



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT REVIEW REPORT OF FORSYTH TECHNICAL COMMUNITY COLLEGE**

**WINSTON-SALEM, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

# **FINANCIAL STATEMENT REVIEW REPORT OF**

**FORSYTH TECHNICAL COMMUNITY COLLEGE**

**WINSTON-SALEM, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2003**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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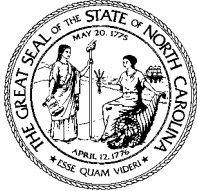
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Ralph Campbell, Jr.  
State Auditor

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**REVIEWER'S TRANSMITTAL**

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

This report presents the results of our financial statement review of Forsyth Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2003. Our review was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

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 work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Forsyth Technical Community College. The review procedures were conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

The purpose of this report is to present the results of our review of the accompanying financial statements that relate solely to Forsyth Technical Community College. Our reporting objectives and review results are:

- 1. Objective** - To disclose any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

**Results** - We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

## REVIEWER'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 that came to our attention during our review of the financial statements.

**Results** - Our review disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make reports available to the public. Copies of review reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

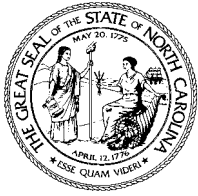


Ralph Campbell, Jr.  
State Auditor

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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Board of Trustees  
Forsyth Technical Community College  
Winston-Salem, North Carolina

We have reviewed the accompanying Statement of Net Assets of Forsyth Technical Community College, a component unit of the State of North Carolina, as of June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A), as listed in the table of contents, 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. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. 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 inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor

May 17, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

The accompanying financial statements focus is on the College as a whole considering the full scope of the College's activities. The financial statement presentation is a single column enterprise or business-type activity (BTA) rather than the fund-group perspective. The basic financial statements now consist of three statements, Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows.

### Financial Information

Comparative totals are being used in explaining the College's financial position and results of operations.

### Results of Operations

For the fiscal year ended June 30, 2003, the College's increase in net assets was \$830,904.68. Total expenses increased by \$2.86 million while total revenues only increasing by \$1.26 million. This resulted in a decrease in net assets of \$1.6 million or 65.9% from the previous year where net assets increase were \$2,436,799.92.

Total net assets decreased by \$1.6 million from June 30, 2003 to June 30, 2002. A summary of changes in total net assets is provided below.

### Changes in Total Net Assets

	2003	2002	Dollar Increase (Decrease)	Percent Increase (Decrease)
Total Operating Revenues	\$ 13,598,387.87	\$ 11,442,966.49	\$ 2,155,421.38	18.8%
Total Operating Expenses	(37,235,742.87)	(34,478,777.87)	(2,756,956.00)	8.0%
Nonoperating Revenues	21,107,959.61	21,668,056.11	(560,096.50)	(2.6%)
Nonoperating Expenses	(155,430.23)	(47,705.12)	107,725.11	225.8%
Other Revenues	3,515,730.30	3,852,260.31	(336,530.01)	(8.7%)
Increase (Decrease) in Net Assets	<u>\$ 830,904.68</u>	<u>\$ 2,436,799.92</u>	<u>\$ (1,605,895.24)</u>	<u>(65.9%)</u>

Operating revenues of \$13.6 million increased by \$2.2 million or 18.8% from the previous year's \$11.4 million. The most significant increase was in federal grants increasing by \$1.6 million or 41.7% attributed to increases in Pell awards. Other increases are in student tuition, increasing by \$.265 million or 4.9% most of which was attributed to the increase in the rate per hour, and in sales and services, increasing by \$.282 million or 13.7% attributed to increases in bookstore sales and in the new cafeteria operations reporting sales which began during the current year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating expenses of \$37.2 million increased by \$2.8 million or 8.0% from the previous year's \$34.4 million. The most significant increases were in scholarships and fellowships by \$1.0 million or 33.8% attributed to increases in Pell awards and in supplies and materials by \$1.2 million or 25.4% attributed to increases in auxiliary enterprises by \$.6 million or 27.5%, in operations and maintenance of plant by \$.4 million or 10%, and in instruction by \$.3 million or 2.2%.

Nonoperating revenues of \$21.1 million decreased by \$.6 million or 2.6% from the previous year's \$21.7 million. There were decreases in State aid by \$.3 million or 1.7%, in noncapital grants by \$.3 million or 47.8%, in noncapital gifts by \$.2 million or 36.9%, and in investment income by \$.01 million or 6.9%. There was an increase in county appropriations by \$.2 million or 3.6%.

Other revenues of \$3.5 million decreased by \$.3 million or 8.7% from the previous year's \$3.8 million. There were increases in State capital aid by \$.3 million or 23.9%, and in county capital appropriations by \$.1 million or 51.7%. There were decreases in capital grants by \$.3 million or 17%, and in capital gifts by \$.4 million or 76.9%.

### Year-End Net Assets

	2003	2002	Dollar Increase (Decrease)	Percent Increase (Decrease)
Invested in Capital Assets	\$ 24,945,672.01	\$ 24,967,301.15	\$ (21,629.14)	(0.1%)
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	81,395.36	78,599.74	2,795.62	3.6%
Expendable:				
Scholarships and Fellowships	199,247.80	196,573.31	2,674.49	1.4%
Loans	157,904.44	152,189.38	5,715.06	3.8%
Capital Projects	1,498,252.86	740,540.11	757,712.75	102.3%
Other	441,449.44	341,595.87	99,853.57	29.2%
Unrestricted	1,837,053.93	1,853,271.60	(16,217.67)	(0.8%)
Total Net Assets	<u>\$ 29,160,975.84</u>	<u>\$ 28,330,071.16</u>	<u>\$ 830,904.68</u>	<u>2.9%</u>

The College's net assets at fiscal year ended June 30, 2003 was \$29.1 million, an increase of \$.8 million or 2.9% over the previous year's \$28.3 million. Of the total net assets \$24.9 million was invested in capital assets with unrestricted assets of \$1.8 million and restricted assets totaling \$2.4 million. Of the \$2.4 million restricted assets, \$1.5 million was restricted for expendable capital projects assets which increased by \$.758 million or 102.3% over the previous year's \$.740 million. The increase in expendable capital projects assets is attributed to an increase in the amount due from the State by \$474,810.20 along with a decrease in payables of \$226,103.03.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Assets

Total assets at fiscal year ended June 30, 2003 were \$31,226,011.87, an increase of \$727,988.53. Capital assets net depreciation was \$24,945,672.01 representing 80% of total assets. Cash and cash equivalents was \$3,790,986.74, an increase from previous year by \$491,156.19 or 14.9%. Other assets are receivables, inventories, notes receivable, and restricted due from primary government. Receivables, net were \$529,745.12, (current portion \$405,305.28 and noncurrent \$124,439.84), a decrease of \$375,802.29 or 41.5%. Of the \$375,802.29 decrease, \$364,878.30 was from the bookstore receivables from vendors. Inventories were \$869,060.34 an increase of \$154,186.71 or 21.6%. Of the \$154,186.71 increase, \$89,238.44 was for postage and expendable supplies and \$74,934.34 was for merchandise for resale. Restricted due from primary government was \$1.1 million which was for State bond projects.

### Capital Assets

	2003	2002	Dollar Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 789,394.05	\$ 789,394.05	\$ 0.00	
Construction in Progress	2,093,065.80	2,076,633.33	16,432.47	0.8%
Total Capital Assets, Nondepreciable	2,882,459.85	2,866,027.38	16,432.47	0.8%
Buildings	18,939,532.36	19,535,120.59	(595,588.23)	(3.0%)
Machinery and Equipment	2,243,375.57	2,180,694.86	62,680.71	2.9%
General Infrastructure	880,304.23	385,458.32	494,845.91	128.4%
Total Capital Assets, Depreciable, Net	22,063,212.16	22,101,273.77	(38,061.61)	(0.2%)
Total Capital Assets, Net	\$ 24,945,672.01	\$ 24,967,301.15	\$ (21,629.14)	(0.1%)

Buildings, net the largest capital asset decrease by \$.6 million is the results of an increase in depreciation expense of \$772,374.00 along with additions to buildings during the year of \$176,785.77. The additions in capital projects were for the Winston Building, the West Campus Building, and the Allman Center. The increase of \$.5 million in General Infrastructure is the results of additions for the Data Line project of \$304,944.27, and Parking Lot projects of \$283,921.01 along with depreciation expense of \$94,019.37.

Total liabilities at fiscal year ended June 30, 2003 were \$2,065,036.03 a decrease from previous year of \$102,916.15 or 4.7% attributed to a decrease in accounts payable and accrued liabilities. Current liabilities were \$997,774.55 a decrease of \$127,279.37, and noncurrent liabilities were \$1,067,261.48 with an increase of \$24,363.22. Current liabilities are those that will be paid within one year, while noncurrent liabilities will not become due within one year. Of the total liabilities, \$1,234,006.39 or 59.8% represents long-term liabilities for accrued vacation. The portion of the long-term liabilities reported as current is \$185,569.89 or 7.0%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Revenues

	2003	2002	Dollar Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues:				
Student Tuition and Fees, Net	\$ 5,676,025.99	\$ 5,411,023.04	\$ 265,002.95	4.9%
Federal Grants and Contracts	5,412,436.87	3,820,636.46	1,591,800.41	41.7%
Sales and Services, Net	2,343,157.68	2,061,025.52	282,132.16	13.7%
Other	166,767.33	150,281.47	16,485.86	11.0%
Total Operating Revenues	13,598,387.87	11,442,966.49	2,155,421.38	18.8%
Nonoperating Revenues:				
State Aid	15,438,453.70	15,702,844.29	(264,390.59)	(1.7%)
County Appropriations	4,920,743.00	4,748,258.00	172,485.00	3.6%
Noncapital Grants	312,193.48	597,777.34	(285,583.86)	(47.8%)
Noncapital Gifts	293,649.24	465,624.51	(171,975.27)	(36.9%)
Investment Income, Net	142,920.19	153,551.97	(10,631.78)	(6.9%)
Total Nonoperating Revenues	21,107,959.61	21,668,056.11	(560,096.50)	(2.6%)
State Capital Aid	1,420,843.71	1,146,774.95	274,068.76	23.9%
County Capital Appropriations	447,000.00	294,600.00	152,400.00	51.7%
Capital Grants	1,508,947.53	1,818,359.95	(309,412.40)	(17.0%)
Capital Gifts	135,607.61	587,751.61	(452,144.00)	(76.9%)
Additions to Permanent Endowments	3,331.45	4,773.80	(1,442.35)	(30.2%)
Subtotal	3,515,730.30	3,852,260.31	(336,529.99)	(8.7%)
Total Revenues	\$ 38,222,077.78	\$ 36,963,282.91	\$ 1,258,794.89	3.4%

Total revenues at fiscal year ended June 30, 2003 were \$38.2 million, an increase of \$1.3 million or 3.4% over the previous year's \$36.9 million. The largest revenue was provided by the State totaling \$16,859,297.41 with \$15,438,453.70 State aid reported as nonoperating revenues and \$1,420,843.71 State aid reported as capital revenues. County appropriations received were \$5,367,743.00, with \$4,920,743.00 reported as nonoperating revenues and \$447,000.00 reported as capital revenues.

Operating revenues of \$13.6 million increased by \$2.2 million or 18.8% over the previous year's \$11.4 million. The major sources of operating revenues were student tuition and fees in the amount of \$5.7 million, and federal grants in the amount of \$5.4 million. Federal grants was the largest increase in operating revenues increasing by \$1,591,800.41 or 41.7% with Pell's increase of \$1,402,232.16. Other increases in operating revenues were in the areas of student tuition and fees by \$265,002.95 or 4.9% and sales and services by \$282,132.16 or 13.7%. The increase in student tuition and fees is attributed to an increase of \$649,673.27 in gross revenues along with an increase in scholarship discounts of \$348,670.32 netting to a \$265,002.95 increase. The total increase in sales and services is attributed to the increase in bookstore sales during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating revenues of \$21.1 million decreased by \$.6 million or 2.6%. Decreases were in the areas of State aid by \$264,390.59, noncapital grants by \$285,583.86, noncapital gifts by \$171,975.27, and investment income by \$10,631.78. The only increase in nonoperating revenues was county appropriations for operations of \$172,485.00 or 3.6% over the previous year. The decrease in State aid was offset by an increase in State capital aid. The decrease of \$285,583.86 for noncapital grants is attributed to a restricted State grant for information technology. Noncapital gifts decreases are attributed to three foundation gifts with decreases in radiograph by \$59,878.84, radiograph/imaging by \$79,480.12, and general foundation by \$44,541.96.

Capital grants of \$1.5 million decreased by \$.3 million or 17%. The decrease is due to a combination of an increase from State bonds by \$327,238.00 or 41.9% and a decrease in county appropriations by \$636,650.20 or 61.4%. The decrease in county appropriations is attributed to the completion of the Greene Hall Expansion Project. The increase in State bonds is attributed to beginning of construction on the new information technology building project (Itech Bldg Project). The Itech Bldg Project is a new five story facility with an estimated cost of \$12.97 million and an expected completion date of August of 2005.

Capital gifts total \$135,607.61 representing equipment contributions of \$118,107.61 a decrease of \$307,828.71 from the previous year of \$425,936.32, and cash contribution for the Greene Hall Expansion Project of \$17,500.00 a decrease of \$79,465.29 from the previous year of \$96,965.29.

Additions to permanent endowments decreased by \$1,442.35 or 30.2% from the previous year of \$4,773.80.

### Expenses

	2003	2002	Dollar Increase (Decrease)	Percent Increase (Decrease)
Operating Expenses:				
Personal Services	\$ 22,981,080.30	\$ 22,981,937.05	\$ (856.75)	(0.004%)
Supplies and Materials	5,803,558.88	4,627,959.82	1,175,599.06	25.4%
Services	2,459,539.46	1,994,427.60	465,111.86	23.3%
Scholarships and Fellowships	4,021,548.58	3,005,855.16	1,015,693.42	33.8%
Utilities	775,789.58	741,401.56	34,388.02	4.6%
Depreciation	1,194,226.07	1,127,196.68	67,029.39	5.9%
Total Operating Expenses	<u>\$ 37,235,742.87</u>	<u>\$ 34,478,777.87</u>	<u>\$ 2,756,965.00</u>	<u>8.0%</u>
Nonoperating Expenses:				
Other	<u>\$ 155,430.23</u>	<u>\$ 47,705.12</u>	<u>\$ 107,725.11</u>	<u>225.8%</u>

Operating expenses of \$37.2 million increased during the year by \$2.75 million or 8%. Nonoperating expense increased by \$107,725.11 or 225.8%. Nonoperating expense is for the loss on the disposal of fixed assets during the year. The largest expense was in the area of personal services totaling \$22.981 million which was almost the same amount as last year.

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

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Supplies and materials increased by \$1.2 million or 25.4%. The increases are for the operations and maintenance of plant by \$451,288.39 and for auxiliary enterprises by \$506,512.73. Services increased by \$.475 million or 23.3%. The increases are for instruction by \$201,288.23, institutional support by \$96,703.55, and operations and maintenance of plant by \$72,334.09. Scholarships and fellowships increased by \$1 million or 33.8%. The increase is for student financial aid. Other operating expenses that increased during the year are utilities by \$34,388.02 or 4.6% and depreciation by \$67,029.39 or 5.9%.

During the year, the College had several capital projects with total capitalized expenses of \$1.3 million in depreciable assets and \$.3 million in nondepreciable assets, construction in progress. The construction in progress was comprised of \$1,710,421.03 for the Greene Hall Expansion Project, \$373,044.77 for the ITEC Building Project, and \$9,600.00 for the HVAC and Fire Alarm System Renovations Project. Outstanding commitments for capital projects as of June 30, 2003 were \$611,612.38 comprising of \$76,562.38 for the Greene Hall Expansion Project, \$496,650.00 for the ITEC Building Project, and \$38,400.00 for the HVAC and Fire Alarm System Renovations Project.

### **For Future Operations**

There are no known facts, decisions, or conditions that are currently known that will have a significant effect on the financial position or results of operations.

**Forsyth Technical Community College****Statement of Net Assets****June 30, 2003****Exhibit A****ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$	1,897,376.88
Restricted Cash and Cash Equivalents		521,208.59
Receivables (Note 3)		405,305.28
Inventories		869,060.34
Notes Receivable (Note 3)		13,334.61
Total Current Assets		3,706,285.70

## Noncurrent Assets:

Restricted Cash and Cash Equivalents		1,372,401.27
Receivables (Note 3)		124,439.84
Restricted Due from Primary Government		1,077,213.05
Capital Assets - Nondepreciable (Note 4)		2,882,459.85
Capital Assets - Depreciable, Net (Note 4)		22,063,212.16
Total Noncurrent Assets		27,519,726.17
Total Assets		31,226,011.87

**LIABILITIES**

## Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)		804,593.63
Funds Held for Others		7,611.03
Long-Term Liabilities - Current Portion (Note 6)		185,569.89
Total Current Liabilities		997,774.55

## Noncurrent Liabilities:

Funds Held for Others		18,824.98
Long-Term Liabilities (Note 6)		1,048,436.50
Total Noncurrent Liabilities		1,067,261.48
Total Liabilities		2,065,036.03

**NET ASSETS**

Invested in Capital Assets		24,945,672.01
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		81,395.36
Expendable:		
Scholarships and Fellowships		199,247.80
Loans		157,904.44
Capital Projects		1,498,252.86
Other		441,449.44
Unrestricted		1,837,053.93
Total Net Assets	\$	29,160,975.84

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

<b><i>Forsyth Technical Community College</i></b>		
<b><i>Statement of Revenues, Expenses, and</i></b>		
<b><i>Changes in Net Assets</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit B</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	5,676,025.99
Federal Grants and Contracts		5,412,436.87
Sales and Services, Net (Note 8)		2,343,157.68
Other Operating Revenues		166,767.33
Total Operating Revenues		13,598,387.87
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services		22,981,080.30
Supplies and Materials		5,803,558.88
Services		2,459,539.46
Scholarships and Fellowships		4,021,548.58
Utilities		775,789.58
Depreciation		1,194,226.07
Total Operating Expenses		37,235,742.87
Operating Loss		(23,637,355.00)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		15,438,453.70
County Appropriations		4,920,743.00
Noncapital Grants		312,193.48
Noncapital Gifts		293,649.24
Investment Income, Net		142,920.19
Other Nonoperating Expenses		(155,430.23)
Net Nonoperating Revenues		20,952,529.38
Loss Before Other Revenues, Expenses, Gains, and Losses		(2,684,825.62)
State Capital Aid		1,420,843.71
County Capital Appropriations		447,000.00
Capital Grants		1,508,947.53
Capital Gifts		135,607.61
Additions to Endowments		3,331.45
Increase in Net Assets		830,904.68
<b>NET ASSETS</b>		
Net Assets, July 1, 2002		28,330,071.16
Net Assets, June 30, 2003	\$	29,160,975.84
The accompanying notes to the financial statements are an integral part of this statement.		

<b><i>Forsyth Technical Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		
<b><i>For the Fiscal Year Ended June 30, 2003</i></b>		<b><i>Exhibit C</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers	\$	13,955,995.87
Payments to Employees and Fringe Benefits		(22,922,662.51)
Payments to Vendors and Suppliers		(9,363,013.71)
Payments for Scholarships and Fellowships		(4,019,667.22)
Loans Issued to Students		(5,266.86)
Other Receipts		24,918.07
Net Cash Used by Operating Activities		(22,329,696.36)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		15,438,453.70
County Appropriations		4,920,743.00
Noncapital Grants Received		312,193.48
Noncapital Gifts and Endowments Received		296,980.69
Net Cash Provided by Noncapital Financing Activities		20,968,370.87
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		946,033.51
County Capital Appropriations		447,000.00
Capital Grants Received		1,508,947.53
Capital Gifts Received		17,500.00
Proceeds from Sale of Capital Assets		927.09
Acquisition and Construction of Capital Assets		(1,210,846.64)
Net Cash Provided by Capital and Related Financing Activities		1,709,561.49
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		142,920.19
Net Cash Provided by Investing Activities		142,920.19
Net Increase in Cash and Cash Equivalents		491,156.19
Cash and Cash Equivalents, July 1, 2002		3,299,830.55
Cash and Cash Equivalents, June 30, 2003	\$	3,790,986.74



<b><i>Forsyth 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, 2003</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$	(23,637,355.00)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,194,226.07
Changes in Assets and Liabilities:		
Receivables, Net		375,802.19
Inventories		(154,186.71)
Notes Receivable, Net		(5,266.86)
Accounts Payable and Accrued Liabilities		(117,505.19)
Due to Primary Government		(4,299.00)
Funds Held for Others		8,605.24
Compensated Absences		10,282.90
Net Cash Used by Operating Activities	\$	(22,329,696.36)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	1,897,376.88
Restricted Cash and Cash Equivalents		521,208.59
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,372,401.27
Total Cash and Cash Equivalents - June 30, 2003	\$	3,790,986.74
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Assets Acquired through a Gift	\$	118,107.61
Capital Asset Write-Offs		399,770.10
Increase in Receivables Related to Nonoperating Income		474,810.20
The accompanying notes to the financial statements are an integral part of this statement.		

**FORSYTH TECHNICAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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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. Forsyth 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 nonprofit 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*, 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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.
- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment portfolio. The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from State and local governments and due from private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. No provision for doubtful accounts is considered necessary.
- F. Inventories** – Inventories, consisting of postage, expendable supplies, and merchandise for resale, are valued at the lower of cost or market value using either the first-in, first-out, or average cost basis 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 more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 25 years for general infrastructure, 10 to 40 years for buildings, and 3 to 15 years for equipment.
- H. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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 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** – This represents the College's total investment in capital assets.

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

**Restricted Net 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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

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

- N. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

### 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 Investment Pool. Also, the College may

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$5,690.94. The carrying amount of cash on deposit was \$3,785,295.80 and the bank balance was \$4,027,259.59.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	\$ 3,330,771.32	\$ 3,593,936.21
Cash on Deposit with Private Financial Institutions	454,524.48	433,523.38
	<u>\$ 3,785,295.80</u>	<u>\$ 4,027,459.59</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are "readily convertible into cash." All investments of the fund are held either by the Department of State Treasurer or agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

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

Of the cash on deposit with private financial institutions at June 30, 2003, \$150,515.75 of the bank balance was covered by federal depository insurance, and \$283,007.63 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	Amount
<b>Current Receivables:</b>	
Students	\$ 258,861.31
Accounts	<u>146,443.97</u>
<b>Total Current Receivables</b>	<u><u>\$ 405,305.28</u></u>
<b>Noncurrent Receivables:</b>	
Students	<u><u>\$ 124,439.84</u></u>
<b>Notes Receivable - Current:</b>	
Institutional Student Loan Programs	<u><u>\$ 13,334.61</u></u>

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2003, is presented as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 789,394.05	\$ 0.00	\$ 0.00	\$ 789,394.05
Construction in Progress	<u>2,076,633.33</u>	<u>321,376.74</u>	<u>304,944.27</u>	<u>2,093,065.80</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>2,866,027.38</u>	<u>321,376.74</u>	<u>304,944.27</u>	<u>2,882,459.85</u>
Capital Assets, Depreciable:				
Buildings	27,762,709.56	176,785.77		27,939,495.33
Machinery and Equipment	4,748,367.79	546,870.73	459,241.45	4,835,997.07
General Infrastructure	<u>1,124,690.00</u>	<u>588,865.28</u>		<u>1,713,555.28</u>
<b>Total Capital Assets, Depreciable</b>	<u>33,635,767.35</u>	<u>1,312,521.78</u>	<u>459,241.45</u>	<u>34,489,047.68</u>
Less Accumulated Depreciation:				
Buildings	8,227,588.97	772,374.00		8,999,962.97
Machinery and Equipment	2,567,672.93	327,832.70	302,884.13	2,592,621.50
General Infrastructure	<u>739,231.68</u>	<u>94,019.37</u>		<u>833,251.05</u>
<b>Total Accumulated Depreciation</b>	<u>11,534,493.58</u>	<u>1,194,226.07</u>	<u>302,884.13</u>	<u>12,425,835.52</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>22,101,273.77</u>	<u>118,295.71</u>	<u>156,357.32</u>	<u>22,063,212.16</u>
<b>Capital Assets, Net</b>	<u><u>\$ 24,967,301.15</u></u>	<u><u>\$ 439,672.45</u></u>	<u><u>\$ 461,301.59</u></u>	<u><u>\$ 24,945,672.01</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2003 were as follows:

	<u>Amount</u>
Accounts Payable	\$ 319,954.66
Accrued Payroll	<u>484,638.97</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 804,593.63</u></b>

### NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 1,223,723.49</u>	<u>\$ 10,282.90</u>	<u>\$ 0.00</u>	<u>\$ 1,234,006.39</u>	<u>\$ 185,569.89</u>

### NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 133,205.04
2005	107,243.04
2006	97,428.00
2007	<u>56,833.00</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 394,709.08</u></b>

The following schedule presents the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	<u>Amount</u>
Minimum Rentals	\$ 150,935.04
Contingent Rentals	<u>4,107.92</u>
<b>Total Rental Expense</b>	<b><u>\$ 155,042.96</u></b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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>	<u>\$ 6,781,561.47</u>	<u>\$ 1,105,535.48</u>	<u>\$ 5,676,025.99</u>
<b>Sales and Services:</b>			
Sales and Services of Auxiliary Enterprises:			
Bookstore	\$ 2,923,240.32	\$ 604,561.44	\$ 2,318,678.88
Other	<u>24,478.80</u>		<u>24,478.80</u>
<b>Total Sales and Services</b>	<u>\$ 2,947,719.12</u>	<u>\$ 604,561.44</u>	<u>\$ 2,343,157.68</u>

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 13,580,827.44	\$ 1,194,496.34	\$ 708,344.14	\$ 3,086.56	\$ 25,262.84	\$ 0.00	\$ 15,512,017.32
Academic Support	2,061,324.39	116,309.40	81,489.05		158.48		2,259,281.32
Student Services	1,404,272.28	97,143.43	146,229.69	163,974.97			1,811,620.37
Institutional Support	4,289,649.85	316,959.48	712,511.63	1,904.25	148,310.21		5,469,335.42
Operations and Maintenance of Plant	1,333,290.45	1,631,127.49	684,526.95		602,058.05		4,251,002.94
Student Financial Aid				3,852,582.80			3,852,582.80
Auxiliary Enterprises	311,715.89	2,447,522.74	126,438.00				2,885,676.63
Depreciation						1,194,226.07	1,194,226.07
<b>Total Operating Expenses</b>	<u>\$ 22,981,080.30</u>	<u>\$ 5,803,558.88</u>	<u>\$ 2,459,539.46</u>	<u>\$ 4,021,548.58</u>	<u>\$ 775,789.58</u>	<u>\$ 1,194,226.07</u>	<u>\$ 37,235,742.87</u>

### 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 cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

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 valuations. For the year ended June 30, 2003, the General

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Assembly required no contribution by employers and 6% of covered payroll for members.

For the year ended June 30, 2003, the College had a total payroll of \$19,501,186.67, of which \$15,046,208.59 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$902,773.10. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were \$0.00, \$302,289.57, and \$803,406.35, 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. 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. No costs are incurred by the College. The voluntary contributions by employees amounted to \$250,347.00 for the year ended June 30, 2003.

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 nonprofit 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 \$202,867.00 for the year ended June 30, 2003.

### 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2003, the College's total contribution to the Plan was \$353,585.90. 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 to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$78,240.28. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 12 - RISK MANAGEMENT

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

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. 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. In addition, the College is protected from losses from employee dishonesty and computer fraud for employees paid from county and institutional funds 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.

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.

### 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 \$611,612.38 at June 30, 2003.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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**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 were authorized for issuance 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 of \$16,315,351.00 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 - FORSYTH TECHNICAL COMMUNITY COLLEGE FOUNDATION, INC.**

The Forsyth Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through 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 \$444,395.16 for the year ended June 30, 2003.

***Forsyth Technical Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2003***

***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><i>Projects Approved by the State Board</i></b>							
Construction - New Building - #1139	Dec 2001	\$ 7,694,774.00	\$ 5,275,226.00	\$ 12,970,000.00	\$ 373,044.77	2.88%	Aug 2005
Gym Renovation, Rerouting of Data Lines, Parking Lot - #1159	Dec 2001	900,000.00		900,000.00	815,970.67	90.66%	Sep 2003
HVAC and Fire Alarm System Renovations - #1311	Feb 2003	650,000.00		650,000.00	9,600.00	1.48%	Apr 2004
<b><i>Projects Pending Approval by the State Board</i></b>							
Bundled - Piedmont Building	Nov 2003	87,000.00		87,000.00			
Replace Boiler - West Campus	Nov 2003	220,000.00		220,000.00			
Bundled - Different Renovation Projects	Dec 2003	720,000.00		720,000.00			
Bundled - Electrical Upfit, Air Condition Hallways	Dec 2003	450,000.00		450,000.00			
Bundled - Snyder and Ardmore Buildings	Dec 2003	450,000.00		450,000.00			
Bundled - Roof Replacement	Nov 2003	250,000.00		250,000.00			
Bundled - Renovation of Space	Apr 2004	151,688.00		151,688.00			
Construction - Parking Deck	Apr 2004	3,154,979.00	1,845,021.00	5,000,000.00			
Renovations	Jun 2004	1,503,000.00		1,503,000.00			
Construction - Addition to Greene Hall	Aug 2004	2,095,268.00		2,095,268.00			
<b>Total All Projects</b>		<b>\$ 18,326,709.00</b>	<b>\$ 7,120,247.00</b>	<b>\$ 25,446,956.00</b>	<b>\$ 1,198,615.44</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.

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## **DISTRIBUTION OF REVIEW 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.

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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. Gary M. Green	President, Forsyth Technical Community College
Mr. Kenneth W. Jarvis	Vice President for Business Services Forsyth Technical Community College
Ms. Joyce E. Glass	Chairman, Board of Trustees Forsyth Technical Community College

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### **Other Legislative Officials**

Mr. James D. Johnson	Director, Fiscal Research Division
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June 28, 2004



## ORDERING INFORMATION

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