

Report on the

Chattahoochee Valley Community College

Phenix City, Alabama

October 1, 2010 through September 30, 2011

Filed: January 27, 2012



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, I submit this report on the results of the audit of Chattahoochee Valley Community College, Phenix City, Alabama, for the period October 1, 2010 through September 30, 2011.

Sworn to and subscribed before me this
the 18th day of January, 2012.

Sandra E. Shirley
Notary Public

Respectfully submitted,

Annette G. Williams

Annette G. Williams
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Chattahoochee Valley Community College
October 1, 2010 through September 30, 2011**

Chattahoochee Valley Community College (the "College") provides general education at the freshman and sophomore levels leading to the Associate in Arts and Associate in Science degrees, that is designated to facilitate transfer to a senior college or university. Chattahoochee Valley Community College also provides the following vocational and career education programs that prepare students for employment in an occupational field and leads to certificates and/or Associate in Applied Science degrees: Accounting; Banking and Finance; Management and Supervision and Small Business Management Options; Business and Office Technology - Administrative Technology, Legal Administrative Technology and Medical Administrative Technology Options; Computer Information Systems - CISCO Networking and Information Technology Development Options; Fire Science; Homeland Security; Emergency Medical Services; Medical Assisting - Medical Office Transcription and Phlebotomy; Nursing; Practical Nursing; Nursing Assistant; Visual Communications - Multimedia and Print Media Options; Child Care and Development - Administrator, Paraprofessional/Teacher Aide and Advanced Paraprofessional/Teacher Aide; and Criminal Justice.

Chattahoochee Valley Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama State Board of Education through the Department of Postsecondary Education.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unqualified opinion was issued on the basic financial statements, which means the College's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2011.

There were no findings in the prior audit.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

A problem was found with College's internal control over financial reporting (Exhibit 8) and it is summarized below.

- ◆ 2011-01 – The audit detected a significant deficiency in internal controls over cash handling.

The following officials/employees were invited to an exit conference to discuss the results of the audit: Dr. D. Glen Cannon, President; Dr. David Hodge, Dean of Student and Administrative Services; Ms. Brenda Kelley, Chief Financial Officer; Dr. Freida Hill, Chancellor of the Department of Postsecondary Education; and Ms. Betty Peters, District II Board Member. The following individuals attended the exit conference: Dr. D. Glen Cannon, President; Dr. David Hodge, Dean of Student and Administrative Services; Ms. Brenda Kelley, Chief Financial Officer; and Ms. Alvena Williams and Ms. Rosa Spencer of the Internal Audit Division of the Department of Postsecondary Education also attended via teleconference. Representing the Department of Examiners of Public Accounts was Annette G. Williams, Audit Manager.



Department of
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COMMENTS

**Chattahoochee Valley Community College
October 1, 2010 through September 30, 2011**

In 1973, the Legislature appropriated \$500,000 to operate the College for a two-year period and \$900,000 for the actual construction of the College. In order to reflect and represent the entire valley area, the College was named Chattahoochee Valley State Community College. In 1980, the name was changed to Chattahoochee Valley Community College.

In January 1974, the College opened temporary administrative offices on the third floor of the Phenix City Utilities building, using the second floor of the building for classrooms. There were classrooms located over the whole area with classes being held in City Hall, the Westside Baptist Church, Central High School and the Phenix City Boys Club. A need for a permanent location became a necessity. In October 1974, Cason Callaway, Woodrow "Skeet" Wilson, John T. Wilson and Willie Wilson donated 103 acres located next to Highway 431 for the College to build a permanent home. The College moved to its present location in 1976.

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Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying basic financial statements of Chattahoochee Valley Community College, as of and for the year ended September 30, 2011, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of Chattahoochee Valley Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chattahoochee Valley Community College, as of September 30, 2011, and its changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 10, 2012 on our consideration of Chattahoochee Valley Community 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Chattahoochee Valley Community College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 4) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Ronald L. Jones". The signature is written in a cursive, flowing style.

Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 10, 2012

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Management's Discussion and Analysis
(Required Supplementary Information)

CHATTAHOOCHEE VALLEY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2010-2011

Overview of the Financial Statements and Financial Analysis

Chattahoochee Valley Community College (CVCC) is a public, open door, comprehensive community college dedicated to meeting the changing needs of citizens in the East Alabama service area. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal and professional advancement. A wide range of academic courses prepares students to transfer to four-year institutions. Technical and workforce development programs equip students to master and practice certain skills as they enter the job market. The College offers a quality education, outstanding faculty, and an affordable way for its citizens to pursue college studies in their own hometown.

CVCC presents its financial statements for fiscal year 2010-2011. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: A) the Statement of Net Assets; B) the Statement of Revenues, Expenses, and Changes in Net Assets; and, 3) the Statement of Cash Flows. This report of the College's financial statements provides an overview of its financial activities for the year and comparative amounts for the prior year.

A) *Statement of Net Assets*

The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The Statement of Net Assets is a point in time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of CVCC. The Statement of Net Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and leading institutions. Finally, the Statement of Net Assets provides a picture of the Net Assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, expendable and nonexpendable. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes. The final category is unrestricted net assets which are available to the institution for any appropriate purpose of the institution.

Statement of Net Assets

	<u>2010-2011</u>	<u>2009-2010</u>
<u>Assets:</u>		
Current Assets	\$8,872,202.89	\$11,172,250.71
Capital Assets	19,527,186.00	17,051,548.47
Non-Current Assets	244,361.47	255,468.82
Total Assets	<u>28,643,750.36</u>	<u>28,479,268.00</u>
 <u>Liabilities</u>		
Current Liabilities	2,034,042.45	1,639,641.08
Non-Current Liabilities	8,545,535.44	8,806,341.95
Total Liabilities	<u>10,579,577.89</u>	<u>10,445,983.03</u>
 <u>Net Assets</u>		
Invested in Capital Assets, Net of Debt	11,252,654.81	9,416,454.21
Restricted – expendable	20,657.90	20,519.11
Restricted – non-expendable	30,000.00	30,000.00
Unrestricted	6,760,859.76	8,566,311.65
Total Net Assets	<u><u>\$18,064,172.47</u></u>	<u><u>\$18,033,284.97</u></u>

Total assets of the institution overall increased by \$164,482.36; total liabilities for the year increased by \$133,594.86. CVCC's total net assets for the year increased \$30,887.50.

A summary of the campus activity that resulted in the significant net asset changes are detailed below:

- 1) Total current assets decreased (\$2,300,047.82). Of this amount, (\$892,571.61) is a decrease in deposit with trustee as a result of spending the 2009 bond proceeds used to finance the current construction of the new instructional building on campus. A balance of (\$1,489,910.98) in college reserves was used to finance two current construction projects on campus: (1) the new instructional building; and (2) the industry training center.

- 2) Non-current assets increased \$2,464,530.18, investment in capital assets increased \$1,836,200.60 and unrestricted net assets decreased (\$1,805,451.89). These changes were the results from funding the following significant campus capital additions for fiscal year 2010-11:
- a) On May 11, 2009 the CVCC broke ground on the construction of a new \$15 million instructional classroom building. This critical building adds additional classroom space for the College to grow, add new career/technical programs and enhance existing academic and career/technical disciplines and programs. The College's ten-year master plan shows CVCC has the opportunity to respond to the local and regional needs of employers as well as to better prepare its students for higher levels of educational attainment. The College's goals require new state-of-the-art instructional classrooms and modern offices for the faculty. The College has not had a new classroom constructed in twenty-eight years, and existing instructional space has been maximized. The building construction was completed in Spring 2011 and currently the final follow-up punch list items are being worked. For fiscal year 2010-11 construction in progress expenditures for the new academic building totaled \$2,038,943.98; building furnishings totaled \$466,297.17. As of September 30, 2011, total building expenditures were \$12,516,557.25 and the balance remaining to be paid on the construction project totaled \$74,000.
 - b) On July 9, 2009, CVCC received emergency approval to proceed with the roof replacement for the Learning Resource Center. The roof decking was sliding and created an unsafe environment for students, faculty, and staff. As of 9/30/11, the project is completed. For the fiscal year 2010-11 final construction payments totaled \$10,882.57; total reroofing expenditures were \$467,915.57.
 - c) On June 24, 2010, CVCC received Board approval to renovate the campus maintenance building into an industry training center for workforce training and instruction. The construction project was completed in Summer 2011 and currently the final punch list items are being worked. The building houses two new programs – Automotive Training Technology and Industrial Maintenance. For fiscal year 2010-11 construction in progress expenditures for the new industry training center totaled \$658,585.29; building instructional equipment totaled \$64,750. As of September 30, 2011, total renovation expenditures and building instructional equipment was \$913,185.20 and the balance remaining to be paid on the construction project totaled \$19,804.70.
 - d) As part of CVCC's deferred maintenance plan, the campus purchased and installed seven new heating, ventilation and air conditioning systems for Brassell, Wallace, Wilson, Fine Arts and Learning Resource buildings. The total cost of the seven HVAC systems was \$97,324.

B) Statement of Revenues, Expenses, and Changes in Net Assets

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

Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses, and Changes in Net Assets

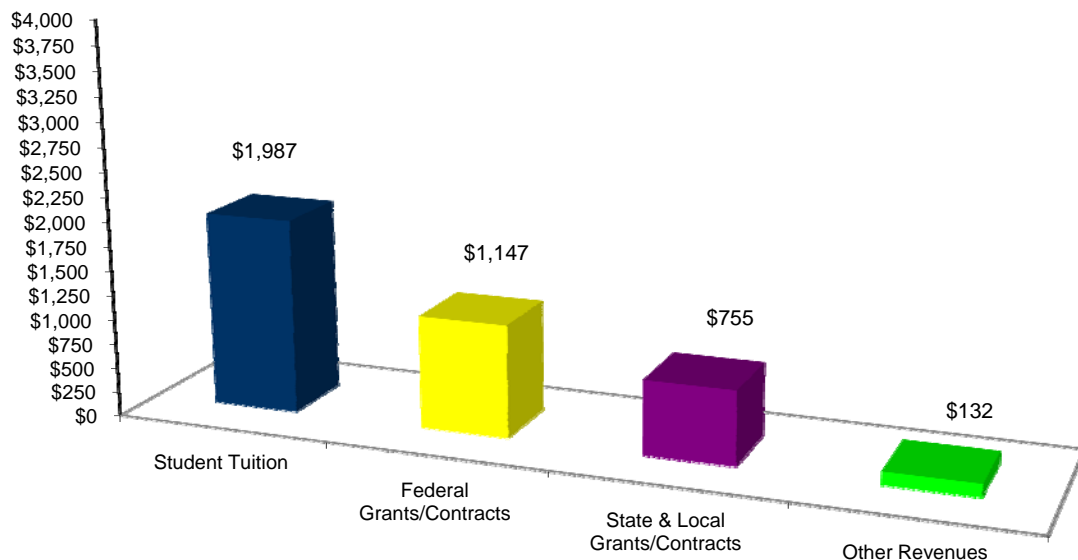
	<u>2010-2011</u>	<u>2009-2010</u>
Operating Revenues	\$4,021,063.28	\$3,454,469.62
Operating Expenses	<u>14,898,200.55</u>	<u>13,505,830.55</u>
Operating Loss	(10,877,137.27)	(10,051,360.93)
Non-operating Revenues and Expenses	<u>10,763,662.77</u>	<u>10,168,652.05</u>
Increase (Loss) Before Other Revenues, Expenses, Gains or Losses	(113,474.50)	117,291.12
Capital Grants and Gifts	<u>144,362.00</u>	<u>824,271.99</u>
Increase in Net Assets	\$30,887.50	941,563.11
Net Assets, Beginning of Year	<u>\$18,033,284.97</u>	<u>17,091,721.86</u>
Net Assets, End of Year	<u>\$18,064,172.47</u>	<u>\$18,033,284.97</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in net assets of \$30,887.50 at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are the following:

OPERATING REVENUE (IN THOUSANDS)

	<u>2010-2011</u>	<u>%</u>	<u>2009-2010</u>	<u>%</u>	<u>Net \$</u>
Student Tuition	\$1,987	49%	\$1,935	56%	\$52
Federal Grants and Contracts	1,147	29%	985	29%	162
State & Local Grants and Contracts	755	19%	462	13%	293
Other Revenue	132	3%	73	2%	59
Total Operating Revenue	<u>\$4,021</u>		<u>\$3,455</u>		<u>\$566</u>

Operating Revenue (In Thousands)



The above chart displayed in thousands of dollars, the operating revenues by type and their relationship with one another. Student tuition and fees represent 49% of operating revenue; followed by federal grants with 29%. All other types of revenue types represent only 22% of the total operating revenue.

CVCC's tuition rate for fiscal year 2010-11 was \$117 per credit hour; an increase of \$5 per credit hour from the previous year. CVCC's tuition and fee rates are in line with the Department of Postsecondary Education tuition and fee State Board Policy guidelines; the amount per credit hour is the maximum that can be charged. Total student tuition and fees increased for the year \$52,412.38. A tuition summary (net of scholarship allowances) is shown below:

	<u><i>Net Student Tuition</i></u>	<u><i>Net Change</i></u>	<u><i>Total Credit Hour</i></u>	<u><i>Total Tuition/Fees</i></u>
Fiscal Year 2010-11	\$1,987,220.25	\$ 52,412.38	42,358	\$117 per cr hr
Fiscal Year 2009-10	1,934,807.87	(\$555,534.84)	44,220	112 per cr hr
Fiscal Year 2008-09	2,490,341.71	\$ 114,039.13	46,251	90 per cr hr
Fiscal Year 2007-08	2,376,302.58	(\$105,949.84)	42,169	90 per cr hr
Fiscal Year 2006-07	2,482,252.42	(\$196,264.00)	45,406	90 per cr hr
Fiscal Year 2005-06	2,678,516.42	(\$146,284.01)	47,639	90 per cr hr

The operating \$1,146,858.48 federal grants received comprised of: (1) \$235,904.41 in Title IV grant programs such as SEOG, College Work Study, Academic Competiveness Grant and PELL Grant administrative amounts; (2) 83,304.47 to strengthen the College's occupational and vocational instructional programs, (3) \$200,789.68 in a BRAC workforce development training grant, (4) \$90,495.84 in adult education program grant, (4) \$337,123.00 in an American Recovery and Reinvestment Act grant; (5) \$176,462.39 from two Workforce Development grants Customer Service and Greening the Chattahoochee Valley, (6) \$12,778.69 in College Access Challenge Grant to support increased participation in Title IV financial aid for underserved student populations and (6) \$10,000 from a National Science Foundation grant.

CVCC received operating state and local contracts totaling \$754,575.14 which consisted of: (1) \$81,152.90 from Troy University, Phenix City campus for a bookstore profit sharing contract; (2) \$111,570.79 for Adult Education and English Second Language grants; (3) \$69,549.10 for student scholarship and grants from Alabama Student Assistant Program and Career Tech Dual Enrollment; (4) \$1,500 from Community Service grant; and (6) \$490,802.35 from various Workforce Development/Ready to Work grants to support technical instructional programs such as 20,000 Jobs, Automotive/Industrial Technology, and Ready to Work.

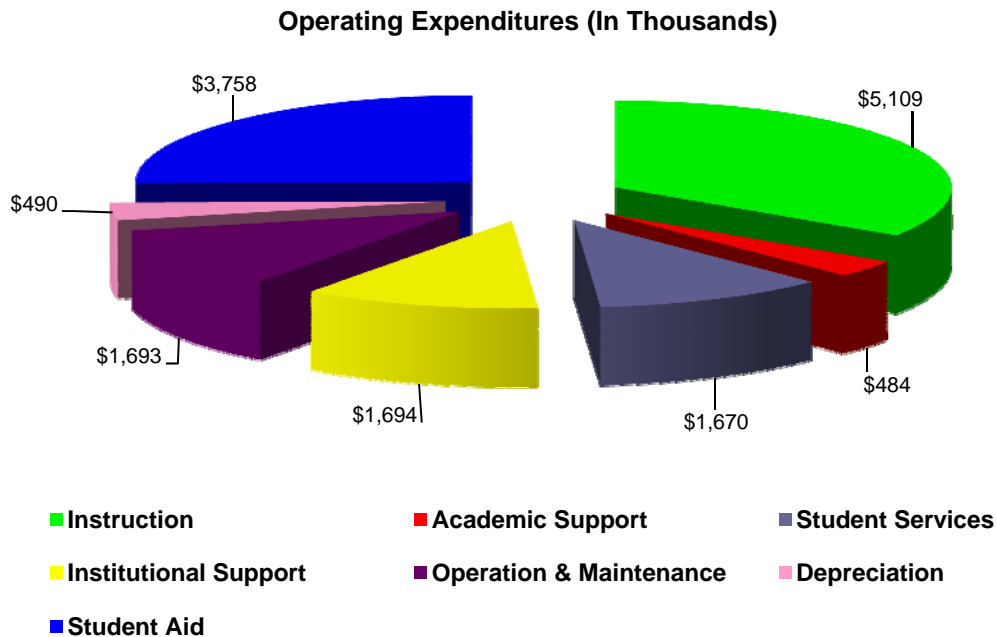
Other operating revenue of \$132,409.41 consists of campus ticket fines and sales, vending, copying card sales, graduation fees, and GED fee revenue.

Net non-operating revenue totaled \$11,198,518.60 which consisted of \$5,190,410 from state appropriations, \$5,931,885.56 from Title IV grants, \$38,814.80 from private gifts, \$29,608.24 from net investing activities and \$7,800.00 for office space rent. CVCC also received capital grants of \$144,362.00 from private donors.

The operating expenses by function stated in thousands are displayed in the following exhibit:

OPERATING EXPENDITURES BY FUNCTION
(IN THOUSANDS)

	<u>2010-2011</u>	<u>%</u>	<u>2009-2010</u>	<u>%</u>	<u>Net \$ Change</u>
Instruction	\$5,109	34%	\$5,089	38%	\$ 20
Academic Support	484	3%	505	4%	(21)
Student Services	1,670	11%	1,636	12%	34
Institutional Support	1,694	12%	1,570	12%	124
Operation & Maintenance	1,693	12%	1,135	8%	558
Depreciation	490	3%	441	3%	49
Student Aid	3,758	25%	3,130	23%	628
Total Operating Expenses	<u>\$14,898</u>		<u>\$13,506</u>		<u>\$1,392</u>



Total operating expenditures increased \$1,392,370.00 in fiscal year 2010-11. Several changes in expenses from prior years are worth noting. Salaries and wages college-wide decreased (\$27,404.72) due to a reduction in campus part-time positions. Employer benefit costs decreased (\$46,837.55). Payments to vendors and supplies increased \$412,048.31, and depreciation expense increased \$49,997.83. Campus supplies, utilities, and depreciation costs increased as a result of the opening of two new instructional building in the last fiscal year and the expenditures needed to furnish and support the facilities. Financial aid increased \$627,933.88 due to Title IV grant and tuition rate increases.

Forty percent of the College's \$14,898 million operating expenses is expended for salaries and wages. When benefits are combined with salaries and wages, the total is 52 percent of the College's total operating expense. The second highest amount expended is Student aid of \$3.7 million at 25 percent. The third highest operating expense of 20 percent is what the College pays to its vendors to acquire supplies, goods and services. Depreciation comprised 3 percent of the operating expense.

The non-operating expenses included the annual debt payment on the 2009 revenue bonds sold to finance the construction of a three-story instructional center. CVCC had a 2010-11 debt service payment of \$611,537.50 of which \$230,000 was for principal and \$381,537.50 for interest debt payment. Non-operating expenses also included the bond surety fee expense totaling \$32,238.35 for the year.

C) Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Cash Flows for the Year

	<u>2011</u>	<u>2010</u>
Cash Provided (Used) by:		
Operating Activities	\$(10,095,318.61)	\$(9,621,132.68)
Non-Capital Financing Activities	11,113,357.38	10,444,392.09
Capital and Related Financing Activities	(2,540,777.37)	(1,352,481.74)
Investing Activities	3,847,341.36	(108,299.54)
Net Change in Cash	<u>2,324,602.76</u>	<u>(637,521.87)</u>
 Cash, Beginning of Year	 <u>5,711,447.05</u>	 <u>6,348,968.92</u>
Cash, End of Year	<u>\$8,036,049.81</u>	<u>\$5,711,447.05</u>

The primary cash receipts from operating activities consist of tuition and fees, grants, deposits refundable, and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships.

State appropriations and federal Title IV pell grant payments are the primary sources of noncapital financing. This source of revenue is categorized as noncapital even though the College's budget depends on this to continue the current level of operations.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments.

Capital and related financing activities include the purchases and construction of capital assets during the year, proceeds from the sale of bonds, and the College's annual bond payment consisting of principal and interest paid, along with deposits with trustees at year end.

Economic Outlook

Chattahoochee Valley Community College's overall financial position is sound and is anticipating college growth in the near future. CVCC has implemented new workforce development instructional programs in the past two academic periods such as medical assisting, industrial and automotive maintenance technology, and a simulation and modeling technician program. The newly opened academic building and the industry training center should support new growth in the college's technical programs.

College growth is also anticipated in the allied health technical programs. The Practical Nursing and Associate Degree Nursing programs are currently candidates for NLNAC (National League of Nursing Accrediting Commission) accreditation. Candidacy status was granted to these programs in July 2011 and will continue through July 2013. Both programs will need to complete a Self-Study and a site visit within the given time period in order to become fully accredited programs through the NLNAC. The Self-Study must be submitted to the NLNAC prior to the site visit. The site visit will occur in the next year 2012.

Dr. Laurel Blackwell, President, retired September 30, 2010, from the College. Dr. Philip Cleveland was named Acting President by Chancellor Freida Hill on October 1, 2010 and served the College until March 30, 2011. Dr. Linda North was then named Interim President and served the College through June 30, 2011 while the college conducted a nation-wide search for a permanent new CVCC president.

Effective July 1, 2011, Dr. D. Glen Cannon began his tenure as Chattahoochee Valley Community College's fifth president. He has earned a B.B.A. in accounting from West Georgia College, an M.B.A. from Mercer University's Stetson School of Business, and an Ed.D. in Occupational Studies from the University of Georgia. He is also a licensed C.P.A. and has held senior positions at four two-year colleges in Georgia over a 27-year career. With new leadership from Dr. Cannon, the college anticipates new direction and leadership to grow and meet the academic, workforce development, and adult education needs of our community.

The College does anticipate the future to continue to present fiscal challenges. CVCC's 2010-11 enrollment showed continued declines: four percent from the 2009-10 academic year and eight percent from 2008-09. Also, with continued slow state-wide economic growth, Alabama economists project an additional two percent proration to be declared for the current 2011-12 fiscal year. Proration of three percent was again declared by the Governor of Alabama in fiscal year 2010-11. CVCC has had reduced operations and maintenance revenue of \$1,727,362 from 2007-08 fiscal year funding or a (24.97%) reduction. Due to these state fiscal challenges, the State Board of Education voted in Summer 2011 to raise tuition \$21 per credit hour for the current fiscal year 2011-12 to help offset the continued loss of O&M revenue. The College expects a \$2 increase, or a total of \$140 per credit hour, in tuition and fee revenue in 2012-13.

The College does have \$7 million in unrestricted assets that is being applied toward the appropriation shortfalls created by the Governor's declaration of proration for four years of back-to-back proration. These known facts and conditions are expected to impact the financial position of the College during the 2011-12 fiscal year. However, the financial stability of the College will not be impaired and CVCC will be able to carry out the College's mission of providing training for academic transfer, adult education and workforce development. We believe the College is positioned to withstand these fiscal challenges that we face because of our conservative fiscal approach.

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Basic Financial Statements

Statement of Net Assets
September 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 8,036,049.81
Deposit with Bond Trustee	1,974.12
Accounts Receivable, Net	820,019.44
Inventories	3,052.18
Bond Issuance Costs	11,107.34
Total Current Assets	<u>8,872,202.89</u>

Noncurrent Assets

Bond Issuance Costs	244,361.47
Capital Assets:	
Land	306,000.00
Buildings	7,793,869.77
Improvements Other Than Buildings	1,432,573.35
Equipment and Furniture	2,329,502.61
Library Holdings	779,757.23
Construction in Progress	12,826,661.24
Less: Accumulated Depreciation	<u>(5,941,178.20)</u>
Total Capital Assets, Net of Depreciation	<u>19,527,186.00</u>
Total Noncurrent Assets	<u>19,771,547.47</u>
Total Assets	<u>\$ 28,643,750.36</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES**Current Liabilities**

Accounts Payable	\$ 246,172.09
Deposits Refundable	278,136.49
Deferred Revenue	1,260,299.70
Bonds Payable	240,000.00
Compensated Absences	9,434.17
Total Current Liabilities	<u>2,034,042.45</u>

Noncurrent Liabilities

Bonds Payable	8,290,000.00
Compensated Absences	255,535.44
Total Noncurrent Liabilities	<u>8,545,535.44</u>

Total Liabilities	<u>10,579,577.89</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	11,252,654.81
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	30,000.00
Expendable:	
Scholarships and Fellowships	20,657.90
Unrestricted	<u>6,760,859.76</u>
Total Net Assets	<u>\$ 18,064,172.47</u>

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Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2011

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$3,259,978.84)	\$ 1,987,220.25
Federal Grants and Contracts	1,146,858.48
State and Local Grants and Contracts	754,575.14
Other Operating Revenues	132,409.41
Total Operating Revenues	<u>4,021,063.28</u>

OPERATING EXPENSES

Instruction	5,108,562.18
Academic Support	484,528.58
Student Services	1,669,869.89
Institutional Support	1,693,999.20
Operation and Maintenance	1,693,106.07
Scholarships	3,757,598.68
Depreciation	490,535.95
Total Operating Expenses	<u>14,898,200.55</u>

Operating Income (Loss)	<u>(10,877,137.27)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	5,190,410.00
Federal Grants	5,931,885.56
Gifts	38,814.80
Investment Income	29,608.24
Interest on Capital Asset Related Debt	(381,537.50)
Bond Surety Fee Expense	(32,238.35)
Other Nonoperating Revenues/(Expenses)	(13,279.98)
Net Nonoperating Revenues/(Expenses)	<u>10,763,662.77</u>
Income Before Other Revenues, Expenses, Gains, or Losses	(113,474.50)
Capital Gifts	<u>144,362.00</u>
Changes in Net Assets	<u>30,887.50</u>
Total Net Assets - Beginning of Year	18,033,284.97
Total Net Assets - End of Year	<u><u>\$ 18,064,172.47</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended September 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 2,074,911.80
Grants and Contracts	2,113,373.71
Payments to Suppliers	(2,892,913.36)
Payments to Employees	(5,934,802.59)
Payments for Benefits	(1,830,698.90)
Payments for Scholarships	(3,757,598.68)
Other Receipts (Payments)	132,409.41
Net Cash Provided (Used) by Operating Activities	<u>(10,095,318.61)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	5,190,410.00
Federal Grants	5,931,885.56
Gifts for Other Than Capital Purposes	38,814.80
Other	(47,752.98)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,113,357.38</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(2,966,173.48)
Capital Grants and Gifts	144,362.00
Principal Paid on Capital Debt and Leases	(230,000.00)
Interest Paid on Capital Debt and Leases	(381,537.50)
Deposit with Trustee	892,571.61
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,540,777.37)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	3,814,513.74
Interest on Investments	32,827.62
Net Cash Provided (Used) by Investing Activities	<u>3,847,341.36</u>

Net Increase (Decrease) in Cash and Cash Equivalents	2,324,602.76
Cash and Cash Equivalents - Beginning of Year	5,711,447.05
Cash and Cash Equivalents - End of Year	<u>\$ 8,036,049.81</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (10,877,137.27)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	490,535.95
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(90,280.81)
(Increase)/Decrease in Inventories	4,626.66
Increase/(Decrease) in Accounts Payable	13,174.75
Increase/(Decrease) in Deferred Revenue	163,395.10
Increase/(Decrease) in Compensated Absences	(26,150.34)
Increase/(Decrease) in Deposits Held for Others	226,517.35

Net Cash Provided (Used) by Operating Activities	<u><u>\$ (10,095,318.61)</u></u>
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Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 1 – Summary of Significant Accounting Policies

The financial statements of Chattahoochee Valley Community College (the “College”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

A. Reporting Entity

For financial reporting purposes, Chattahoochee Valley Community College is part of the primary government of the State of Alabama. The State of Alabama, through the State Board of Education, governs the Department of Postsecondary Education. The Department of Postsecondary Education, through its Chancellor, has the authority and responsibility for the operation, management, supervision and regulation of Chattahoochee Valley Community College.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of Chattahoochee Valley Community College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Chattahoochee Valley Community College follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

The Statement of Revenues, Expenses and Changes in Net Assets distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College’s principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

Notes to the Financial Statements

For the Year Ended September 30, 2011

C. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

2. Receivables

Accounts receivable relate to amounts due from federal grants, third party tuition, and receivables from financial institutions.

3. Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Composite	25 years
Equipment	Composite	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

4. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

5. Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

6. Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2011, have been deferred.

Notes to the Financial Statements

For the Year Ended September 30, 2011

7. Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- ◆ **Invested in Capital Assets, Net of Related Debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
 - ✓ **Expendable** – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- ◆ **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the State Board of Education.

8. Federal Financial Assistance Programs

The College participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, ***Audits of States, Local Governments and Non-Profit Organizations***, and the Office of Management and Budget (OMB) Compliance Supplement.

9. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method to determine the amount of scholarship allowances and discounts.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 2 – Deposits

A. Deposits

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Assets classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Note 3 – Receivables

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable</u>	
Federal	\$307,682.77
State	299,593.75
Other	296,052.09
Less: Allowance for Doubtful Accounts	(83,309.17)
Total Receivables	<u>\$820,019.44</u>

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Deductions	Adjustment	Ending Balance
Land	\$ 306,000.00	\$	\$	\$	\$ 306,000.00
Buildings	7,325,954.20			467,915.57	7,793,869.77
Improvements Other Than Buildings	1,733,290.02	32,378.27	333,094.94		1,432,573.35
Equipment	2,211,408.72	209,289.09	91,195.20		2,329,502.61
Construction in Progress	10,586,164.97	2,708,411.84		(467,915.57)	12,826,661.24
Library Holdings	825,149.04	16,094.28	61,486.09		779,757.23
Total	22,987,966.95	2,966,173.48	485,776.23		25,468,364.20
Less: Accumulated Depreciation					
Buildings	3,318,389.24	146,519.09			3,464,908.33
Improvements Other Than Buildings	737,877.95	53,142.94	333,094.94		457,925.95
Equipment	1,277,519.82	251,886.06	91,195.20		1,438,210.68
Library Holdings	602,631.47	38,987.86	61,486.09		580,133.24
Total Accumulated Depreciation	5,936,418.48	490,535.95	485,776.23		5,941,178.20
Total Capital Assets, Net	\$17,051,548.47	\$2,475,637.53	\$	\$	\$19,527,186.00

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The College contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the College are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of Chattahoochee Valley Community College. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

Notes to the Financial Statements

For the Year Ended September 30, 2011

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, page 1335) are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. Chattahoochee Valley Community College is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

The percentages of the contributions and the amount of contributions made by Chattahoochee Valley Community College and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2011	2010	2009
Total Percentage of Covered Payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage Contributed by the College	12.51%	12.51%	12.07%
Percentage Contributed by Employees	5.00%	5.00%	5.00%
Contributed by the College	\$611,318.96	\$635,451.88	\$595,322.33
Contributed by Employees	244,334.15	253,979.47	246,612.75
Total Contributions	\$855,653.11	\$889,431.35	\$841,935.08

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The College contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2011
Individual Coverage – Non-Medicare Eligible	\$146.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$859.00
Surviving Spouse – Medicare Eligible	\$369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$527.00

Notes to the Financial Statements

For the Year Ended September 30, 2011

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. The tobacco surcharge is \$27.00 per month for retired members who smoke.

The College is required to contribute at a rate specified by the State for each active employee. The College's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by College	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2011	\$752.00	\$198.94	26.45%	\$202,816.38	100%
2010	\$752.00	\$241.27	32.08%	\$244,860.22	100%
2009	\$752.00	\$205.45	27.32%	\$211,939.82	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 7 – Construction and Other Significant Commitments

As of September 30, 2011, Chattahoochee Valley Community College had been awarded approximately \$715,474.91 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Note 8 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	\$8,760,000.00	\$	\$230,000.00	\$8,530,000.00	\$240,000.00
Total Bonds Payable	8,760,000.00		230,000.00	8,530,000.00	240,000.00
Other Liabilities:					
Compensated Absences	291,119.95		26,150.34	264,969.61	9,434.17
Total Other Liabilities	291,119.95		26,150.34	264,969.61	9,434.17
Total Long-Term Liabilities	\$9,051,119.95	\$	\$256,150.34	\$8,794,969.61	\$249,434.17

Chattahoochee Valley Community College Revenue Bonds, Series 2009, were issued July 1, 2009. The proceeds of the bonds were used to finance the construction of a new instructional center.

Notes to the Financial Statements

For the Year Ended September 30, 2011

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2011-2012	\$ 240,000.00	\$ 374,637.50	\$ 614,637.50
2012-2013	245,000.00	367,437.50	612,437.50
2013-2014	255,000.00	360,087.50	615,087.50
2014-2015	260,000.00	352,437.50	612,437.50
2015-2016	270,000.00	344,637.50	614,637.50
2016-2017	280,000.00	336,537.50	616,537.50
2017-2018	285,000.00	327,437.50	612,437.50
2018-2019	295,000.00	317,462.50	612,462.50
2019-2020	305,000.00	306,400.00	611,400.00
2020-2021	320,000.00	294,200.00	614,200.00
2021-2022	335,000.00	281,400.00	616,400.00
2022-2023	345,000.00	267,162.50	612,162.50
2023-2024	360,000.00	252,500.00	612,500.00
2024-2025	375,000.00	236,750.00	611,750.00
2025-2026	395,000.00	218,000.00	613,000.00
2026-2027	415,000.00	198,250.00	613,250.00
2027-2028	435,000.00	177,500.00	612,500.00
2028-2029	460,000.00	155,750.00	615,750.00
2029-2030	480,000.00	132,750.00	612,750.00
2030-2031	505,000.00	108,750.00	613,750.00
2031-2032	530,000.00	83,500.00	613,500.00
2032-2033	555,000.00	57,000.00	612,000.00
2033-2034	585,000.00	29,250.00	614,250.00
Totals	<u>\$8,530,000.00</u>	<u>\$5,579,837.50</u>	<u>\$14,109,837.50</u>

Notes to the Financial Statements

For the Year Ended September 30, 2011

Bond Issuance Costs

The College has bond issuance costs in connection with the issuance of its 2009 Series Revenue Bonds. The issuance costs are being amortized using the straight-line method over the life of the bonds.

	Issuance Costs
Total Issuance Costs	\$277,683.51
Amortized Prior Years	11,107.35
Balance Issuance Costs	266,576.16
Current Amount Amortized	11,107.35
Balance Issuance Costs	<u>\$255,468.81</u>

Pledged Revenues

The College has pledged student tuition and fee revenue to repay the \$9,000,000 Revenue Bond Series 2009 issued in July 2009. Future revenues in the approximate amount of \$14,109,837.50 are pledged to repay the principal and interest on the bonds. During the 2011 fiscal year, pledged tuition and fee revenue in the amount of \$4,789,198.75, excluding technology fees, were received. \$611,537.50 or 12.8% of pledged revenues was used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2034.

Note 9 – 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. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Chief Financial Officer and Student Financial Aid Director as well as on all other college personnel who handle funds.

Notes to the Financial Statements

For the Year Ended September 30, 2011

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Note 10 – Endowments

The College has endowments established by donors for the purpose of awarding scholarships to needy and worthy students. These scholarships were endowed by contributions totaling \$30,000.00, which is to be continuously invested in certificates of deposit at local financial institutions with the understanding that only the interest earned may be used for scholarship purposes.

Note 11 – Related Parties

Chattahoochee Valley Community College Foundation, Inc.

Chattahoochee Valley Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of Chattahoochee Valley Community College, and for the encouragement and support of its student and faculty. This report contains no financial statements of Chattahoochee Valley Community College Foundation, Inc.

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Student Financial Assistance Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Sub-Total Federal Pell Grant Program		
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Sub-Total Federal Supplemental Educational Opportunity Grants		
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Sub-Total Federal Work-Study Program		
Academic Competitiveness Grants	84.375	
Total Student Financial Assistance Cluster (M)		
<u>State Fiscal Stabilization Fund Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Postsecondary Education</u>		
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (M)	84.394	10-1327-06A
<u>WIA Cluster</u>		
<u>U. S. Department of Labor</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
ARRA - WIA Dislocated Workers	17.260	8X220014S
<u>Passed Through Columbus Technical College</u>		
WIA Dislocated Workers	17.260	N.A.
Total WIA Cluster		
<u>Other Federal Awards</u>		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Postsecondary Education</u>		
Adult Education - Basic Grants to States	84.002	V002A110001
<u>Passed Through Alabama Department of Education</u>		
Career and Technical Education - Basic Grants to States	84.048	V048A110001
Tech-Prep Education	84.243	V243A110001
College Access Challenge Grant Program	84.378	V378A110001

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2011-06/30/2012	\$ 2,168,315.00	\$ 2,168,315.00	\$ 2,079,725.44	\$ 2,079,725.44
07/01/2010-06/30/2011	5,308,800.82	5,308,800.82	3,201,295.48	3,201,295.48
07/01/2010-06/30/2011	6,050.00	6,050.00	6,050.00	6,050.00
			5,287,070.92	5,287,070.92
07/01/2011-06/30/2012	38,513.00	38,513.00	14,490.00	14,490.00
07/01/2010-06/30/2011	37,780.00	37,780.00	30,982.00	30,982.00
			45,472.00	45,472.00
07/01/2011-06/30/2012	70,608.00	70,608.00	15,907.32	15,907.32
07/01/2010-06/30/2011	70,608.00	70,608.00	64,316.38	64,316.38
			80,223.70	80,223.70
07/01/2010-06/30/2011	104,160.50	104,160.50	104,160.50	104,160.50
			5,516,927.12	5,516,927.12
10/01/2010-09/30/2011	337,123.00	337,123.00	337,123.00	337,123.00
10/01/2010-11/30/2011	29,928.11	29,928.11	2,680.49	2,680.49
04/01/2008-06/30/2011	588,733.00	588,733.00	200,789.68	200,789.68
			203,470.17	203,470.17
10/01/2010-09/30/2011	228,155.00	95,825.00	90,495.84	90,495.84
10/01/2010-09/30/2011	75,205.20	75,205.20	74,948.47	74,948.47
10/01/2010-09/30/2011	8,356.00	8,356.00	8,356.00	8,356.00
06/27/2011-08/01/2011	\$ 14,000.00	\$ 14,000.00	\$ 12,778.69	\$ 12,778.69

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Labor</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	9G101503
<u>National Science Foundation</u>		
<u>Passed Through Columbus State University</u>		
Education and Human Resources	47.076	N.A.
Total Federal Awards		

(M) = Major Program

N.A. = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2010-12/31/2112	\$ 743,500.00	\$ 743,500.00	\$ 173,781.90	\$ 173,781.90
06/01/2011-07/31/2011	\$ 10,000.00	\$ 10,000.00	10,000.00	10,000.00
			<u>\$ 6,427,881.19</u>	<u>\$ 6,427,881.19</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2011***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chattahoochee Valley Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Additional Information

College Officials
October 1, 2010 through September 30, 2011

Officials	Position
Dr. D. Glen Cannon	President July 1, 2011 – Present
Dr. Linda North	Interim President March 1, 2011 – June 30, 2011
Dr. Phillip Cleveland	Interim President October 1, 2010 – February 28, 2011
Dr. David N. Hodge	Dean of Student and Administrative Services
Brenda Kelley	Chief Financial Officer

***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***

We have audited the basic financial statements of Chattahoochee Valley Community College as of and for the year ended September 30, 2011, and have issued our report thereon dated January 10, 2012. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chattahoochee Valley Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Chattahoochee Valley Community College's response to the finding identified in our audit is described in the accompanying Auditee Response. We did not audit Chattahoochee Valley Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, President of the College, Chancellor of the Department of Postsecondary Education, other state officials, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 10, 2012

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Independent Auditor's Report

Compliance

We have audited Chattahoochee Valley Community College's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2011. Chattahoochee Valley Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chattahoochee Valley Community College's management. Our responsibility is to express an opinion on Chattahoochee Valley Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chattahoochee Valley Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chattahoochee Valley Community College's compliance with those requirements.

In our opinion, Chattahoochee Valley Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Internal Control Over Compliance

Management of Chattahoochee Valley Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chattahoochee Valley Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chattahoochee Valley Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

This report is intended solely for the information and use of management, President of the College, Chancellor of the Department of Postsecondary Education, other state officials, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

January 10, 2012

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Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2011

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063	<u>Student Financial Assistance Cluster</u>
84.007	Federal Pell Grant Program
84.033	Federal Supplemental Educational Opportunity Grants
84.375	Federal Work-Study Program
84.394	Academic Competitiveness Grants
	<u>State Fiscal Stabilization Fund Cluster</u>
	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
2011-01	Internal Control	<p><u>Finding:</u> Cash is an account balance with a high inherent risk and often subject to theft. An effective system of internal control requires strict security procedures, supervisory monitoring and segregation of duties when handling cash. During the course of the audit, it was discovered that cash receipts in the amount of \$903.00 were not properly deposited in the bank. Due to the College's failure to maintain proper controls over the responsibility of cash, such as obtaining signed receipts from each individual having control of cash, the location of this money and final responsibility for the shortfall could not be determined.</p> <p><u>Recommendation:</u> The College should require signed receipts from each individual responsible for the handling of cash until final deposit in the bank.</p>	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			The audit did not disclose any findings or questioned costs required to be reported.	

Auditee Response

Auditee Response
For the Year Ended September 30, 2011

Chattahoochee Valley Community College has prepared and hereby submits the following Auditee Response for the finding included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2011.

**Finding
Ref.
No.**

Corrective Action Plan Details

2011-01

Finding:

Cash is an account balance with a high inherent risk and often subject to theft. An effective system of internal control requires strict security procedures, supervisory monitoring and segregation of duties when handling cash. During the course of the audit, it was discovered that cash receipts in the amount of \$903.00 were not properly deposited in the bank. Due to the College's failure to maintain proper controls over the responsibility of cash, such as obtaining signed receipts from each individual having control of cash, the location of this money and final responsibility for the shortfall could not be determined.

Recommendation:

The College should require signed receipts from each individual responsible for the handling of cash until final deposit in the bank.

Response:

Name of Contact Person Responsible for Corrective Action:

Brenda Kelley
Chief Financial Officer

Corrective Action Planned:

On March 9, 2011, CVCC's Payroll Accountant communicated a \$903 cash shortage in the February 2011 bank reconciliation. Upon an internal audit, the paper trail lead to missing cash from a February 2011 cash receipt report from a temporary hourly student worker. The temporary hourly student worker had been hired for a short-term contract period of January – March 2011 to cover for the maternity leave of a full-time accounting clerk. Cash receipts were collected in the business office by the temporary worker; the receipts were closed and reconciled; and two deposit slips prepared: (a) one for \$65 on one check collected, and (2) one for \$903 for the cash collected. The Restricted Accountant counted and verified deposit on 2/7/11. However, in the bank reconciliations by the Payroll Accountant, only the \$65 check deposit was made; the \$903 cash did not make it to the bank. The yellow certified bank slip showed \$65 deposit date stamped by bank on 2/8/11. The yellow certified \$903 bank slip was never found.

Also, the reconciled cash receipts listing report and deposit slips were not submitted to the head cashier for filing in the monthly cash receipts books. The Head Cashier asked the temporary worker later in month for the report to file for audit. The worker did not provide as asked. The Payroll Accountant when doing audit for the February 2011 bank reconciliations searched temporary worker's desk and found the cash receipts report in a pile of paper on top of their desk.

In summary, through the college's internal control procedures, the general ledger showed cash receipts collected but not deposited under the temporary worker's batch number. Thus, for the month of February 2011 the business office showed a cash shortage of \$903. In audit, no other cash shortages were discovered. It is believed this was a one-time incident.

After the audit, the temporary student worker was relieved of CVCC employment duties. An incident/offense report was filed with the Russell County Sheriff's Department for an investigation on the missing cash. An Ethics claim was also filed: No. 2011-039.

As CFO, after the incident, I reviewed the cash collection and reconciliation process of the College. Effective March 21, 2011 the following new procedures to strengthen cash control to prevent future missing cash were implemented:

- 1) Deposits are presented to either the CFO or the Restricted Accountant to count and verify money collected to the cash receipts report produced by the administrative software. The CFO and Restricted Accountant will initial and date both the cash receipts reports and bank deposit slips.
- 2) The CFO or Restricted Accountant will then take possession of the verified deposits and place in pre-numbered money bags. The money bags are then sealed and the pre-numbered receipts are signed by both the cashier and CFO or Restricted Accountant and removed and given to the cashier to file with their cash receipts report. The CFO or Restricted Accountant then personally take the sealed money bags to the vault to secure until timely bank deposits are made.

Anticipated Completion Date:

Effective March 21, 2011 the new procedures are in place and have strengthened cash controls as recommended by the State Examiner. The College requires signed receipts from each individual responsible for the handling of cash until final deposit in the bank. The signed receipts are part of audit documentation in the monthly cash receipts notebook.