



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF WAKE TECHNICAL COMMUNITY COLLEGE

RALEIGH, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF**

**WAKE TECHNICAL COMMUNITY COLLEGE**

**RALEIGH, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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## AUDITOR'S TRANSMITTAL

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Trustees, Wake Technical Community College

This report presents the results of our financial statement audit of Wake Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statute.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Wake Technical Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Wake Technical Community College. A summary of our reporting objectives and audit results is:

- 1. Objective** – To express an opinion on the accompanying financial statements that relate solely to Wake Technical Community College.

**Results** - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

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.



Ralph Campbell, Jr.  
State Auditor

# TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
FINANCIAL STATEMENTS	
Exhibits	
A    Statement of Net Assets .....	8
B    Statement of Revenues, Expenses, and Changes in Net Assets.....	9
C    Statement of Cash Flows .....	10
Notes to the Financial Statements .....	13
SUPPLEMENTARY INFORMATION	
Schedule	
1    Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures .....	26
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	27
DISTRIBUTION OF AUDIT REPORT .....	29



Ralph Campbell, Jr.  
State Auditor

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

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
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Internet <http://www.osa.state.nc.us>

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Wake Technical Community College  
Raleigh, North Carolina

We have audited the accompanying basic financial statements of Wake Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wake Technical Community College as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board 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* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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The Management's Discussion and Analysis (MD&A) on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 taken as a whole. Schedule 1 is presented for purposes of additional analysis 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 basic financial statements taken as a whole.



Ralph Campbell, Jr.  
State Auditor

April 30, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

The following information provides a general overview of the financial statements and activities of Wake Technical Community College for the year ended June 30, 2002. The MD&A is required supplementary information (RSI) comparing data for the current and previous year. Because this is the first year of reporting under the business-type activity model, comparative data is not presented. Significant capital asset activity and conditions expected to influence financial position and results of operations are also discussed. Contact the Division of Finance and Accounting for additional information at 919-662-3315.

### Overview of the Financial Statements

Beginning with the 2001-02 fiscal year, the College changed the format of the financial statements to conform with the reporting principles of GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as recommended by the Governmental Accounting Standards Board. Reporting requirements were further amended by GASB Statements No. 35, 37 and 38. These Statements establish external financial reporting standards for public colleges and universities and require that they be presented on a consolidated basis rather than focus on individual fund groups, as had been the practice in past years. The basic financial statements include Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows and Notes to the Financial Statements. These compare respectively with the Balance Sheet and Statement of Changes in Fund Equity used prior to this year. The Statement of Current Funds Revenues, Expenditures and Other Changes was eliminated and the Statement of Cash Flows was introduced this year.

Significant changes to the financial statements from the previous reporting format are:

- The Statement of Net Assets is separated by current and noncurrent assets. The designation is also used in reporting liabilities. The term current is used to cover a time period of one year or less while noncurrent is considered to be a period of greater than one year.
- Recognition of depreciation for capital assets was introduced this year. This change required a beginning balance restatement of accumulated depreciation that amounted to \$13.3 million.
- Revenues and expenses are now categorized as either operating or nonoperating.
- Scholarships and fellowships applied to student accounts are discounted from revenue to avoid overstatement of tuition and fees.
- The Statement of Cash Flows is required beginning with the current year. This report divides cash activity for the year into operating, capital and related financing, noncapital financing and investing.



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

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### **Condensed Financial Statements**

#### **Statement of Net Assets**

The Statement of Net Assets measures the value of all the College's assets after deducting liabilities and depreciation. Current assets consist of inventories, cash and receivables expected to be collected within the next accounting cycle. Noncurrent assets consist of receivables estimated to be collected beyond the next fiscal year and also capital assets. Accounts payable, funds held for others and the current portion of accrued compensated absences comprise most of current liabilities. Noncurrent liabilities represent accrued compensated absences not expected to be used within the next twelve months. Invested in capital assets, net of related debt, consists primarily of buildings, infrastructure and equipment with a unit purchase cost of \$5,000 or greater. Other equipment is expensed in the year of purchase. Restricted net assets are separated from unrestricted because external sources exert control over their use. The College's net assets increased from a restated amount of \$35,396,004 as of June 30, 2001 to \$49,054,258 as of June 30, 2002. The significant increase is primarily due to two construction projects ongoing during the year. Summarized data from the Statement of Net Assets is as follows:

	<u>2002</u>
<b>Assets</b>	
Current Assets	\$ 8,766,031
Noncurrent Assets	1,952,966
Capital Assets, Net	<u>42,176,026</u>
 Total Assets	 <u>52,895,023</u>
 <b>Liabilities</b>	
Current Liabilities	3,656,831
Noncurrent Liabilities	<u>183,934</u>
 Total Liabilities	 <u>3,840,765</u>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	42,176,026
Restricted - Expendable	1,491,308
Unrestricted	<u>5,386,924</u>
 Total Net Assets	 <u>\$ 49,054,258</u>

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

Transactions reflected in the Statement of Revenues, Expenses and Changes in Net Assets have a direct correlation to changes in total net assets recorded on the Statement of Net Assets. Operating revenues and expenses are segregated into individual sections of the Statement. Student tuition and fees, adjusted for scholarship discounts, accounted for the

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

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largest portion of operating revenues. Grants from the Department of Education and the National Science Foundation comprise the majority of federal revenue. Salary and fringe benefits expenses are the predominant operating expense and are recorded under personal services. Service contracts and Pell grants form the major components of services and scholarships and fellowships. Nonoperating revenues consist mostly of State and county appropriations, as do revenues for capital expenditures. A condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets is presented below:

	<u>2002</u>
<b>Operating Revenues</b>	
Student Tuition and Fees, Net	\$ 7,068,809
Federal Grants and Contracts	5,049,817
Other Operating Revenues	<u>797,021</u>
Total Operating Revenues	<u>12,915,647</u>
<b>Operating Expenses</b>	
Personal Services	35,447,821
Services	5,451,991
Scholarships and Fellowships	3,211,284
Other Operating Expenses	<u>4,286,965</u>
Total Operating Expenses	<u>48,398,061</u>
Operating Loss	<u>(35,482,414)</u>
<b>Nonoperating Revenues</b>	
State Aid	25,909,448
County Appropriations	8,495,000
Other Nonoperating Revenues	<u>180,160</u>
Net Nonoperating Revenues	34,584,608
State Capital Aid	917,493
County Capital Appropriations	105,000
Capital Grants	<u>13,533,567</u>
Increase in Net Assets	<u>13,658,254</u>
<b>Net Assets</b>	
Net Assets - July 1, 2001	51,059,288
Restatements	<u>(15,663,284)</u>
Net Assets - June 30, 2002	<u><u>\$ 49,054,258</u></u>

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

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### **Statement of Cash Flows**

The Statement of Cash Flows divides cash activity into four categories. The category for operating activities produced negative cash flow due to employee compensation falling within that section. The most notable cash inflow under operating activities is student tuition and fees. State and county appropriations respectively account for the largest inflows of cash under noncapital financing activities. Construction and equipment purchases utilize the majority of cash generated from capital and related financing activities. Investing activities consist of interest earnings from idle cash. The following data summarizes cash flows for the year:

	<u>2002</u>
Cash Provided (Used) by:	
Operating Activities	\$ (34,444,339)
Noncapital Financing Activities	34,576,287
Capital and Related Financing Activities	499,752
Investing Activities	<u>22,059</u>
Net Increase in Cash	653,759
Cash - July 1, 2001	<u>5,118,703</u>
Cash - June 30, 2002	<u><u>\$ 5,772,462</u></u>

### **Capital Assets**

Two new buildings are under construction and scheduled for completion by the spring semester of 2003. The \$9.8 million technology building is located on the main campus and includes eighteen computer labs. The \$9.6 million health science building contains a state-of-the-art dental lab and is located on the allied health campus. Funding for both of these projects was provided by Wake County. The County has committed an additional \$11 million of bond funds for new construction and renovations. A new bookstore and auto/heavy equipment complex are expected to break ground in early 2003. Renovation plans are under way to connect LeMay Hall and Pucher Hall. The lobby in Holding Hall is also scheduled to start renovation in 2003. The College received an additional \$33 million of capital funds from the 2000 North Carolina Higher Education Bond Referendum. Planned uses include \$24.2 million earmarked for north campus development and \$2.9 million for various renovations. Two roof replacements on the main campus in 2003 will initiate the use of these funds.

The total amount invested in capital assets decreased for the year because of implementation of the new reporting model. Under GASB requirements, library books are now expensed in the year of purchase rather than capitalized. This change resulted in a \$1.86 million reduction in assets. The adjustment for accumulated depreciation in prior years along with depreciation expense for the current year resulted in an additional \$13.62 million reduction in assets. Capital asset balances net of depreciation as of June 30, 2002 were:

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

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	<u>2002</u>
Land	\$ 2,589,043
Construction in Progress	16,598,504
Buildings	21,053,010
General Infrastructure	829,001
Machinery and Equipment	<u>1,106,468</u>
Total Capital Assets, Net	<u>\$ 42,176,026</u>

### **Economic Outlook and Effects on Financial Position**

The North Carolina economy took a downturn and is slow to recover. There appears to be an inverse relationship between college enrollment and the status of the economy. As a result, enrollment grew by 7 % at the College in 2001-02. The State required 2.96% of the current operating budget to be reverted. Revenue shortfalls were further offset by a tuition increase of 13%. An additional 10% tuition increase has already been approved for the next fiscal year. Equipment funds from House Bill 275 were discontinued due to the high level of unemployment. This revenue source is not expected to resume in the near future. Financial support from the county remained constant in 2001-02 at \$8.6 million. Should the revenue forecast deteriorate further, the College will consider imposing specific fees to help defray expenses for high cost curriculums. In an attempt to continue offering economical education to the citizens of Wake County and the surrounding area, all additional fees will be kept to a minimum.

**Wake Technical Community College**  
**Statement of Net Assets**  
**June 30, 2002**

**Exhibit A**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 5,772,461.98
Receivables, Net (Note 3)	2,921,467.95
Inventories	72,101.20
<b>Total Current Assets</b>	<b>8,766,031.13</b>

Noncurrent Assets:

Restricted Due from Primary Government	1,952,965.77
Capital Assets, Net (Note 4)	42,176,026.49
<b>Total Noncurrent Assets</b>	<b>44,128,992.26</b>
<b>Total Assets</b>	<b>52,895,023.39</b>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	2,789,571.08
Due to Primary Government	24,430.91
Deferred Revenue	33,666.40
Funds Held for Others	135,311.12
Long-Term Liabilities - Current Portion (Note 6)	673,852.16
<b>Total Current Liabilities</b>	<b>3,656,831.67</b>

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	183,933.92
<b>Total Noncurrent Liabilities</b>	<b>183,933.92</b>
<b>Total Liabilities</b>	<b>3,840,765.59</b>

**NET ASSETS**

Invested in Capital Assets	42,176,026.49
Restricted For:	
Expendable:	
Scholarships and Fellowships	8,616.14
Loans	21,819.65
Capital Projects	1,439,982.61
Other	20,889.28
Unrestricted	5,386,923.63
<b>Total Net Assets</b>	<b>\$ 49,054,257.80</b>

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

<b>Wake Technical Community College</b>		
<b>Statement of Revenues, Expenses, and</b>		
<b>Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit B</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	7,068,808.51
Federal Grants and Contracts		5,049,816.53
State and Local Grants and Contracts		241,313.89
Sales and Services, Net (Note 8)		555,708.12
Total Operating Revenues		12,915,647.05
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		35,447,820.79
Supplies and Materials		1,966,405.38
Services		5,451,991.41
Scholarships and Fellowships		3,211,283.52
Utilities		1,211,858.30
Depreciation		1,108,701.11
Total Operating Expenses		48,398,060.51
Operating Loss		(35,482,413.46)
<b>NONOPERATING REVENUES</b>		
State Aid		25,909,448.08
County Appropriations		8,495,000.00
Noncapital Gifts, Net (Note 8)		136,047.64
Investment Income, Net		22,059.08
Other Nonoperating Revenues		22,052.95
Net Nonoperating Revenues		34,584,607.75
Income Before Other Revenues, Expenses, Gains, and Losses		(897,805.71)
State Capital Aid		917,492.48
County Capital Appropriations		105,000.00
Capital Grants		13,533,567.07
Increase in Net Assets		13,658,253.84
<b>NET ASSETS</b>		
Net Assets, July 1, 2001 as Restated		35,396,003.96
Net Assets, June 30, 2002	\$	49,054,257.80
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Wake Technical Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2002</b>		<b>Exhibit C</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	12,914,067.79
Payments to Employees and Fringe Benefits		(35,370,357.16)
Payments to Vendors and Suppliers		(8,709,200.18)
Payments for Scholarships and Fellowships		(3,246,647.76)
Other Payments		(32,201.37)
Net Cash Used by Operating Activities		(34,444,338.68)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		25,909,448.08
County Appropriations		8,495,000.00
Noncapital Grants Received		35,791.32
Noncapital Gifts Received		136,047.64
Net Cash Provided by Noncapital Financing Activities		34,576,287.04
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		917,492.48
County Capital Appropriations		105,000.00
Capital Grants Received		14,069,266.55
Acquisition and Construction of Capital Assets		(14,592,007.72)
Net Cash Provided by Capital and Related Financing Activities		499,751.31
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments		22,059.08
Net Cash Provided by Investing Activities		22,059.08
Net Increase in Cash and Cash Equivalents		653,758.75
Cash and Cash Equivalents, July 1, 2001		5,118,703.23
Cash and Cash Equivalents, June 30, 2002	\$	5,772,461.98
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(35,482,413.46)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,108,701.11
Miscellaneous Nonoperating Income		25,427.95
Changes in Assets and Liabilities:		
Receivables, Net		(150,028.77)
Inventories		(9,015.86)
Accounts Payable and Accrued Liabilities		(55,864.72)
Due to Primary Government		10,063.18
Deferred Revenue		29,871.43
Funds Held for Others		25,584.52
Compensated Absences		53,335.94
Net Cash Used by Operating Activities	\$	(34,444,338.68)

<b><i>Wake Technical Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit C</i></b>
<b><i>For the Fiscal Year Ended June 30, 2002</i></b>		<b><i>Page 2</i></b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
	Assets Acquired through Assumption of a Liability	\$ 239,184.88
The accompanying notes to the financial statements are an integral part of this statement.		



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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, 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. Wake Technical 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 for which the College's Board of Trustees is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

- 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 Governmental Accounting Standards Board (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* effective for the College's year ended June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and money market accounts.
- E. Receivables** – Receivables consist of tuition and fees charges to students. 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.
- F. Inventories** – Inventories, consisting of expendable supplies, are stated at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

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 50 years for buildings, and 3 to 15 years for equipment.

- H. Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last in, first out method.

**K. Net Assets** – The College’s net assets are classified as follows:

**Invested in Capital Assets, Net of Related Debt** – This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

**L. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students’ behalf. Student financial assistance grants, such as Pell grants, and other federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- M. Revenue and Expense Recognition** – The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers and grants received for student financial assistance. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.
- N. County Appropriations** - County Appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicles and maintenance equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

### NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with 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 or with the State Treasurer's Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$2,000.00. The carrying amount of cash on deposit was \$5,770,461.98 and the bank balance was \$7,448,793.73. All of the cash was on deposit with private financial institutions.

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

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

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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.

Of the cash on deposit with private financial institutions at June 30, 2002, \$100,000.00 of the bank balance was covered by federal depository insurance and \$7,348,793.73 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

### **NOTE 3 - RECEIVABLES**

Receivables at June 30, 2002 were as follows:

	<u>Amount</u>
Current Receivables:	
Students Accounts	\$ 113,489.81
Intergovernmental	2,621,879.38
Other	<u>186,098.76</u>
Total Current Receivables	<u><u>\$ 2,921,467.95</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

	Balance July 1, 2001	Adjustments	Increases	Decreases	Balance June 30, 2002
Capital Assets, Non-Depreciable:					
Land	\$ 2,711,586.04	\$ (122,543.27)	\$ 0.00	\$ 0.00	\$ 2,589,042.77
Construction in Progress	3,032,362.04		13,566,142.07		16,598,504.11
Total Capital Assets, Non-Depreciable	5,743,948.08	(122,543.27)	13,566,142.07		19,187,546.88
Capital Assets, Depreciable:					
Buildings	30,769,019.27	(83,857.13)	605,829.17		31,290,991.31
Machinery and Equipment	3,827,017.88		251,450.75	805,371.06	3,273,097.57
General Infrastructure	1,427,363.29	206,400.40	407,770.61		2,041,534.30
Total Capital Assets, Depreciable	36,023,400.44	122,543.27	1,265,050.53	805,371.06	36,605,623.18
Less Accumulated Depreciation:					
Buildings	9,464,810.72		773,170.15		10,237,980.87
Machinery and Equipment	2,700,255.39		268,369.76	801,996.06	2,166,629.09
General Infrastructure	1,145,372.41		67,161.20		1,212,533.61
Total Accumulated Depreciation	13,310,438.52		1,108,701.11	801,996.06	13,617,143.57
Total Capital Assets, Depreciable, Net	22,712,961.92	122,543.27	156,349.42	3,375.00	22,988,479.61
<b>Capital Assets, Net</b>	<b>\$ 28,456,910.00</b>	<b>\$ 0.00</b>	<b>\$ 13,722,491.49</b>	<b>\$ 3,375.00</b>	<b>\$ 42,176,026.49</b>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	\$ 620,243.02
Accrued Payroll	609,024.79
Accounts Payable-Capital Assets	1,560,047.25
Intergovernmental Payables	256.02
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 2,789,571.08</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Compensated Absences	\$ 804,450.14	\$ 673,852.16	\$ 620,516.22	\$ 857,786.08	\$ 673,852.16

### NOTE 7 OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

Fiscal Year	Amount
2003	\$ 553,145.99
2004	405,736.00
2005	339,042.00
2006	9,549.00
<b>Total Minimum Lease Payments</b>	<b>\$ 1,307,472.99</b>

Rental expense for all operating leases during the year was \$461,238.97.

### NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>			
<b>Student Tuition and Fees</b>	\$ 7,888,824.84	\$ 820,016.33	\$ 7,068,808.51
<b>Sales and Services:</b>			
Sales and Services of Auxiliary Enterprises:			
Parking	\$ 103,835.90	\$ 14,957.90	\$ 88,878.00
Other	483,697.55	16,867.43	466,830.12
<b>Total Sales and Services</b>	\$ 587,533.45	\$ 31,825.33	\$ 555,708.12
<b>Nonoperating - Noncapital Gifts</b>	\$ 136,047.64	\$ 0.00	\$ 136,047.64



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 23,611,025.75	\$ 1,192,575.34	\$ 718,491.75	\$ 0.00	\$ 895.20	\$ 0.00	\$ 25,522,988.04
Public Service	7,929.60						7,929.60
Academic Support	4,173,281.69	333,641.36	352,383.60				4,859,306.65
Student Services	3,153,663.58	43,789.42	199,001.76				3,396,454.76
Institutional Support	3,842,234.69	263,731.87	1,149,712.99		36,711.69		5,292,391.24
Operations and Maintenance of Plant	659,685.48	126,765.20	2,773,733.60		1,174,251.41		4,734,435.69
Student Financial Aid				3,211,283.52			3,211,283.52
Auxiliary Enterprises		5,902.19	258,667.71				264,569.90
Depreciation						1,108,701.11	1,108,701.11
<b>Total Operating Expenses</b>	<b>\$ 35,447,820.79</b>	<b>\$ 1,966,405.38</b>	<b>\$ 5,451,991.41</b>	<b>\$ 3,211,283.52</b>	<b>\$ 1,211,858.30</b>	<b>\$ 1,108,701.11</b>	<b>\$ 48,398,060.51</b>

### NOTE 10 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, members of the Teachers' and State Employees' Retirement System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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valuations. For the year ended June 30, 2002, these rates were set at 1.97% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2002, the College had a total payroll of \$30,411,652.53 of which \$24,303,721.91 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$1,458,223.52 and \$478,841.63, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$478,841.63, \$1,143,764.47, and \$1,522,171.81, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

**B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 401(k) Plan -** All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the Plan participants. The voluntary contributions by employees amounted to \$302,072.00 for the year ended June 30, 2002.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$540,153.42 for the year ended June 30, 2002.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State administered programs which provide 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. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the College's total contribution to the Plan was \$571,207.02. 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*.
- B. Long-Term Disability -** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2002, the College's total contribution to the DIPNC was \$126,394.75. The College assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office 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.

Liability insurance for 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. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. The honesty bond for other employees is covered by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor. Effective for the October 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through HMO plans.

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 of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,551,962.42 and on other purchases were \$1,204,215.93 at June 30, 2002.
- B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization \$33,034,389.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

### NOTE 14 - WAKE TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC.

The Wake Technical Community College Foundation, Inc. is a separately incorporated non-profit foundation associated with the College. This organization serves as the primary fundraising arm of the College through

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$102,677.67 for the year ended June 30, 2002.

### NOTE 15 - ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented 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 financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating interfund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

### NOTE 16 - NET ASSET RESTATEMENTS

As referred to in Note 15, the College implemented 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*.

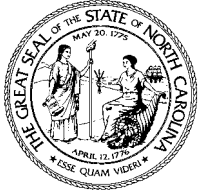
July 1, 2001 Fund Equity as previously reported	\$ 51,059,287.81
Implementation of GASB 34/35	(15,178,652.72)
Adjustment to prior year receivable	<u>(484,631.13)</u>
July 1, 2001 Net Assets as Restated	<u><u>\$ 35,396,003.96</u></u>

**Wake Technical Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2002**

**Schedule 1**

<b>Capital Improvement Projects</b>	<b>Projected Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Expected Completion Date</b>
<b>Projects Not Started - To Be Funded in Future Years</b>							
Ready Hall - Reroof	Mar 2002	\$ 350,000.00	\$ 0.00	\$ 350,000.00	\$ 0.00	0.00%	Feb 2003
ADA & Code Compliance - Renovate	May 2002	430,000.00		430,000.00			Jan 2003
Main Campus Classrooms, etc - Repair & Renovate	Apr 2002	817,938.00		817,938.00			Aug 2004
Heavy Equipment Laboratory	Apr 2003	3,000,000.00		3,000,000.00			Apr 2004
Lemay Hall - Reroof	May 2002	180,000.00		180,000.00			Aug 2004
Technical Education Building - Reroof	Sep 2002	215,000.00		215,000.00			May 2003
North East Campus Development & Construction	Oct 2002	24,171,451.00		24,171,451.00			Jun 2006
Parking Areas/Walks - Resurface & Pave	Apr 2002	240,000.00		240,000.00			Feb 2003
Health Education Facility - Repair & Renovate	Oct 2002	230,000.00		230,000.00			Jun 2004
Mechanical Systems & Controls	Sep 2002	400,000.00		400,000.00			May 2004
Law Enforcement Center	May 2003	3,000,000.00		3,000,000.00			Jul 2005
<b>Total All Projects</b>		<b>\$ 33,034,389.00</b>	<b>\$ 0.00</b>	<b>\$ 33,034,389.00</b>	<b>\$ 0.00</b>		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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

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Board of Trustees  
Wake Technical Community College  
Raleigh, North Carolina

We have audited the financial statements of Wake Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 30, 2003.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board 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* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

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.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control



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

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over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and 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.



Ralph Campbell, Jr.  
State Auditor

April 30, 2003

## **DISTRIBUTION OF AUDIT REPORT**

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

### **EXECUTIVE BRANCH**

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Bruce I. Howell	President, Wake Technical Community College
Mr. William W. Preston	Chief Financial Officer
	Wake Technical Community College
Mrs. Lide Cooke Anderson	Chairman, Board of Trustees
	Wake Technical Community College

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
Senator Kever M. Clark	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative E. Nelson Cole
Senator Walter H. Dalton	Representative James W. Crawford, Jr.
Senator James Forrester	Representative William T. Culpepper, III
Senator Linda Garrou	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Beverly M. Earle
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator David F. Weinstein	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

### **Other Legislative Officials**

Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	N. C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

June 30, 2003

## ORDERING INFORMATION

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2 South Salisbury Street  
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