

STATE OF NORTH CAROLINA

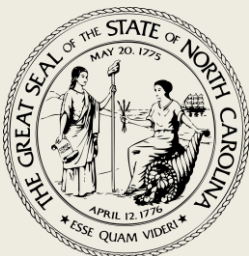
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



COASTAL CAROLINA COMMUNITY COLLEGE

JACKSONVILLE, 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

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

We have completed a financial statement audit of Coastal 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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Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Coastal Carolina Community College
Jacksonville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Coastal Carolina Community College, a component unit of the State of North Carolina, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Coastal Carolina Community College Foundation, Inc., which represent 12.23 percent, 13.01 percent, and 2.06 percent, respectively, of the assets, net position, and revenues of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Coastal Carolina Community College Foundation, Inc., is 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.

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 opinion.

Opinion

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 Coastal Carolina Community College, 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 and other auditors 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

Introduction

This section of Coastal Carolina Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2014, with comparative data for the fiscal year ended June 30, 2013. Because Management's Discussion and Analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's basic financial statements and notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using this Annual Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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 College and Universities*. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various college services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Position combines and consolidates current financial resources (short-term consumable resources) with capital assets. The Statement of Net Position includes all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are indicators of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported mainly by state, local, federal, and other revenues. This statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state aid and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and investing activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Statement of Cash Flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

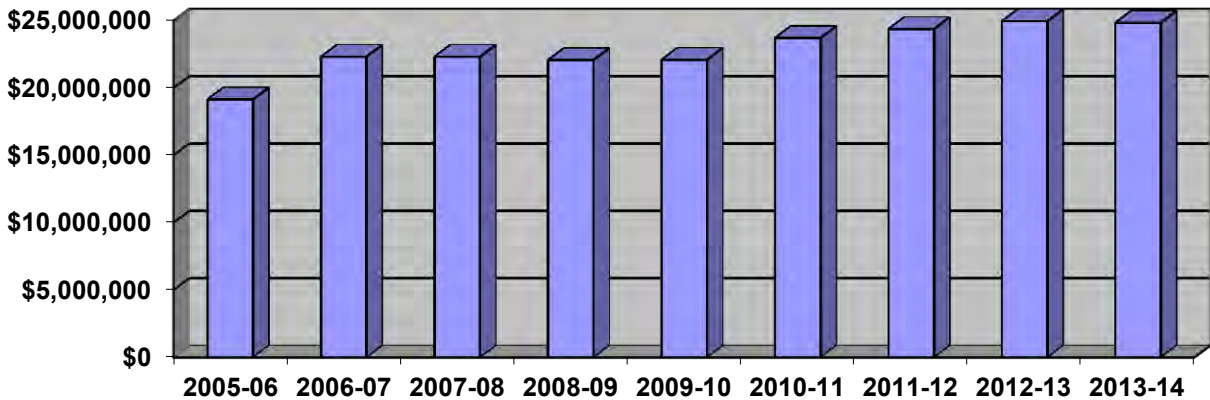
Financial Highlights

The College continued design and construction work on capital projects including the Instructional Support Services Building, Dynamometer Shelter, and the extension of Faculty Drive during this fiscal year. New projects initiated during the year include the construction of cooling towers, jogging trails, and emergency towers.

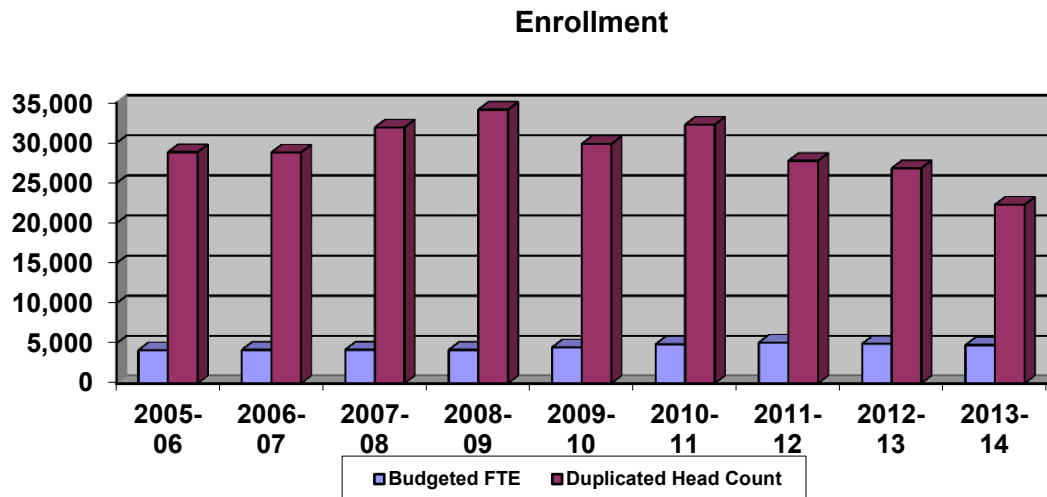
In response to a special provision of the North Carolina General Assembly, in 1999, the State Board of Community Colleges approved twelve performance measures and standards to enhance accountability in North Carolina Community Colleges. In 2007, the number of standards was reduced from twelve to eight. Revised performance measures were approved by the State Board of Community Colleges in 2011 and adopted by the North Carolina General Assembly in 2012. These revised measures are currently being tested for appropriateness and feasibility. The College met each standard and received a performance based allocation in the amount of \$264,026.

Mandatory management flexibility funds were due back to the North Carolina Community College System Office (NCCCSO) in September 2013 in the amount of \$1,401,351. In addition to funding received from the State based on a full-time equivalent formula, funds are also provided by Onslow County for the operation, maintenance, and security of buildings and infrastructure. This funding also supports select capital projects.

State Appropriations (Gross)



As noted in the table below, budgeted full time equivalents (FTE) and enrollment have declined over a three year period. Specifically, the College's FTE enrollment decreased in Curriculum, Occupational Extension, and Basic Skills by approximately 0.4%, 1%, and 0.6%, respectively, since the prior year.



Financial Analysis

Analysis of Assets and Net Position

As of June 30, 2014, the College's total net position increased by 8.64% from the last fiscal year. Net capital assets increased by 13.56% due to an increase in construction in progress related to continued construction of capital projects including the Institutional Support Services Building, Dynamometer Shelter, and the extension of Faculty Drive. Invested in capital assets also increased by 13.56% as a result of this ongoing construction activity.

	Condensed Statement of Net Position			
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	Increase (Decrease)	Percent Change
Current Assets	\$ 9,696,668.84	\$ 9,433,921.14	\$ 262,747.70	2.79%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	31,897,531.14	28,088,254.51	3,809,276.63	13.56%
Other	<u>3,804,020.49</u>	<u>3,589,236.56</u>	<u>214,783.93</u>	5.98%
Total Assets	<u>45,398,220.47</u>	<u>41,111,412.21</u>	<u>4,286,808.26</u>	10.43%
Current Liabilities	2,014,572.95	1,144,754.28	869,818.67	75.98%
Noncurrent Liabilities	<u>700,238.03</u>	<u>677,383.98</u>	<u>22,854.05</u>	3.37%
Total Liabilities	<u>2,714,810.98</u>	<u>1,822,138.26</u>	<u>892,672.72</u>	48.99%
Net Position:				
Investment in Capital Assets	31,897,531.14	28,088,254.51	3,809,276.63	13.56%
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	3,187,682.29	3,092,325.11	95,357.18	3.08%
Expendable:				
Scholarships and Fellowships	204,790.00	271,456.00	(66,666.00)	-24.56%
Capital Projects	164,896.96	219,281.16	(54,384.20)	-24.80%
Restricted for Specific Programs	25,640.00	25,640.00	-	0.00%
Other	370,168.81	347,499.59	22,669.22	6.52%
Unrestricted	<u>6,832,700.29</u>	<u>7,244,817.58</u>	<u>(412,117.29)</u>	-5.69%
Total Net Position	<u>\$ 42,683,409.49</u>	<u>\$ 39,289,273.95</u>	<u>\$ 3,394,135.54</u>	8.64%

Analysis of Liabilities

Total current liabilities increased by 75.98% due to a substantial increase in accounts payable. Accounts payable increased substantially as a result of the construction projects noted above. Additionally, the account includes a payment due to the State Health Plan that was not deducted from the College's account until July 2014. This was due to new electronic payment processing procedures implemented during the current fiscal year by the State Health Plan. Previously this amount would have been deducted prior to year end. Noncurrent liabilities reflect normal increases related to the current and noncurrent portions of accrued vacation leave.

Analysis of Liabilities				
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Liabilities	\$ 1,934,451.39	\$ 1,066,152.77	\$ 868,298.62	81.44%
Long-Term Liabilities - Current Portion	80,121.56	78,601.51	1,520.05	1.93%
Total Current Liabilities	<u>2,014,572.95</u>	<u>1,144,754.28</u>	<u>869,818.67</u>	75.98%
Other Noncurrent Liabilities	20,192.85	34,870.61	(14,677.76)	-42.09%
Noncurrent Long-Term Liabilities	<u>680,045.18</u>	<u>642,513.37</u>	<u>37,531.81</u>	5.84%
Total Liabilities	<u>\$ 2,714,810.98</u>	<u>\$ 1,822,138.26</u>	<u>\$ 892,672.72</u>	48.99%

Analysis of Net Capital Assets

The schedule below defines the categories of the College's capital assets. The year consisted of routine purchases and disposals of equipment. Construction in progress increased substantially by 733.6%. This was due to the continued construction of the Instructional Support Services Building, Dynamometer Shelter, and Extension of Faculty Drive.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Capital Assets:				
Land and Permanent Easements	\$ 823,349.75	\$ 823,349.75	\$ 0.00	0.00%
Construction in Progress	4,782,338.50	573,700.20	4,208,638.30	733.60%
Buildings	27,996,105.89	27,996,105.89	-	0.00%
Machinery and Equipment	5,748,769.01	5,010,895.22	737,873.79	14.73%
General Infrastructure	<u>12,428,307.40</u>	<u>12,485,654.70</u>	<u>(57,347.30)</u>	-0.46%
Total	51,778,870.55	46,889,705.76	4,889,164.79	10.43%
Less: Accumulated Depreciation	<u>(19,881,339.41)</u>	<u>(18,801,451.25)</u>	<u>1,079,888.16</u>	5.74%
Net Capital Assets	<u>\$ 31,897,531.14</u>	<u>\$ 28,088,254.51</u>	<u>\$ 3,809,276.63</u>	13.56%

Analysis of Revenues

The College's total revenues increased by 3.26% as compared to the prior year. The increase in investment income of 125.21% was due to continued improvement of the College Foundation's investment portfolio and overall improvements in capital markets. County capital appropriations increased 60.37% as a result of the increases in county-funded capital projects including the extension of Faculty Drive, the Dynamometer Shelter, and the Institutional Support Services Building. The College encountered delays in these projects in the prior period which resulted in more construction expenses in the current period.

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

	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent Change
Operating Revenues				
Student Tuition and Fees, Net	\$ 5,743,169.16	\$ 6,017,200.77	\$ (274,031.61)	-4.55%
Sales and Services and Other, Net	1,960,045.80	2,139,106.20	(179,060.40)	-8.37%
Total Operating Revenues	7,703,214.96	8,156,306.97	(453,092.01)	-5.56%
Less Operating Expenses	39,022,954.28	39,441,433.20	(418,478.92)	-1.06%
Operating Loss	(31,319,739.32)	(31,285,126.23)	34,613.09	0.11%
Nonoperating Revenues (Expenses):				
State Aid	15,320,948.81	14,923,618.04	397,330.77	2.66%
County Appropriations	2,261,348.02	2,564,045.26	(302,697.24)	-11.81%
Noncapital Grants - Student Financial Aid	10,028,677.25	10,331,118.38	(302,441.13)	-2.93%
Noncapital Gifts and Grants	642,112.05	686,336.12	(44,224.07)	-6.44%
Investment Income, Net	642,782.29	285,408.65	357,373.64	125.21%
Other Nonoperating Expenses	(89,555.31)	(11,248.25)	(78,307.06)	-696.17%
Net Nonoperating Revenues	28,806,313.11	28,779,278.20	27,034.91	0.09%
Other Revenues:				
State Capital Aid	870,679.81	929,953.08	(59,273.27)	-6.37%
County Capital Appropriations	4,937,077.89	3,078,494.74	1,858,583.15	60.37%
Capital Grants	25,910.05	83,806.42	(57,896.37)	-69.08%
Capital Gifts		792.00	(792.00)	-100.00%
Additions to endowments	73,894.00	125,456.00	(51,562.00)	-41.10%
Total Revenues	42,506,645.13	41,165,335.66	1,341,309.47	3.26%
Total Expenditures	(39,112,509.59)	(39,452,681.45)	(340,171.86)	-0.86%
Increase in Net Position	3,394,135.54	1,712,654.21	1,681,481.33	98.18%
Net Position July 1	39,289,273.95	37,576,619.74	1,712,654.21	4.56%
Net Position June 30	\$ 42,683,409.49	\$ 39,289,273.95	\$ 3,394,135.54	8.64%

Analysis of Expenditures

The College experienced a 1.06% overall decrease in operating expenditures from the prior fiscal year. Due to continued uncertainty in state budgets and cash flow, the College operated as conservatively as possible in the areas of salaries and services resulting in the noted decreases. The 22.36% increase in supplies and materials was caused by a combination of state budget reductions in the prior period which limited year-end purchases of supplies and equipment, and an increase in both state and county capital aid in the current period which enabled the College to purchase additional equipment below the \$5,000 capitalization threshold.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Salaries and Benefits	\$ 23,261,392.98	\$ 23,813,227.99	\$ (551,835.01)	-2.32%
Supplies and Materials	5,976,668.04	4,884,458.68	1,092,209.36	22.36%
Services	2,097,786.80	2,544,521.33	(446,734.53)	-17.56%
Scholarships and Fellowships	5,731,575.08	6,274,104.74	(542,529.66)	-8.65%
Utilities	718,012.97	710,769.20	7,243.77	1.02%
Depreciation	1,237,518.41	1,214,351.26	23,167.15	1.91%
Total Operating Expenditures	<u>\$ 39,022,954.28</u>	<u>\$ 39,441,433.20</u>	<u>\$ (418,478.92)</u>	-1.06%

Economic Forecast

For the 2013-2014 fiscal year, approximately 38% of the College's total revenue was funded by the State of North Carolina and approximately 17% was funded by Onslow County. The College's FTE (full-time equivalent) enrollment decreased in Curriculum, Occupational Extension, and Basic Skills by approximately 0.4%, 1%, and 0.6%, respectively.

Although state funding for the College has actually decreased, increased budget flexibility allows the transfer of funds as needs arise. Consequently, there are no plans to increase workloads, cap enrollment, or implement a reduction in force.

In summary, this annual report is designed to provide our community, students, donors, and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives through grants, donations, and tuition revenues.



FINANCIAL STATEMENTS

Coastal Carolina Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,321,555.58
Restricted Cash and Cash Equivalents	340,724.18
Short-Term Investments	1,755,508.00
Restricted Short-Term Investments	308,476.00
Receivables, Net (Note 4)	1,340,042.22
Inventories	370,462.21
Prepaid Items	259,900.65
	<hr/>
Total Current Assets	9,696,668.84

Noncurrent Assets:

Restricted Cash and Cash Equivalents	65,678.08
Receivables (Note 4)	172,674.41
Restricted Due from Primary Government	90,000.00
Restricted Investments	3,166,028.00
Other Investments	309,640.00
Capital Assets - Nondepreciable (Note 5)	5,605,688.25
Capital Assets - Depreciable, Net (Note 5)	26,291,842.89
	<hr/>
Total Noncurrent Assets	35,701,551.63

Total Assets	<hr/> 45,398,220.47
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources	<hr/> 0.00
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,526,308.41
Unearned Revenue	366,999.62
Funds Held for Others	41,143.36
Long-Term Liabilities - Current Portion (Note 7)	80,121.56
	<hr/>
Total Current Liabilities	2,014,572.95

Noncurrent Liabilities:

Funds Held for Others	20,192.85
Long-Term Liabilities (Note 7)	680,045.18
	<hr/>
Total Noncurrent Liabilities	700,238.03

Total Liabilities	<hr/> 2,714,810.98
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DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	<hr/> 0.00
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Coastal Carolina Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	31,897,531.14
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	3,187,682.29
Expendable:	
Scholarships and Fellowships	204,790.00
Capital Projects	164,896.96
Restricted for Specific Programs	25,640.00
Other	370,168.81
Unrestricted	<u>6,832,700.29</u>
Total Net Position	<u>\$ 42,683,409.49</u>

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

**Coastal 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 9)	\$ 5,743,169.16
Sales and Services, Net (Note 9)	1,847,759.96
Other Operating Revenues	112,285.84
	<hr/>
Total Operating Revenues	7,703,214.96
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	23,261,392.98
Supplies and Materials	5,976,668.04
Services	2,097,786.80
Scholarships and Fellowships	5,731,575.08
Utilities	718,012.97
Depreciation	1,237,518.41
	<hr/>
Total Operating Expenses	39,022,954.28
	<hr/>
Operating Loss	(31,319,739.32)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	15,320,948.81
County Appropriations	2,261,348.02
Noncapital Grants - Student Financial Aid	10,028,677.25
Noncapital Grants	578,083.05
Noncapital Gifts	64,029.00
Investment Income (Net of Investment Expense of \$22,682)	642,782.29
Other Nonoperating Expenses	(89,555.31)
	<hr/>
Net Nonoperating Revenues	28,806,313.11
	<hr/>
Loss Before Other Revenues	(2,513,426.21)
	<hr/>
State Capital Aid	870,679.81
County Capital Aid	4,937,077.89
Capital Grants	25,910.05
Additions to Endowments	73,894.00
	<hr/>
Increase in Net Position	3,394,135.54

NET POSITION

Net Position, July 1, 2013	<hr/>
	39,289,273.95
Net Position, June 30, 2014	<hr/>
	\$ 42,683,409.49
	<hr/>

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

Coastal 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	\$ 7,495,554.56
Payments to Employees and Fringe Benefits	(23,096,150.97)
Payments to Vendors and Suppliers	(8,649,351.18)
Payments for Scholarships and Fellowships	(5,731,575.08)
Other Payments	(51,846.66)
	<hr/>
Net Cash Used by Operating Activities	(30,033,369.33)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	15,320,948.81
County Appropriations	2,261,348.02
Noncapital Grants - Student Financial Aid	10,028,677.25
Noncapital Grants	568,131.34
Noncapital Gifts and Endowments	137,923.00
	<hr/>
Net Cash Provided by Noncapital Financing Activities	28,317,028.42

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	870,679.81
County Capital Aid	4,375,838.88
Capital Grants	25,910.05
Acquisition and Construction of Capital Assets	(4,575,111.34)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	697,317.40

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	1,137,104.00
Investment Income	112,026.29
Purchase of Investments and Related Fees	(1,234,076.00)
	<hr/>
Net Cash Provided by Investing Activities	15,054.29

Net Decrease in Cash and Cash Equivalents	(1,003,969.22)
Cash and Cash Equivalents, July 1, 2013	6,731,927.06
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 5,727,957.84
	<hr/> <hr/>

Coastal 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	\$ (31,319,739.32)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,237,518.41
Changes in Assets and Liabilities:	
Receivables, Net	(200,406.65)
Inventories	(60,486.46)
Prepaid Items	(21,689.02)
Accounts Payable and Accrued Liabilities	351,482.26
Unearned Revenue	(9,612.45)
Funds Held for Others	(49,487.96)
Compensated Absences	39,051.86
Net Cash Used by Operating Activities	<u>\$ (30,033,369.33)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 5,321,555.58
Restricted Cash and Cash Equivalents	340,724.18
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>65,678.08</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 5,727,957.84</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ 548,518.00
Increase in Receivables Related to Nonoperating Income	571,190.72
Loss on Disposal of Capital Assets	(89,555.31)

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. Coastal 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 units for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if they were part of the College.

Blended Component Unit - Although legally separate, Coastal Carolina Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 24-member board consisting of two ex officio directors and 22 directors, approved by the Board of Trustees. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Coastal Carolina Community College Board of Trustees and the Foundation's sole purpose is to benefit Coastal Carolina Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, 444 Western Boulevard, Jacksonville, NC 28546, or by calling (910) 938-6218. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding the blended component unit is provided in Note 15.

- 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. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase in the fair value of investments is recognized as a component of investment income.

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

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, 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 and merchandise for resale, are valued at cost using the first-in, first-out method.

- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets

constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 100 years for buildings, and 5 to 25 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, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

Restricted Net 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. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

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

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, 2014 was \$11,260. The carrying amount of the College's deposits not with the State Treasurer was \$3,075,728.69, and the bank balance was \$4,993,060.84.

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.

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

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

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$2,640,969.15, 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.

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

Investments of the College’s 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.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2014, for the College’s investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Money Market Mutual Funds	\$ 120,662.00	\$ 120,662.00	\$ 0.00	0.00
Domestic Corporate Bond Mutual Funds	996,863.00			996,863.00
Foreign Government Bond Mutual Funds	507,651.00			507,651.00
Commodity Funds	267,515.00		267,515.00	
Total Debt Securities	\$ 1,892,691.00	\$ 120,662.00	\$ 267,515.00	\$ 1,504,514.00
Other Securities				
Absolute Return Mutual Funds	642,304.00			
Foreign Stock Mutual Funds	542,617.00			
Domestic Stock Mutual Fund	2,152,400.00			
Investments in Real Estate	309,640.00			
Total Investments	\$ 5,539,652.00			

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, 2014, the College's investments were rated as follows:

	Fair Value	AA Aa	BBB Baa	BB/Ba and below	Unrated
Money Market Mutual Funds	\$ 120,662.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 120,662.00
Domestic Corporate Bond Mutual Funds	996,863.00	749,185.00		247,678.00	
Foreign Corporate Bond Mutual Funds	507,651.00		381,556.00	126,095.00	
Commodity Funds	267,515.00	267,515.00			

Rating Agency: First Citizens provided the above credit ratings based on the average credit quality of the underlying fund holdings. Ratings apply to the underlying portfolio of debt securities held by the fund and are rated by an independent rating agency, such as Standard and Poor's, Moody's, and/or Fitch. If the ratings provided by the rating agencies differ for a particular fund, the lower rating is utilized.

Foreign Currency Risk: Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the fair value of an investment. The College does not have a formal policy for foreign currency risk. The underlying investments were subject to foreign currency risk based on investments in several foreign countries. The College's exposure to foreign currency risk for their investments is as follows:

Investment	Fair Value (U.S. Dollars)
Foreign Government Bond Mutual Funds	\$ 507,651.00
Foreign Stock Mutual Funds	542,617.00
Total	\$ 1,050,268.00

C. Reconciliation of Deposits and Investments - 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	\$ 11,260.00
Carrying Amount of Deposits with Private Financial Institutions	3,075,728.69
Investments in the Short-Term Investment Fund	2,640,969.15
Other Investments	<u>5,539,652.00</u>
Total Deposits and Investments	<u>\$ 11,267,609.84</u>
Deposits	\$
Current:	
Cash and Cash Equivalents	5,321,555.58
Restricted Cash and Cash Equivalents	340,724.18
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>65,678.08</u>
Total Deposits	<u>5,727,957.84</u>
Investments	
Current:	
Short-Term Investments	1,755,508.00
Restricted Short-Term Investments	308,476.00
Noncurrent:	
Restricted Investments	3,166,028.00
Other Investments	<u>309,640.00</u>
Total Investments	<u>5,539,652.00</u>
Total Deposits and Investments	<u>\$ 11,267,609.84</u>

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College’s endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the “Uniform Prudent Management of Institutional Funds Act” (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the College’s endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College’s endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College’s endowment funds are based on an adopted spending policy which allows up to 100% of the endowment income each year for the sole purpose of funding

student scholarships. At June 30, 2014, net appreciation of \$308,476 was available to be spent, all of which was classified as restricted for specific purposes in net position.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 436,549.10	\$ 162,436.01	\$ 274,113.09
Student Sponsors	491,167.38		491,167.38
Accounts	114,418.84		114,418.84
Intergovernmental	454,019.71		454,019.71
Other	6,323.20		6,323.20
Total Current Receivables	<u>\$ 1,502,478.23</u>	<u>\$ 162,436.01</u>	<u>\$ 1,340,042.22</u>
Noncurrent Receivables:			
Intergovernmental	<u>\$ 172,674.41</u>	<u>\$ 0.00</u>	<u>\$ 172,674.41</u>

NOTE 5 - 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 and Permanent Easements	\$ 823,349.75	\$ 0.00	\$ 0.00	\$ 823,349.75
Construction in Progress	573,700.20	4,247,310.52	38,672.22	4,782,338.50
Total Capital Assets, Nondepreciable	<u>1,397,049.95</u>	<u>4,247,310.52</u>	<u>38,672.22</u>	<u>5,605,688.25</u>
Capital Assets, Depreciable:				
Buildings	27,996,105.89			27,996,105.89
Machinery and Equipment	5,010,895.22	814,108.76	76,234.97	5,748,769.01
General Infrastructure	12,485,654.70	113,603.29	170,950.59	12,428,307.40
Total Capital Assets, Depreciable	<u>45,492,655.81</u>	<u>927,712.05</u>	<u>247,185.56</u>	<u>46,173,182.30</u>
Less Accumulated Depreciation for:				
Buildings	14,670,913.08	622,629.05		15,293,542.13
Machinery and Equipment	2,119,155.97	388,443.30	66,456.17	2,441,143.10
General Infrastructure	2,011,382.20	226,446.06	91,174.08	2,146,654.18
Total Accumulated Depreciation	<u>18,801,451.25</u>	<u>1,237,518.41</u>	<u>157,630.25</u>	<u>19,881,339.41</u>
Total Capital Assets, Depreciable, Net	<u>26,691,204.56</u>	<u>(309,806.36)</u>	<u>89,555.31</u>	<u>26,291,842.89</u>
Capital Assets, Net	<u>\$ 28,088,254.51</u>	<u>\$ 3,937,504.16</u>	<u>\$ 128,227.53</u>	<u>\$ 31,897,531.14</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 712,897.99
Accrued Payroll	640,736.01
Contract Retainage	<u>172,674.41</u>
Total Current Accounts Payable and Accrued Liabilities	<u><u>\$ 1,526,308.41</u></u>

NOTE 7 - LONG-TERM LIABILITIES

Changes in 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>
Compensated Absences	\$ 721,114.88	\$ 771,592.92	\$ 732,541.06	\$ 760,166.74	\$ 80,121.56

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 137,459.11
2016	7,237.80
2017	<u>1,809.45</u>
Total Minimum Lease Payments	<u><u>\$ 146,506.36</u></u>

Rental expense for all operating leases during the year was \$150,543.25.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 8,818,998.63	\$ 0.00	\$ 3,050,041.16	\$ 25,788.31	\$ 5,743,169.16
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	317,884.75	8,200.10	0.00	0.00	309,684.65
Bookstore	2,926,762.95	7,705.32	1,523,596.46		1,395,461.17
Vending	59,679.14				59,679.14
Sales and Services of Education and Related Activities	82,935.00				82,935.00
Total Sales and Services	\$ 3,387,261.84	\$ 15,905.42	\$ 1,523,596.46	\$ 0.00	\$ 1,847,759.96

* The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 14,557,612.37	\$ 1,644,835.09	\$ 501,523.13	\$ 147,257.71	\$ 0.00	\$ 0.00	\$ 16,851,228.30
Academic Support	2,980,682.06	134,858.32	129,645.66				3,245,186.04
Student Services	1,630,082.77	95,682.97	209,294.16	55,390.99			1,990,450.89
Institutional Support	2,681,658.09	294,752.34	618,324.75	7,088.60			3,601,823.78
Operations and Maintenance of Plant	1,157,236.21	1,253,248.76	593,061.59	14.00	718,012.97		3,721,573.53
Student Financial Aid				5,521,823.78			5,521,823.78
Auxiliary Enterprises	254,121.48	2,553,290.56	45,937.51				2,853,349.55
Depreciation						1,237,518.41	1,237,518.41
Total Operating Expenses	\$ 23,261,392.98	\$ 5,976,668.04	\$ 2,097,786.80	\$ 5,731,575.08	\$ 718,012.97	\$ 1,237,518.41	\$ 39,022,954.28

NOTE 11 - 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 \$18,138,060.81, of which \$13,897,307.03 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$1,207,675.98 and \$833,838.42, 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 \$1,207,675.98, \$1,193,212.65, and \$1,020,023.97, 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 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by 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 \$750,454.57, \$759,186.92, and \$685,499.98, 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 \$61,148.15, \$63,026.84, and \$71,291.99, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There 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 from losses from employee dishonesty for employees paid from county and institutional funds by contracts with private insurance companies.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Other insurance purchased by the College includes general liability insurance with coverage of \$2,000,000.00 for bodily injury and property damage, excess liability coverage of \$6,000,000.00, and boiler, machinery, and equipment insurance with limits of \$79,477,165.

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

The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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

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

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

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$4,450,702.23 and on other purchases were \$647,071.07 at June 30, 2014.

NOTE 15 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2014, is presented as follows:

**Condensed Statement of Net Position
June 30, 2014**

	College	Foundation	Eliminations	Total
ASSETS				
Current Assets	\$ 7,618,011.84	\$ 2,078,657.00	\$ 0.00	\$ 9,696,668.84
Capital Assets	31,897,531.14			31,897,531.14
Other Noncurrent Assets	328,352.49	3,475,668.00		3,804,020.49
Total Assets	<u>39,843,895.47</u>	<u>5,554,325.00</u>		<u>45,398,220.47</u>
Deferred Outflows of Resources	0.00	0.00		0.00
LIABILITIES				
Current Liabilities	2,014,337.95	235.00		2,014,572.95
Noncurrent Liabilities	700,238.03			700,238.03
Total Liabilities	<u>2,714,575.98</u>	<u>235.00</u>		<u>2,714,810.98</u>
Deferred Inflows of Resources	0.00	0.00		0.00
NET POSITION				
Net Investment in Capital Assets	31,897,531.14			31,897,531.14
Restricted - Nonexpendable	21,654.29	3,166,028.00		3,187,682.29
Restricted - Expendable	457,019.77	308,476.00		765,495.77
Unrestricted	4,753,114.29	2,079,586.00		6,832,700.29
Total Net Position	<u>\$ 37,129,319.49</u>	<u>\$ 5,554,090.00</u>	<u>\$ 0.00</u>	<u>\$ 42,683,409.49</u>

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

	College	Foundation	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	\$ 5,743,169.16	\$ 0.00	\$ 0.00	\$ 5,743,169.16
Sales and Service, Net	1,847,759.96			1,847,759.96
Other Operating Revenues	80,124.84	110,994.00	(78,833.00)	112,285.84
Total Operating Revenues	<u>7,671,053.96</u>	<u>110,994.00</u>	<u>(78,833.00)</u>	<u>7,703,214.96</u>
OPERATING EXPENSES				
Operating Expenses	37,711,375.12	283,328.00	(209,267.25)	37,785,435.87
Depreciation	1,237,518.41			1,237,518.41
Total Operating Expenses	<u>38,948,893.53</u>	<u>283,328.00</u>	<u>(209,267.25)</u>	<u>39,022,954.28</u>
Operating Loss	<u>(31,277,839.57)</u>	<u>(172,334.00)</u>	<u>130,434.25</u>	<u>(31,319,739.32)</u>
NONOPERATING REVENUES (EXPENSES)				
State Aid	15,320,948.81			15,320,948.81
County Appropriations	2,261,348.02			2,261,348.02
Noncapital Grants - Student Financial Aid	10,159,111.50		(130,434.25)	10,028,677.25
Noncapital Grants	578,083.05			578,083.05
Noncapital gifts	0.00	64,029.00		64,029.00
Investment Income, net	15,011.29	627,771.00		642,782.29
Other Nonoperating Expenses	(88,834.31)	(721.00)		(89,555.31)
Net Nonoperating Revenues	<u>28,245,668.36</u>	<u>691,079.00</u>	<u>(130,434.25)</u>	<u>28,806,313.11</u>
Capital Grants	25,910.05			25,910.05
State Capital Aid	870,679.81			870,679.81
County Capital Aid	4,937,077.89			4,937,077.89
Additions to Endowments		73,894.00		73,894.00
Increase in Net Position	2,801,496.54	592,639.00	0.00	3,394,135.54
NET POSITION				
Net Position, July 1, 2013	<u>34,327,822.95</u>	<u>4,961,451.00</u>		<u>39,289,273.95</u>
Net Position, June 30, 2014	<u>\$ 37,129,319.49</u>	<u>\$ 5,554,090.00</u>	<u>\$ 0.00</u>	<u>\$ 42,683,409.49</u>

**Condensed Statement of Cash Flows
June 30, 2014**

	College	Foundation	Total
Net Cash Used by Operating Activities	\$ (29,850,321.33)	\$ (183,048.00)	\$ (30,033,369.33)
Net Cash Provided by Noncapital Financing Activities	28,175,489.42	141,539.00	28,317,028.42
Net Cash Provided (Used) by Capital and Related Financing Activities	698,039.40	(722.00)	697,317.40
Net Cash Provided by Investing Activities	9,272.29	5,782.00	15,054.29
Net Decrease in Cash and Cash Equivalents	(967,520.22)	(36,449.00)	(1,003,969.22)
Cash and Cash Equivalents, July 1, 2013	<u>6,685,517.06</u>	<u>46,410.00</u>	<u>6,731,927.06</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 5,717,996.84</u>	<u>\$ 9,961.00</u>	<u>\$ 5,727,957.84</u>

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**

Board of Trustees
Coastal Carolina Community College
Jacksonville, 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 Coastal Carolina Community College, a component unit of the State of North Carolina, 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 the Coastal Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinion 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

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For additional information contact:
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This audit required 320 audit hours at an approximate cost of \$30,080.