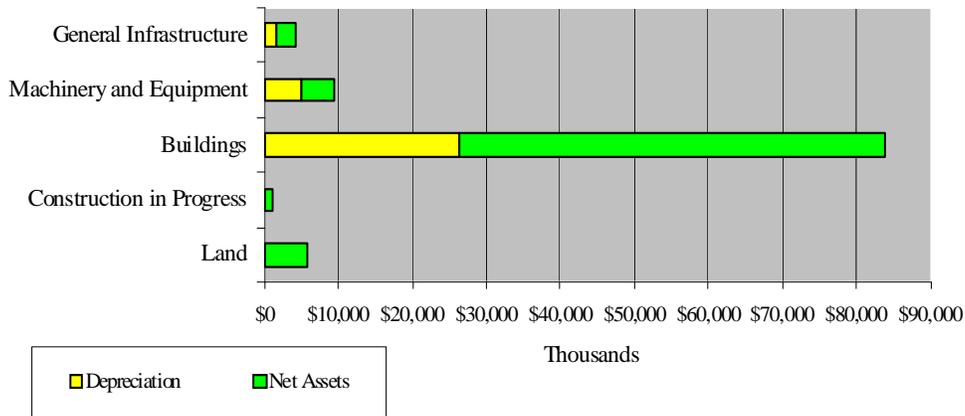
Beginning Net Assets, as restated	\$ 73,771,067.91
Revenues	
Operating	11,598,187.77
Nonoperating	48,213,536.60
Capital Contributions	<u>1,711,047.58</u>
Subtotal Revenues	61,522,771.95
Expenses	
Operating	<u>60,285,080.82</u>
Subtotal Expenses	<u>60,285,080.82</u>
Change in Net Assets	<u>1,237,691.13</u>
ENDING NET ASSETS	<u>\$ 75,008,759.04</u>

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

CAPITAL ASSETS

As of June 30, 2012 the College recorded \$104,507,347.79 in capital assets, \$33,207,692.19 in accumulated depreciation, resulting in net capital assets of \$71,299,655.60. The composition of capital assets is detailed in Note 5 and is illustrated below.

CAPITAL ASSETS



During 2011-2012, the College repaired and made minor renovations to existing facilities. Although necessary and because changes were minor, the repairs and renovations did not increase the value of the buildings or extend their useful life; therefore, these improvements are not reflected as additions to buildings on the Summary of Changes in Capital Assets (Note 5). On the Asheville Campus, improvements were made to the Bailey Building. Repairs and renovations were also completed at the Small Business Incubator at the Enka Campus.

During the 2011-12 year, the College began improvements at the Enka Campus. In October 2011, the College discovered lead in its Hemlock Building. The lead was successfully removed leaving Hemlock’s interior in disarray and in need of a new HVAC system. Because the Enka and Hemlock renovations are necessary in order to use the buildings, expenses associated with the these two projects are capital improvements and currently show as “Construction in Progress” on the Summary of Changes in Capital Assets (Note 5).

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. On July 1, 2011, the College had \$478,749.00 remaining from its original HB 275 appropriation. As of June 30, 2012, all HB 275 funds have been spent on equipment for vocational and technical programs.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are state and county appropriations. Construction expenditures are funded by state issued general obligation bonds, county appropriations, and funds generated from College operations.

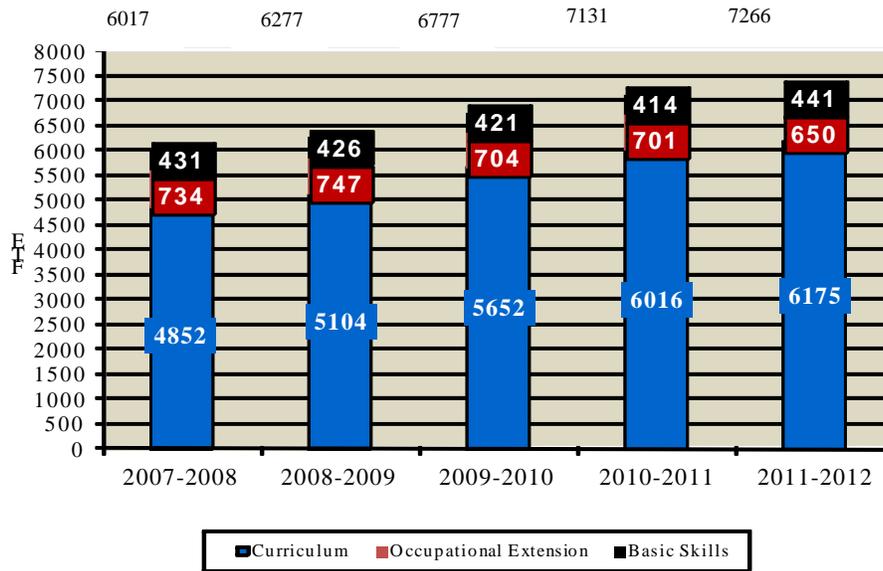
In November 2011, Buncombe county voters passed a referendum to increase sales tax on specific purchases by .25% for the purpose of funding all projects on the College's facilities master plan. The increase in sales tax sunsets in seventeen years, during which time the College expects to receive \$129 million. Projects on the facilities master plan include the construction of new buildings, renovation of existing buildings, and purchase of existing buildings, as well as parking lots and sidewalks. During fiscal year 2012, use of these tax revenues began with capital improvements at the Enka Campus. In 2013, most notably, construction will begin on an Allied Health and Workforce Development Building.

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 levels and financial aid available to students are also key variables. These issues impact budget planning processes each year.

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

FULL-TIME EQUIVALENCY



In 2012-13, to maintain its fiscal stability without capping enrollment, the College is continuing to increase class size; expand its offering of night, weekend and “mini semester” classes; and restructure facilities usage. The College reviews existing programs for continuing viability and reviews new program proposals on a regular basis.

The State of North Carolina is struggling through the economic recession along with the nation. However, the General Assembly recognized the importance of community colleges’ training and retraining dislocated workers by fully funding enrollment growth. In spite of this recognition and in an effort to balance the State’s 2012-13 budget, the General Assembly ratified an immediate budget reduction for community colleges. In accordance with state legislation, the College has reverted \$2,329,446.00 or approximately 6.5% of its 2012-13 State funded unrestricted operating budget.

Appropriations from Buncombe and Madison Counties are primarily for plant operations, maintenance and capital asset repairs and renovation. For the budget year 2012-13 Buncombe County and Madison County appropriations are consistent with the prior year.

The College is also seeking alternative entrepreneurial revenue sources and other options that allow the College to generate non-state, non-county revenues. Examples of options implemented include offering all summer class as self supporting so that the College retains the revenue and increasing the number of high cost programs charging consumable supply fees.

THE COLLEGE'S FINANCIAL FUTURE

What can the College expect in the future?

The College is experiencing FTE growth as it begins the Fall 2012 semester. Historically, a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. This phenomenon is evident from the growing FTE shown on the graph within the College's Financial Position section of this discussion. Although the economic downturn will hamper industries from locating in North Carolina and will slow down the expansion of existing industries in the State, the College will provide training for new and expanding industries, as well as develop partnerships with these industries that will enhance educational opportunities and economic growth.

It is widely known and publicized that the road to economy recovery runs through North Carolina's community colleges. The Asheville-Buncombe Technical Community College is confident in its financial stability and ability to attract citizens to higher education. The College's Board of Trustees and Administration are dedicated in its efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new activities that enhance revenues and control expenses over the short and long term. As a result, Asheville-Buncombe Technical Community College is well positioned to increase enrollment, strategically add programs, partner with the State and community in economic development and meet public expectations, while remaining financially sound.



Asheville-Buncombe Technical Community College
Statement of Net Assets
June 30, 2012

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 6,945,298.93
Restricted Cash and Cash Equivalents	367,175.53
Receivables, Net (Note 4)	446,518.86
Inventories	933,819.30
Prepaid Items	36,838.07
Notes Receivable	12,950.60
	<hr/>
Total Current Assets	8,742,601.29
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	54,668.33
Receivables	149,996.46
Restricted Due from Primary Government	158,932.90
Capital Assets - Nondepreciable (Note 5)	6,908,933.42
Capital Assets - Depreciable, Net (Note 5)	64,390,722.18
	<hr/>
Total Noncurrent Assets	71,663,253.29
	<hr/>
Total Assets	80,405,854.58

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	1,236,166.94
Due to Primary Government	11,527.62
Unearned Revenue	1,127,565.28
Funds Held for Others	65,147.48
Long-Term Liabilities - Current Portion (Note 7)	604,366.43
	<hr/>
Total Current Liabilities	3,044,773.75
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	2,352,321.79
	<hr/>
Total Liabilities	5,397,095.54

NET ASSETS

Invested in Capital Assets, Net of Related Debt	71,177,456.70
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	54,668.33
Expendable:	
Scholarships and Fellowships	15,132.22
Loans	8,460.42
Capital Projects	228,849.38
Restricted for Specific Programs	391,096.41
	<hr/>
Unrestricted	3,133,095.58
	<hr/>
Total Net Assets	\$ 75,008,759.04

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

***Asheville-Buncombe Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 8,206,540.12
Sales and Services, Net (Note 9)	3,358,968.21
Other Operating Revenues	32,679.44
	<hr/>
Total Operating Revenues	11,598,187.77
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	35,028,873.35
Supplies and Materials	7,553,537.20
Services	4,586,971.87
Scholarships and Fellowships	8,312,397.31
Utilities	1,613,321.16
Depreciation	3,189,979.93
	<hr/>
Total Operating Expenses	60,285,080.82
	<hr/>
Operating Loss	(48,686,893.05)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	23,616,374.57
County Appropriations	8,152,202.00
Noncapital Grants - Student Financial Aid	14,521,589.91
Noncapital Grants	1,344,671.26
Noncapital Gifts	598,389.43
Investment Income	38,845.49
Interest and Fees on Debt	(12,199.27)
Other Nonoperating Expenses	(46,336.79)
	<hr/>
Net Nonoperating Revenues	48,213,536.60
	<hr/>
Loss Before Other Revenues	(473,356.45)
	<hr/>

State Capital Aid	1,389,448.55
County Capital Aid	208,488.19
Capital Grants	41,046.00
Capital Gifts	72,064.84
	<hr/>
Increase in Net Assets	1,237,691.13
	<hr/>

NET ASSETS

Net Assets, July 1, 2011, as restated (Note 16)	73,771,067.91
	<hr/>
Net Assets, June 30, 2012	\$ 75,008,759.04
	<hr/> <hr/>

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

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 11,626,329.74
Payments to Employees and Fringe Benefits	(35,275,078.13)
Payments to Vendors and Suppliers	(13,255,923.15)
Payments for Scholarships and Fellowships	(8,312,397.31)
Loans Issued to Students	(21,478.85)
Collection of Loans to Students	24,345.45
Other Payments	(278,554.21)
	<hr/>
Net Cash Used by Operating Activities	(45,492,756.46)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	23,616,374.57
County Appropriations	8,152,202.00
Noncapital Grants - Student Financial Aid	14,521,589.91
Noncapital Grants Received	1,281,978.08
Noncapital Gifts Received	583,609.59
William D. Ford Direct Lending Receipts	10,658,528.00
William D. Ford Direct Lending Disbursements	(10,658,528.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	48,155,754.15

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,392,631.55
County Capital Aid	202,359.00
Capital Grants Received	41,046.00
Capital Gifts Received	14,779.84
Acquisition and Construction of Capital Assets	(1,784,320.57)
Principal Paid on Capital Debt and Leases	(39,169.46)
Interest Paid on Capital Debt and Leases	(12,199.27)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(184,872.91)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	38,845.49
	<hr/>
Cash Provided by Investing Activities	38,845.49

Net Increase in Cash and Cash Equivalents	2,516,970.27
Cash and Cash Equivalents, July 1, 2011	4,850,172.52
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 7,367,142.79

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (48,686,893.05)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,189,979.93
Provision for Uncollectible Loans and Write-Offs	(6,403.03)
Miscellaneous Nonoperating Income	32,915.69
Changes in Assets and Liabilities:	
Receivables, Net	249,642.15
Inventories	257,073.05
Prepaid Items	(10,829.68)
Notes Receivable, Net	2,866.60
Accounts Payable and Accrued Liabilities	219,474.23
Due to Primary Government	11,527.62
Unearned Revenue	(261,427.28)
Funds Held for Others	(271,542.80)
Compensated Absences	(219,139.89)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (45,492,756.46)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 6,945,298.93
Restricted Cash and Cash Equivalents	367,175.53
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<hr/> 54,668.33
Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 7,367,142.79</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 71,199.35
Assets Acquired through a Gift	71,910.00
Increase in Receivables Related to Nonoperating Income	237.05
Capital Asset Write-Offs	79,252.48

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2012

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	865,660
Investments		4,115,396
Assets Held in Charitable Trusts and Annuities		1,267,201
Receivables, Net		29,690
Pledges Receivable/Promises		1,395,949
		<hr/>
Total Assets	\$	7,673,896
		<hr/> <hr/>

LIABILITIES

Accounts Payable and Accrued Expenses	\$	26,534
Funds Held for Others		9,712
		<hr/>
Total Liabilities		36,246
		<hr/>

NET ASSETS

Unrestricted		318,381
Temporarily Restricted		4,330,664
Permanently Restricted		2,988,605
		<hr/>
Total Net Assets		7,637,650
		<hr/>
Total Liabilities and Net Assets	\$	7,673,896
		<hr/> <hr/>

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Exhibit B-2

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Contributions	\$ 34,933	\$ 342,183	\$ 190,029	\$ 567,145
Grant Revenue		316,568		316,568
Contributions - Pledge Amortization		40,316		40,316
Investment Losses	(93,775)			(93,775)
Change in Value-Remainder Trusts		(40,841)		(40,841)
Special Events Revenue	49,915	30,685		80,600
Interest and Investment Income		69,039		69,039
In-Kind Contributions	225,729			225,729
Other Income	125			125
Net Asset Releases/Reclassifications				
Released by Expenditure	879,385	(879,385)		
Reclassifications		4,372	(4,372)	
Total Support and Revenue	<u>1,096,312</u>	<u>(117,063)</u>	<u>185,657</u>	<u>1,164,906</u>
EXPENSES				
Program Expenses				
Student Scholarships	241,753			241,753
Faculty and Staff Mini-Grants	22,719			22,719
College Personnel Costs	58,309			58,309
Grant Funded Expenses	329,384			329,384
County Referendum Support	177,379			177,379
Equipment Gifted to College	1,116			1,116
Student Stipends	33,900			33,900
Emergency Aid/Other	15,240			15,240
Contributed Services and Facilities	92,862			92,862
Management and General Expenses				
Administrative Expense	21,636			21,636
Contracted Services	22,812			22,812
Investment Management Expense	20,519			20,519
Contributed Services and Facilities	45,883			45,883
Fundraising Expenses				
Fundraising Activities /Events	34,129			34,129
Contributed Goods/Services - Events	86,983			86,983
Total Expenses	<u>1,204,624</u>			<u>1,204,624</u>
Change in Net Assets	(108,312)	(117,063)	185,657	(39,718)
NET ASSETS				
Net Assets at Beginning of Year	<u>426,693</u>	<u>4,447,727</u>	<u>2,802,948</u>	<u>7,677,368</u>
Net Assets at End of Year	<u>\$ 318,381</u>	<u>\$ 4,330,664</u>	<u>\$ 2,988,605</u>	<u>\$ 7,637,650</u>

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

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ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Asheville-Buncombe Technical Community College is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

The accompanying financial statements present all funds of the College and its component 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 – Asheville-Buncombe Technical Community College Foundation, Inc. is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Asheville-Buncombe Technical Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2012, the Foundation distributed \$879,800.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Business Services Offices at (828) 398-7542.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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 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, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all The Asheville-Buncombe Technical Community College Foundation, The Asheville-Buncombe Technical Community College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Asheville-Buncombe Technical Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2012, the Foundation distributed \$879,800.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Business Services Offices at (828) 398-7542.

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

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 6 to 100 years for buildings, and 5 to 30 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.

- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include capital lease obligations and compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon 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 June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets include endowments 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

obligated to spend in accordance with restrictions imposed by external parties.

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

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

- L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- M. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- N. Internal Sales Activities** – The College Bookstore provides goods and services to College departments, as well as to its customers. The College’s Early Education Center has student clients whose daycare fees are paid through the College’s state appropriated childcare allotment. 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.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$7,350.00, and deposits in private financial institutions with a carrying value of \$96,899.34 and a bank balance of \$821,515.18.

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, 2012, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; 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 of custodian. At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$7,262,893.45 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 1.5 years as of June 30, 2012. 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Component Unit - Investments of the College's discretely presented component unit, the Asheville-Buncombe Technical Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. At June 30, 2012, the amount shown on the Statement

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of Financial Position includes \$665,860.00 which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund. The fair value of the Foundation's investment portfolio with the Community Foundation of Western North Carolina at June 30, 2012 was \$4,115,396.00.

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2012, net appreciation of \$490.99 was available to be spent, all of which was classified in net assets as restricted: expendable: scholarships and fellowships as it is restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 848,015.38	\$ 836,113.33	\$ 11,902.05
Student Sponsors	95,871.70		95,871.70
Vendors	54,924.35		54,924.35
Intergovernmental	51,865.99		51,865.99
Private Grantors	173,024.27		173,024.27
Other	<u>58,930.50</u>		<u>58,930.50</u>
Total Current Receivables	<u>\$ 1,282,632.19</u>	<u>\$ 836,113.33</u>	<u>\$ 446,518.86</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, 2012, is presented as follows:

	Balance July 1, 2011 (as restated)	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land	\$ 5,798,514.00	\$ 0.00	\$ 0.00	\$ 5,798,514.00
Construction in Progress		1,110,419.42		1,110,419.42
Total Capital Assets, Nondepreciable	<u>5,798,514.00</u>	<u>1,110,419.42</u>		<u>6,908,933.42</u>
Capital Assets, Depreciable:				
Buildings	83,739,420.30			83,739,420.30
Machinery and Equipment	8,882,092.93	811,160.50	204,756.11	9,488,497.32
General Infrastructure	4,390,286.75		19,790.00	4,370,496.75
Total Capital Assets, Depreciable	<u>97,011,799.98</u>	<u>811,160.50</u>	<u>224,546.11</u>	<u>97,598,414.37</u>
Less Accumulated Depreciation for:				
Buildings	24,273,898.77	2,177,549.78		26,451,448.55
Machinery and Equipment	4,373,234.14	853,398.52	145,029.79	5,081,602.87
General Infrastructure	1,515,872.98	159,031.63	263.84	1,674,640.77
Total Accumulated Depreciation	<u>30,163,005.89</u>	<u>3,189,979.93</u>	<u>145,293.63</u>	<u>33,207,692.19</u>
Total Capital Assets, Depreciable, Net	<u>66,848,794.09</u>	<u>(2,378,819.43)</u>	<u>79,252.48</u>	<u>64,390,722.18</u>
Capital Assets, Net	<u>\$ 72,647,308.09</u>	<u>\$ (1,268,400.01)</u>	<u>\$ 79,252.48</u>	<u>\$ 71,299,655.60</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	Amount
Accounts Payable	\$ 611,921.17
Accrued Payroll	573,198.27
Contract Retainage	19,931.00
Intergovernmental Payables	25,152.15
Other	5,964.35
Total Accounts Payable and Accrued Liabilities	<u>\$ 1,236,166.94</u>

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011 (as restated)	Additions	Reductions	Balance June 30, 2012	Current Portion
Capital Leases Payable	\$ 161,368.36	\$ 0.00	\$ 39,169.46	\$ 122,198.90	\$ 42,627.45
Compensated Absences	3,053,629.21	1,439,247.89	1,658,387.78	2,834,489.32	561,738.98
Total Long-Term Liabilities	<u>\$ 3,214,997.57</u>	<u>\$ 1,439,247.89</u>	<u>\$ 1,697,557.24</u>	<u>\$ 2,956,688.22</u>	<u>\$ 604,366.43</u>

Additional information regarding capital lease obligation is included in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - LEASE OBLIGATIONS

- A. Capital Lease Obligations** - Capital lease obligations relating to copiers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2012:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 51,368.73
2014	51,368.73
2015	<u>34,245.81</u>
Total Minimum Lease Payments	136,983.27
Amount Representing Interest (8.49% Rate of Interest)	<u>14,784.37</u>
Present Value of Future Lease Payments	<u>\$ 122,198.90</u>

Machinery and equipment acquired under capital lease amounted to \$210,173.27 at June 30, 2012.

Depreciation for the capital assets associated with capital leases is included in depreciation expense.

- B. 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, 2012:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 10,710.00
2014	<u>7,140.00</u>
Total Minimum Lease Payments	<u>\$ 17,850.00</u>

Rental expense for all operating leases during the year was \$55,260.58.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 13,767,328.34	\$ 0.00	\$ 4,763,345.01	\$ 797,443.21	\$ 8,206,540.12
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 4,098,078.74	\$ 57,559.24	\$ 1,744,822.34	\$ 43,937.77	\$ 2,251,759.39
Rent	510,332.55				510,332.55
Vending	87,596.40				87,596.40
Other	1,693.25				1,693.25
Sales and Services of Education and Related Activities	511,522.92	3,936.30			507,586.62
Total Sales and Services	<u>\$ 5,209,223.86</u>	<u>\$ 61,495.54</u>	<u>\$ 1,744,822.34</u>	<u>\$ 43,937.77</u>	<u>\$ 3,358,968.21</u>

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 20,884,850.00	\$ 1,929,150.13	\$ 741,181.15	\$ 0.00	\$ 0.00	\$ 0.00	\$ 23,555,181.27
Public Service		1,148.62	156.25				1,304.87
Academic Support	4,190,851.47	214,216.98	204,993.32				4,610,061.77
Student Services	2,206,151.53	96,674.55	164,095.53				2,466,921.61
Institutional Support	5,154,919.04	626,499.75	1,969,094.43				7,750,513.22
Operations and Maintenance of Plant	2,349,229.06	1,102,650.00	1,445,828.14		1,613,321.16		6,511,028.36
Student Financial Aid				8,312,397.31			8,312,397.31
Auxiliary Enterprises	242,872.25	3,583,197.17	61,623.04				3,887,692.46
Depreciation						3,189,979.93	3,189,979.93
Total Operating Expenses	<u>\$ 35,028,873.35</u>	<u>\$ 7,553,537.20</u>	<u>\$ 4,586,971.87</u>	<u>\$ 8,312,397.31</u>	<u>\$ 1,613,321.16</u>	<u>\$ 3,189,979.93</u>	<u>\$ 60,285,080.82</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 (Plan) 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$28,253,302.81, of which \$21,158,659.20 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,574,204.24 and \$1,269,519.55, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$1,574,204.24, \$1,023,611.45, and \$748,227.11, 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Deferred Compensation and Supplemental Retirement Income Plans - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$33,199.00 for the year ended June 30, 2012.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2012, were \$6,759.53. The voluntary contributions by employees amounted to \$536,810.65 for the year ended June 30, 2012.

Internal Revenue Code 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. The plan administrators are American Century, American Funds, American Fund Service Company, General American Life Insurance, Jackson Mutual Life Insurance Company, and Variable Annuity Life Insurance Company. No costs are incurred by the College. The voluntary contributions by employees amounted to \$32,683.90 for the year ended June 30, 2012.

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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$1,057,932.96, \$1,017,283.43, and \$943,206.44, 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- 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, 2012, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. The required contribution rate for the years ended June 30, 2011, and 2010, was .52% for both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$110,025.03, \$108,012.72, and \$108,992.00, respectively. The College assumes no

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The risk of tort claims of up to \$1,000,000 per claimant is 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.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Employee dishonesty insurance for employees paid from non-state funds is purchased from Cincinnati Insurance Company with coverage of \$25,000 per occurrence and a \$1,000 deductible.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit 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 \$1,300,793.00 and on other purchases were \$31,896.91 at June 30, 2012.

NOTE 15 - RELATED PARTIES

The Asheville-Buncombe Technical Community College Education and Entrepreneurial Development Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as a fundraising arm of the College through which individuals, corporations, and other organizations support the College by facilitating entrepreneurial education and development activities. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$207,736.93 for the year ended June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 16 - NET ASSET RESTATEMENT

As of July 1, 2011, net assets as previously reported were restated as follows:

	<u>Amount</u>
July 1, 2011 Net Assets as Previously Reported	\$ 72,896,992.34
Error in Classification of a Capital Lease	(7,241.30)
Error in Establishing Useful Lives of Capital Assets	<u>881,316.87</u>
July 1, 2011 Net Assets as Restated	<u><u>\$ 73,771,067.91</u></u>

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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

We have audited the financial statements of Asheville-Buncombe Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 4, 2013. Our report was modified to include a reference to 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. 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

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

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

**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)**

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

February 4, 2013

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:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

This audit required 680 audit hours at an approximate cost of \$48,960. The cost represents .06% of the College's total assets and .08% of total expenses subjected to the audit.