

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

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Ralph Campbell, Jr.
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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of Wayne 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 Wayne 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 Wayne 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 Wayne 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 material weaknesses in internal control over financial reporting and no instances of noncompliance, which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

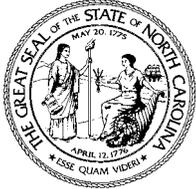
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

We have audited the accompanying basic financial statements of Wayne 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Wayne 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 November 12, 2004 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 (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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ralph Campbell, Jr.
State Auditor

November 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Wayne Community College's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the College's financial statements, which follow this section.

Overview of Financial Statements

This discussion and analysis is an introduction to Wayne Community College's basic financial statements, which are made up of two components: 1) financial statements and 2) notes to the financial statements. The components are described below.

Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets are the two financial statements that report information about the College and about its activities that should help answer a question like: Is the College better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Assets presents all of the College's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the College's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the net assets changed during the fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. deferred revenue and earned but unused vacation leave).

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the statements. Notes to these financial statements may be found at the end of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis

Statement of Net Assets: The College's net assets increased by \$2,534,184 during this fiscal year. The following chart compares assets data for the last two fiscal years.

Net Assets for the Years Ended			
June 30,			
(in thousands)			
	2004	2003	Increase (Decrease)
Current and Other Noncurrent Assets	\$ 5,099.39	\$ 1,829.53	\$ 3,269.86
Capital Assets, Net	<u>23,525.38</u>	<u>23,628.32</u>	<u>(102.94)</u>
Total Assets	<u>28,624.77</u>	<u>25,457.85</u>	<u>3,166.92</u>
Long-Term Liabilities	1,052.56	440.36	612.20
Other Liabilities	<u>589.78</u>	<u>569.25</u>	<u>20.53</u>
Total Liabilities	<u>1,642.34</u>	<u>1,009.61</u>	<u>632.73</u>
Net Assets:			
Invested in Capital Assets	23,525.38	23,628.32	(102.94)
Restricted	3,339.69	336.84	3,002.85
Unrestricted	<u>117.36</u>	<u>483.08</u>	<u>(365.72)</u>
Total Net Assets	<u><u>\$ 26,982.43</u></u>	<u><u>\$ 24,448.24</u></u>	<u><u>\$ 2,534.19</u></u>

Eighty-seven percent of the College's net assets are reflected in investment in capital assets (land, buildings, machinery and equipment, general infrastructure, and other capital assets). The decrease in this area for the current year has been the result of the capital construction projects completed and depreciated.

The increase in the current and other noncurrent assets is a result of the College selling its bookstore to a private vendor and the recording of a 3.7 million dollar receivable from the State for construction projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

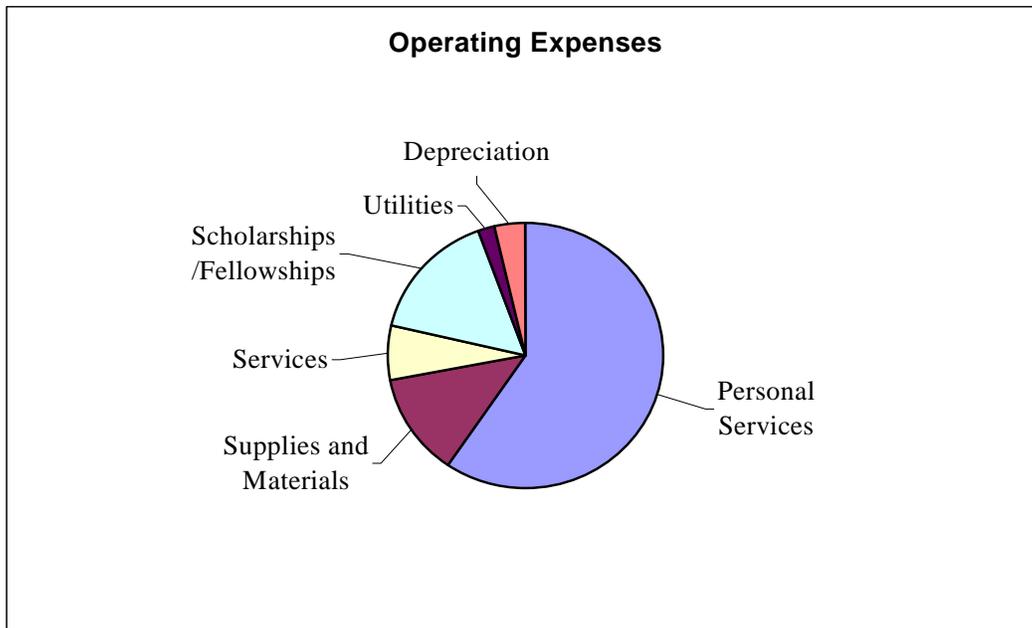
Expenditures

The following chart represents expenses of Wayne Community College by activities for the fiscal year:

Operating Expenses
For the Years Ended June 30,
(in thousands)

	2004	2003	Increase (Decrease)
Operating Expense			
Personal Services	\$ 14,860.38	\$ 13,890.34	\$ 970.04
Supplies and Materials	3,154.69	2,319.81	834.88
Services	1,629.83	1,612.36	17.47
Scholarships/Fellowships	3,943.68	3,538.99	404.69
Utilities	497.02	471.98	25.04
Depreciation	<u>927.16</u>	<u>987.73</u>	<u>(60.57)</u>
Total	<u>\$ 25,012.76</u>	<u>\$ 22,821.21</u>	<u>\$ 2,191.55</u>

The following is a graphic illustration of total operating expenses for June 30, 2004:



Total operating expenses increased approximately 10% with the largest area of increase being personal services. Personal services increased due to salary and benefit increases. Supplies and materials also increased significantly due to the College's participation in the new Energy Savings Plan. Other areas are comparable in amounts for the two fiscal years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues

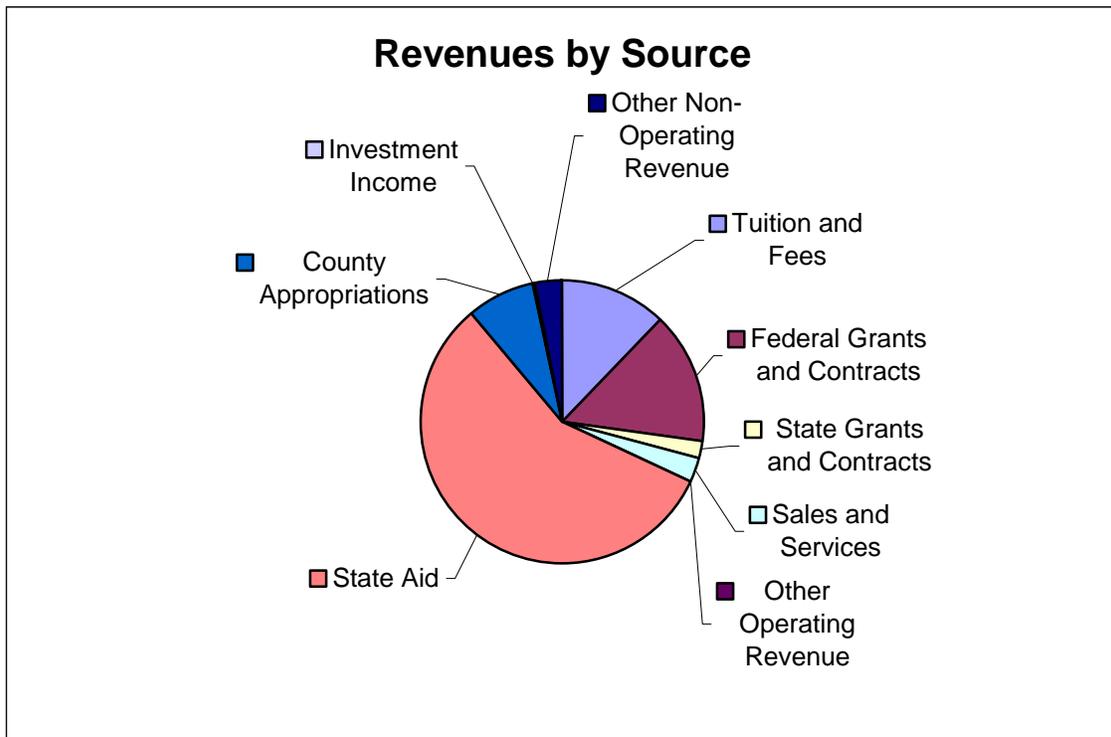
The following chart depicts revenues of the College's activities for the fiscal year:

Operating Results for the Years Ended			
June 30,			
(in thousands)			
	2004	2003	Increase (Decrease)
Operating Revenue			
Student Tuition and Fees	\$ 3,355.79	\$ 2,997.70	\$ 358.09
Federal Grants and Contracts	4,120.14	4,317.25	(197.11)
State Grants and Contracts	531.54	226.24	305.30
Sales and Services	764.49	1,053.78	(289.29)
Other	14.84	14.59	0.25
Total	8,786.80	8,609.56	177.24
Less Operating Expenses	25,012.76	22,821.20	2,191.56
Net Operating loss	(16,225.96)	(14,211.64)	(2,014.32)
Nonoperating Revenue			
State Aid	15,680.01	12,336.36	3,343.65
County Appropriations	2,178.34	2,062.80	115.54
Investment Income	32.48	23.95	8.53
Other	869.32	326.61	542.71
Total	18,760.15	14,749.72	4,010.43
Increase in Net Assets	2,534.19	538.08	1,996.11
Net Assets, Beginning of Year	24,448.24	23,910.16	538.08
Net Assets, End of Year	\$ 26,982.43	\$ 24,448.24	\$ 2,534.19
Total Revenues	\$ 27,546.95	\$ 23,359.28	\$ 4,187.67

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The increase in student enrollment and tuition rates explains the 12% increase in operating revenues for student tuition and fees. The sales and services revenue decrease of 27% is a result of the College selling the bookstore to a private vendor.

The following is a graphic illustration of total revenues for the College's activities as of June 30, 2004:



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

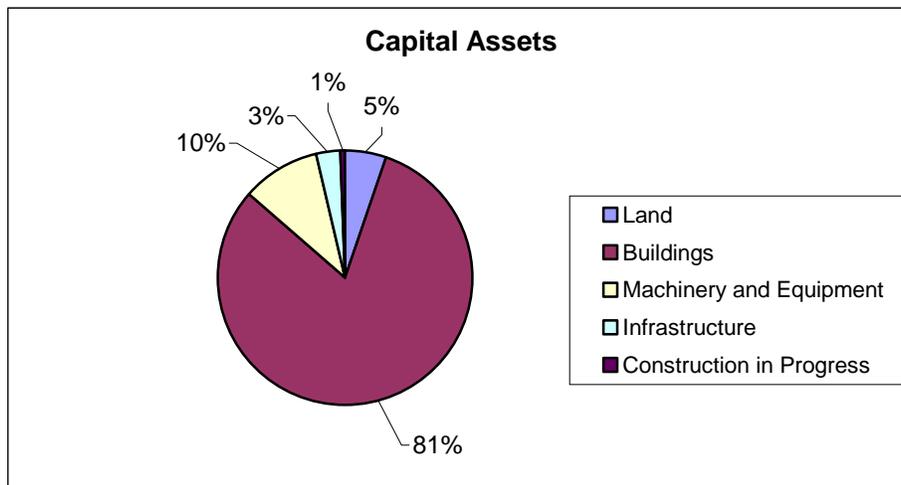
Capital Assets

Capital Assets: At the end of the fiscal year 2004, the Statement of Net Assets reflected \$23,525,376, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$927,159.03.

**Capital Assets, Net
June 30,
(in thousands)**

	2004	2003	Increase (Decrease)
Capital Assets			
Land	\$ 1,876.67	\$ 1,876.67	\$ 0.00
Buildings	28,626.90	27,006.82	1,620.08
Machinery and Equipment	3,503.45	3,200.30	303.15
Infrastructure	1,073.96	1,073.96	
Construction in Progress	206.39	1,347.73	(1,141.34)
Total	<u>35,287.37</u>	<u>34,505.48</u>	<u>781.89</u>
Less: Accumulated Depreciation	<u>11,761.99</u>	<u>10,877.15</u>	<u>884.84</u>
Net Capital Assets	<u>\$ 23,525.38</u>	<u>\$ 23,628.33</u>	<u>\$ (102.95)</u>

The following is a graphic illustration of capital assets for the year ended June 30, 2004:



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. Of this amount, Wayne Community College received \$12,990,406. These funds have allowed the College to continue a construction and repairs and renovations activity. The increase in buildings is the main source of increase to capital assets. The College has purchased land, completed one construction project and one building addition, and finished various repairs and renovation projects.

Wayne Community College
Statement of Net Assets
June 30, 2004 **Exhibit A-1**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 871,139.79
Restricted Cash and Cash Equivalents	107,019.56
Receivables, Net (Note 4)	265,743.97
Inventories	85,037.93
Total Current Assets	1,328,941.25

Noncurrent Assets:

Restricted Cash and Cash Equivalents	105,497.33
Restricted Due from Primary Government	3,664,949.92
Capital Assets - Nondepreciable (Note 5)	2,083,051.73
Capital Assets - Depreciable, Net (Note 5)	21,442,323.89
Total Noncurrent Assets	27,295,822.87
Total Assets	28,624,764.12

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	291,968.00
Deferred Revenue	160,181.34
Funds Held for Others	15,951.61
Long-Term Liabilities - Current Portion (Note 7)	121,677.25
Total Current Liabilities	589,778.20

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	1,052,557.75
Total Noncurrent Liabilities	1,052,557.75
Total Liabilities	1,642,335.95

NET ASSETS

Invested in Capital Assets	23,525,375.62
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	74,196.00
Other	16,000.00
Expendable:	
Scholarships and Fellowships	11,193.54
Loans	4,897.67
Capital Projects	3,188,940.79
Other	44,463.23
Unrestricted	117,361.32
Total Net Assets	\$ 26,982,428.17

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

Wayne Community College		
Statement of Revenues, Expenses, and		
Changes in Net Assets		
For the Fiscal Year Ended June 30, 2004		Exhibit A-2
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	\$	3,355,786.37
Federal Grants and Contracts		4,120,139.77
State and Local Grants and Contracts		531,538.54
Sales and Services, Net (Note 9)		764,492.95
Other Operating Revenues		14,843.54
Total Operating Revenues		8,786,801.17
EXPENSES		
Operating Expenses:		
Personal Services		14,860,379.08
Supplies and Materials		3,154,690.50
Services		1,629,828.62
Scholarships and Fellowships		3,943,683.68
Utilities		497,018.98
Depreciation		927,159.03
Total Operating Expenses		25,012,759.89
Operating Loss		(16,225,958.72)
NONOPERATING REVENUES (EXPENSES)		
State Aid		11,031,493.26
County Appropriations		1,967,092.04
Noncapital Grants		506,190.72
Noncapital Gifts		188,431.70
Investment Income, Net		32,480.75
Interest and Fees on Debt		(10,847.81)
Other Nonoperating Revenues		10,131.24
Net Nonoperating Revenues		13,724,971.90
Loss Before Other Revenues, Expenses, Gains, and Losses		(2,500,986.82)
State Capital Aid		4,648,514.52
County Capital Appropriations		211,246.64
Capital Grants		173,359.38
Additions to Endowments		2,050.00
Increase in Net Assets		2,534,183.72
NET ASSETS		
Net Assets, July 1, 2003		24,448,244.45
Net Assets, June 30, 2004	\$	26,982,428.17
The accompanying notes to the financial statements are an integral part of this statement.		

Wayne Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2004		Exhibit A-3
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers		\$ 8,891,184.88
Payments to Employees and Fringe Benefits		(14,644,972.96)
Payments to Vendors and Suppliers		(4,836,881.61)
Payments for Scholarships and Fellowships		(3,943,683.68)
Other Receipts		29,240.49
	Net Cash Used by Operating Activities	(14,505,112.88)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		11,031,493.26
County Appropriations		1,967,092.04
Noncapital Grants Received		513,274.71
Noncapital Gifts and Endowments Received		190,481.70
	Net Cash Provided by Noncapital Financing Activities	13,702,341.71
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		983,564.60
County Capital Appropriations		211,246.64
Capital Grants Received		556,899.07
Proceeds from Sale of Capital Assets		512,069.61
Acquisition and Construction of Capital Assets		(859,525.14)
Principal Paid on Capital Debt and Leases		(20,759.15)
Interest Paid on Capital Debt and Leases		(10,847.81)
	Net Cash Provided by Capital and Related Financing Activities	1,372,647.82
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		34,509.00
	Net Cash Provided by Investing Activities	34,509.00
	Net Increase in Cash and Cash Equivalents	604,385.65
	Cash and Cash Equivalents, July 1, 2003	479,271.03
	Cash and Cash Equivalents, June 30, 2004	\$ 1,083,656.68

Wayne Community College	
Statement of Cash Flows	Exhibit A-3
For the Fiscal Year Ended June 30, 2004	Page 2
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (16,225,958.72)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	927,159.03
Miscellaneous Nonoperating Income	10,131.24
Changes in Assets and Liabilities:	
Receivables, Net	101,444.29
Inventories	505,382.15
Accounts Payable and Accrued Liabilities	(21,422.67)
Dut to State of North Carolina Component Units	(1,823.61)
Deferred Revenue	19,007.75
Funds Held for Others	3,040.92
Compensated Absences	177,926.74
Net Cash Used by Operating Activities	\$ (14,505,112.88)
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Current Assets:	
Cash and Cash Equivalents	\$ 871,139.79
Restricted Cash and Cash Equivalents	107,019.56
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	105,497.33
Total Cash and Cash Equivalents - June 30, 2004	\$ 1,083,656.68
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Increase in Receivables Related to Nonoperating Income	\$ 42,326.48
Capital Asset Write-Offs	3,664,949.92
The accompanying notes to the financial statements are an integral part of this statement.	

WAYNE 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. Wayne 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 that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** – Inventories, consisting of expendable supplies, are valued at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of 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 and/or units of output method over the estimated useful lives of the assets, generally 25 years for general infrastructure, 15 to 40 years for buildings, and 3 to 10 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 notes payable and 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 July 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 June 30th plus the leave earned, less the leave taken between July 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 September 30, 2002 and 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 established for restricted and unrestricted activities. When both restricted

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Internal Sales Activities – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations do not revert and are available for future use by the College. Unexpended county capital appropriations do revert to the county at June 30th unless approval is received to carry forward these funds. County plant funds allotted for construction do carry forward to the new year.

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 \$1,340.00. The carrying amount of cash on deposit was \$1,082,316.68 and the bank balance was \$1,213,207.85.

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	\$ 852,129.61	\$ 1,058,990.47
Cash on Deposit with Private Financial Institutions	<u>230,187.07</u>	<u>154,217.38</u>
	<u>\$ 1,082,316.68</u>	<u>\$ 1,213,207.85</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2004, \$103,038.93 of the bank balance was covered by federal depository insurance, and \$51,178.45 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 \$3,053.23 was available to be spent, of which \$3,053.23 was restricted to specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2004 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 203,720.88	\$ 52,578.41	\$ 151,142.47
Accounts	114,601.50		114,601.50
Total Current Receivables	\$ 318,322.38	\$ 52,578.41	\$ 265,743.97
Notes Receivable - Current:			
Federal Loan Programs	\$ 1,660.87	\$ 1,660.87	\$ 0.00

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	Adjustments	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 1,876,665.63	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,876,665.63
Construction in Progress	1,347,731.52	(1,620,081.99)	478,736.57		206,386.10
Total Capital Assets, Nondepreciable	3,224,397.15	(1,620,081.99)	478,736.57		2,083,051.73
Capital Assets, Depreciable:					
Buildings	27,006,816.78	1,620,081.99			28,626,898.77
Machinery and Equipment	3,200,297.35		345,481.83	42,326.48	3,503,452.70
General Infrastructure	1,073,958.04				1,073,958.04
Total Capital Assets, Depreciable	31,281,072.17	1,620,081.99	345,481.83	42,326.48	33,204,309.51
Less Accumulated Depreciation:					
Buildings	7,943,145.01		760,205.35		8,703,350.36
Machinery and Equipment	2,613,866.44		146,675.00	42,326.48	2,718,214.96
General Infrastructure	320,141.62		20,278.68		340,420.30
Total Accumulated Depreciation	10,877,153.07		927,159.03	42,326.48	11,761,985.62
Total Capital Assets, Depreciable, Net	20,403,919.10	1,620,081.99	(581,677.20)		21,442,323.89
Capital Assets, Net	\$ 23,628,316.25	\$ 0.00	\$ (102,940.63)	\$ 0.00	\$ 23,525,375.62

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 37,229.70
Accrued Payroll	225,085.34
Contract Retainage	29,652.96
Total Accounts Payable and Accrued Liabilities	\$ 291,968.00

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Notes Payable	\$ 0.00	\$ 512,069.61	\$ 20,759.15	\$ 491,310.46	\$ 42,867.76
Compensated Absences	504,997.80	566,204.23	388,277.49	682,924.54	78,809.49
Total Long-Term Liabilities	\$ 504,997.80	\$ 1,078,273.84	\$ 409,036.64	\$ 1,174,235.00	\$ 121,677.25

B. Notes Payable - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/2004	Principal Outstanding 6/30/2003
Energy Savings Contract	BB&T	4.28	11/20/2013	\$ 512,069.61	\$ 20,759.15	\$ 491,310.46

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to pay principal and interest on the notes payable at June 30, 2004 are as follows:

<u>Fiscal Year</u>	Annual Requirements	
	Notes Payable	
	Principal	Interest
2005	\$ 42,867.76	\$ 20,346.16
2006	44,732.15	18,481.77
2007	46,677.63	16,536.29
2008	48,707.74	14,506.18
2009	50,826.13	12,387.79
2010-2014	257,499.05	26,963.59
Total Requirements	\$ 491,310.46	\$ 109,221.78

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 181,980.00
2006	158,496.00
2007	41,076.00
2008	41,076.00
2009	9,259.00
Total Minimum Lease Payments	\$ 431,887.00

Rental expense for all operating leases during the year was \$151,928.79.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 4,704,977.70	\$ 0.00	\$ 1,306,217.13	\$ 42,974.20	\$ 3,355,786.37
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Student Union Services	\$ 17,536.43	\$ 0.00	\$ 0.00	\$ 0.00	\$ 17,536.43
Bookstore	1,101,445.19		498,305.05	9,604.21	593,535.93
Preschool	109,838.95				109,838.95
Other	12,832.94	12,071.83			761.11
Sales and Services of Educational and Related Activities	23,649.40				23,649.40
Independent Operations	19,171.13				19,171.13
Total Sales and Services	\$ 1,284,474.04	\$ 12,071.83	\$ 498,305.05	\$ 9,604.21	\$ 764,492.95

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	\$ 9,061,608.52	\$ 781,381.98	\$ 580,659.74	\$ 0.00	\$ 0.00	\$ 0.00	\$ 10,423,650.24
Public Service	64,009.85	964.70	10,089.03				75,063.58
Academic Support	1,466,890.81	130,831.87	59,237.64				1,656,960.32
Student Services	1,234,291.32	116,733.28	71,436.66				1,422,461.26
Institutional Support	2,108,885.29	124,258.53	643,099.52				2,876,243.34
Operations and Maintenance of Plant	897,572.51	905,762.41	227,974.73		497,018.98		2,528,328.63
Student Financial Aid			3,129.42	3,943,683.68			3,946,813.10
Auxiliary Enterprises	27,120.78	1,094,757.73	34,201.88				1,156,080.39
Depreciation						927,159.03	927,159.03
Total Operating Expenses	\$ 14,860,379.08	\$ 3,154,690.50	\$ 1,629,828.62	\$ 3,943,683.68	\$ 497,018.98	\$ 927,159.03	\$ 25,012,759.89

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 \$12,568,248.59, of which \$10,369,500.43 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$622,170.77 and \$22,812.90, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$22,812.90, \$0.00, and \$192,332.12, respectively.

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

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$64,633.20 for the year ended June 30, 2004.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$175,133.00 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 contributions by employees amounted to \$49,390.00 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 \$331,824.01. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a \$10 million self-insured deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. 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. Employees paid from county and institutional funds are covered by contracts with private insurance companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The College purchases malpractice insurance for students in medical related fields. Coverage is provided at \$1,000,000 per occurrence with a limit of \$3,000,000.

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.

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 \$5,377,726.86 and on other purchases were \$1,789.80 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$6,391,548.00 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 15 - THE FOUNDATION OF WAYNE COMMUNITY COLLEGE, INC.

The Foundation of Wayne Community College, 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 \$182,361.70 for the year ended June 30, 2004.

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

Schedule 1

Capital Improvement Projects	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
Projects Approved by the State Board									
Childcare Center/Lab (Project No. 1104)	Apr 2001	Apr 2001	\$ 562,779.00	\$ 200,000.00	\$ 762,779.00	\$ 752,741.52	100.00%	Jan 2003	Jul 2003
Land Acquisition (Project No. 1124)	Jun 2001	Nov 2001	725,000.00		725,000.00	724,880.00	100.00%	Jun 2007	Feb 2002
Miscellaneous Repair and Renovation (Project No. 1162)	May 2001	Jun 2001	752,916.00		752,916.00	674,478.25	89.58%	Jul 2004	Nov 2004
Addition Chiller and Upgrade of Energy Plant (Project No. 1351)	Nov 2003	Nov 2003	400,000.00	56,164.00	456,164.00	21,000.00	4.60%	Oct 2004	Oct 2004
Building 1- Multipurpose (Project No. 1105)	Oct 2004	May 2004	4,179,035.00		4,179,035.00		0.00%	Jun 2006	Aug 2006
Building 2- Dental Clinic Addition/Renovation (Project No. 1230)	Mar 2002	May 2002	746,711.00		746,711.00	745,754.64	100.00%	Aug 2003	Aug 2003
Building 3- Continuing Education Center	Nov 2002	Nov 2002	4,354,014.00	20,000.00	4,374,014.00	201,753.23	4.61%	Dec 2004	Sep 2005
WLC and Dogwood Buildings Renovation	Nov 2003	Apr 2004	1,269,951.00		1,269,951.00	12,094.00	0.95%	Dec 2005	Jul 2006
Total All Projects			\$ 12,990,406.00	\$ 276,164.00	\$ 13,266,570.00	\$ 3,132,701.64			
<p>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.</p>									



Ralph Campbell, Jr.
State Auditor

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

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

We have audited the financial statements of Wayne 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 November 12, 2004.

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.



Ralph Campbell, Jr.
State Auditor

November 12, 2004

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The Honorable Roy A. Cooper, III	Attorney General
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Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Edward H. Wilson, Jr.	President, Wayne Community College
Ms. Alice W. Wadsworth	Chief Financial Officer, Wayne Community College
Mr. Tommy Jarrett	Chairman, Board of Trustees, Wayne Community College

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

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