

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## CENTRAL CAROLINA COMMUNITY COLLEGE

SANFORD, NORTH CAROLINA  
FINANCIAL STATEMENT AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NC**  **OSA**  
The Taxpayers' Watchdog

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



**Beth A. Wood, CPA**  
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, Central Carolina Community College

We have completed a financial statement audit of Central Carolina Community College for the year ended June 30, 2014, 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



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

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.

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## INDEPENDENT AUDITOR'S REPORT

---

Board of Trustees  
Central Carolina Community College  
Sanford, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Central Carolina 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, 2014, 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 Central Carolina 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 Central Carolina 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 Central Carolina Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 Central Carolina Community College and its discretely presented component unit, as of June 30, 2014, 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 February 23, 2015 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 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

February 23, 2015



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Purpose**

The information in the Management Discussion and Analysis (MD&A) section is intended to provide a general overview of Central Carolina Community College's (CCCC) financial statements, and is a summary of the accompanying financial statements. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Division of Finance at 919-718-7498.

**Overview of the Financial Statements**

The basic financial statements focus on the College as a whole and consist of three basic components: Statements of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows.

- The Statement of Net Position presents the College's assets and liabilities with differences being reported as net position. Net position reflects the differences in revenues and expenses over the life of the College. The comparison of net position assists the reader in determining the growth and stability of the College.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the College. The net effect of revenues and expenses rolls into net position which reflects the current year activities.
- The Statement of Cash Flows is prepared using the direct method. This statement shows the net changes in cash resulting from operating, investing and financing activities.

**Institutional Assets**

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, due from state of NC component units, and inventories. The College's 2014 current cash balance increased by \$613,607 (17%) over the prior year. Funds showing significant cash increase over prior year are county funds (\$103,712) and unrestricted funds of \$378,810 related to accrued payroll (as explained below). Net receivables also increased due to the decrease in allowance for doubtful accounts (\$293,674 in 2014 as compared to \$547,480 in 2013). Write-offs posted during the 2013-2014 fiscal year created this decrease. Gross receivables remained basically unchanged (\$885,911 in 2014 as compared to \$911,240 in 2013). The College received a Golden Leaf Grant (\$100,000) to support the Central Carolina Works initiative which is represented in the due from state of NC component units. Inventory balances increased 33% due to instructional supplies and postage on hand at year.

CURRENT ASSETS	2014	2013	Difference
Cash	\$ 4,142,464.82	\$ 3,528,857.43	\$ 613,607.39
Receivables, Net	592,236.95	363,760.43	228,476.52
Due from State of NC Component Units	100,000.00		100,000.00
Inventories	304,309.86	229,330.42	74,979.44
<b>Total Current Assets</b>	<b>\$ 5,139,011.63</b>	<b>\$ 4,121,948.28</b>	<b>\$ 1,017,063.35</b>



Noncurrent assets include cash, due from primary government for construction projects, and capital assets. Noncurrent cash at year end increased by \$248,655. The cash increase can be attributed to grant funds for the Duke Energy Welding Grant (\$233,950) and the Rural Center Innovation Grant (\$15,000). These grant programs are new to the College for 2014. Due from primary government decreased in 2014 because the renovation projects associated with these funds were completed. Capital assets decreased in part due to a decrease in equipment purchased, an increase in deletions, and depreciation expense. The College booked \$262,759 in equipment additions in 2014 as compared to \$494,337 in 2013. The amount due from state of NC component units in FY 2013 represents the Caterpillar grant from Golden Leaf, which was fully reimbursed to the College in FY 2014.

NONCURRENT ASSETS	2014	2013	Difference
Restricted Cash	\$ 425,617.14	\$ 176,962.42	\$ 248,654.72
Restricted Due from Primary Government	2.13	234,227.31	(234,225.18)
Restricted Due from State of NC Component Units		89,532.60	(89,532.60)
Capital Assets, Net	<u>38,166,012.43</u>	<u>39,454,100.29</u>	<u>(1,288,087.86)</u>
Total Noncurrent Assets	<u>\$ 38,591,631.70</u>	<u>\$ 39,954,822.62</u>	<u>\$ (1,363,190.92)</u>

TOTAL ASSETS	2014	2013	Difference
Total Assets	<u>\$ 43,730,643.33</u>	<u>\$ 44,076,770.90</u>	<u>\$ (346,127.57)</u>

### Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. There is an increase in current liabilities at FYE 2014 due primarily to an increase in accrued payroll (\$591,718) as the College started paying nine-month contracted employees over 12 months. The decrease in the long term liabilities is associated with a decrease in the capital lease long-term liability (\$113,570) and the decrease in long-term liabilities associated with compensated absences (135,476). The modular units at the W.B. Wicker comprise the College's only capital lease, and will be paid in full during fiscal year 2014-2015.

LIABILITIES	2014	2013	Difference
Current	\$ 1,716,449.24	\$ 1,222,972.81	\$ 493,476.43
Long-Term	<u>2,011,678.80</u>	<u>2,260,724.61</u>	<u>(249,045.81)</u>
Total Liabilities	<u>\$ 3,728,128.04</u>	<u>\$ 3,483,697.42</u>	<u>\$ 244,430.62</u>

### Net Position

Net Position is a measure of the value of all the College's assets after liabilities are deducted. Increases in unrestricted and other restricted net position were offset by depreciation of

capital assets (\$1,457,516), creating an overall decrease in net position. Capital projects reflect an increase due mainly to the increase in the fund balances of the Duke Energy Welding Grant and the Rural Center Innovation Grant. Net position under the "Other" caption increased due to funds on hand at year end (\$200,000) for the Central Carolina Works program which began July 1, 2014. Unrestricted funds increased in 2014 due to the increase in county cash on hand at year end (\$103,712) and the addition of a new campus security fee during 2013-2014 (\$65,213).

NET POSITION	2014	2013	Difference
Net Investment in Capital Assets	\$ 38,052,442.50	\$ 39,194,299.29	\$ (1,141,856.79)
Restricted for Expendable:			
Scholarships and Fellowships	257.70	5,034.01	(4,776.31)
Loans	5,539.46	5,515.62	23.84
Capital Projects	471,146.06	365,682.27	105,463.79
Restricted for Specific Programs	76,792.72	52,401.46	24,391.26
Other	166,659.91	10,867.98	155,791.93
Unrestricted	<u>1,229,676.94</u>	<u>959,272.85</u>	<u>270,404.09</u>
Total Net Position	<u>\$ 40,002,515.29</u>	<u>\$ 40,593,073.48</u>	<u>\$ (590,558.19)</u>

**Revenues**

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the Civic Center. The increase in student tuition and fees can be attributed to the increase in tuition rates. Tuition rates increased from \$69.00 to \$71.50 per credit hour in 2013-14 for curriculum students, while occupational registration fees were increased by \$5.00 per course in 2013-14. Commissions on book sales and patron fees comprise the majority of the sales and services account. Closure of the daycare on the Pittsboro campus contributed to the decrease in revenue in sales and services.

REVENUES	2014	2013	Difference
Student Tuition and Fees, Net	\$ 4,518,775.20	\$ 4,426,231.48	\$ 92,543.72
Sales and Services, Net	<u>614,289.05</u>	<u>703,074.80</u>	<u>(88,785.75)</u>
Total Operating Revenues	<u>\$ 5,133,064.25</u>	<u>\$ 5,129,306.28</u>	<u>\$ 3,757.97</u>

Nonoperating revenues comprise the major portion of the College's income and include state funds allocated to the College based on the FTE (full-time equivalent) formula budget computation from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements. State aid in 2013-2014 decreased due to the change in method for calculating budget FTE. Before FY 2014, budget FTE was calculated on the higher of the prior year's enrollment or the average FTE for the three prior years. For the audit year, this method was changed to the higher of the prior year or the average FTE for the two prior years. According to the NC Community College System, this resulted in 4,279 fewer FTE being funded system wide. County appropriations remained unchanged with the exception of Harnett County. In 2013-2014, the College began

occupying the Harnett Health Sciences Building (HHSB), which resulted in an increase to the county allocation of \$264,897 for utilities and related expenditures. The HHSB was built by Harnett County for use by the College for health program instruction. Student financial aid increased due to the number of financial aid participants enrolled. Noncapital grants increased due to funds received in support of the Title III and TRIO grants. Investment income remained relatively unchanged.

NONOPERATING REVENUES	2014	2013	Difference
State Aid	\$ 22,036,498.60	\$ 22,985,188.35	\$ (948,689.75)
County Appropriations	4,077,725.03	3,808,161.96	269,563.07
Noncapital Grants - Student Financial Aid	9,289,320.35	8,752,047.86	537,272.49
Noncapital Grants	4,970,058.38	4,081,107.09	888,951.29
Investment Income	16,098.75	15,625.15	473.60
Other Nonoperating Revenues	15,863.48	16,179.77	(316.29)
Total Nonoperating Revenues	<u>\$ 40,405,564.59</u>	<u>\$ 39,658,310.18</u>	<u>\$ 747,254.41</u>

**Operating Expenses**

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits. While the College saw an increase in salary costs associated with grants (Title III and TRIO primarily), some of the state personnel costs decreased. A notable decrease occurred in the area of literacy funds (\$359,047) due primarily to a reduction in the overall literacy funding for FY 2014 (\$3,161,543 as compared to 3,520,590 in 2013). Supply and material expenses also experienced a slight decrease due to reduction in state funding. Scholarships expenditures rose due to increased student eligibility and amounts awarded.

OPERATING EXPENSES	2014	2013	Difference
Salaries and Benefits	\$ 29,826,948.45	\$ 30,070,747.85	\$ (243,799.40)
Supplies and Materials	3,488,538.00	3,624,329.95	(135,791.95)
Services	5,643,639.27	5,764,311.26	(120,671.99)
Scholarships and Fellowships	6,578,344.95	6,359,213.91	219,131.04
Utilities	849,566.37	835,585.97	13,980.40
Depreciation	1,457,516.37	1,520,160.14	(62,643.77)
Total Operating Expenses	<u>\$ 47,844,553.41</u>	<u>\$ 48,174,349.08</u>	<u>\$ (329,795.67)</u>

**Capital Contributions**

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under the FTE formula allocation for educational equipment and instructional resources (library books). The increase in state capital aid is attributed to the state equipment carryover amount of \$239,578 for the 2013-2014 budget year. During fiscal year 2014, the College was awarded \$248,950 in capital grants (the Duke Energy Welding Grant (\$233,950) and the Rural Center Innovation Grant (\$15,000)).

CAPITAL CONTRIBUTIONS	2014	2013	Difference
State Capital Aid	\$ 1,287,161.63	\$ 1,095,958.53	\$ 191,203.10
County Capital Aid	180,029.97	188,093.00	(8,063.03)
Capital Grants	248,174.78		248,174.78
Total Capital Contributions	<u>\$ 1,715,366.38</u>	<u>\$ 1,284,051.53</u>	<u>\$ 431,314.85</u>

**Economic Forecast**

Central Carolina Community College is well positioned to meet the needs of its growing service area. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

The College's state funding for 2014-2015 increased from the prior year primarily due to a small increase in FTE and the General Assembly provided a salary and benefit increase for college employees. The College's FTE appears to be rebounding from a few years of decreases and seems to have stabilized. The current enrollment appears to be comparable to prior years.

Chatham, Harnett, and Lee Counties continue to face challenges to adequately fund our facilities operational expenses due to weakened economic activity; however, the economies in these counties are showing signs of improvement. Even with these challenges, the counties in our service area have been very supportive of the College and have met our needs to the best of their financial abilities. Harnett and Lee Counties fully funded our budget requests for the 2014-2015 fiscal year. Chatham County provided an increase in funding for 2014-2015.

The citizens of Lee County voted on a series of bond referendum items during the November 2014 election that will provide a total of \$23 million in funding for new facilities and repair and renovations to existing facilities in Lee County. The projects include \$9 million to construct a new Health Sciences Building, \$5 million to construct an addition to our Veterinary Medical Technology Lab and renovate the existing Lab, \$4 million for various repair and renovations projects on the Lee Main Campus and at the Emergency Services Training Center, and \$5 million for additions and renovations to the Dennis A. Wicker Civic Center and Steele Street Business Incubator. The College has been encouraged to complete these projects within a three year period.

We continue to look for new funding sources for a variety of activities and projects. We have been successful in recent years of receiving a variety of grants. Some of these grants include: Title III, TRIO Upward Bound, National Science Foundation Laser Tech, Rural Center Innovation, and the Duke Energy Foundation Grant.

The College launched a new program during the fall semester of 2014 called Central Carolina Works. The aim of this program is to increase the participation rates of high school students in Career and College Promise classes. The program places a Central Carolina Community College counselor at each public high school in our service area. These counselors work with students at the high schools to ensure they are aware of the College's offerings and take advantage of those offerings. The first two years of the program were funded by a variety of sources including private donations, corporate donations, grants from Duke Energy, the Golden Leaf Foundation, and the Education and Workforce Innovation Fund.

Community colleges continue to be an affordable option for citizens of our local communities. Our tuition remains well below that of four-year colleges and universities in the state.



# FINANCIAL STATEMENTS

**Central Carolina Community College**  
**Statement of Net Position**  
**June 30, 2014**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,803,871.36
Restricted Cash and Cash Equivalents	338,593.46
Receivables, Net (Note 3)	592,236.95
Due from State of North Carolina Component Units	100,000.00
Inventories	304,309.86
	<hr/>
Total Current Assets	5,139,011.63

Noncurrent Assets:

Restricted Cash and Cash Equivalents	425,617.14
Restricted Due from Primary Government	2.13
Capital Assets - Nondepreciable (Note 4)	4,121,404.63
Capital Assets - Depreciable, Net (Note 4)	34,044,607.80
	<hr/>
Total Noncurrent Assets	38,591,631.70

Total Assets	<hr/> <hr/> 43,730,643.33
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**DEFERRED OUTFLOWS OF RESOURCES**

Total Deferred Outflows of Resources	<hr/> 0.00
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	912,812.27
Unearned Revenue	218,549.70
Funds Held for Others	71,111.23
Long-Term Liabilities - Current Portion (Note 6)	513,976.04
	<hr/>
Total Current Liabilities	1,716,449.24

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<hr/> 2,011,678.80
Total Liabilities	<hr/> <hr/> 3,728,128.04

**DEFERRED INFLOWS OF RESOURCES**

Total Deferred Inflows of Resources	<hr/> 0.00
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**NET POSITION**

Net Investment in Capital Assets	38,052,442.50
Restricted for Expendable:	
Scholarships and Fellowships	257.70
Loans	5,539.46
Capital Projects	471,146.06
Restricted for Specific Programs	76,792.72
Other	166,659.91
	<hr/>
Unrestricted	1,229,676.94
Total Net Position	<hr/> <hr/> <hr/> \$ 40,002,515.29

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

**Central Carolina Community College**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 4,518,775.20
Sales and Services, Net (Note 8)	614,289.05

Total Operating Revenues	5,133,064.25
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	29,826,948.45
Supplies and Materials	3,488,538.00
Services	5,643,639.27
Scholarships and Fellowships	6,578,344.95
Utilities	849,566.37
Depreciation	1,457,516.37

Total Operating Expenses	47,844,553.41
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Operating Loss	(42,711,489.16)
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**NONOPERATING REVENUES**

State Aid	22,036,498.60
County Appropriations	4,077,725.03
Noncapital Grants - Student Financial Aid	9,289,320.35
Noncapital Grants	4,970,058.38
Investment Income	16,098.75
Other Nonoperating Revenues	15,863.48

Nonoperating Revenues	40,405,564.59
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Loss Before Other Revenues	(2,305,924.57)
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State Capital Aid	1,287,161.63
County Capital Aid	180,029.97
Capital Grants	248,174.78

Decrease in Net Position	(590,558.19)
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**NET POSITION**

Net Position, July 1, 2013	40,593,073.48
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Net Position, June 30, 2014	\$ 40,002,515.29
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The accompanying notes to the financial statements are an integral part of this statement.



**Central Carolina Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 4,858,286.35
Payments to Employees and Fringe Benefits	(29,295,401.67)
Payments to Vendors and Suppliers	(10,203,064.56)
Payments for Scholarships and Fellowships	(6,589,926.69)
Other Receipts	172,533.09
	<hr/>
Net Cash Used by Operating Activities	(41,057,573.48)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	22,036,498.60
County Appropriations	4,077,725.03
Noncapital Grants - Student Financial Aid	9,289,320.35
Noncapital Grants	4,870,058.38
	<hr/>
Cash Provided by Noncapital Financing Activities	40,273,602.36

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

State Capital Aid Received	1,521,386.81
County Capital Aid	180,029.97
Capital Grants	337,707.38
Acquisition and Construction of Capital Assets	(262,758.61)
Principal Paid on Capital Leases	(146,231.07)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,630,134.48

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	16,098.75
	<hr/>
Cash Provided by Investing Activities	16,098.75

Net Increase in Cash and Cash Equivalents	862,262.11
Cash and Cash Equivalents, July 1, 2013	3,705,819.85
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 4,568,081.96

**Central Carolina Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014**

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

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

Operating Loss	\$ (42,711,489.16)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,457,516.37
Nonoperating Other Income	109,193.58
Changes in Assets and Liabilities:	
Receivables, Net	(228,476.52)
Inventories	(74,979.44)
Accounts Payable and Accrued Liabilities	445,376.78
Unearned Revenue	9,681.90
Funds Held for Others	(4,225.51)
Compensated Absences	(60,171.48)
Net Cash Used by Operating Activities	<u>\$ (41,057,573.48)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 3,803,871.36
Restricted Cash and Cash Equivalents	338,593.46
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>425,617.14</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 4,568,081.96</u>

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

Increase in Receivables Related to Nonoperating Income	\$ 10,467.40
Loss on Disposal of Capital Assets	(93,330.10)

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

**Central Carolina Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2014**

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$	1,104,807
Investments		4,808,666
Receivables, Net		973
Pledges Receivable/Promises		194,590
		<hr/>
Total Assets		6,109,036
		<hr/>

**NET ASSETS**

Unrestricted		1,187,052
Temporarily Restricted		1,597,499
Permanently Restricted		3,324,485
		<hr/>
Total Net Assets	\$	6,109,036
		<hr/> <hr/>

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

**Central Carolina Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit B-2**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Revenues and Other Support:				
Contributions	\$ 114,788	\$ 623,686	\$ 181,260	\$ 919,734
Fund Raising Activities	82,535			82,535
Investment Return	228,326	407,848		636,174
Transfers from Funds		(5,155)	5,155	
Net Assets Released from Donor Restrictions	367,341	(367,341)		
	<u>792,990</u>	<u>659,038</u>	<u>186,415</u>	<u>1,638,443</u>
Total Revenues and Other Support				
<b>EXPENSES</b>				
Awards and Scholarships	389,191			389,191
Management and General	154,853			154,853
Fund Raising	17,111			17,111
	<u>561,155</u>			<u>561,155</u>
Total Expenses				
Increase in Net Assets	231,835	659,038	186,415	1,077,288
<b>NET ASSETS</b>				
Net Assets at Beginning of Year	955,217	938,461	3,138,070	5,031,748
Net Assets at End of Year	<u>\$ 1,187,052</u>	<u>\$ 1,597,499</u>	<u>\$ 3,324,485</u>	<u>\$ 6,109,036</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. Central Carolina Community College Foundation, Inc., the College's component unit, is discretely presented in the College's financial statements.

**Discretely Presented Component Unit** - Central Carolina Community Foundation, Inc. (Foundation) is a legally separate nonprofit 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 not less than one nor more than eight of the voluntary Trustees of Central Carolina Community College, and such non-Trustee members may be selected pursuant to the bylaws of the Foundation. 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 Central Carolina Community College Foundation, Inc. is a private nonprofit 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, 2014, the Foundation distributed \$389,191 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from

the Administrative Services Division, Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

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

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

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

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

- K. **Net 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, net of outstanding debt obligations related to those 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.

- L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net 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.
- M. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net 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 and (2) sales and services of auxiliary enterprises. 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.

- N. 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**

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$2,730.00, and deposits in private financial institutions with a carrying value of \$909,003.04 and a bank balance of \$1,001,777.86.

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, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$3,656,348.92 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 1.3 years as of June 30, 2014. 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.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2014, is as follows:

Cash on Hand	\$ 2,730.00
Carrying Amount of Deposits with Private Financial Institutions	909,003.04
Investments in the Short-Term Investment Fund	<u>3,656,348.92</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 4,568,081.96</u></b>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 3,803,871.36
Restricted Cash and Cash Equivalents	338,593.46
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>425,617.14</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 4,568,081.96</u></b>

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

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	<u>\$ 4,637,971</u>	<u>\$ 4,808,666</u>

The following schedule summarizes the investment return for the fiscal year ended June 30, 2014:

	Unrestricted	Temporarily Unrestricted
Interest and Dividends	\$ 109,413	\$ 141,489
Unrealized Gain	52,685	118,011
Realized Gain	66,228	148,348
	<u>\$ 228,326</u>	<u>\$ 407,848</u>

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 748,624.63	\$ 293,673.67	\$ 454,950.96
Student Sponsors	93,076.72		93,076.72
Intergovernmental	6,183.00		6,183.00
Bookstore Credit Memos	1,352.10		1,352.10
Other	36,674.17		36,674.17
<b>Total Current Receivables</b>	<u>\$ 885,910.62</u>	<u>\$ 293,673.67</u>	<u>\$ 592,236.95</u>

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	\$ 4,121,404.63	\$ 0.00	\$ 0.00	\$ 4,121,404.63
<b>Total Capital Assets, Nondepreciable</b>	4,121,404.63			4,121,404.63
Capital Assets, Depreciable:				
Buildings	46,183,418.83			46,183,418.83
Machinery and Equipment	7,760,886.98	262,758.61	237,894.24	7,785,751.35
General Infrastructure	552,300.11			552,300.11
<b>Total Capital Assets, Depreciable</b>	54,496,605.92	262,758.61	237,894.24	54,521,470.29
Less Accumulated Depreciation for:				
Buildings	15,862,778.77	982,372.52		16,845,151.29
Machinery and Equipment	3,117,654.58	436,927.93	144,564.14	3,410,018.37
General Infrastructure	183,476.91	38,215.92		221,692.83
<b>Total Accumulated Depreciation</b>	19,163,910.26	1,457,516.37	144,564.14	20,476,862.49
<b>Total Capital Assets, Depreciable, Net</b>	35,332,695.66	(1,194,757.76)	93,330.10	34,044,607.80
<b>Capital Assets, Net</b>	<u>\$ 39,454,100.29</u>	<u>\$ (1,194,757.76)</u>	<u>\$ 93,330.10</u>	<u>\$ 38,166,012.43</u>

**NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	<u>Amount</u>
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 190,003.39
Accrued Payroll	702,641.45
Other	<u>20,167.43</u>
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 912,812.27</u></b>

**NOTE 6 - LONG-TERM LIABILITIES**

A summary of changes in the long-term liabilities for the year ended June 30, 2014, is presented as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Capital Leases Payable	\$ 259,801.00	\$ 0.00	\$ 146,231.07	\$ 113,569.93	\$ 113,569.93
Compensated Absences	<u>2,472,256.39</u>	<u>1,609,370.44</u>	<u>1,669,541.92</u>	<u>2,412,084.91</u>	<u>400,406.11</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$ 2,732,057.39</u></b>	<b><u>\$ 1,609,370.44</u></b>	<b><u>\$ 1,815,772.99</u></b>	<b><u>\$ 2,525,654.84</u></b>	<b><u>\$ 513,976.04</u></b>

Additional information regarding capital lease obligations is included in Note 7.

**NOTE 7 - LEASE OBLIGATIONS**

**A. Capital Lease Obligations** - Capital lease obligations relating to modular units are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	<u>\$ 115,471.17</u>
Total Minimum Lease Payments	115,471.17
Amount Representing Interest ( 4% Rate of Interest)	<u>1,901.24</u>
<b>Present Value of Future Lease Payments</b>	<b><u>\$ 113,569.93</u></b>

Modular units acquired under capital lease amounted to \$696,664.00 at June 30, 2014.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$126,050.58 at June 30, 2014.

**B. Operating Lease Obligations** - The College entered into operating leases for copiers and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 414,606.78
2016	186,516.46
2017	132,602.46
2018	2,052.00
2019	120.00
<b>Total Minimum Lease Payments</b>	<b>\$ 735,897.70</b>

Rental expense for all operating leases during the year was \$411,364.68.

**NOTE 8 - REVENUES**

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	<u>\$ 7,832,054.96</u>	<u>\$ 3,569,406.56</u>	<u>\$ (256,126.80)</u>	<u>\$ 4,518,775.20</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 70,023.79	\$ 0.00	\$ 0.00	70,023.79
Bookstore	254,205.24		2,320.84	251,884.40
Sales and Services of Education and Related Activities	<u>292,380.86</u>			<u>292,380.86</u>
<b>Total Sales and Services</b>	<u>\$ 616,609.89</u>	<u>\$ 0.00</u>	<u>\$ 2,320.84</u>	<u>\$ 614,289.05</u>

**NOTE 9 - 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	\$ 17,174,925.86	\$ 2,255,591.43	\$ 954,842.87	\$ 0.00	\$ 0.00	\$ 0.00	\$ 20,385,360.16
Public Service	580,382.40	31,645.31	1,921,627.32		60,662.98		2,594,318.01
Academic Support	4,754,983.54	137,730.97	191,232.67				5,083,947.18
Student Services	2,034,967.49	71,784.38	187,025.37				2,293,777.24
Institutional Support	4,428,296.97	469,989.03	1,079,570.01				5,977,856.01
Operations and Maintenance of Plant	816,954.32	510,447.58	1,232,672.50		788,903.39		3,348,977.79
Student Financial Aid			20,061.67	6,578,344.95			6,598,406.62
Auxiliary Enterprises	36,437.87	11,349.30	56,606.86				104,394.03
Depreciation						1,457,516.37	1,457,516.37
<b>Total Operating Expenses</b>	<b>\$ 29,826,948.45</b>	<b>\$ 3,488,538.00</b>	<b>\$ 5,643,639.27</b>	<b>\$ 6,578,344.95</b>	<b>\$ 849,566.37</b>	<b>\$ 1,457,516.37</b>	<b>\$ 47,844,553.41</b>

**NOTE 10 - PENSION PLANS**

**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, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$22,984,031.58, of which \$17,817,343.02 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$1,548,327.11 and \$1,069,040.58, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$1,548,327.11, \$1,511,027.05, and \$1,267,307.20, respectively.

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.

**NOTE 11 - 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 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 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$962,136.52, \$961,397.76, and \$851,684.95, 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, 2014, 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, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$78,396.31, \$79,814.15, and \$88,575.23, 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 12 - RISK MANAGEMENT

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

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 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. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by private insurance coverage.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The types of insurance policies purchased include: General Liability, Crime, Business Auto, Umbrella, Property, Health Professional, Officers Liability, and Employers Liability.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

#### **NOTE 13 - COMMITMENTS**

The College has established an encumbrance system to track its outstanding commitments on other purchases. Outstanding commitments on purchases were \$100,839.13 at June 30, 2014.

STATE OF NORTH CAROLINA  
**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  
Central Carolina Community College  
Sanford, 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 Central Carolina 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 23, 2015. Our report includes a reference to other auditors who audited the financial statements of Central Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Central Carolina 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 Central Carolina Community College Foundation, Inc.

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

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

February 23, 2015

# ORDERING INFORMATION

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