

# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF**

**FORSYTH TECHNICAL COMMUNITY COLLEGE**

**WINSTON-SALEM, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**H. MARTIN LANCASTER, PRESIDENT**

**BOARD OF TRUSTEES**

**JOYCE E. GLASS, CHAIRPERSON**

**DR. KENNETH M. SADLER, VICE CHAIRPERSON**

**DEREK S. DUGGINS  
JOHN T. EAGAN, JR.  
GORDON B. HUGHES  
ROBERT F. JOYCE  
ANDREA D. KEPPLER**

**DONNY C. LAMBETH  
JEFFREY R. MCFADDEN  
DEWITT E. RHOADES  
DR. WILLIAM F. SAYERS  
R. MICHAEL WELLS**

**ADMINISTRATIVE OFFICERS**

**DR. GARY M. GREEN, PRESIDENT**

**KENNETH W. JARVIS, VICE PRESIDENT FOR BUSINESS SERVICES**



Leslie W. Merritt, Jr., CPA, CFP  
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.ncauditor.net>

---

**AUDITOR'S TRANSMITTAL**

---

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 audit of Forsyth Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our audit 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 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 Forsyth 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 Forsyth 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 Forsyth 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)

---

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 significant deficiencies, 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 Internal Control over Financial Reporting and on Compliance and Other Matters.

3. **Objective** – To present significant deficiencies, if any, in internal control over compliance that could adversely affect the College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants and present instances of noncompliance with federal laws, regulations, contracts or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in *OMB Circular A-133 Compliance Supplement*.

**Results** - Our tests disclosed no significant deficiencies in internal control over compliance and no instances of noncompliance, which require disclosure herein under *OMB Circular A-133*.

*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.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
FINANCIAL STATEMENTS	
Exhibits	
A-1 Statement of Net Assets .....	9
A-2 Statement of Revenues, Expenses, and Changes in Net Assets .....	10
A-3 Statement of Cash Flows .....	11
Notes to the Financial Statements .....	13
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures .....	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	29
DISTRIBUTION OF AUDIT REPORT .....	31



STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
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.ncauditor.net>

---

**INDEPENDENT AUDITOR'S REPORT**

---

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

We have audited the accompanying basic financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2004, 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 Forsyth Technical Community College as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2005, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

The Management's Discussion and Analysis, 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. 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.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

February 21, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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, 2004. 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, 2004, the College's increase in net assets was \$5,741,173.70. Total revenues increased by \$9.3 million while total expenses only increased by \$4.4 million. This resulted in an increase in the changes in net assets of \$4.9 million or 591% from the previous year where net assets increases were \$830,904.68.

Total net assets increased by \$4.9 million from June 30, 2003, to June 30, 2004. A summary of changes in net assets is provided below.

### Changes in Net Assets

	2004	2003	Dollar Increase (Decrease)	Percent Increase (Decrease)
Total Operating Revenues	\$ 14,101,630.37	\$ 13,598,387.87	\$ 503,242.50	4%
Total Operating Expenses	(41,682,632.54)	(37,235,742.87)	(4,446,889.67)	12%
Nonoperating Revenues	24,750,439.80	21,107,959.61	3,642,480.19	17%
Nonoperating Expenses	(105,125.57)	(155,430.23)	50,304.66	(32%)
Other Revenues	8,676,861.64	3,515,730.30	5,161,131.34	147%
Increase in Net Assets	<u>\$ 5,741,173.70</u>	<u>\$ 830,904.68</u>	<u>\$ 4,910,269.02</u>	591%

Operating revenues of \$14.1 million increased by \$.5 million or 4% from the previous year's \$13.6 million. The most significant increase was in student tuition and fees increasing by \$.5 million or 10%. The increase in student tuition is attributed to increases in both the rate and enrollment.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating expenses of \$41.6 million increased by \$4.4 million or 12% from the previous year's \$37.2 million. The most significant increase was in salaries and benefits, \$3.2 million or 14%, of which \$2.1 million or 16% was for instruction. Other increases were for institutional support by \$.4 million, academic support and student services by \$.2 million each, auxiliary enterprises by \$.1 million, and operations and maintenance of plant by \$.1 million. Nonoperating expenses of \$105,125.57 decreased by \$50,304.66.

Nonoperating revenues of \$24.7 million increased by \$3.6 million or 17% from the previous year's \$21.1 million. The most significant increases were in State aid by \$2.3 million or 15%, and in noncapital grants by \$1.3 million or 429%.

Other revenues of \$8.6 million increased by \$5.1 million or 147% from the previous year's \$3.5 million. The most significant increases were in State capital aid by \$3.8 million or 272%, and in capital grants by \$1.5 million or 98%.

### Year-End Net Assets

	2004	2003	Dollar Increase (Decrease)	Percent Increase (Decrease)
Invested in Capital Assets	\$ 29,235,638.17	\$ 24,945,672.01	\$ 4,289,966.16	17%
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	82,467.66	81,395.36	1,072.30	1%
Expendable:				
Scholarships and Fellowships	202,991.22	199,247.80	3,743.42	2%
Loans	162,438.09	157,904.44	4,533.65	3%
Capital Projects	4,026,904.14	1,498,252.86	2,528,651.28	169%
Other	435,161.88	441,449.44	(6,287.56)	(1%)
Unrestricted	756,548.38	1,837,053.93	(1,080,505.55)	(59%)
Total Net Assets	<u>\$ 34,902,149.54</u>	<u>\$ 29,160,975.84</u>	<u>\$ 5,741,173.70</u>	20%

The College's net assets at fiscal year ended June 30, 2004, was \$34.9 million, an increase of \$5.7 million or 20% over the previous year's \$29.2 million. Of the total net assets \$29.2 million was invested in capital assets with unrestricted assets of \$.75 million and restricted assets totaling \$4.9 million. Of the \$4.9 million restricted assets, \$4 million was restricted for expendable capital projects assets which increased by \$2.5 million or 169% over the previous year's \$1.5 million. The increase in expendable capital projects assets is attributed to an increase in the amount due from the State by \$2,272,412.29.

### Assets

Total assets at fiscal year ended June 30, 2004, were \$38,500,494.65, an increase of \$7,274,482.78. Capital assets, net of depreciation, were \$29,235,638.17 and represented 76% of the total assets. Cash and cash equivalents were \$4,469,055.57, an increase from the previous year by \$678,068.83 or 18%. Other assets are receivables, inventories, notes receivable, restricted due from primary government, and due from State of NC component

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

units. Receivables were \$562,697.70, (current portion \$545,592.25 and noncurrent \$17,105.45), an increase of \$32,952.58 or 6%. Of the \$32,952.58 increase, the increases were in student receivables by \$80,652.86 and grant receivables by \$29,294.10 with a decrease in bookstore receivables from vendors by \$76,994.28. Inventories were \$783,015.75, a decrease of \$86,044.59 or 10%. Of the \$86,044.59 decrease, \$72,466.71 was for postage and expendable supplies and \$13,577.88 was for merchandise for resale. Restricted due from primary government is \$3,349,625.34, an increase of \$2,272,412.29, which is for state bond projects.

### Capital Assets

	2004	2003	Dollar Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 1,609,702.42	\$ 789,394.05	\$ 820,308.37	104%
Construction in Progress	6,102,957.19	2,093,065.80	4,009,891.39	192%
Total Capital Assets, Nondepreciable	7,712,659.61	2,882,459.85	4,830,199.76	168%
Buildings	18,304,297.02	18,939,532.36	(635,235.34)	(3%)
Machinery and Equipment	2,366,234.28	2,243,375.57	122,858.71	5%
General Infrastructure	852,447.26	880,304.23	(27,856.97)	(3%)
Total Capital Assets, Depreciable, Net	21,522,978.56	22,063,212.16	(540,233.60)	(2%)
Total Capital Assets, Net	\$ 29,235,638.17	\$ 24,945,672.01	\$ 4,289,966.16	17%

Buildings, the largest capital asset, decreased by \$635,235.34 as a result of an increase in depreciation expense of \$763,714.19, along with additions to buildings during the year of \$210,532.41, and the recording of a loss for the demolition of a portion of the Parkway Building for \$82,053.56. The additions in capital projects were for the Winston Building, the West Campus Building, the Swisher Center Building, and the Woodruff Center Building.

Land increased by \$820,308.37 for the purchase of 53 acres on Big Oaks Drive which will be used for the future construction of the Northwest Forsyth Center.

Construction in Progress increased by \$4 million as the result of increases in the construction cost for the Information Technology (ITEC) Building by \$3.5 million, the Variable Air Volume (VAV) Boxes Project by \$.5 million, and the Greene Hall Expansion Project by \$25,548.80. The net decrease of \$27,856.97 in General Infrastructure is the result of additions for landscaping of \$40,948.48, and parking areas of \$16,975.00 along with depreciation expense of \$85,780.45.

Total liabilities at fiscal year ended June 30, 2004, were \$3,598,345.11 increasing by \$1,533,309.08 or 74%. The increases are attributed to accounts payable and accrued liabilities by \$978,519.09, and long-term liabilities by \$552,664.61. In accounts payable the increases were for construction contracts and bookstore payables. In long-term liabilities the

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

increase was due to additional bonus hours given during the year along with salary increases. Current liabilities were \$2,085,199.92 with an increase of \$1,087,425.37, and noncurrent liabilities were \$1,513,145.19 with an increase of \$445,883.71. 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, \$1,786,671.00 or 50% represents long-term liabilities for accrued vacation. The portion of the long-term liabilities reported as current was \$294,053.00 or 8% of total liabilities.

### Revenues

	2004	2003	Dollar Increase (Decrease)	Percent Increase (Decrease)
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$ 6,233,886.47	\$ 5,676,025.99	\$ 557,860.48	10%
Federal Grants and Contracts	5,119,605.94	5,412,436.87	(292,830.93)	(5%)
Sales and Services, Net	2,738,807.22	2,343,157.68	395,649.54	17%
Other	9,330.74	166,767.33	(157,436.59)	(94%)
<b>Total Operating Revenues</b>	<b>14,101,630.37</b>	<b>13,598,387.87</b>	<b>503,242.50</b>	<b>4%</b>
<b>Nonoperating Revenues:</b>				
State Aid	17,702,978.07	15,438,453.70	2,264,524.37	15%
County Appropriations	5,080,465.22	4,920,743.00	159,722.22	3%
Noncapital Grants	1,650,647.19	312,193.48	1,338,453.71	429%
Noncapital Gifts	207,922.91	293,649.24	(85,726.33)	(29%)
Investment Income, Net	108,426.41	142,920.19	(34,493.78)	(24%)
<b>Total Nonoperating Revenues</b>	<b>24,750,439.80</b>	<b>21,107,959.61</b>	<b>3,642,480.19</b>	<b>17%</b>
State Capital Aid	5,289,102.60	1,420,843.71	3,868,258.89	272%
County Capital Appropriations	371,139.78	447,000.00	(75,860.22)	(17%)
Capital Grants	2,990,121.89	1,508,947.53	1,481,174.36	98%
Capital Gifts	25,000.00	135,607.61	(110,607.61)	(82%)
Additions to Permanent Endowments	1,497.37	3,331.45	(1,834.08)	(55%)
<b>Subtotal</b>	<b>8,676,861.64</b>	<b>3,515,730.30</b>	<b>5,161,131.34</b>	<b>147%</b>
<b>Total Revenues</b>	<b>\$ 47,528,931.81</b>	<b>\$ 38,222,077.78</b>	<b>\$ 9,306,854.03</b>	<b>24%</b>

Total revenues at fiscal year ended June 30, 2004, were \$47.5 million, an increase of \$9.3 million or 24% over the previous year's \$38.2 million. Of the \$9.3 million increase in revenues, the largest increase was in the area of capital by \$5.2 million or 147% with nonoperating revenues increasing by \$3.6 million or 17%, and operating revenues increasing by \$.5 million or 4%. The largest revenue was provided by the State totaling \$22,992,080.67 with \$17,702,978.07 State aid reported as nonoperating revenues and \$5,289,102.60 State aid reported as capital revenues. County appropriations received were \$5,451,605.00 with \$5,080,465.22 reported as nonoperating revenues and \$371,139.78 reported as capital revenues.

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

---

Operating revenues of \$14.1 million increased by \$.5 million or 4% over the previous year's \$13.6 million. The major sources of operating revenues were student tuition and fees in the amount of \$6.2 million, and federal grants in the amount of \$5.1 million. Increases were in student tuition and fees by \$557,860.48 or 10% and sales and services by \$395,649.54 or 17%. The increase in student tuition and fees is attributed to an increase of \$602,713.76 in gross revenues along with an increase in scholarship discounts of \$44,853.28 netting to a \$557,860.48 increase. The increase in sales and services is attributed to an increase in bookstore and dining sales during the year. The only amounts reported in federal grants during the current year are exchange transactions including Pell, SEOG, and College Work Study. All other federal grants are reported as noncapital grants during the current year. The decrease of \$292,830.93 in federal grants stems from \$224,045.70 of other federal grants reported as federal grants in the previous year, but reported as noncapital grants in the current year. There was an increase in exchange transactions of \$546,932.04 with the increase attributed to Pell by \$542,661.26 or 12%.

Nonoperating revenues of \$24.7 million increased by \$3.6 million or 17%. The major sources of nonoperating revenues were State aid and county appropriations for general operations. There were increases in both of these revenues sources with State aid increasing by \$2.3 million or 15% and county by \$159,722.22 or 3%. The increase of \$1.3 million in noncapital grants is primarily due to the reclassification of other restricted federal grants that were reported in the previous year as federal grants amounting to \$224,045.70, along with the reclassification of federal pass-through dollars from State aid for the current year of \$581,061.17. The other portion of the increase for noncapital grants is attributed to a restricted grant for biotechnology of \$355,879.64. Decreases were in the areas of noncapital gifts by \$85,726.33 and investment income by \$34,493.78. Noncapital gifts decreases are attributed to three foundation gifts with decreases in radiograph/imaging by \$61,041.28, RIAA digital by \$18,582.01 and echo/WS by \$22,098.74.

The major sources of capital revenues were State aid capital revenues amounting to \$5.3 million and capital grants amounting to \$2.99 million. State aid capital increased by \$3.8 million and the increase is attributed to the ITEC Building project and the land purchase for the Northwest Forsyth Center. Capital grants increased by \$1.5 million for the ITEC Building project with the source being from the County.

Capital gifts totaling \$25,000.00 represents equipment contributions during the year, which was a decrease from the previous year of \$110,607.61.

Additions to permanent endowments decreased by \$1,834.08 from the previous year of \$3,331.45.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

### Expenses

	2004	2003	Dollar Increase (Decrease)	Percent Increase (Decrease)
Operating Expenses:				
Salaries and Benefits	\$ 26,201,704.59	\$ 22,981,080.30	\$ 3,220,624.29	14%
Supplies and Materials	5,809,470.83	5,803,558.88	5,911.95	.1%
Services	3,064,860.52	2,459,539.46	605,321.06	25%
Scholarships and Fellowships	4,601,928.52	4,021,548.58	580,379.94	14%
Utilities	814,522.32	775,789.58	38,732.74	5%
Depreciation	1,190,145.76	1,194,226.07	(4,080.31)	(.3%)
<b>Total Operating Expenses</b>	<b>\$ 41,682,632.54</b>	<b>\$ 37,235,742.87</b>	<b>\$ 4,446,889.67</b>	<b>12%</b>
Nonoperating Expenses:				
Other	\$ 105,125.57	\$ 155,430.23	\$ (50,304.66)	(32%)

Operating expenses of \$41.7 million increased during the year by \$4.4 million or 12%. Nonoperating expense decreased by \$50,304.66 or 32%. Nonoperating expense is for the loss on the disposal of fixed assets during the year. The largest expense was in the area of salaries and benefits totaling \$26.2 million, an increase of \$3.2 million or 14%. The increases in salaries and benefits are attributed to instruction by \$2.1 million or 16%, academic support by \$.2 million, student services by \$.2 million, institutional support by \$.4 million, operations and maintenance of plant by \$.1 million, and auxiliary enterprises by \$.1 million. Other significant increases in the expenses are in the function areas of services by \$.6 million or 25% and scholarships and fellowships by \$.6 million or 14%. The services increase is attributed to increases in institutional support of \$.3 million or 40% and auxiliary enterprises by \$.2 million or 189%. The scholarships and fellowships increase is attributed to student financial aid by \$.5 million or 13%. Supplies and materials increased by \$5,911.95 and utilities increased by \$38,732.74. Operating expenses that decreased during the year is depreciation by \$4,080.31.

During the year, the College had several capital projects with total capitalized expenses of \$763,991.80 in depreciable assets and \$4,830,199.76 in nondepreciable assets. Construction in progress increased by \$4 million and land by \$.8 million. The increases in construction in progress were comprised of \$25,548.80 for the Greene Hall Expansion Project, \$3,449,060.09 for the ITEC Building State Bond Project, and \$535,282.50 for the VAV Boxes State Bond Project. Outstanding commitments for capital projects as of June 30, 2004 were \$6.2 million comprising of \$6.1 million for the ITEC Building State Bond Project, \$2,400.00 for the VAV Boxes State Bond Project, and \$74,147.00 for the Snyder Hall Roof 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, 2004****Exhibit A-1****ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 1,819,007.37
Restricted Cash and Cash Equivalents	1,178,993.56
Receivables (Note 4)	545,592.25
Due from State of North Carolina Component Units	90,000.00
Inventories	783,015.75
Notes Receivable (Note 4)	10,462.12
<b>Total Current Assets</b>	<b>4,427,071.05</b>

## Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,471,054.64
Receivables (Note 4)	17,105.45
Restricted Due from Primary Government	3,349,625.34
Capital Assets - Nondepreciable (Note 5)	7,712,659.61
Capital Assets - Depreciable, Net (Note 5)	21,522,978.56
<b>Total Noncurrent Assets</b>	<b>34,073,423.60</b>
<b>Total Assets</b>	<b>38,500,494.65</b>

**LIABILITIES**

## Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,783,112.72
Funds Held for Others	8,034.20
Long-Term Liabilities - Current Portion (Note 7)	294,053.00
<b>Total Current Liabilities</b>	<b>2,085,199.92</b>

## Noncurrent Liabilities:

Funds Held for Others	20,527.19
Long-Term Liabilities (Note 7)	1,492,618.00
<b>Total Noncurrent Liabilities</b>	<b>1,513,145.19</b>
<b>Total Liabilities</b>	<b>3,598,345.11</b>

**NET ASSETS**

Invested in Capital Assets	29,235,638.17
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	82,467.66
Expendable:	
Scholarships and Fellowships	202,991.22
Loans	162,438.09
Capital Projects	4,026,904.14
Other	435,161.88
Unrestricted	756,548.38
<b>Total Net Assets</b>	<b>\$ 34,902,149.54</b>

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, 2004</i></b>		<b><i>Exhibit A-2</i></b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	\$	6,233,886.47
Federal Grants and Contracts		5,119,605.94
Sales and Services, Net (Note 9)		2,738,807.22
Other Operating Revenues		9,330.74
Total Operating Revenues		14,101,630.37
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits		26,201,704.59
Supplies and Materials		5,809,470.83
Services		3,064,860.52
Scholarships and Fellowships		4,601,928.52
Utilities		814,522.32
Depreciation		1,190,145.76
Total Operating Expenses		41,682,632.54
Operating Loss		(27,581,002.17)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Aid		17,702,978.07
County Appropriations		5,080,465.22
Noncapital Grants		1,650,647.19
Noncapital Gifts		207,922.91
Investment Income, Net		108,426.41
Other Nonoperating Expenses		(105,125.57)
Net Nonoperating Revenues		24,645,314.23
Loss Before Other Revenues, Expenses, Gains, and Losses		(2,935,687.94)
State Capital Aid		5,289,102.60
County Capital Appropriations		371,139.78
Capital Grants		2,990,121.89
Capital Gifts		25,000.00
Additions to Endowments		1,497.37
Increase in Net Assets		5,741,173.70
<b>NET ASSETS</b>		
Net Assets, July 1, 2003		29,160,975.84
Net Assets, June 30, 2004	\$	34,902,149.54
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, 2004</i></b>		<b><i>Exhibit A-3</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers		\$ 14,178,624.75
Payments to Employees and Fringe Benefits		(25,519,002.84)
Payments to Vendors and Suppliers		(9,404,972.98)
Payments for Scholarships and Fellowships		(4,668,726.93)
Collection of Loans to Students		2,872.49
Other Receipts		2,125.38
Net Cash Used by Operating Activities		(25,409,080.13)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		17,702,978.07
County Appropriations		5,080,465.22
Noncapital Grants Received		1,517,498.64
Noncapital Gifts and Endowments Received		209,420.28
Net Cash Provided by Noncapital Financing Activities		24,510,362.21
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		3,016,690.31
County Capital Appropriations		371,139.78
Capital Grants Received		2,990,121.89
Proceeds from Sale of Capital Assets		8,954.07
Acquisition and Construction of Capital Assets		(4,918,545.71)
Net Cash Provided by Capital and Related Financing Activities		1,468,360.34
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		108,426.41
Net Cash Provided by Investing Activities		108,426.41
Net Increase in Cash and Cash Equivalents		678,068.83
Cash and Cash Equivalents, July 1, 2003		3,790,986.74
Cash and Cash Equivalents, June 30, 2004		\$ 4,469,055.57



<b><i>Forsyth Technical Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit A-3</i></b>
<b><i>For the Fiscal Year Ended June 30, 2004</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF OPERATING LOSS</b>		
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (27,581,002.17)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,190,145.76
Changes in Assets and Liabilities:		
Receivables		10,195.97
Inventories		86,044.59
Notes Receivable		2,872.49
Accounts Payable and Accrued Liabilities		327,873.24
Funds Held for Others		2,125.38
Compensated Absences		552,664.61
Net Cash Used by Operating Activities		\$ (25,409,080.13)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 1,819,007.37
Restricted Cash and Cash Equivalents		1,178,993.56
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,471,054.64
Total Cash and Cash Equivalents - June 30, 2004		\$ 4,469,055.57
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Assets Acquired through Assumption of a Liability		\$ 650,645.85
Assets Acquired through a Gift		25,000.00
Increase in Receivables Related to Nonoperating Income		2,405,560.84
Capital Asset Write-Offs		342,934.96
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, 2004**

---

**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 or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

- 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)

---

- 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 the federal government, State and local governments, and 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 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)

---

- 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.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonuses awarded by the College to all full-time permanent employees as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 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 establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$5,950.00. The carrying amount of cash on deposit was \$4,463,105.57 and the bank balance was \$5,119,251.22.

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:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Deposit with State Treasurer	\$ 3,582,462.46	\$ 2,711,662.46
Cash on Deposit with Private Financial Institutions	<u>880,643.11</u>	<u>2,407,588.76</u>
	<u>\$ 4,463,105.57</u>	<u>\$ 5,119,251.22</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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

<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, 2004, \$142,522.33 of the bank balance was covered by federal depository insurance, and \$2,265,066.43 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

### NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College’s endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool and are reported as restricted cash and cash equivalents – noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the assets of the endowment funds. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2004, net appreciation of \$832,752.66 was available to be spent, of which \$203,928.44 was restricted to specific purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	<u>Amount</u>
<b>Current Receivables:</b>	
Students	\$ 448,474.16
Accounts	43,785.49
Intergovernmental	<u>53,332.60</u>
<b>Total Current Receivables</b>	<u><u>\$ 545,592.25</u></u>
<b>Noncurrent Receivables:</b>	
Students	\$ 15,479.95
Accounts	<u>1,625.50</u>
<b>Total Noncurrent Receivables</b>	<u><u>\$ 17,105.45</u></u>
<b>Notes Receivable - Current:</b>	
Institutional Student Loan Programs	<u><u>\$ 10,462.12</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2004, is presented as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:				
Land	\$ 789,394.05	\$ 820,308.37	\$ 0.00	\$ 1,609,702.42
Construction in Progress	2,093,065.80	4,009,891.39		6,102,957.19
<b>Total Capital Assets, Nondepreciable</b>	<b>2,882,459.85</b>	<b>4,830,199.76</b>	<b>0.00</b>	<b>7,712,659.61</b>
Capital Assets, Depreciable:				
Buildings	27,939,495.33	210,532.41	342,934.96	27,807,092.78
Machinery and Equipment	4,835,997.07	495,535.91	206,025.51	5,125,507.47
General Infrastructure	1,713,555.28	57,923.48		1,771,478.76
Total Capital Assets, Depreciable	<b>34,489,047.68</b>	<b>763,991.80</b>	<b>548,960.47</b>	<b>34,704,079.01</b>
Less Accumulated Depreciation:				
Buildings	8,999,962.97	763,714.19	260,881.40	9,502,795.76
Machinery and Equipment	2,592,621.50	340,651.12	173,999.43	2,759,273.19
General Infrastructure	833,251.05	85,780.45		919,031.50
Total Accumulated Depreciation	<b>12,425,835.52</b>	<b>1,190,145.76</b>	<b>434,880.83</b>	<b>13,181,100.45</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>22,063,212.16</b>	<b>(426,153.96)</b>	<b>114,079.64</b>	<b>21,522,978.56</b>
<b>Capital Assets, Net</b>	<b>\$ 24,945,672.01</b>	<b>\$ 4,404,045.80</b>	<b>\$ 114,079.64</b>	<b>\$ 29,235,638.17</b>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004, were as follows:

	Amount
Accounts Payable	\$ 1,014,070.27
Accrued Payroll	614,676.11
Contract Retainage	154,366.34
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,783,112.72</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Compensated Absences	\$ 1,234,006.39	\$ 552,664.61	\$ 0.00	\$ 1,786,671.00	\$ 294,053.00

### NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases for equipment and facilities consist of the following at June 30, 2004:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 134,374.44
2006	125,377.32
2007	124,559.40
2008	<u>36,933.88</u>
Total Minimum Lease Payments	<u>\$ 421,245.04</u>

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	\$ 189,328.35
Contingent Rentals	<u>5,568.54</u>
Total Rental Expense	<u>\$ 194,896.89</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - 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>	\$ 7,384,275.23	\$ 1,150,388.76	\$ 6,233,886.47
<b>Sales and Services:</b>			
Sales and Services of Auxiliary Enterprises:			
Dining	\$ 261,535.75	\$ 0.00	\$ 261,535.75
Bookstore	3,037,514.64	634,822.89	2,402,691.75
Parking Fines	46,202.00		46,202.00
Other	13,607.44		13,607.44
Sales and Services of Education and Related Activities	14,770.28		14,770.28
<b>Total Sales and Services</b>	\$ 3,373,630.11	\$ 634,822.89	\$ 2,738,807.22

### NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 15,730,166.54	\$ 1,427,165.26	\$ 773,837.72	\$ 0.00	\$ 24,353.40	\$ 0.00	\$ 17,955,522.92
Academic Support	2,261,326.52	143,905.99	111,739.27		263.82		2,517,235.60
Student Services	1,609,932.58	60,886.47	102,734.31	160,860.36			1,934,413.72
Institutional Support	4,716,698.76	286,596.69	995,094.29	75,368.14	143,066.40		6,216,824.28
Operations and Maintenance of Plant	1,439,945.29	1,222,604.25	715,940.52		646,838.70		4,025,328.76
Student Financial Aid				4,365,700.02			4,365,700.02
Auxiliary Enterprises	443,634.90	2,668,312.17	365,514.41				3,477,461.48
Depreciation						1,190,145.76	1,190,145.76
<b>Total Operating Expenses</b>	\$ 26,201,704.59	\$ 5,809,470.83	\$ 3,064,860.52	\$ 4,601,928.52	\$ 814,522.32	\$ 1,190,145.76	\$ 41,682,632.54

### NOTE 11 - 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the College had a total payroll of \$22,125,412.27, of which \$16,710,906.45 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$1,002,654.97 and \$36,763.99, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$36,763.99, \$0.00, and \$302,289.57, 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 \$271,611.98 for the year ended June 30, 2004.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

contributions by employees amounted to \$229,217.96 for the year ended June 30, 2004.

### NOTE 12 - 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 3.2% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2004, the College's total contribution to the Plan was \$534,749.01. 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. Employer contributions are established in the Appropriations Bill by the General Assembly. The College was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, 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 \$5,000,000 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.

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. There were no employer contributions required for the current fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

### NOTE 14 - COMMITMENTS 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 \$6,200,707.63 and on other purchases were \$34,203.12 at June 30, 2004.
- B. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600,000,000 million 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 \$12,121,842.00 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.

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

---

### **NOTE 15 - 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 \$277,202.71 for the year ended June 30, 2004.

**Forsyth Technical Community College  
Schedule of General Obligation Bond Project Authorizations,  
Budgets, and Expenditures  
For Project-to-Date as of June 30, 2004**

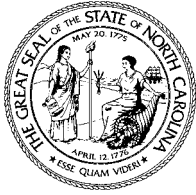
**Schedule 1**

	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
<b>Capital Improvement Projects</b>									
<i>Projects Approved by the State Board</i>									
Construction - New Building - #1139	Jul 2001	Mar 2002	\$ 4,195,600.00	\$ 7,000,000.00	\$ 11,195,600.00	\$ 3,822,104.86	34.14%	Jan 2005	Aug 2005
Gym Renovation, Rerouting of Data Lines, Parking Lot - #1159	Mar 2001	Apr 2002	900,000.00		900,000.00	818,460.58	90.94%	Dec 2001	Sep 2003
HVAC and Fire Alarm System Renovations - #1131	Feb 2003	Jun 2003	650,000.00		650,000.00	544,882.50	83.83%	Apr 2004	Apr 2004
Northwest Forsyth County Center - #1390	Sep 2003	Sep 2003	7,000,000.00		7,000,000.00	798,782.03	11.41%	Aug 2006	Aug 2006
<i>Projects Pending Approval by the State Board</i>									
Bundled - Piedmont Building	Jul 2001	Mar 2005	87,000.00		87,000.00				
Replace Boiler - West Campus	Jul 2001	Mar 2005	220,000.00		220,000.00				
Bundled - Different Renovation Projects	Aug 2001	Apr 2005	720,000.00		720,000.00				
Bundled - Electrical Upfit, Air Condition Hallways	Oct 2001	Apr 2005	450,000.00		450,000.00				
Bundled - Snyder and Ardmore Buildings	Feb 2002	Apr 2005	450,000.00		450,000.00				
Bundled - Roof Replacement	Feb 2003	May 2005	250,000.00		250,000.00				
Bundled - Renovation of Space Vacated to New Building	Apr 2004	May 2005	151,688.00		151,688.00				
Construction - Parking Deck	Apr 2004	Aug 2005	154,979.00	1,845,021.00	2,000,000.00				
Renovations	Jun 2004	Aug 2005	1,258,000.00		1,258,000.00				
Construction - Addition to Greene Hall	Aug 2004	Oct 2005	1,839,442.00		1,839,442.00				
<b>Total All Projects</b>			<b>\$ 18,326,709.00</b>	<b>\$ 8,845,021.00</b>	<b>\$ 27,171,730.00</b>	<b>\$ 5,984,229.97</b>			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600,000,000 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.



[ This Page Left Blank Intentionally ]



STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
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.ncauditor.net>

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

---

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

We have audited the financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 21, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 an opinion on the internal control 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

---

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

February 21, 2005

## DISTRIBUTION OF AUDIT REPORT

---

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. Gary M. Green	President, Forsyth Technical Community College
Kenneth W. Jarvis	Vice President for Business Services Forsyth Technical Community College
Dr. Kenneth M. Saddler	Chairperson, Board of Trustees Forsyth Technical Community College

### LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Richard T. Morgan, Co-Chair
Senator Daniel G. Clodfelter	Representative Martha B. Alexander
Senator Walter H. Dalton	Representative Rex L. Baker
Senator Charlie S. Dannelly	Representative Bobby H. Barbee, Sr.
Senator James Forrester	Representative Harold J. Brubaker
Senator Linda Garrou	Representative Debbie A. Clary
Senator Fletcher L. Hartsell, Jr.	Representative E. Nelson Cole
Senator David W. Hoyle	Representative James W. Crawford, Jr.
Senator Ellie Kinnaird	Representative William T. Culpepper, III
Senator Jeanne H. Lucas	Representative W. Pete Cunningham
Senator Anthony E. Rand	Representative W. Robert Grady
Senator Eric M. Reeves	Representative Joe Hackney
Senator Robert A. Rucho	Representative Julia C. Howard
Senator R. C. Soles, Jr.	Representative Joe L. Kiser
Senator Scott Thomas	Representative Edd Nye
	Representative William C. Owens, Jr.
	Representative Wilma M. Sherrill
	Representative Thomas E. Wright

### Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
----------------------	------------------------------------

March 22, 2005

## ORDERING INFORMATION

---

Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647