



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF WILSON TECHNICAL COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2005

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

WILSON TECHNICAL COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2005

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

H. MARTIN LANCASTER, PRESIDENT

BOARD OF TRUSTEES

JAMES M. JOHNSON, III, CHAIRMAN

JERRY DORSEY, VICE CHAIRMAN

**PHYLLIS L. BABB
INEZ D. BELL
RANDALL H. BOYKIN
CHRISTOPHER T. DURRER
DONALD I. EVANS
DORIS H. JONES**

**GEORGE D. LEACH
STEVEN R. LEDER
THOMAS J. RHODES
PAGE T. SMITH
BOBBY R. WILLIAMSON**

ADMINISTRATIVE OFFICERS

DR. RUSTY STEPHENS, PRESIDENT

HADIE C. HORNE, VICE PRESIDENT OF FINANCE AND ADMINISTRATIVE SERVICES



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>

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement and compliance audit of Wilson Technical Community College for the year ended June 30, 2005, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements and our consideration of the College's administration of the Vocational Education – Basic Grants to States program resulted in no reportable audit findings.

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

June 29, 2006

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Assets	11
A-2 Statement of Revenues, Expenses, and Changes in Net Assets	12
A-3 Statement of Cash Flows	13
Component Unit Exhibits	
B-1 Statement of Financial Position	15
B-2 Statement of Activities	16
Notes to the Financial Statements	17
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>	33
ORDERING INFORMATION	35



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
Wilson Technical Community College
Wilson, North Carolina

We have audited the accompanying financial statements of Wilson Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wilson Technical Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wilson Technical Community College Foundation, Inc., which represents 100% of the College's discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity is based on the report of the other auditors.

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. The financial statements of Wilson Technical Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wilson Technical Community College and its discretely presented component unit as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, during the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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.



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

May 16, 2006

WILSON TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Wilson Technical Community College offers readers of the College's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. This overview will provide comparative analyses of key elements for the aforementioned period.

Financial Highlights

- The assets of Wilson Technical Community College exceeded its liabilities at the close of the most recent fiscal year by \$9,750,298.41 (*net assets*). Of this amount, \$2,211,288.86 (*unrestricted net assets*) may be used to meet the College's ongoing obligations to citizens and creditors.
- The College's total net assets increased by \$671,564.62. The increase may be attributed to the fact that the College received an increase in State aid and county current and capital appropriations.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Wilson Technical Community College's basic financial statements. Wilson Technical Community College's basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Wilson Technical Community College's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of Wilson Technical Community College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Wilson Technical Community College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e., earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the College's progress toward the completion of capital improvement projects funded via general obligation bonds of the State of North Carolina.

Institutional Financial Analysis

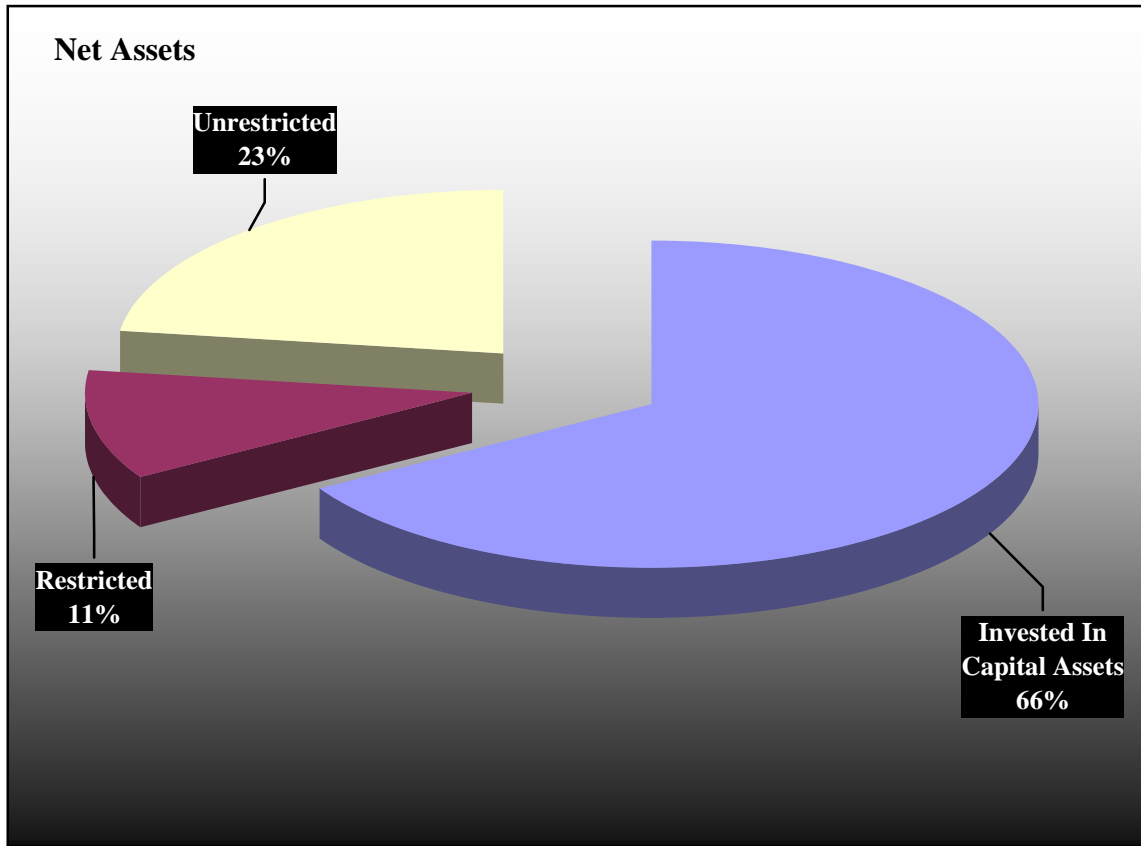
As noted earlier, net assets may serve over time as a useful indicator of the college's financial position. In the case of Wilson Technical Community College, net assets increased by \$671,564.62 at the close of the most recent fiscal year. This growth in net assets represents over a seven (7) percent increase over the prior reporting period.

By far the largest portion of Wilson Technical Community College's net assets, sixty-six (66) percent, reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment). Wilson Technical Community College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Condensed Statement of Net Assets

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Current and Other Assets	\$ 3,778,250.10	\$ 3,176,334.96	\$ 601,915.14	18.95 %
Capital Assets	<u>6,470,281.88</u>	<u>6,361,698.76</u>	<u>108,583.12</u>	1.71 %
Total Assets	<u>10,248,531.98</u>	<u>9,538,033.72</u>	<u>710,498.26</u>	
Liabilities				
Long-Term Liabilities	331,926.11	274,150.49	57,775.62	21.07 %
Other Liabilities	<u>166,307.46</u>	<u>185,149.44</u>	<u>(18,841.98)</u>	(10.18) %
Total Liabilities	<u>498,233.57</u>	<u>459,299.93</u>	<u>38,933.64</u>	
Net Assets				
Invested in Capital Assets	6,470,281.88	6,361,698.76	108,583.12	1.71 %
Restricted	1,068,727.67	904,227.63	164,500.04	18.19 %
Unrestricted	<u>2,211,288.86</u>	<u>1,812,807.40</u>	<u>398,481.46</u>	21.98 %
Total Net Assets	<u>\$ 9,750,298.41</u>	<u>\$ 9,078,733.79</u>	<u>\$ 671,564.62</u>	<u>7.40 %</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



An additional portion, eleven (11) percent, of Wilson Technical Community College's net assets (restricted net assets, \$1,068,727.67) represents resources that are subject to internal and external restrictions on how they may be used. The remaining balance, twenty-three (23) percent, of net assets (unrestricted, \$2,211,288.86) may be used to meet the College's ongoing obligations to citizens and creditors. This change (\$398,481.46) in resources represents a twenty-two (22) percent increase over the previous year.

At the end of the current fiscal year, Wilson Technical Community College is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Wilson Technical Community College's total net assets increased by \$671,564.62. The majority of this increase may be attributed to the fact that the College had an increase in funding on the State and county levels. The following table and graphs depict the financial position of the College at the close of the current fiscal year. They further define the sources of funding and their related uses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Assets

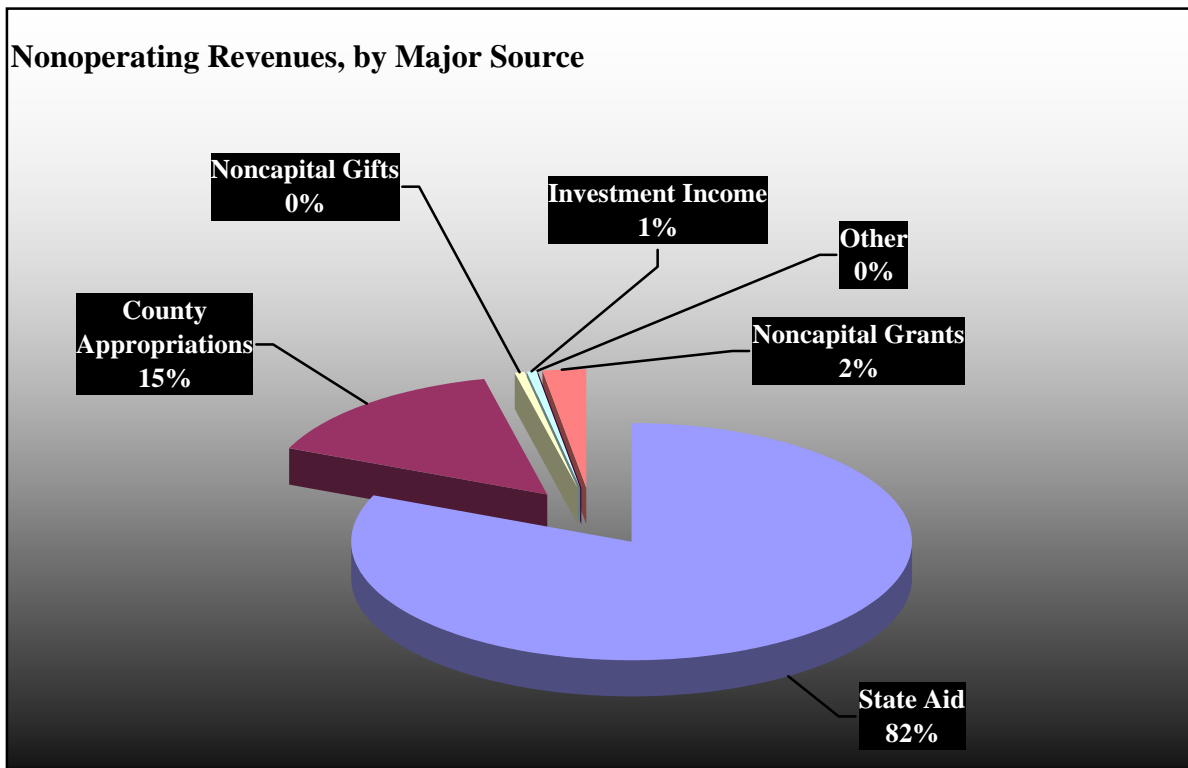
	2005	2004	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,026,583.02	\$ 427,647.87	\$ 598,935.15	140.05 %
Federal Grants and Contracts	4,275,802.80	4,295,846.04	(20,043.24)	(0.47) %
State and Local Grants and Contracts	220,858.67	201,312.00	19,546.67	9.71 %
Sales and Services, Net	566,958.73	1,012,319.66	(445,360.93)	(43.99) %
Other Revenues	7,865.60	9,051.28	(1,185.68)	(13.10) %
Total Operating Revenues	6,098,068.82	5,946,176.85	151,891.97	2.55 %
Operating Expenses:				
Salaries and Benefits	9,811,280.82	8,599,783.76	1,211,497.06	14.09 %
Supplies and Materials	2,202,268.06	1,753,979.38	448,288.68	25.56 %
Services	2,031,513.56	1,858,664.38	172,849.18	9.30 %
Scholarships and Fellowships	2,210,765.33	2,232,720.24	(21,954.91)	(0.98) %
Utilities	297,855.46	292,003.44	5,852.02	2.00 %
Depreciation	508,809.76	462,963.61	45,846.15	9.90 %
Total Operating Expenses	17,062,492.99	15,200,114.81	1,862,378.18	12.25 %
Operating Loss	(10,964,424.17)	(9,253,937.96)	(1,710,486.21)	18.48 %
Nonoperating and Capital Revenues:				
State Aid	8,269,261.46	6,920,701.08	1,348,560.38	19.49 %
County Appropriations	1,404,374.00	1,102,251.00	302,123.00	27.41 %
Noncapital Grants	289,584.94	296,789.41	(7,204.47)	(2.43) %
Noncapital Gifts	48,993.50		48,993.50	
Investment Income	60,678.67	48,057.53	12,621.14	26.26 %
Other Nonoperating Revenues (Expenses)	(8,009.99)	1,954.65	(9,964.64)	(509.79) %
State Capital Aid	1,221,304.21	1,201,761.94	19,542.27	1.63 %
County Capital Appropriations	349,802.00	41,700.00	308,102.00	738.85 %
Total Nonoperating and Capital Revenues	11,635,988.79	9,613,215.61	2,022,773.18	21.04 %
Increase in Net Assets	671,564.62	359,277.65	312,286.97	86.92 %
Net Assets, July 1	9,078,733.79	8,719,456.14	359,277.65	4.12 %
Net Assets, June 30	<u>\$ 9,750,298.41</u>	<u>\$ 9,078,733.79</u>	<u>\$ 671,564.62</u>	7.40 %

The total operating revenues increased by over two percent, (2.55%). The majority of the revenue increase is attributed to the increase in student tuition and fees, net, State and local grants and contracts as well as the increase in sales in the auxiliary enterprises/educational related activities. This is due to the enrollment increase.

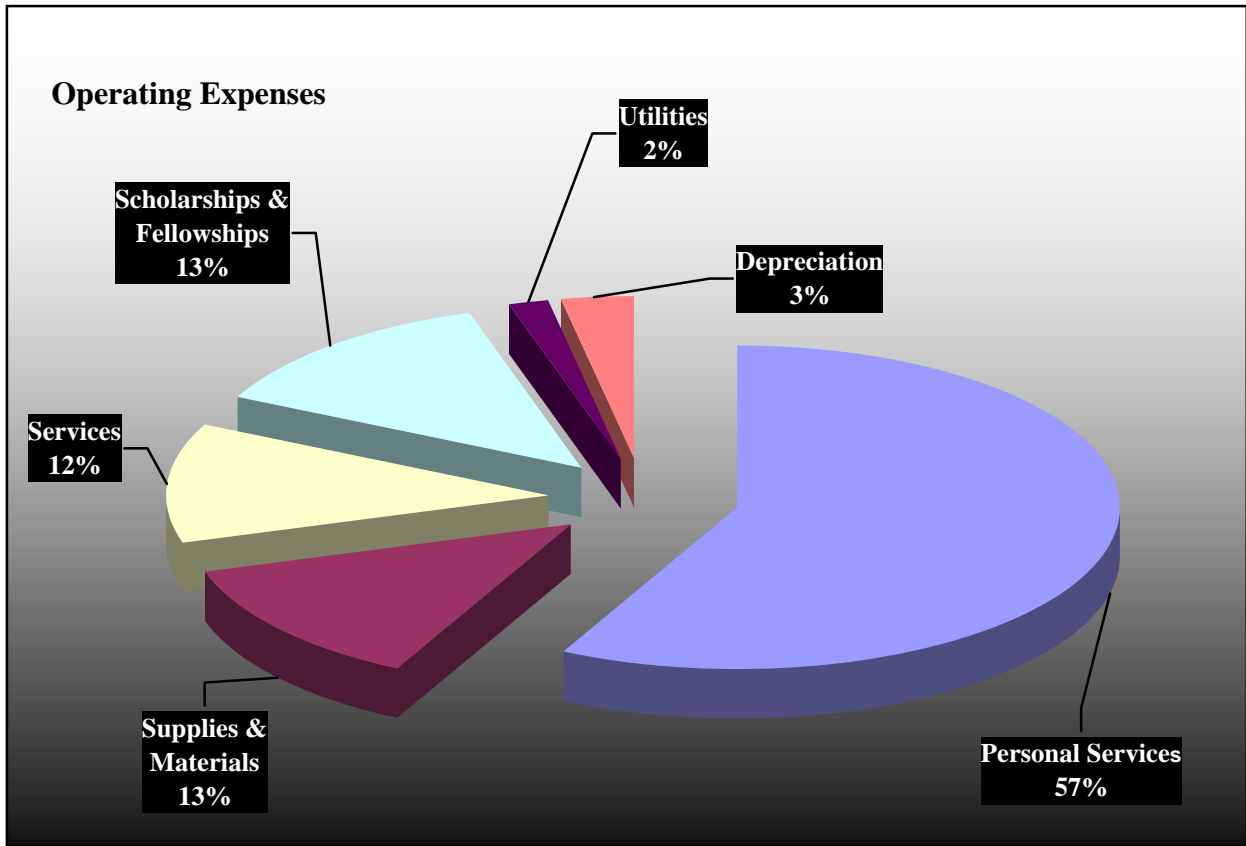
The nonoperating revenues increased by over twenty-one percent, (21.04%). The majority of the increase was from reimbursements for construction projects as well as increase in State aid and county current and capital appropriations received for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating expenses for fiscal year 2005 increased \$1,862,378.18 over fiscal year 2004. The expense increase of the College can be attributed to a combination of sources which includes the following: salaries and benefits increased due to the effects of contractual increases for faculty and staff salaries and benefits; additional personnel were hired due to enrollment growth; supplies and materials expenses increased due to an increase in enrollment and facility repair supplies; services expenses increased by \$172,849.18 over fiscal year 2004 because of additional costs associated with facility repairs and maintenance, increased services provided to recipients of federal grant programs, and increase in other cost expenditures (ie., travel, printing, etc.) due to additional staff training and enrollment growth.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



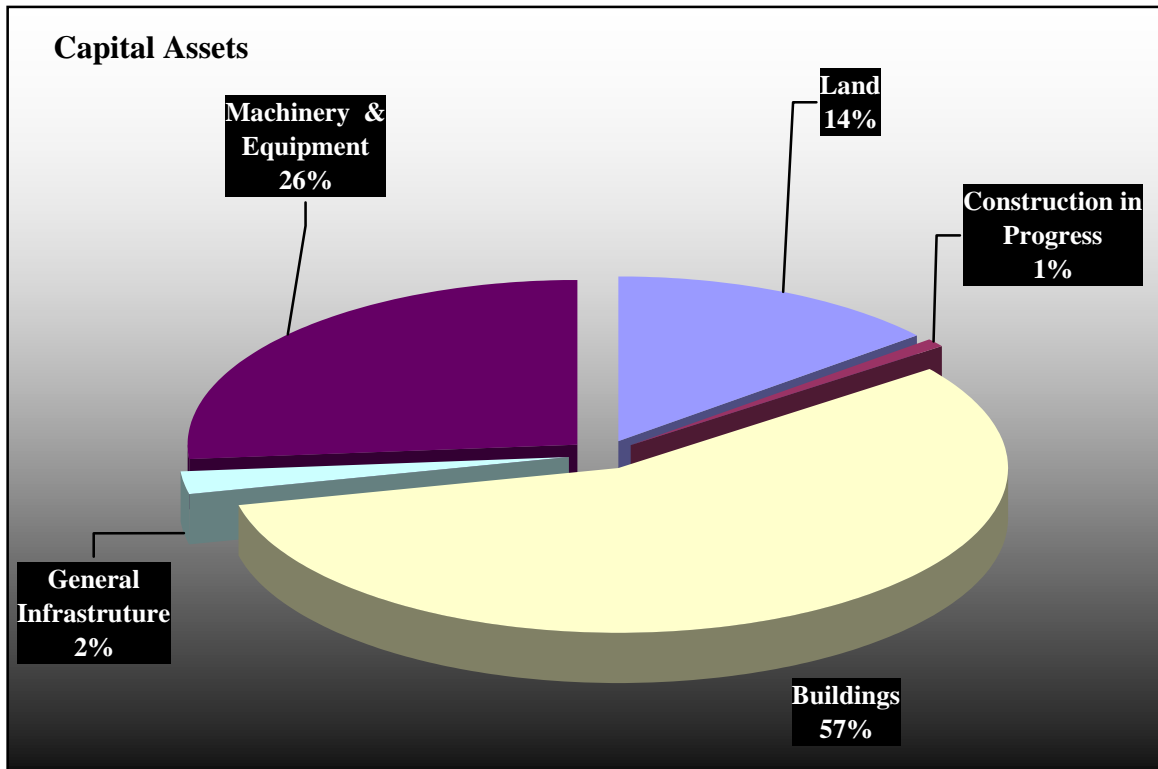
Capital Assets

Wilson Technical Community College's investment in capital assets as of June 30, 2005, amounts to \$6,470,281.88 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery/equipment. Wilson Technical Community College's investment in capital assets experienced a net increase of over one percent (1.71%) for the current fiscal year as result of purchase of land for construction of the new Student Center as well as a new storage building for the Heavy Equipment and Transport Technology (Diesel) Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Wilson Technical Community College's Capital Assets
(Net of Depreciation)**

	Beginning Balance	Ending Balance
Land	\$ 494,015.66	\$ 892,974.58
Construction in Progress		55,332.70
Buildings	3,864,742.91	3,673,369.18
General Infrastructure	169,407.19	150,133.15
Machinery and Equipment	1,833,533.00	1,698,472.27
Total	\$ 6,361,698.76	\$ 6,470,281.88



Economic Factors and Next Year's Budget

The College anticipates continued growth in the 2005-06 budget funding cycle. Funding should show an increase due to larger appropriations from State and county sources, and additional funding activities from federal grants and other sources.

The College has begun the design of the new Student Center which will house Business Services, Student Services, and the Student Union. The awarding of the construction contract is scheduled for the spring of 2006 with actual construction beginning shortly thereafter.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

WTCC continues to provide training opportunities for local companies through our NEIT (New and Expanding Industry Training) projects. Continuing Education showed an increase in FTE's (Full Time Enrollment) during the fiscal year 2004-05. This is attributed to an increase in their Occupational Extension program and Basic Skills. We anticipated this trend to continue. Curriculum also should experience slight increase in enrollment. Nursing continues to be a strong program at the College. Our health care graduates are highly sought by local and regional health care institutions. With the increasing demand for better childcare facilities, the early childhood program and the College transfer program should continue to show strong growth. In our trade programs, the Heavy Equipment Operator Program remains very popular.

Financial aid continues to increase at Wilson Technical Community College. We are expecting to continue seeking increases in the amount of Pell Grant and College Work Study Awards in the next year.

Requests for Information

This financial report is designed to provide a general overview of Wilson Technical Community College's finances for all those with an interest in the College's finances. Questions concerning any of this information should be addressed to Jessica S. Jones, Controller for Wilson Technical Community College, 902 Herring Avenue, Wilson, NC 27893.

Wilson Technical Community College
Statement of Net Assets
June 30, 2005

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,904,107.28
Restricted Cash and Cash Equivalents	176,528.84
Receivables, Net (Note 4)	383,309.77
Inventories	383,046.64
Notes Receivable, Net (Note 4)	18,901.81
	<hr/>
Total Current Assets	2,865,894.34

Noncurrent Assets:

Restricted Cash and Cash Equivalents	365,402.02
Restricted Due from Primary Government	546,953.74
Capital Assets - Nondepreciable, (Note 5)	948,307.28
Capital Assets - Depreciable, Net (Note 5)	5,521,974.60
	<hr/>
Total Noncurrent Assets	7,382,637.64
	<hr/>
Total Assets	10,248,531.98

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	90,512.30
Due to Primary Government	633.31
Deferred Revenue	45,717.73
Funds Held for Others	11,897.20
Long-Term Liabilities - Current Portion (Note 7)	17,546.92
	<hr/>
Total Current Liabilities	166,307.46

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	331,926.11
	<hr/>
Total Liabilities	498,233.57

NET ASSETS

Invested in Capital Assets	6,470,281.88
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	150,000.00
Expendable:	
Scholarships and Fellowships	48,262.79
Loans	36,813.44
Capital Projects	691,508.67
Other	142,142.77
Unrestricted	2,211,288.86
	<hr/>
Total Net Assets	\$ 9,750,298.41

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

***Wilson Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2005***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 1,026,583.02
Federal Grants and Contracts	4,275,802.80
State and Local Grants and Contracts	220,858.67
Sales and Services, Net (Note 9)	566,958.73
Other Operating Revenues	7,865.60
	<hr/>
Total Operating Revenues	<u>6,098,068.82</u>

EXPENSES

Operating Expenses:	
Personal Services	9,811,280.82
Supplies and Materials	2,202,268.06
Services	2,031,513.56
Scholarships and Fellowships	2,210,765.33
Utilities	297,855.46
Depreciation	508,809.76
	<hr/>
Total Operating Expenses	<u>17,062,492.99</u>
Operating (Loss)	<u>(10,964,424.17)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	8,269,261.46
County Appropriations	1,404,374.00
Noncapital Grants	289,584.94
Noncapital Gifts	48,993.50
Investment Income	60,678.67
Other Nonoperating (Expenses)	(8,009.99)
	<hr/>
Net Nonoperating Revenues	<u>10,064,882.58</u>
(Loss) Before Other Revenues	(899,541.59)
State Capital Aid	1,221,304.21
County Capital Appropriations	349,802.00
	<hr/>
Increase in Net Assets	671,564.62

NET ASSETS

Net Assets, July 1, 2004	<u>9,078,733.79</u>
Net Assets, June 30, 2005	<u>\$ 9,750,298.41</u>

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

Wilson Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 6,050,771.29
Payments to Employees and Fringe Benefits	(9,807,854.69)
Payments to Vendors and Suppliers	(4,561,749.11)
Payments for Scholarships and Fellowships	(2,213,557.73)
Loans Issued to Students	(55,169.93)
Collection of Loans to Students	44,993.69
Other (Payments)	(7,547.72)

Net Cash Used by Operating Activities (10,550,114.20)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,269,261.46
County Appropriations	1,404,374.00
Noncapital Grants Received	274,124.69
Noncapital Gifts and Endowments Received	48,993.50

Cash Provided by Noncapital Financing Activities 9,996,753.65

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,111,285.98
County Capital Appropriations	349,802.00
Acquisition and Construction of Capital Assets	(617,392.88)

Net Cash Provided by Capital and Related Financing Activities 843,695.10

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	60,402.83
-------------------	-----------

Cash Provided by Investing Activities 60,402.83

Net Increase in Cash and Cash Equivalents 350,737.38
Cash and Cash Equivalents, July 1, 2004 2,095,300.76

Cash and Cash Equivalents, June 30, 2005 \$ 2,446,038.14

**RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (10,964,424.17)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	508,809.76
Provision for Uncollectible Loans and Write-Offs	4,581.53
Miscellaneous Nonoperating Income	(8,009.99)
Changes in Assets and Liabilities:	
Receivables, Net	(69,574.93)
Inventories	(50,253.80)
Notes Receivable, Net	(10,176.24)
Accounts Payable and Accrued Liabilities	17,800.20
Due to Primary Government	633.31
Deferred Revenue	16,026.80
Funds Held for Others	3,920.47
Compensated Absences	552.86

Net Cash Used by Operating Activities \$ (10,550,114.20)

Wilson Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

Exhibit A-3
Page 2

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,904,107.28
Restricted Cash and Cash Equivalents	176,528.84
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	365,402.02
	<hr/>
Total Cash and Cash Equivalents - June 30, 2005	<u>\$ 2,446,038.14</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$ 125,754.32
Capital Asset Write-Offs	474,940.65

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

Wilson Technical Community College Foundation, Inc.
Statement of Financial Position
December 31, 2004

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 62,535.83
Investments	<u>1,321,072.96</u>
Total Assets	<u>1,383,608.79</u>

NET ASSETS

Unrestricted Net Assets	<u>1,383,608.79</u>
Total Net Assets	<u>\$ 1,383,608.79</u>

See Note 1 in the Notes to the Financial Statements

Wilson Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended December 31, 2004

Exhibit B-2

UNRESTRICTED REVENUES AND GAINS

Contributions Received	\$	90,847.91
NC Community College Systems Grant		25,000.00
Investment Income		33,239.55
Net Realized Gain on Investment		(11,760.30)
Net Unrealized Gain on Investment		75,620.41

Total Unrestricted Revenues and Gains 212,947.57

EXPENSES

Program Services		45,272.31
Support Services		2,276.55

Total Expenses 47,548.86

Increase in Unrestricted Net Assets 165,398.71

Net Assets January 1, 2004 1,218,210.08

Net Assets, December 31, 2004 \$ 1,383,608.79

See Note 1 in the Notes to the Financial Statements

WILSON TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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. Wilson 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 of the College and component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the financial statements. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit – Wilson Technical Community College Foundation, Inc., is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Wilson Technical Community College Foundation, Inc., is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of fourteen directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Wilson Technical Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Financial statements for the College and its discretely presented component unit are presented as of and for the fiscal year ended June 30, 2005, except for the Wilson Technical Community College Foundation, Inc., whose financial statements are as of and for the fiscal year ended December 31, 2004.

Complete financial statements for the Foundation can be obtained from Wilson Technical Community College, Inc. Office, 902 Herring Avenue, Wilson, North Carolina or by calling (252) 291-1195.

- 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.

- 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, overnight repurchase agreements, and deposits held by the State Treasurer in the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, 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** – Bookstore inventories, consisting of merchandise for resale, are stated at the lower of cost or market value using first-in, first-out method. All other inventories held by the College are priced at the lower of cost or market value using the last invoice 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 10 to 15 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.
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 and copy centers. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina 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. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$1,709.50 and deposits in private financial institutions with a carrying value of \$1,039,460.01 and a bank balance of \$1,192,643.71.

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.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2005, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

specified ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2005, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$1,404,868.63 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.41 years as of June 30, 2005. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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, 2005, net appreciation of \$53,533.09 was available to be spent, of which \$53,533.09 was restricted to specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2005, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 142,668.01	\$ 3,562.16	\$ 139,105.85
Accounts	57,987.67	6,390.09	51,597.58
Intergovernmental	189,282.05		189,282.05
Investment Earnings	3,324.29		3,324.29
Total Current Receivables	<u>\$ 393,262.02</u>	<u>\$ 9,952.25</u>	<u>\$ 383,309.77</u>
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 29,480.65</u>	<u>\$ 10,578.84</u>	<u>\$ 18,901.81</u>

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2005, is presented as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, Nondepreciable:				
Land	\$ 494,015.66	\$ 398,958.92	\$ 0.00	\$ 892,974.58
Construction in Progress		55,332.70		55,332.70
Total Capital Assets, Nondepreciable	<u>494,015.66</u>	<u>454,291.62</u>		<u>948,307.28</u>
Capital Assets, Depreciable:				
Buildings	8,516,855.53	8,000.00		8,524,855.53
Machinery and Equipment	5,582,561.29	155,101.26	474,940.65	5,262,721.90
General Infrastructure	751,609.60			751,609.60
Total Capital Assets, Depreciable	<u>14,851,026.42</u>	<u>163,101.26</u>	<u>474,940.65</u>	<u>14,539,187.03</u>
Less Accumulated Depreciation:				
Buildings	4,652,112.62	199,373.73		4,851,486.35
Machinery and Equipment	3,749,028.29	290,161.99	474,940.65	3,564,249.63
General Infrastructure	582,202.41	19,274.04		601,476.45
Total Accumulated Depreciation	<u>8,983,343.32</u>	<u>508,809.76</u>	<u>474,940.65</u>	<u>9,017,212.43</u>
Total Capital Assets, Depreciable, Net	<u>5,867,683.10</u>	<u>(345,708.50)</u>		<u>5,521,974.60</u>
Capital Assets, Net	<u>\$ 6,361,698.76</u>	<u>\$ 108,583.12</u>	<u>\$ 0.00</u>	<u>\$ 6,470,281.88</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2005, were as follows:

	Amount
Accounts Payable	\$ 80,140.97
Accrued Payroll	10,371.33
Total Accounts Payable and Accrued Liabilities	\$ 90,512.30

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Current Portion
Compensated Absences	\$ 348,920.17	\$ 255,587.00	\$ 255,034.14	\$ 349,473.03	\$ 17,546.92

NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2005:

Fiscal Year	Amount
2006	\$ 66,524.17
2007	66,524.17
2008	66,524.17
2009	22,816.36
Total Minimum Lease Payments	\$ 222,388.87

Rental expense for all operating leases during the year was \$58,704.61.

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	\$ 1,950,800.03	\$ 0.00	\$ 922,888.19	\$ 1,328.82	\$ 1,026,583.02
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	969,868.94		494,243.07		475,625.87
Print Shop	160,343.92	160,343.92			
Central Stores	32,779.36	32,779.36			
Other	50,288.01				50,288.01
Sales and Services of Education and Related Activities	41,044.85				41,044.85
Total Sales and Services	\$ 1,254,325.08	\$ 193,123.28	\$ 494,243.07	\$ 0.00	\$ 566,958.73

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 5,586,873.19	\$ 576,234.41	\$ 826,600.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,989,707.61
Academic Support	1,105,333.96	230,828.96	106,641.37				1,442,804.29
Student Services	1,168,794.63	49,752.69	328,561.39				1,547,108.71
Institutional Support	1,431,778.47	213,113.80	542,525.91				2,187,418.18
Operations and Maintenance of Plant	431,426.20	361,541.42	213,257.99		297,855.46		1,304,081.07
Student Financial Aid				2,210,765.33			2,210,765.33
Auxiliary Enterprises	87,074.37	770,796.78	13,926.89				871,798.04
Depreciation						508,809.76	508,809.76
Total Operating Expenses	\$ 9,811,280.82	\$ 2,202,268.06	\$ 2,031,513.56	\$ 2,210,765.33	\$ 297,855.46	\$ 508,809.76	\$ 17,062,492.99

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2005, these rates were set at 2.17% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2005, the College had a total payroll of \$8,319,669.93, of which \$6,491,843.34 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$389,510.67 and \$140,873.01, respectively. The College made 100% of its annual required contributions for the years ended June 30, 2005, 2004, and 2003, which were \$140,873.01, \$12,580.87, and \$0.00, 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 \$5,334.72 for the year ended June 30, 2005.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$40,919.00 for the year ended June 30, 2005.

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 \$7,986.00 for the year ended June 30, 2005.

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, 2005, the College's total contribution to the Plan was \$207,738.99. 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 contributes .445% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the year ended June 30, 2005, the College's total contribution to the DIPNC was \$28,888.71. 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, and can include participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$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. The College has secured a blanket fidelity insurance bond from a private company to cover the \$50,000 deductible and employees who are paid from County or Institutional Funds. Coverage for these employees is limited to \$10,000 per occurrence and a \$500 deductible.

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.

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

Community College General Obligation Bonds – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 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

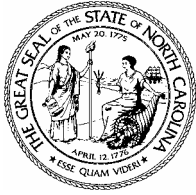
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 \$3,166,909.00 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 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2005, the College implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. This Statement establishes and modifies disclosure requirements related to investment risks: credit risk, interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

[This Page Left Blank Intentionally]



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>

**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
Wilson Technical Community College
Wilson, North Carolina

We have audited the financial statements of Wilson Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 16, 2006. We did not audit the financial statements of Wilson Technical Community College Foundation, Inc., which represents 100% of the College's discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Wilson Technical Community College Foundation, Inc., is based on the report of the other auditors.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, during the year ended June 30, 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the discretely presented component unit.

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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation

**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)**

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. 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*. However, we noted certain matters that we have reported to management of the College in a separate letter dated June 20, 2006.

This report is intended solely for the information and use of the Board of Trustees, the State Board of Community Colleges, management 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

May 16, 2006

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports 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

Telephone: 919/807-7500

Facsimile: 919/807-7647