



# STATE OF NORTH CAROLINA

**ISOTHERMAL COMMUNITY COLLEGE**

**SPINDALE, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**ISOTHERMAL COMMUNITY COLLEGE**

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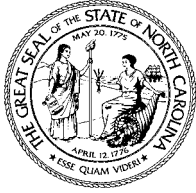
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**Beth A. Wood, CPA**  
State Auditor

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

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
Board of Trustees, Isothermal Community College

We have completed a financial statement audit of Isothermal 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**

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Board of Trustees  
Isothermal Community College  
Spindale, North Carolina

We have audited the accompanying financial statements of Isothermal 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 Isothermal 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 Isothermal 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.

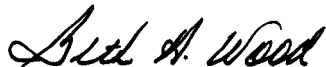
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Isothermal Community College and its discretely presented component unit as of June 30, 2012, and the respective 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)

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 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 21, 2013

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

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### **Introduction**

The following discussion and analysis provide an overview of the financial position and activities of Isothermal Community College for the years ended June 30, 2012. The following financial statements and notes to the financial statements comprise our complete set of financial information and should be considered together.

### **Using the Financial Statements**

The college's financial report includes three financial statements: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows. These financial statements are prepared under the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) principles.

### **Financial Highlights**

Isothermal Community College serves the markets in Rutherford and Polk counties and beyond. Funding for Fiscal Year Ended June 30, 2012 was sustained by steady enrollment in both curriculum programs and continuing education with trends beginning to move slightly downward. In addition to maintaining enrollment, due to plant closings and continued high unemployment in Rutherford and Polk counties, the College realized consistent enrollment in local high school students participating in available programs that promote dual enrollment and Huskins programs. The College also continues to make information available to high school students about college transfer programs as well as vocational training opportunities and the financial aid or scholarships availability which had a positive impact on enrollment. Because of the College's maintenance of enrollment, funding from the state remained very strong and enabled the College to continue providing quality services despite management flexibility reductions mandated. In addition, the College's investments in the Lee L. Powers scholarship fund continued to perform with returns that allow applicants to receive funding for tuition as a last dollar scholarship. Students continue to be provided multiple opportunities to access financial assistance programs including Pell and the N.C. Community College scholarship as well as local initiatives such as Powers and New Century Scholars. The forecast is that enrollment may continue to flatten out or trend downward as some of the displaced workers complete programs and benefits expire and changes to high school programs focus enrollment toward STEM classes. In response to these downward trends, Isothermal Community College is engaging in multiple surveys in order to prepare for more aggressive marketing in the service area to meet community needs and support efforts to maintain or strengthen enrollment. Based on operating philosophy and fiscal planning, we believe that Isothermal Community is positioned very well and remains strong financially and is continuing to focus on offering quality services to Rutherford and Polk Counties with a commitment to quality education and workforce readiness.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Statement of Net Assets

The Statement of Net Assets presents a fiscal snapshot of the College as of June 30, 2012, and includes all assets and liabilities of the College. This statement also provides information on assets available to continue operations, liabilities due to outside parties and the net assets available for expenditure by the College. Assets and liabilities are generally measured using current values, with the exception of capital assets which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities, and net assets at June 30, 2012 and 2011 are as follows:

#### Condensed Statement of Net Assets

	2012	2011	Increase (Decrease)
Assets			
Current Assets	\$ 5,691,698.48	\$ 5,455,381.53	\$ 236,316.95
Noncurrent Assets	13,002,700.86	12,768,501.43	234,199.43
Capital Assets, Net	<u>19,702,714.00</u>	<u>19,898,394.84</u>	<u>(195,680.84)</u>
Total Assets	38,397,113.34	38,122,277.80	274,835.54
Liabilities			
Current Liabilities	926,905.15	984,302.16	(57,397.01)
Noncurrent Liabilities	<u>813,157.89</u>	<u>689,871.53</u>	<u>123,286.36</u>
Total Liabilities	1,740,063.04	1,674,173.69	65,889.35
Net Assets			
Invested in Capital Assets	19,702,714.00	19,898,394.84	(195,680.84)
Restricted - Nonexpendable	1,663,951.97	1,663,688.25	263.72
Restricted - Expendable	13,918,479.64	13,526,219.33	392,260.31
Unrestricted	<u>1,371,904.69</u>	<u>1,359,801.69</u>	<u>12,103.00</u>
Total Net Assets	<u>\$ 36,657,050.30</u>	<u>\$ 36,448,104.11</u>	<u>\$ 208,946.19</u>

Current assets consist primarily of cash, receivables expected to be collected within one year, investments expected to be spent within one year and inventories expected to be used within one year. Current assets increased \$236,316.95 due to an increase in restricted cash and cash equivalents and inventory. Restricted cash and cash equivalents increased by \$180,155.85 primarily due to increases in curriculum self-supporting, investment earnings in scholarship accounts, and increase in scholarship funds in STIF due to a bequest received for the Hewitt Scholarship fund in January 2012. Inventory for resale in the campus bookstore increased by \$203,126.77 as new items were added to inventory and as management embrace a different philosophy of returning items to the vendor at the end of the semester.

Noncurrent assets consist of cash restricted for acquisition or construction of capital assets, amounts due from the State of North Carolina for Capital Projects, and noncurrent investments held in the Lee L. Powers Scholarship Account and the Mildred Furches Scholarship Group Account. Amounts due from the State of North Carolina for Capital Projects increased \$584,520.07 which is the balance of four capital improvement projects approved and funded by the State to renovate and upgrade campus facilities. Assets held in



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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the Lee L. Powers Scholarship Fund decreased by \$340,961.61, with net purchase and sales of securities at cost increasing \$186,271.28 offset by an unrealized decrease in market value of \$527,232.89.

Capital Assets decreased by \$195,680.84, as additions of \$892,623.91 are off-set by net deletions of \$41,883.76 and increase in accumulated depreciation of \$1,046,420.99.

Current liabilities are comprised of accounts payable, accrued compensation, unearned revenue and current portions of long-term liabilities. The decrease in current liabilities of \$57,397.01 is primarily due to a decrease of \$74,343.32 due to a decrease in the percentage of accrued vacation leave liability that is considered current from 19.13% to 9.85% as employees liquidated leave at a lower rate than in previous years. This caused an off-setting increase in noncurrent compensated absences which are vacation and bonus days earned by current employees which are either taken as paid time off or paid out at termination of employment.

Net assets represent the residual interest in the College's assets after all liabilities are deducted. For reporting purposes, they are divided into four categories: invested in capital assets, restricted nonexpendable, restricted expendable and unrestricted net assets.

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

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this statement is to present the revenues received by the institution, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Nonoperating revenues are revenues received for which goods and services are not provided, i.e., state appropriations and investment income. The following is a condensed Statement of Revenues, Expenses, and Changes in Net Assets for Isothermal Community College as of June 30, 2012 and 2011:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	2012	2011	Increase (Decrease)
Operating Revenue:			
Student Tuition & Fees	\$ 1,784,278.15	\$ 1,977,274.70	\$ (192,996.55)
Nongovernmental Grants/Contracts		2,109.94	(2,109.94)
Sales & Service, net	1,363,741.47	1,613,948.71	(250,207.24)
Other Operating Revenue	2,115.10	1,958.57	156.53
<b>Total Operating Revenue</b>	<b>3,150,134.72</b>	<b>3,595,291.92</b>	<b>(445,157.20)</b>
Operating Expenses:			
Salaries and Benefits	14,694,628.10	14,239,934.62	454,693.48
Supplies and Materials	2,604,534.87	3,017,773.14	(413,238.27)
Services	2,834,304.26	2,372,552.55	461,751.71
Scholarships and Fellowships	3,559,113.76	5,200,064.55	(1,640,950.79)
Utilities	584,065.63	580,016.64	4,048.99
Depreciation	1,046,420.99	1,005,374.47	41,046.52
<b>Total Operating Expenses</b>	<b>25,323,067.61</b>	<b>26,415,715.97</b>	<b>(1,092,648.36)</b>
Operating Loss	(22,172,932.89)	(22,820,424.05)	647,491.16
Nonoperating Revenue (Expenses):			
State Aid	10,146,180.17	9,340,616.24	805,563.93
County Appropriations	2,018,861.84	2,000,321.56	18,540.28
Noncapital Grants	7,437,754.73	9,180,585.49	(1,742,830.76)
Noncapital Gifts	822,499.43	511,289.99	311,209.44
Investment Income	102,713.82	1,614,852.66	(1,512,138.84)
Other Nonoperating Revenue (Expenses)	(31,210.31)	37,481.80	(68,692.11)
<b>Total Nonoperating Revenue</b>	<b>20,496,799.68</b>	<b>22,685,147.74</b>	<b>(2,188,348.06)</b>
Loss before Other Revenues	(1,676,133.21)	(135,276.31)	(1,540,856.90)
Other Revenues			
Capital Contributions	1,622,595.74	1,285,087.65	337,508.09
Capital Gift	262,483.66		262,483.66
<b>Increase in Net Assets</b>	<b>208,946.19</b>	<b>1,149,811.34</b>	<b>(940,865.15)</b>
Net Assets, Beginning	36,448,104.11	35,298,292.77	1,149,811.34
<b>Net Assets, Ending</b>	<b>\$ 36,657,050.30</b>	<b>\$ 36,448,104.11</b>	<b>\$ 208,946.19</b>

The major components of operating revenues are tuition and fees collected from students and sales/revenues generated from auxiliary operations such as our campus bookstore and our public radio station (sales & service, net).

Gross tuition and fees revenue, before scholarship discounting, for our curriculum programs was essentially flat - up \$3,719.88. This increase was in spite of a small decrease in enrollment. Our enrollment for the year was down 14.8% from FTE of 2,656 in year ended 6/30/11 to 2,263 in year ended 6/30/12; however tuition rates increased 17.7% from \$56.50 per credit hour in FY2011 to \$66.50 per credit hour in FY2012. In spite of the small

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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increase in gross tuition, scholarship discounts, which are a contra-revenue item that reduces the amount of tuition and fees shown, also increased 5.6%, from \$2,116,715.50 in FYE 6/30/11 to \$2,234,814.91 in FYE 6/30/12. This leaves a decrease in net curriculum tuition and fees of \$114,379.53. In addition to increases in curriculum tuition, tuition received in our non-credit or occupational education (OE) programs decreased by \$20,092.50 and 11.1%. Our tuition and fees collected for our non-credit self-supporting courses also decreased by \$51,974.89 and 10%.

Net revenue from the campus bookstore, recorded under Sales and Services, net, decreased by \$148,555.27 is a result of decreased enrollment. Also recorded under Sales and Services, underwriting revenue from WNCW-FM decreased slightly from \$591,461.61 in FY2011 to \$534,270.13 in FY 2012.

Overall Operating Expenses decreased \$1,092,648.36. Salaries and benefits increased \$454,693.48 and 3.19%, and \$285,972.56 of this increase is from increased employer retirement and medical insurance costs. Supplies and materials decreased \$413,238.27 and 13.69%, a function of decreased enrollment; and services increased \$461,751.71 and 19.46% primarily due to an increase in fund raising expenses for WNCW and the purchase of a student portal. Net scholarships and fellowships decreased by \$1,640,950.79 and 31.56% as gross scholarships decreased \$1,570,148.63 primarily because Pell awards were down \$1,347,367.00 and scholarship discounts increased \$70,802.16 as more student aid was used to pay expenses rather than disbursed to the student.

Nonoperating revenue consists of aid from the State of North Carolina, Rutherford and Polk Counties, and Financial Aid received from the Federal and State government and private entities to disburse to students; state aid increased by \$805,563.93 and 8.62% as we were funded on average FTE enrollment for the past 3 years. Noncapital grants, which decreased \$1,742,830.76 or 18.98% , includes revenue we receive from 3rd parties such as the U. S. Department of Education that we pass on to student as financial aid, and Pell grants awarded to students decreased \$1,347,367.00. Also included in the nonoperating revenue section are noncapital gifts, which include gifts received by WNCW valued at \$216,307.34 in FY 2012 and a \$70,000 gift to the Performing Arts Center to support programming from The Stonecutter Foundation via The Isothermal Community College Foundation, Inc.

Income for the Lee L. Powers Memorial and other scholarship funds, recorded under investment income, had a challenging year decreasing by \$1,512,138.84 from the prior year. The net \$102,713.82 investment gain is summarized as follows: Interest and dividends, from Lee L. Powers fund, Mildred Furches Scholarship Group, and other scholarship funds, were \$310,536.55; realized gain on sale of securities \$319,410.16, and unrealized loss or decrease in market value of securities held as of June 30, 2012 \$527,232.89.

Other revenues are made up of capital aid received from the state in the amount of \$1,602,964.06 and capital appropriation received from Rutherford and Polk Counties of \$19,000.00. The state capital aid consists of \$987,964.06 received by the college and used to purchase equipment and \$615,000.00 used for Repair and Renovation facility upgrade construction projects. The county capital aid consists of funds received by the College and

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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used to purchase equipment; other funds due from Rutherford County were banked to be funded in Fiscal Year 2013 to fund a large renovation project at Rutherford Learning Center.

### Capital Assets

The College has \$19,702,714.00 invested in capital assets at year-end; there was a net decrease of \$195,680.84 in capital assets for the year. Increases include \$20,580.00 of architectural fees for to the planned Student Center Renovation in Construction in Progress, adding to the \$81,000.00 balance in Construction in Progress for the Allied Health Building bringing that total in CIP to \$101,580.00; \$85,895.94 renovation to the College Café in the Student Center; \$18,900.00 for a new gravel parking lot on the east side of campus, and \$767,247.97 of equipment purchased netted against a \$1,088,304.75 decrease due to normal additions, deletions and the recording of current depreciation expense. Capital assets for the College are comprised of nondepreciable and depreciable assets. Nondepreciable assets are land, art collection, and construction in progress. Depreciable assets are buildings, machinery and equipment, and infrastructure.

### Economic Forecast

Management believes that the College will continue to be challenged with increasing demand for services while resources becoming more scarce in the future. Projections for the 2012-2013 year indicate a reduction in funding around 10.5% to be managed via the management flexibility reduction utilized by the State. The outlook shows enrollment trending downward due to the expiration of displaced worker benefits and some program completion while first time college student enrollment is increasing. With this trend, we believe that we will be able to sustain stable enrollment numbers that will provide adequate resources for the required services. The funding formula is now broken into three categories that match high cost programming with appropriate FTE. The College has exceptional budget flexibility due to reduced System Office regulation and legislative relief. This should give management the ability to manage resources according to institutional needs without delays or restrictions previously imposed through the process. It is anticipated that there will continue to be a great need for re-training of displaced workers in the service area in the foreseeable future, but a focus is developing on markets related to general education requirements that high school graduates need for transfer programs and specialized training programs that serve to prepare a workforce for future industry that may locate in the service area or surrounding region. The College is continuing to evaluate future programs, and will continue to add programs that are needed in the community, such as programs focusing on sustainable technologies. With a focus on marketing, the College hopes to support enrollment numbers with first time college students and has focused resources on improving facilities and enhancing activities that are essential for attracting a younger demographic.

A critical element of the College's future will continue to be our relationship with the State of North Carolina. Education continues to be recognized as an investment in North Carolina's future and the role of Community Colleges is viewed as critical in the preparation of a well-trained workforce. As our local workforce continues to be displaced, enrollment has increased, and to this point, the State continues to fully fund enrollment increases, providing resources necessary to offer excellent services to students.

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

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While it is not possible to predict the ultimate results, management believes that the College's financial condition is strong enough to withstand the economic uncertainties. Conservative and realistic approaches have been made to ensure that operating costs required to offer services to the students and community who rely on Isothermal Community College are covered by revenues and allocations allotted to the College.

### **Contacting the College's Financial Management**

This financial report is designed to provide our citizens, donors, and creditors with a general overview of the College's finances and show accountability of all funds received. If you have any questions or need additional financial information, please contact Stephen Matheny, Vice President of Administrative Services for Isothermal Community College at (828)395-1293.

***Isothermal Community College***  
***Statement of Net Assets***  
***June 30, 2012***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,692,220.08
Restricted Cash and Cash Equivalents	2,841,804.11
Restricted Short-Term Investments	3,000.00
Receivables, Net (Note 4)	546,769.06
Inventories	592,819.15
Prepaid Items	14,711.84
Notes Receivable, Net (Note 4)	374.24
	<hr/>
Total Current Assets	5,691,698.48

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,682,503.37
Restricted Due from Primary Government	584,520.07
Restricted Investments	10,735,677.42
Capital Assets - Nondepreciable (Note 5)	759,864.87
Capital Assets - Depreciable, Net (Note 5)	18,942,849.13
	<hr/>
Total Noncurrent Assets	32,705,414.86

Total Assets

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38,397,113.34

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	556,650.39
Due to Primary Government	11,575.23
Unearned Revenue	214,981.89
Funds Held for Others	54,850.12
Long-Term Liability - Current Portion (Note 7)	88,847.52
	<hr/>
Total Current Liabilities	926,905.15

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	813,157.89
	<hr/>
Total Liabilities	1,740,063.04

**NET ASSETS**

Invested in Capital Assets	19,702,714.00
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,537,275.14
Other	126,676.83
Expendable:	
Scholarships and Fellowships	12,162,749.25
Loans	73,402.56
Capital Projects	590,060.51
Restricted for Specific Programs	1,092,267.32
Unrestricted	1,371,904.69
	<hr/>
Total Net Assets	\$ 36,657,050.30

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

***Isothermal 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)	\$ 1,784,278.15
Sales and Services, Net (Note 9)	1,363,741.47
Other Operating Revenues	2,115.10
	<hr/>
Total Operating Revenues	<u>3,150,134.72</u>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	14,694,628.10
Supplies and Materials	2,604,534.87
Services	2,834,304.26
Scholarships and Fellowships	3,559,113.76
Utilities	584,065.63
Depreciation	1,046,420.99
	<hr/>
Total Operating Expenses	<u>25,323,067.61</u>
Operating Loss	<u>(22,172,932.89)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	10,146,180.17
County Appropriations	2,018,861.84
Noncapital Grants - Student Financial Aid	6,373,125.35
Noncapital Grants	1,064,629.38
Noncapital Gifts	822,499.43
Investment Income	102,713.82
Other Nonoperating Expenses	(31,210.31)
	<hr/>
Net Nonoperating Revenues	<u>20,496,799.68</u>
Loss Before Other Revenues	(1,676,133.21)
State Capital Aid	1,602,964.06
County Capital Aid	19,000.00
Capital Grants	631.68
Capital Gifts	262,483.66
	<hr/>
Increase in Net Assets	208,946.19

**NET ASSETS**

Net Assets, July 1, 2011	<u>36,448,104.11</u>
Net Assets, June 30, 2012	<u><u>\$ 36,657,050.30</u></u>

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

***Isothermal 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	\$ 3,114,254.99
Payments to Employees and Fringe Benefits	(14,644,759.86)
Payments to Vendors and Suppliers	(6,198,687.87)
Payments for Scholarships and Fellowships	(3,523,154.33)
Loans Issued to Students	(374.24)
Collection of Loans to Students	200.00
Other Receipts	8,747.62
	<hr/>
Net Cash Used by Operating Activities	(21,243,773.69)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	10,146,180.17
County Appropriations	2,018,861.84
Noncapital Grants - Student Financial Aid	6,341,504.00
Noncapital Grants Received	1,097,907.27
Noncapital Gifts and Endowments Received	828,026.79
William D. Ford Direct Lending Receipts	1,371,517.00
William D. Ford Direct Lending Disbursements	(1,371,517.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	20,432,480.07

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

State Capital Aid Received	1,027,444.06
County Capital Aid	13,500.00
Capital Grants Received	631.68
Proceeds from Sale of Capital Assets	2,721.23
Acquisition and Construction of Capital Assets	(633,906.37)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	410,390.60

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	4,917,280.69
Investment Income	287,842.95
Purchase of Investments and Related Fees	(4,773,041.81)
	<hr/>
Net Cash Provided by Investing Activities	432,081.83

Net Increase in Cash and Cash Equivalents	31,178.81
Cash and Cash Equivalents, July 1, 2011	6,185,348.75
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 6,216,527.56



***Isothermal 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	\$ (22,172,932.89)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,046,420.99
Provision for Uncollectible Loans and Write-Offs	(118.05)
Miscellaneous Nonoperating Income	7,952.22
Changes in Assets and Liabilities:	
Receivables, Net	(2,677.39)
Inventories	(194,772.25)
Prepaid Items	1,621.54
Notes Receivable, Net	(174.24)
Accounts Payable and Accrued Liabilities	9,083.60
Due to Primary Government	9,327.25
Unearned Revenue	2,757.09
Funds Held for Others	795.40
Compensated Absences	48,943.04
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (21,243,773.69)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 1,692,220.08
Restricted Cash and Cash Equivalents	2,841,804.11
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,682,503.37
	<hr/>
Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 6,216,527.56</u></u>

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

Assets Acquired through Assumption of a Liability	\$ 9,233.88
Assets Acquired through a Gift	262,483.66
Change in Fair Value of Investments	(527,232.89)
Increase in Receivables Related to Nonoperating Income	630,806.15
Loss on Disposal of Capital Assets	39,162.53

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

***Isothermal Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2012***

***Exhibit B-1***

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<b>ASSETS</b>	
Cash and Investments	\$ 1,750,185
Marketable Securities	904,380
	<hr/>
Total Assets	2,654,565
	<hr/>
<b>NET ASSETS</b>	
Unrestricted	549,046
Temporarily Restricted	2,105,519
	<hr/>
Total Net Assets	\$ 2,654,565
	<hr/> <hr/>

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

***Isothermal Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2012***

***Exhibit B-2***

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE AND SUPPORT:</b>			
Contributions	\$ 0	\$ 95,285	\$ 95,285
Interest and Investment Earnings	9,684	29,177	38,861
Unrealized Gain (Loss) on Investments	(3,059)	(7,374)	(10,433)
Realized Gain (Loss) on Investments	498	1,200	1,698
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	140,040	(140,040)	
	<u>147,163</u>	<u>(21,752)</u>	<u>125,411</u>
Total Revenue and Support			
<b>EXPENSES:</b>			
Program Contributions:			
Professional Staff Development	1,619		1,619
Scholarships	35,671		35,671
Mentoring	21,452		21,452
College Support	71,504		71,504
Fundraising	9,792		9,792
Management and General	10,978		10,978
	<u>151,016</u>		<u>151,016</u>
Total Expenses			
Change in Net Assets	(3,853)	(21,752)	(25,605)
Net Assets at Beginning of Year	552,899	2,127,271	2,680,170
Net Assets at End of Year	<u>\$ 549,046</u>	<u>\$ 2,105,519</u>	<u>\$ 2,654,565</u>

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

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**ISOTHERMAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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. Isothermal 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** - Isothermal 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 Foundation 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 27 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$125,069.69 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College Controller's office at P.O. Box 804, Spindale, NC 28160 or calling (828) 395-1296.

- 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 eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost method. Merchandise for resale is valued at the last invoice cost using the retail inventory 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 19 to 40 years for buildings, and 5 to 25 years for equipment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Andrew and Flora Major collection is capitalized at fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### *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. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as campus bookstore. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

- A. Deposits** - 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. Cash on hand at June 30, 2012 was \$2,080.00. The carrying amount of the College's deposits not with the State Treasurer was \$4,629,561.31, and the bank balance was \$4,772,521.28.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2012, 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 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 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; 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 \$1,584,886.25, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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

Investments of the College's component unit, the Isothermal 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.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2012, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Investments

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<b>Debt Securities</b>					
U.S. Treasuries	\$ 419,368.50	\$ 11,100.00	\$ 394,268.50	\$ 0.00	\$ 14,000.00
U.S. Agencies	1,674,545.50	231,356.25	1,443,189.25		
Mortgage Pass Throughs	635,458.40	23,067.14		5,655.58	606,735.68
U.S. Treasuries Bond Mutual Fund	134,570.15	11,559.58	123,010.57		
Debt Mutual Funds - Domestic	1,888,191.49	31,822.54	1,032,920.55	487,030.30	336,418.10
Debt Mutual Funds - International	421,513.71		114,203.01	166,633.92	140,676.78
Domestic Corporate Bonds	142,011.80	142,011.80			
<b>Total Debt Securities</b>	<b>5,315,659.55</b>	<b>\$ 450,917.31</b>	<b>\$ 3,107,591.88</b>	<b>\$ 659,319.80</b>	<b>\$ 1,097,830.56</b>
<b>Other Securities</b>					
Mutual Funds - Domestic	2,165,352.27				
Mutual Funds - Foreign	828,907.38				
Real Estate Investment Trust	144,264.53				
Investment in Real Estate	3,000.00				
Domestic Stocks	1,936,777.20				
Foreign Stocks	344,716.49				
<b>Total Investments</b>	<b>\$ 10,738,677.42</b>				

In addition to the interest rate risk disclosed above, the College's investments include investments with fair values highly sensitive to interest rate changes.

*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, 2012, the College's investments were rated as follows:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
U.S. Agencies	\$ 1,674,545.50	\$ 0.00	\$ 1,434,376.00	\$ 240,169.50	\$ 0.00	\$ 0.00	\$ 0.00
Mortgage Pass Throughs	635,458.40		635,458.40				
Debt Mutual Funds - Domestic	1,888,191.49	613,189.91	183,124.49	576,202.00	460,650.82	33,929.47	21,094.80
Debt Mutual Funds - International	421,513.71						421,513.71
Domestic Corporate Bonds	142,011.80			142,011.80			

Rating Agency: Standard and Poor's

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. The College's investments were exposed to custodial credit risk as follows:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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<u>Investment Type</u>	<u>Held by Counterparty's Trust Dept or Agent not in College's Name</u>
Mortgage Pass Throughs	\$ 635,458.40
Domestic Corporate Bonds	142,011.80
Real Estate Investment Trust	144,264.53
Domestic Stocks	1,936,777.20
Foreign Stocks	344,716.49
<b>Total</b>	<b>\$ <u>3,203,228.42</u></b>

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2012, is as follows:

Cash on Hand	\$ 2,080.00
Carrying Amount of Deposits with Private Financial Institutions	4,629,561.31
Investments in the Short-Term Investment Fund	1,584,886.25
Restricted Investments	<u>10,738,677.42</u>
<b>Total Deposits and Investments</b>	<b>\$ <u>16,955,204.98</u></b>
Current:	
Cash and Cash Equivalents	\$ 1,692,220.08
Restricted Cash and Cash Equivalents	2,841,804.11
Restricted Short-Term Investments	3,000.00
Noncurrent:	
Restricted Cash and Cash Equivalents	1,682,503.37
Restricted Investments	<u>10,735,677.42</u>
<b>Total</b>	<b>\$ <u>16,955,204.98</u></b>

**Component Unit:**

**Deposits** - The Foundation had the following cash and investments at June 30, 2012:

Cash with bank	\$ 18,099
Cash on deposit with State Treasurer	<u>1,732,086</u>
<b>Total</b>	<b>\$ <u>1,750,185</u></b>

**Investments** - Investments of the College's discretely presented component unit, the Isothermal 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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	<u>Market Value</u>
Money Market Funds	\$ 95,467
Common Stock	434,860
Bonds	<u>374,054</u>
Total	<u>\$ 904,381</u>

**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. The College has cash with fiscal agent and other cash held with a private financial institution which is reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. Endowment assets are also held in U.S. government guaranteed securities and are reported with restricted investments - 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 \$4,623.51 was available to be spent, of which \$3,727.16 was classified in net assets as restricted: expendable: scholarships and fellowships. The remaining portion of \$896.35 was classified as restricted: expendable: for specific programs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 287,447.74	\$ 106,376.98	\$ 181,070.76
Student Sponsors	106,682.87		106,682.87
Accounts	216,564.63	44,927.41	171,637.22
Intergovernmental	60,122.36		60,122.36
Investment Earnings	22,693.60		22,693.60
Other	4,562.25		4,562.25
<b>Total Current Receivables</b>	<b>\$ 698,073.45</b>	<b>\$ 151,304.39</b>	<b>\$ 546,769.06</b>
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	\$ 868.24	\$ 494.00	\$ 374.24

### 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	Increases	Decreases	Balance June 30, 2012
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 595,979.87	\$ 0.00	\$ 0.00	\$ 595,979.87
Art, Literature, and Artifacts	62,305.00			62,305.00
Construction in Progress	81,000.00	20,580.00		101,580.00
<b>Total Capital Assets, Nondepreciable</b>	739,284.87	20,580.00		759,864.87
<b>Capital Assets, Depreciable:</b>				
Buildings	27,239,456.50	85,895.94		27,325,352.44
Machinery and Equipment	4,320,951.78	767,247.97	194,275.49	4,893,924.26
General Infrastructure	612,116.71	18,900.00		631,016.71
<b>Total Capital Assets, Depreciable</b>	32,172,524.99	872,043.91	194,275.49	32,850,293.41
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings	10,716,216.93	676,836.46		11,393,053.39
Machinery and Equipment	1,920,646.84	339,584.27	152,391.73	2,107,839.38
General Infrastructure	376,551.25	30,000.26		406,551.51
<b>Total Accumulated Depreciation</b>	13,013,415.02	1,046,420.99	152,391.73	13,907,444.28
<b>Total Capital Assets, Depreciable, Net</b>	19,159,109.97	(174,377.08)	41,883.76	18,942,849.13
<b>Capital Assets, Net</b>	<b>\$ 19,898,394.84</b>	<b>\$ (153,797.08)</b>	<b>\$ 41,883.76</b>	<b>\$ 19,702,714.00</b>

The capital asset schedule above includes land and building valued at cost of \$4,188,116.31, for which the College does not currently hold title. In 2006, The Rutherford County Commissioners approved a special financing



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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agreement to provide funds to the College to construct a building which in part houses the Rutherford County Schools Early College High School. In order for the County to obtain the private financing needed to provide the resources to the College, the College transferred title of the land and building to the County to use as collateral until the debt has been paid off, at which time the title reverts back to the College. Until that time, the College is leasing the property from the County for a one time fee of \$10.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<u>Amount</u>
Accounts Payable	\$ 88,207.36
Accrued Payroll	465,140.38
Other	<u>3,302.65</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u><u>\$ 556,650.39</u></u></b>

**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:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 853,062.37</u>	<u>\$ 455,061.50</u>	<u>\$ 406,118.46</u>	<u>\$ 902,005.41</u>	<u>\$ 88,847.52</u>

**NOTE 8 - LEASE OBLIGATIONS**

The following schedule presents the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	<u>Amount</u>
Minimum Rentals	\$ 51,673.20
Contingent Rentals	<u>17,915.00</u>
<b>Total Rental Expense</b>	<b><u><u>\$ 69,588.20</u></u></b>

## 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
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 4,027,821.28	\$ 0.00	\$ 2,234,814.91	\$ 8,728.22	\$ 1,784,278.15
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 1,444,281.20	\$ 6,812.01	\$ 921,396.48	\$ 18,445.92	\$ 497,626.79
Public Radio	534,320.13			1,272.18	533,047.95
Performing Arts Center	215,571.95				215,571.95
Rental Income	40,700.00				40,700.00
Sales and Services of Education and Related Activities	76,794.78				76,794.78
<b>Total Sales and Services</b>	<b>\$ 2,311,668.06</b>	<b>\$ 6,812.01</b>	<b>\$ 921,396.48</b>	<b>\$ 19,718.10</b>	<b>\$ 1,363,741.47</b>

### 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	\$ 8,146,922.43	\$ 687,438.65	\$ 554,615.89	\$ 0.00	\$ 0.00	\$ 0.00	\$ 9,388,976.97
Public Service	602,890.44	39,823.80	679,261.18				1,321,975.42
Academic Support	1,863,477.92	345,327.16	253,288.36				2,462,093.44
Student Services	1,052,501.08	16,069.72	150,149.77				1,218,720.57
Institutional Support	2,024,721.07	259,351.33	634,976.89				2,919,049.29
Operations and Maintenance of Plant	841,106.17	111,304.18	337,954.93		583,199.63		1,873,564.91
Student Financial Aid				3,559,113.76			3,559,113.76
Auxiliary Enterprises	163,008.99	1,145,220.03	224,057.24		866.00		1,533,152.26
Depreciation						1,046,420.99	1,046,420.99
<b>Total Operating Expenses</b>	<b>\$ 14,694,628.10</b>	<b>\$ 2,604,534.87</b>	<b>\$ 2,834,304.26</b>	<b>\$ 3,559,113.76</b>	<b>\$ 584,065.63</b>	<b>\$ 1,046,420.99</b>	<b>\$ 25,323,067.61</b>

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 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 \$11,700,218.95, of which \$9,143,184.04 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$680,252.89 and \$548,591.04, 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 \$680,252.89, \$445,270.89, and \$308,643.75, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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are incurred by the College. The voluntary contributions by employees amounted to \$22,290.00 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 in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$127,559.00 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. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$457,159.20, \$442,561.33, and \$389,046.75, 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 rates 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 \$47,544.56, \$46,965.69, and \$44,956.51, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the state of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. In addition, losses from all other employees are covered by a contract with a private insurance company with coverage of \$50,000 per occurrence with a \$250 deductible.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. This coverage includes Employer's Liability Insurance with a \$100,000 per occurrence limit; Professional Liability Insurance with limits of \$1,000,000 per occurrence covering students and instructors in Allied Health and Cosmetology programs; and Directors and Officers Liability Insurance with a limit of \$3,000,000 and a \$25,000 deductible.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 AND CONTINGENCIES

- A. 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 \$140,078.40 and on other purchases were \$18,668.33 at June 30, 2012.
- B. Pending Litigation and Claims** - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

### NOTE 15 - RELATED PARTIES

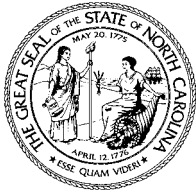
**Foundation** - The Isothermal Community College Polk County Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic

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

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environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$7,006.66 for the year ended June 30, 2012.





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

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

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20601 Mail Service Center  
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<http://www.ncauditor.net>

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

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Board of Trustees  
Isothermal Community College  
Spindale, North Carolina

We have audited the financial statements of Isothermal 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 21, 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)**

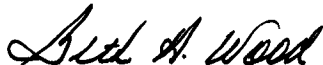
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 21, 2013

## ORDERING INFORMATION

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

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

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This audit required 494 audit hours at an approximate cost of \$35,568. The cost represents .09% of the College's total assets and .14% of total expenses subjected to audit.