

# STATE OF NORTH CAROLINA

**NASH COMMUNITY COLLEGE**

**ROCKY MOUNT, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**NASH COMMUNITY COLLEGE**

**ROCKY MOUNT, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**DR. R. SCOTT RALLS, PRESIDENT**

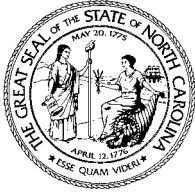
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**DR. WILLIAM S. CARVER, II, PRESIDENT**

**ANNETTE DISHNER, EXECUTIVE VICE PRESIDENT OF FINANCE AND ADMINISTRATION**



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, Nash Community College

We have completed a financial statement audit of Nash Community College for the year ended June 30, 2013, 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".

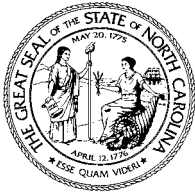
Beth A. Wood, CPA  
State Auditor

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# Office of the State Auditor



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

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## INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
Nash Community College  
Rocky Mount, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Nash 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Nash Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Nash Community College Foundation, Inc., are based solely 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 from material misstatement. The financial statements of Nash Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Nash Community College and its discretely presented component unit, as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters – Required Supplementary Information

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 a 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 our audit of the basic financial statements. 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 25, 2014

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**NASH COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of Nash Community College's financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ending June 30, 2013 and June 30, 2012. This Management's Discussion and Analysis focuses on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements.

**Using This Annual Report**

The financial statements focus on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position is similar to bottom line results for the College, combining and consolidating current financial resources with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross and the net costs of College activities, which are supported by State funds, county appropriations and other revenues. This approach summarizes and simplifies the user's analysis of costs of various College services to students and the public.

**Financial Highlights**

**Statement of Net Position**

The Statement of Net Position provides information regarding the College's assets, liabilities, and net assets as of June 30, 2013.

<b>Condensed Financial Statements</b>			
<b>Statement of Net Position</b>			
	<b>2013</b>	<b>2012</b>	<b>Increase/ (Decrease)</b>
<b>Assets:</b>			
Current Assets	\$ 2,861,370.87	\$ 2,188,043.02	\$ 673,327.85
Noncurrent Assets:			
Other Noncurrent Assets	735,135.11	1,015,080.93	(279,945.82)
Capital Assets	19,600,310.09	18,526,735.20	1,073,574.89
Total Assets	23,196,816.07	21,729,859.15	1,466,956.92
<b>Liabilities:</b>			
Current Liabilities	1,395,877.65	1,059,368.76	336,508.89
Noncurrent Liabilities	1,200,395.21	1,317,561.56	(117,166.35)
Total Liabilities	2,596,272.86	2,376,930.32	219,342.54
<b>Net Position:</b>			
Net Investment in Capital Assets	19,600,310.09	18,526,735.20	1,073,574.89
Restricted	1,746,063.65	1,345,696.12	400,367.53
Unrestricted	(745,830.53)	(519,502.49)	(226,328.04)
Total Net Position	\$ 20,600,543.21	\$ 19,352,928.83	\$ 1,247,614.38

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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As of June 30, 2013, the College's net position was \$20.6 million; an increase of \$1.2 million from June 30, 2012. Total net position as of June 30, 2013 consists of net investment in capital assets (95.1%) and restricted (8.5%). Unrestricted net position was (\$746 thousand) - due primarily to the approximately \$1.5 million liability for unpaid leave benefits.

The total assets recorded by the College as of June 30, 2013 were \$23.2 million. Current assets increased by \$673 thousand. Current Restricted Cash increased by \$226 thousand and Receivables due from State of NC component units increased by \$493 thousand. Both of these items were related to the Golden Leaf – Project NC301 Grant. At year end the College had cash of \$229 thousand and receivable due of \$533 thousand for the Golden Leaf – Project NC301 Grant. Other noncurrent assets decreased by \$280 thousand. This was due to a decrease in restricted cash and a decrease in restricted due from primary government, both related to Construction projects. The restricted cash related to the Child Development Center (CDC) and Culinary renovations showed a \$136 thousand decrease as those projects were completed in FY2013. Construction amount receivable from the North Carolina Community College System was \$89 thousand less than prior year.

As of June 30, 2013, the College had recorded \$2.7 million in non-depreciable capital assets, \$29.1 million in depreciable capital assets, \$12.1 million in accumulated depreciation and \$19.6 million in net capital assets. These balances resulted from construction in progress additions of \$828 thousand, capital additions of \$2.3 million, disposals of \$95 thousand, and annual depreciation of \$810 thousand. The capital additions figure of \$2.3 million includes the \$1.2 million building addition for the CDC and Culinary Renovations (transferred from construction in progress), as well as \$1.1 million related to machinery and equipment additions. Capital equipment was purchased for \$891 thousand with North Carolina Advanced Manufacturing Alliance (NCAMA) Grant funds, including a Festo factory assembly line trainer, learn line electronics trainers, and a welder trainer.

Current liabilities increased by \$337 thousand. Accrued accounts payable increased by \$145 thousand, due to increased payables related to the bookstore. Current liabilities total \$1.4 million and include \$272 thousand as the current portion of accrued leave, \$277 thousand in accrued payroll, and \$503 thousand in accounts payable. In non-current liabilities, long-term liabilities are compensated absences, consisting of accumulated vacation and bonus leave that will not be paid within the next fiscal year. The total liabilities recorded by the College at June 30, 2013 were \$2.6 million.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information regarding the College's activities for the year ending June 30, 2013.

#### Statement of Revenues, Expenses, and Changes in Net Position

	2013	2012	Increase/ (Decrease)
<b>Operating Revenues and Expenses:</b>			
Total Operating Revenues	\$ 5,387,274.24	\$ 4,284,047.14	\$ 1,103,227.10
Less Operating Expenses	<u>27,723,482.39</u>	<u>26,119,074.34</u>	<u>1,604,408.05</u>
Operating Loss	<u>(22,336,208.15)</u>	<u>(21,835,027.20)</u>	<u>(501,180.95)</u>
<b>Nonoperating Revenues (Expenses):</b>			
State Aid	11,816,878.34	10,642,850.49	1,174,027.85
County Appropriations	1,641,676.00	1,675,180.00	(33,504.00)
Noncapital Grants - Federal Student Financial Aid	7,076,348.29	7,116,041.87	(39,693.58)
Noncapital Grants	1,486,357.14	434,064.59	1,052,292.55
Noncapital Gifts	341,074.91	337,068.52	4,006.39
Investment Income	6,117.66	9,307.17	(3,189.51)
Other Nonoperating Revenues (Expenses)	<u>(1,170.04)</u>	<u>1,404.64</u>	<u>(2,574.68)</u>
Net Nonoperating Revenues	<u>22,367,282.30</u>	<u>20,215,917.28</u>	<u>2,151,365.02</u>
Income (Loss) Before Other Revenues	31,074.15	(1,619,109.92)	1,650,184.07
Capital Aid, Gifts, and Grants	<u>1,216,540.23</u>	<u>1,357,780.86</u>	<u>(141,240.63)</u>
Increase (Decrease) in Net Position	1,247,614.38	(261,329.06)	1,508,943.44
Net Position, July 1	<u>19,352,928.83</u>	<u>19,614,257.89</u>	<u>(261,329.06)</u>
Net Position, June 30	<u>\$ 20,600,543.21</u>	<u>\$ 19,352,928.83</u>	<u>\$ 1,247,614.38</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operating revenues at June 30, 2013 increased by approximately \$1.1 million. Federal Grants and Contracts increased by \$1.1 million due to the North Carolina Advanced Manufacturing Alliance (NCAMA) Grant from the Department of Labor. Nonoperating revenues at June 30, 2013 increased by approximately \$2.1 million. Noncapital Grants increased by \$1 million due largely to the Golden LEAF Project NC301 Grant of \$875 thousand. Additional information on these grants is provided in the Supplementary Information section. State Aid increased by \$1.2 million, due to an additional 187 FTE's being funded year over year. The following table charts operating revenues by source.

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
<b>Student Tuition and Fees, Net</b>	\$ 2,290,601.62	\$ 2,291,620.62	\$ (1,019.00)
<b>Federal Grants and Contracts</b>	1,369,824.86	288,208.68	1,081,616.18
<b>State and Local Grants and Contracts</b>	206,922.96	276,459.00	(69,536.04)
<b>Sales and Services, Net</b>	1,491,939.82	1,410,969.84	80,969.98
<b>Other Operating Revenues</b>	<u>27,984.98</u>	<u>16,789.00</u>	<u>11,195.98</u>
<b>Total Operating Revenue</b>	<u>\$ 5,387,274.24</u>	<u>\$ 4,284,047.14</u>	<u>\$ 1,103,227.10</u>

Total operating expenses at June 30, 2013 were \$27.7 million – an increase of 6.1% over the June 2012 total of \$26.1 million. This is largely due to an increase in the cost of Salaries and Benefits. Employees received a standard 1.2% salary increase and headcount was increased. Approximately 11 full-time positions were added, and 17 additional part-time employees were hired. The employer's contribution rate increased from 13.12% in 2012 to 14.23% in 2013, increasing retirement costs by \$188 thousand. Supplies and Materials increased by \$417 thousand, due to increased purchases of books and computers. The following table details operating expenses.

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
<b>Salaries and Benefits</b>	\$ 16,889,632.70	\$ 15,598,642.89	\$ 1,290,989.81
<b>Supplies and Materials</b>	3,914,716.59	3,497,768.57	416,948.02
<b>Services</b>	2,268,702.83	2,124,810.71	143,892.12
<b>Scholarships and Fellowships</b>	3,316,829.27	3,597,084.40	(280,255.13)
<b>Utilities</b>	523,646.70	501,326.18	22,320.52
<b>Depreciation</b>	<u>809,954.30</u>	<u>799,441.59</u>	<u>10,512.71</u>
<b>Total Operating Expenses</b>	<u>\$ 27,723,482.39</u>	<u>\$ 26,119,074.34</u>	<u>\$ 1,604,408.05</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### Other Information

The FTEs that generate the College's State budget (budget FTEs) increased overall from 2011-2012 to 2012-2013:

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Increase/ (Decrease)</u>
<b>Curriculum</b>	2,550	2,359	191
<b>Occupational Extension</b>	378	373	5
<b>Basic Skills</b>	164	173	-9
<b>Total FTEs</b>	<u>3,092</u>	<u>2,905</u>	<u>187</u>

### Supplementary Information

Nash Community College continues to implement various programs, technologies, strategies, and improvements with the goal of improved student success. The Quality Enhancement Plan (QEP) and First Year Experience-FOCUS continue to be integrated into each curriculum program. For Fiscal year 2013, 31 out of 34 programs of study required the first-year seminar course. Data is being tracked and evaluated in order to guide the College in their efforts to better serve and retain students, and assess the impact of the Quality Enhancement Plan.

The College has implemented an English Studio and Math Tank which feature state-of-the-art instructional technologies, wireless control systems, and a high definition video distribution system. The goal of these new learning labs is to enhance student learning in Developmental Math, English, and Reading. The English Studio and Math Tank may be used for individual tutorial assistance, computer access, instructional resources, and monitored testing and assignments. Instructors are able to provide individualized attention to a student's learning style and progress, and offer immediate feedback and guidance.

The College completed the renovations on the Child Development Center and the Business & Industry facilities. The Child Development Center added 3,000 square feet consisting of two Early Childhood classrooms, bathrooms, and additional office and storage space. The CDC addition places the Early Childhood Education Students in close proximity to the Childcare Center. This provides the students with a real world lab setting, enabling them to acquire valuable skills through internships, observation and interactions with qualified teachers and children. A 4,120 square foot addition was made to the Business & Industries facility for the Culinary Arts Program. Additional space includes a classroom, two offices, culinary arts teaching kitchen, storage and two coolers. The Culinary addition allows growth in the Culinary Arts and Hospitality Management Programs, and gives those students a modern kitchen facility in which to train. In addition, the old space vacated by these programs, has allowed for growth in the program areas of Human Services Technology, Computer Engineering Technology, and College and Career Promise.

On May 8, 2012, Nash County Voters overwhelming voted to support the \$9.5 million community college bond referendum. Bond proceeds will be used to construct a new

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

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Continuing Education & Public Services Facility. The estimated total cost of the project is \$13.2 million to be paid for as follows – County Bond \$9.5 million, County capital outlay \$731 thousand, Donations \$1 million, EDA Grant \$1.5 million and State construction funds \$425 thousand. The 78,000 square foot building will provide classrooms, faculty offices, support spaces, compensatory education, literacy education, occupational education training, a multi-purpose training center, and indoor firing range. In addition, vacated classroom space in existing facilities will be renovated. A Design Contract has been executed, and Construction Bids have been accepted and are currently being evaluated to determine which Contractor to award.

The \$1 million Connector Road Project was completed in August 2013. This project was funded through Nash County in conjunction with the DOT. A connector road was built to connect the main campus to the south side of campus to connect with Eastern Avenue. This road allows access to the new Continuing Education and Public Services Facility, and reduces traffic congestion between the Continuing Education and Public Services Facility from Eastern Avenue and the main campus. Two roundabouts were included as part of this project, one on the existing loop around the College, and one on the Eastern Avenue entrance to the new facility.

Nash Community College is part of a 10 community college consortium that received the North Carolina Advanced Manufacturing Alliance (NCAMA) Grant in October 2011. This federal grant was awarded as part of the Department of Labor's Trade Adjustment Assistance Community College and Career Training Grant Program (TAACCCT) and targets job training in Advanced Manufacturing certificate, diploma, and degree programs and various professional industry certifications. Nash Community College's portion approved was approximately \$2.1 million and will extend over three years. The College is currently in year two of the grant and Nash Community College has been awarded \$2-million to date. The grant was approved to establish a Siemens/Festo Mechatronics Certification Program. Grant funds have been used to purchase Festo specific equipment that provides training activities required for certification for the following curriculum programs – Electronic Engineering, Electrical/Electronics, Computer Integrated Machining, Computer Engineering, Industrial Systems, and Welding. By June 30, 2013, \$1.4 million has been spent on the NCAMA Grant. Robeson Community College serves as the administrator of the grant and reimburses each college through special funds, as each college submits their request for reimbursement.

Nash Community College is part of a two-college collaboration with Wilson Community College that received a Golden Leaf (Project NC301) grant. The grant is intended to enhance training capabilities within advanced manufacturing programs, and meet employment demands of industry in the areas of logistics, manufacturing, metal fabrication, and pharmaceuticals. The total grant amount is \$845 thousand with \$453-thousand earmarked for Nash Community College, and \$392 thousand going to Wilson Community College. This grant will allow the College to fund the addition of \$335 thousand of state of the art manufacturing equipment, and will provide students with the ability to acquire essential manufacturing skills. The College has included the local school system, Nash-Rocky Mount Public Schools, and will provide, as part of the grant, \$25 thousand of advanced manufacturing simulation equipment and software which will be used to introduce public school students to modern manufacturing.

***Nash Community College  
Statement of Net Position  
June 30, 2013***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 881,196.99
Restricted Cash and Cash Equivalents	699,471.94
Short-Term Investments	11,714.68
Receivables, Net (Note 3)	428,315.45
Due from State of North Carolina Component Units	533,295.23
Inventories	307,376.58

Total Current Assets	2,861,370.87
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	379,857.25
Receivables (Note 3)	20,217.00
Restricted Due from Primary Government	325,000.00
Restricted Investments	10,060.86
Capital Assets - Nondepreciable (Note 4)	2,667,244.38
Capital Assets - Depreciable, Net (Note 4)	16,933,065.71

Total Noncurrent Assets	20,335,445.20
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Total Assets	23,196,816.07
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	780,402.37
Due to Primary Government	2,100.66
Unearned Revenue	158,468.10
Funds Held for Others	182,966.10
Long-Term Liabilities - Current Portion (Note 6)	271,940.42

Total Current Liabilities	1,395,877.65
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	1,200,395.21
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Total Liabilities	2,596,272.86
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**NET POSITION**

Net Investment in Capital Assets	19,600,310.09
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Restricted for:

Expendable:

Scholarships and Fellowships	246,803.21
Capital Projects	501,907.75
Other	997,352.69

Unrestricted	(745,830.53)
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Total Net Position	\$ 20,600,543.21
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The accompanying notes to the financial statements are an integral part of this statement.

***Nash Community College  
Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2013***

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 7)	\$ 2,290,601.62
Federal Grants and Contracts	1,369,824.86
State and Local Grants and Contracts	206,922.96
Sales and Services, Net (Note 7)	1,491,939.82
Other Operating Revenues	27,984.98

Total Operating Revenues	5,387,274.24
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	16,889,632.70
Supplies and Materials	3,914,716.59
Services	2,268,702.83
Scholarships and Fellowships	3,316,829.27
Utilities	523,646.70
Depreciation	809,954.30

Total Operating Expenses	27,723,482.39
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Operating Loss	(22,336,208.15)
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**NONOPERATING REVENUES (EXPENSES)**

State Aid	11,816,878.34
County Appropriations	1,641,676.00
Noncapital Grants - Federal Student Financial Aid	7,076,348.29
Noncapital Grants	1,486,357.14
Noncapital Gifts	341,074.91
Investment Income	6,117.66
Other Nonoperating Expenses	(1,170.04)

Net Nonoperating Revenues	22,367,282.30
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Income Before Other Revenues	31,074.15
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State Capital Aid	817,103.73
County Capital Aid	399,436.50

Increase in Net Position	1,247,614.38
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**NET POSITION**

Net Position, July 1, 2012	19,352,928.83
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Net Position, June 30, 2013	\$ 20,600,543.21
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The accompanying notes to the financial statements are an integral part of this statement.



***Nash Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013***

***Exhibit A-3  
Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 5,453,038.25
Payments to Employees and Fringe Benefits	(16,855,384.94)
Payments to Vendors and Suppliers	(6,492,671.79)
Payments for Scholarships and Fellowships	(3,317,523.27)
Other Receipts	6,842.63
	<hr/>
Net Cash Used by Operating Activities	(21,205,699.12)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	11,816,878.34
County Appropriations	1,641,676.00
Noncapital Grants - Federal Student Financial Aid	7,075,918.02
Noncapital Grants Received	1,170,994.88
Noncapital Gifts Received	341,074.91
	<hr/>
Cash Provided by Noncapital Financing Activities	22,046,542.15

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

State Capital Aid Received	905,860.01
County Capital Aid	381,758.25
Proceeds from Sale of Capital Assets	2,174.55
Acquisition and Construction of Capital Assets	(1,936,271.22)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(646,478.41)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	45,000.00
Investment Income	6,117.66
Purchase of Investments and Related Fees	(20.83)
	<hr/>
Net Cash Provided by Investing Activities	51,096.83

Net Increase in Cash and Cash Equivalents	245,461.45
Cash and Cash Equivalents, July 1, 2012	1,715,064.73
	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 1,960,526.18

***Nash Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013***

***Exhibit A-3  
Page 2 of 2***

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

Operating Loss	\$ (22,336,208.15)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	809,954.30
Miscellaneous Nonoperating Income	25,983.44
Changes in Assets and Liabilities:	
Receivables, Net	5,630.48
Inventories	46,184.27
Accounts Payable and Accrued Liabilities	219,990.99
Due to Primary Government	(7.07)
Unearned Revenue	59,792.26
Funds Held for Others	(19,743.54)
Compensated Absences	(17,276.10)
Net Cash Used by Operating Activities	<u>\$ (21,205,699.12)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 881,196.99
Restricted Cash and Cash Equivalents	699,471.94
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>379,857.25</u>
Total Cash and Cash Equivalents - June 30, 2013	<u>\$ 1,960,526.18</u>

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

Assets Acquired through Assumption of a Liability	\$ 33,771.00
Increase in Receivables Related to Nonoperating Income	493,295.23
Loss on Disposal of Capital Assets	(27,153.48)

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

***Nash Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2013***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$	28,485
Investments		4,079,979
Contributions Receivable		23,090
Property and Equipment		
Property and Equipment		15,725
Accumulated Depreciation		<u>(15,725)</u>
Total Assets		<u>4,131,554</u>

**NET ASSETS**

Unrestricted		141,205
Temporarily Restricted		316,045
Permanently Restricted		<u>3,674,304</u>
Total Net Assets	\$	<u><u>4,131,554</u></u>

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

***Nash Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2013***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Support and Other Revenue:

Individuals and Organizations	\$ 287,012
Special Events	43,152
Interest Income	62
Investment Income, Net of Expenses	13,486
Net Assets Released from Program Restrictions	25,763

Total Unrestricted Revenues and Other Support	369,475
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Expenses and Losses:

Program Services	315,724
Management and General	26,346
Fund Raising	25,397

Total Expenses	367,467
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Increase in Unrestricted Net Assets	2,008
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**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	14,612
Investment Income, Net of Expenses	304,006
Satisfaction of Program Restrictions	(25,344)

Increase in Temporarily Restricted Net Assets	293,274
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**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	87,735
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Increase in Permanently Restricted Net Assets	87,735
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Increase in Net Assets	383,017
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Net Assets at Beginning of Year	3,748,537
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Net Assets at End of Year	\$ 4,131,554
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The accompanying notes to the financial statements are an integral part of this statement.

**NASH COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**Discretely Presented Component Unit** - The Nash 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 acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The bylaws of the Foundation indicate the Board of Directors shall consist of not less than twenty and not more than thirty-five members. As of June 30, 2013, the Foundation Board consisted of twenty-eight 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)

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The Nash Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. 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, 2013, the Foundation distributed \$312,067.65 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Nash Community College Foundation, Inc. office, 522 N. Old Carriage Rd, Rocky Mount, NC 27804 or by calling (252) 451-8329.

- 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- E. Investments** - This classification includes funds held in the North Carolina Capital Management Trust, an SEC registered mutual fund. Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the average cost 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 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 Position** - The College's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the College's total investment in capital assets.

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

**Unrestricted Net Position** - Unrestricted net position includes 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the Print Shop. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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, 2013 was \$2,340.00. The carrying amount of the College's deposits not with the State Treasurer was \$554,143.98, and the bank balance was \$769,005.52.

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, 2013, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,404,042.20, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2013. Assets and shares of the STIF 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 STIF) 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.

At June 30, 2013, the College's investment outside the State Treasurer's Short-Term Investment Fund (STIF) is in the North Carolina Capital Management Trust Fund (NCCMT), an SEC registered mutual fund. The fair value of the NCCMT investment at June 30, 2013 is \$21,775.54. The investment is subject to the following risks:

*Interest Rate Risk:* Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk. The NCCMT had a maturity of one year or less at June 30, 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2013, the NCCMT carried a credit rating of AAAM by Standard & Poor's.

**Component Unit** - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. 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:

<b>Investment Type</b>	<b>Fair Value</b>
Cash and Money Market Funds	\$ 200,203
Fixed Income Mutual Funds	1,191,516
Equity Mutual Funds	2,599,760
Real Estate	88,500
<b>Total Investments</b>	<b>\$ 4,079,979</b>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$ 2,340.00
Carrying Amount of Deposits with Private Financial Institutions	554,143.98
Investments in the Short-Term Investment Fund	1,404,042.20
Other Investments	21,775.54
<b>Total Deposits and Investments</b>	<b>\$ 1,982,301.72</b>
Current:	
Cash and Cash Equivalents	\$ 881,196.99
Restricted Cash and Cash Equivalents	699,471.94
Short-Term Investments	11,714.68
Noncurrent:	
Restricted Cash and Cash Equivalents	379,857.25
Restricted Investments	10,060.86
<b>Total Deposits and Investments</b>	<b>\$ 1,982,301.72</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 123,346.23	\$ 8,841.46	\$ 114,504.77
Student Sponsors	40,263.78		40,263.78
Intergovernmental	45,408.99		45,408.99
Employee	7,768.24		7,768.24
Vendor	163,554.83		163,554.83
Other	56,814.84		56,814.84
<b>Total Current Receivables</b>	<b>\$ 437,156.91</b>	<b>\$ 8,841.46</b>	<b>\$ 428,315.45</b>
<b>Notes Receivable - Current:</b>			
Intergovernmental	\$ 20,217.00	\$ 0.00	\$ 20,217.00

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,845,937.70	\$ 0.00	\$ 0.00	\$ 1,845,937.70
Construction in Progress	1,234,781.51	828,342.85	1,241,817.68	821,306.68
<b>Total Capital Assets, Nondepreciable</b>	<b>3,080,719.21</b>	<b>828,342.85</b>	<b>1,241,817.68</b>	<b>2,667,244.38</b>
Capital Assets, Depreciable:				
Buildings	20,249,195.66	1,241,817.68		21,491,013.34
Machinery and Equipment	4,581,153.36	1,084,514.37	95,230.23	5,570,437.50
General Infrastructure	1,992,854.71			1,992,854.71
<b>Total Capital Assets, Depreciable</b>	<b>26,823,203.73</b>	<b>2,326,332.05</b>	<b>95,230.23</b>	<b>29,054,305.55</b>
Less Accumulated Depreciation for:				
Buildings	7,909,882.35	509,801.92		8,419,684.27
Machinery and Equipment	2,005,945.08	258,766.30	65,902.20	2,198,809.18
General Infrastructure	1,461,360.31	41,386.08		1,502,746.39
<b>Total Accumulated Depreciation</b>	<b>11,377,187.74</b>	<b>809,954.30</b>	<b>65,902.20</b>	<b>12,121,239.84</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>15,446,015.99</b>	<b>1,516,377.75</b>	<b>29,328.03</b>	<b>16,933,065.71</b>
<b>Capital Assets, Net</b>	<b>\$ 18,526,735.20</b>	<b>\$ 2,344,720.60</b>	<b>\$ 1,271,145.71</b>	<b>\$ 19,600,310.09</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

	Amount
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 503,495.05
Accrued Payroll	276,907.32
<b>Total</b>	<b>\$ 780,402.37</b>

### NOTE 6 - LONG-TERM LIABILITIES

**Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Compensated Absences	\$ 1,489,611.73	\$ 1,001,133.49	\$ 1,018,409.59	\$ 1,472,335.63	\$ 271,940.42

### NOTE 7 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 5,138,936.03	\$ 0.00	\$ 2,848,334.41	\$ 2,290,601.62
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Food Service	\$ 245,619.05	\$ 0.00	\$ 0.00	\$ 245,619.05
Vending	37,485.24			37,485.24
Print Shop	176,758.85	176,758.85		0.00
Bookstore	2,411,389.27		1,581,423.61	829,965.66
Child Development Center	292,472.06			292,472.06
Brown Auditorium	63,389.75			63,389.75
Other	7,011.06			7,011.06
Sales and Services of Education and Related Activities - Cosmetology	15,997.00			15,997.00
<b>Total Sales and Services</b>	<b>\$ 3,250,122.28</b>	<b>\$ 176,758.85</b>	<b>\$ 1,581,423.61</b>	<b>\$ 1,491,939.82</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 10,856,684.47	\$ 800,091.74	\$ 662,095.85	\$ 31,850.39	\$ 43,253.70	\$ 0.00	\$ 12,393,976.15
Academic Support	1,277,769.70	40,388.69	22,967.37				1,341,125.76
Student Services	1,018,324.76	39,616.79	96,685.81	28,757.00			1,183,384.36
Institutional Support	2,575,971.84	131,627.08	698,502.31	1,800.00			3,407,901.23
Operations and Maintenance of Plant	573,807.84	321,835.71	466,567.62		445,249.40		1,807,460.57
Student Financial Aid			650.00	3,254,421.88			3,255,071.88
Auxiliary Enterprises	587,074.09	2,581,156.58	321,233.87		35,143.60		3,524,608.14
Depreciation						809,954.30	809,954.30
<b>Total Operating Expenses</b>	<b>\$ 16,889,632.70</b>	<b>\$ 3,914,716.59</b>	<b>\$ 2,268,702.83</b>	<b>\$ 3,316,829.27</b>	<b>\$ 523,646.70</b>	<b>\$ 809,954.30</b>	<b>\$ 27,723,482.39</b>

### NOTE 9 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS 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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$14,219,806.60, of which \$11,371,751.45 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$947,266.90 and \$682,305.19, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$947,266.90, \$796,506.79, and \$515,642.40, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The TSERS 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 \$51,025.00 for the year ended June 30, 2013.

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 \$167,877.68 for the year ended June 30, 2013.

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$602,702.83, \$535,286.82, and \$512,504.61, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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year ended June 30, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$50,035.71, \$55,669.83, and \$54,388.24, 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 11 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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 the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a \$10 million deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the \$10 million deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. 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 College pays premiums to the North Carolina

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. For employees paid with non-state funds, the College has acquired coverage of \$100,000 per occurrence with a \$500 deductible, through a private insurer.

The College supplements the State's liability coverage by acquiring additional general liability coverage up to \$6,000,000 with a self-retention of \$10,000. As part of the College's insurance portfolio, professional liability coverage is provided for the Board of Trustees, faculty, and staff up to \$1,000,000 with retention of \$1,000. Additional coverage of \$3,000,000 with a retention of \$10,000 is provided via the College's excess liability policy.

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.

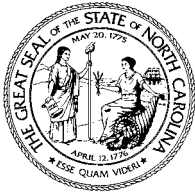
## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 12 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on purchases. Outstanding commitments on purchases were \$247,208.27 at June 30, 2013. Outstanding commitments on construction contracts were \$1,039,144.47 at June 30, 2013.
- B. Contingent Liabilities** - The College has conveyed to the U.S. Department of Commerce, Economic Development Administration (EDA) a mortgage lien on the Science & Technology Center in the amount of \$1,000,000. This lien secures the EDA's investment in the building should the College no longer use the building for educational or economic development purposes. This mortgage lien shall terminate and be dismissed 20 years from September 1, 2004.

The College has been granted permission by the North Carolina Community College System to enter into a Security Interest Agreement with the U.S. Department of Commerce, Economic Development Administration (EDA) to secure \$1,500,000 in funding to be used for the construction of the Continuing Education and Public Services Facility. The Security Interest Agreement gives the EDA a first lien position on the building for 20 years from July 15, 2013.

**Office of the State Auditor**

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

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

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Board of Trustees  
Nash Community College  
Rocky Mount, North Carolina

We have audited, in accordance with the 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, the financial statements of Nash 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 25, 2014. Our report includes a reference to other auditors who audited the financial statements of Nash Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Nash Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 25, 2014

## ORDERING INFORMATION

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Copies of this report 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

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For additional information contact:

Bill Holmes

Director of External Affairs