



STATE OF NORTH CAROLINA

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Forsyth Technical Community College for the year ended June 30, 2006, 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 resulted in no 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 26, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Forsyth 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, 2006, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Forsyth 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 the Forsyth 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 that 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 the Forsyth 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 provides 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 Forsyth Technical Community College and its discretely presented component unit as of June 30, 2006, 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)

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2007, 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.

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

June 20, 2007

**FORSYTH TECHNICAL COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

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

Financial Information

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

Results of Operations

Net assets decreased by \$2.9 million for the fiscal year ended June 30, 2006. A summary of revenues, expenses, and change in net assets is presented below.

	2006	2005	Dollar Increase (Decrease)
Revenues:			
Operating	\$ 14,485,584.13	\$ 14,613,535.68	\$ (127,951.55)
Nonoperating and Other, Net	34,251,539.99	41,299,120.31	(7,047,580.32)
Total Revenues	<u>48,737,124.12</u>	<u>55,912,655.99</u>	<u>(7,175,531.87)</u>
Expenses:			
Operating	51,675,625.75	45,449,063.18	6,226,562.57
Increase (Decrease) in Net Assets	(2,938,501.63)	10,463,592.81	(13,402,094.44)
Net Assets - July 1	<u>45,365,742.35</u>	<u>34,902,149.54</u>	<u>10,463,592.81</u>
Net Assets - June 30	<u><u>\$ 42,427,240.72</u></u>	<u><u>\$ 45,365,742.35</u></u>	<u><u>\$ (2,938,501.63)</u></u>

Total revenues for fiscal year ended June 30, 2006, were \$48.7 million and decreased by \$7.2 million or 13%. The largest revenue source was provided by the state and totaled \$22.4 million and is reported as state aid in nonoperating revenues. County appropriations amounted to \$6 million and are reported as nonoperating and other revenues. The major sources of operating revenues were student tuition and fees in the amount of \$6.9 million, and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

federal grants in the amount of \$4.8 million. Federal grants reported as operating revenues during the current year are considered exchange transactions and include Pell, SEOG, and College Work Study.

Operating revenues of \$14.5 million represent 30% of total revenues. Federal grants decreased by \$.6 million while student tuition and fees increased by \$.5 million, resulting in an overall 1% decrease in operating revenues from the previous year. The increase in student tuition is attributed to increases in enrollment.

Nonoperating and other revenues totaled \$34.2 million and are net of nonoperating expenses that totaled \$1.8 million and represent allotment decreases for construction projects. Net nonoperating and other revenues decreased by \$7 million or 17% from the previous year. The most significant decreases were in State capital aid by \$3 million, and in capital grants by \$2.3 million. The net decrease in State capital aid, which includes \$1.8 million reported as nonoperating expenses, resulted from the cash flow financing approach used by the State to allot bond funds for approved construction projects. The temporary allotment decreases related to the Information Technology (ITEC) Building and Northwest Forsyth Center will have no major impact on the completion of these two projects. The decrease of \$2.3 million in capital grants resulted from the decrease in county funding for the ITEC Building combined with an increase in county funding for the West Campus AC Upgrade.

Capital gifts totaling \$.4 million, an increase of \$.3 million from the previous year, were mainly for the Dental Lab project.

Total additions to permanent endowments during the year amounted to \$976.13, a decrease of \$155.99 from the previous year.

Operating expenses totaling \$51.7 million increased by \$6.2 million or 14% from the previous year's \$45.5 million. The increase relates to the cost of providing quality education and training to students at the College's two campuses and six education centers. The increases were mainly in the following areas: personal services for salaries and benefits by \$2.9 million or 11%, supplies and materials by \$1.3 million or 21%, and services by \$1.8 million or 45%. These three areas of operating expenses represent \$44.6 million or 87% of the total operating expenses.

The largest expense was for personal services accounting for salaries and benefits totaling \$30.9 million or 60% of the total expenses during the year. Of the \$30.9 million for personal services for salaries and benefits, \$17.8 million or 58% was provided for instruction, \$5.5 million for institutional support, \$3.1 million for academic support, \$2.4 million for student services, \$1.5 million for operations and maintenance of plant, and \$.6 million for auxiliary enterprises. Utility expenses totaled \$1.0 million and increased by \$.2 million or 22% from the previous year.

Outstanding commitments for capital projects as of June 30, 2006, were \$.7 million: \$49,450.00 for the ITEC Building State Bond Project; \$.1 million for the Greene Hall Addition Project; \$65,000.00 for the West Campus AC Upgrade Project; \$.1 million for the

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Northwest Forsyth Center Project; \$99,785.00 for the Dental Lab Project; and \$.2 million for the Allman Center 2nd Floor Project.

Financial Position

The College's net assets totaled \$42.4 million at June 30, 2006. A summary of assets, liabilities and net assets is presented below.

	2006	2005	Dollar Increase (Decrease)
Assets:			
Capital Assets	\$ 34,617,755.64	\$ 32,868,078.85	\$ 1,749,676.79
Other Assets	12,326,439.70	16,693,662.87	(4,367,223.17)
Total Assets	46,944,195.34	49,561,741.72	(2,617,546.38)
Liabilities:			
Long-Term Liabilities	2,143,393.40	1,721,964.77	421,428.63
Other Liabilities	2,373,561.22	2,474,034.60	(100,473.38)
Total Liabilities	4,516,954.62	4,195,999.37	320,955.25
Net Assets:			
Invested in Capital Assets	34,617,755.64	32,868,078.85	1,749,676.79
Restricted	7,281,155.71	11,227,799.16	(3,946,643.45)
Unrestricted	528,329.37	1,269,864.34	(741,534.97)
Total Net Assets	\$ 42,427,240.72	\$ 45,365,742.35	\$ (2,938,501.63)

The College's net assets totaled \$42.4 million at June 30, 2006, and decreased by \$2.9 million or 7% from the previous year. Of the total net assets, \$34.6 million was invested in capital assets. Unrestricted net assets totaled \$.5 million, and restricted net assets totaled \$7.3 million. Of the \$7.3 million restricted net assets, \$3.9 million was restricted for capital projects which decreased by \$3.6 million or 49% from the previous year's \$7.5 million, and \$2.9 million was restricted for other purposes which decreased by \$.4 million or 12% from the previous year's \$3.2 million. The \$3.6 million decrease in expendable capital projects net assets is mainly attributed to a decrease in allotments from the state for construction projects at year end.

Assets totaled \$46.9 million at June 30, 2006, a decrease of \$2.6 million. Capital assets net of depreciation, amounted to \$34.6 million, representing 74% of total assets, an increase from the previous year of \$1.7 million or 6%. The total amount due from the State and its component units at year end was \$3.4 million, a decrease from the previous year of \$4.3 million that resulted from State construction allotments reductions and payments received from the Golden Leaf Foundation. Cash and cash equivalents amounted to \$7.2 million, representing 16% of total assets, an increase from the previous year of \$.5 million or 7%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

These three assets, totaling \$45.1 million, represent 97% of total assets. Other assets at year end included receivables, inventories, and notes receivable. Buildings, less accumulated depreciation, the largest capital asset category, total \$18.9 million and represent 55% of the total capital assets.

The net increase in Construction in Progress (CIP) during the year was \$2.5 million. The most significant construction cost was for the ITEC Building and amounted to \$2.2 million.

Total liabilities at fiscal year ended June 30, 2006, were \$4.5 million, increasing by \$.3 million or 8%. Long term liabilities totaled \$2.1 million at year end and represent liabilities for accrued vacation for employees. Other liabilities include accounts payable and accrued liabilities that totaled \$2.3 million or 52% of the total liabilities at year end.

Future Operations

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

Forsyth Technical Community College
Statement of Net Assets
June 30, 2006

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,864,961.93
Restricted Cash and Cash Equivalents	2,272,772.73
Receivables (Note 4)	929,272.21
Due from State of North Carolina Component Units	1,547,450.00
Inventories	857,156.17
Notes Receivable (Note 4)	3,840.71

Total Current Assets	7,475,453.75
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	3,027,625.21
Receivables	8,269.09
Restricted Due from Primary Government	1,815,091.65
Capital Assets - Nondepreciable (Note 5)	12,179,646.89
Capital Assets - Depreciable, Net (Note 5)	22,438,108.75

Total Noncurrent Assets	39,468,741.59
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Total Assets	46,944,195.34
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	2,342,397.98
Funds Held for Others	6,073.74
Long-Term Liabilities - Current Portion (Note 7)	314,179.84

Total Current Liabilities	2,662,651.56
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Noncurrent Liabilities:

Funds Held for Others	25,089.50
Long-Term Liabilities (Note 7)	1,829,213.56

Total Noncurrent Liabilities	1,854,303.06
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Total Liabilities	4,516,954.62
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NET ASSETS

Invested in Capital Assets	34,617,755.64
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Restricted for:

Nonexpendable:	
Scholarships and Fellowships	83,317.66

Expendable:	
Scholarships and Fellowships	268,061.80
Loans	171,817.71
Capital Projects	3,894,179.77
Instruction and Educational Agreements	2,435,567.40
Other	428,211.37

Unrestricted	528,329.37
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Total Net Assets	\$ 42,427,240.72
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The accompanying notes to the financial statements are an integral part of this statement.

***Forsyth Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2006***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 6,952,368.49
Federal Grants and Contracts	4,830,799.36
Sales and Services, Net (Note 9)	2,697,719.40
Other Operating Revenues	4,696.88
	<hr/>
Total Operating Revenues	14,485,584.13
	<hr/>

EXPENSES

Operating Expenses:	
Personal Services	30,874,792.99
Supplies and Materials	7,745,891.89
Services	6,026,595.46
Scholarships and Fellowships	4,581,685.40
Utilities	1,040,109.76
Depreciation	1,406,550.25
	<hr/>
Total Operating Expenses	51,675,625.75
	<hr/>
Operating Loss	(37,190,041.62)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	22,400,046.84
County Appropriations	5,659,476.00
Noncapital Grants	3,155,373.65
Noncapital Gifts	515,086.17
Investment Income, Net	130,392.12
State Capital Aid Expense	(1,797,745.00)
	<hr/>
Net Nonoperating Revenues	30,062,629.78
	<hr/>
Loss Before Other Revenues and Expenses	(7,127,411.84)
	<hr/>
State Capital Aid	1,736,390.65
County Capital Appropriations	384,100.00
Capital Grants	1,665,793.00
Capital Gifts	401,650.43
Additions to Endowments	976.13
	<hr/>
Decrease in Net Assets	(2,938,501.63)
	<hr/>

NET ASSETS

Net Assets, July 1, 2005	45,365,742.35
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Net Assets, June 30, 2006	\$ 42,427,240.72
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The accompanying notes to the financial statements are an integral part of this statement.

Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 14,490,224.21
Payments to Employees and Fringe Benefits	(30,362,020.20)
Payments to Vendors and Suppliers	(15,218,658.35)
Payments for Scholarships and Fellowships	(4,602,868.36)
Collection of Loans to Students	5,881.28
Other Payments	(4,997.14)
	<hr/>
Net Cash Used by Operating Activities	(35,692,438.56)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	22,400,046.84
County Appropriations	5,659,476.00
Noncapital Grants Received	4,745,960.11
Noncapital Gifts and Endowments Received	516,062.30
	<hr/>
Cash Provided by Noncapital Financing Activities	33,321,545.25

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	3,226,665.96
County Capital Appropriations	384,100.00
Capital Grants Received	1,665,793.00
Capital Gifts Received	401,650.43
Acquisition and Construction of Capital Assets	(2,975,169.92)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	2,703,039.47

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	130,392.12
	<hr/>
Cash Provided by Investing Activities	130,392.12

Net Increase in Cash and Cash Equivalents	462,538.28
Cash and Cash Equivalents, July 1, 2005	6,702,821.59
	<hr/>
Cash and Cash Equivalents, June 30, 2006	\$ 7,165,359.87

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

Operating Loss	\$ (37,190,041.62)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	1,406,550.25
Changes in Assets and Liabilities:	
Receivables, Net	(16,542.88)
Inventories	(38,183.72)
Notes Receivable, Net	5,881.28
Accounts Payable and Accrued Liabilities	(276,533.36)
Funds Held for Others	(4,997.14)
Compensated Absences	421,428.63
	<hr/>
Net Cash Used by Operating Activities	\$ (35,692,438.56)

***Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006***

Exhibit A-3

Page 2

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,864,961.93
Restricted Cash and Cash Equivalents	2,272,772.73
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>3,027,625.21</u>
Total Cash and Cash Equivalents - June 30, 2006	<u><u>\$ 7,165,359.87</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 181,057.12
Capital Asset Write-Offs	179,564.26

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

Forsyth Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2006

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	921,049.00
Pledges Receivable		4,027,879.00
Sales Tax Receivable		752.00
Investments		1,381,293.00
Restricted Land		<u>89,000.00</u>
Total Assets		<u>6,419,973.00</u>

LIABILITIES AND NET ASSETS

NET ASSETS

Unrestricted		2,889,919.00
Temporarily Restricted		2,131,334.00
Permanently Restricted		<u>1,398,720.00</u>
Total Net Assets	\$	<u>6,419,973.00</u>

See Note 1 in the Notes to the Financial Statements

Forsyth Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2006

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:

Contributions	\$ 2,652,254.00
Investment Income (Net of Fees)	9,969.00
Change in Market Value of Investments	2,813.00
Net Assets Released from Restrictions	941,105.00

3,606,141.00

Expenses:

Program Services	986,000.00
Fundraising	174,711.00
Management and General	20,105.00

1,180,816.00

Increase in Unrestricted Net Assets 2,425,325.00

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Support and Revenue

Contributions	1,236,986.00
Investment Income (Net of Fees)	25,614.00
Change in Market Value of Investments	22,660.00
Assets Released from Restrictions	(941,105.00)

344,155.00

Increase in Temporarily Restricted Net Assets

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	507,174.00
Investment Income (Net of Fees)	12,873.00

520,047.00

Increase in Permanently Restricted Net Assets

Increase in Net Assets	3,289,527.00
Net Assets at Beginning of Year	3,130,446.00

Net Assets at End of Year \$ 6,419,973.00

See Note 1 in the Notes to the Financial Statements

FORSYTH TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Forsyth Technical Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and a component unit 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 – The Forsyth Technical Community College Foundation, Inc. (Foundation), 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 Foundation is a legally separate, tax exempt component unit of the College and 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 28 members. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (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.

During the year ended June 30, 2006, the Foundation distributed \$887,556.69 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

- 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 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, and deposits held by the State Treasurer in the short-term investment fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The short-term investment fund 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. No provision for doubtful accounts is considered necessary.
- F. Inventories** – Inventories, consisting of postage and expendable supplies, are valued at cost using either the last invoice cost or average cost method. Merchandise for resale is valued using the retail inventory 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 25 years for general infrastructure, 10 to 40 years for buildings, and 3 to 15 years for equipment.

- H. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** – The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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 discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

NOTE 2 - DEPOSITS 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$5,950.00, and deposits in private financial institutions with a carrying value of \$2,227,983.51 and a bank balance of \$2,448,456.63.

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, 2006, 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 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, 2006, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$4,931,426.36 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 1.18 years as of June 30, 2006. Assets and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

Investments of the College's component unit, the Forsyth Technical Community College Foundation, Inc., are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

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, 2006, net appreciation of \$834,508.19 was available to be spent, of which \$204,804.57 was restricted to specific purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006, were as follows:

	Amount
Current Receivables:	
Students	\$ 480,521.85
Accounts	95,622.38
Intergovernmental	353,127.98
Total Current Receivables	\$ 929,272.21
Notes Receivable - Current	
Institutional Student Loan Programs	\$ 3,840.71

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2006, is presented as follows

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets, Nondepreciable:				
Land	\$ 1,609,702.42	\$ 0.00	\$ 0.00	\$ 1,609,702.42
Construction in Progress	8,109,660.54	2,460,283.93		10,569,944.47
Total Capital Assets, Nondepreciable	9,719,362.96	2,460,283.93		12,179,646.89
Capital Assets, Depreciable:				
Buildings	30,213,360.12			30,213,360.12
Machinery and Equipment	5,637,603.67	695,943.11	179,564.26	6,153,982.52
General Infrastructure	1,771,478.76			1,771,478.76
Total Capital Assets, Depreciable	37,622,442.55	695,943.11	179,564.26	38,138,821.40
Less Accumulated Depreciation:				
Buildings	10,442,281.77	867,149.16		11,309,430.93
Machinery and Equipment	3,029,840.58	465,020.43	179,564.26	3,315,296.75
General Infrastructure	1,001,604.31	74,380.66		1,075,984.97
Total Accumulated Depreciation	14,473,726.66	1,406,550.25	179,564.26	15,700,712.65
Total Capital Assets, Depreciable, Net	23,148,715.89	(710,607.14)		22,438,108.75
Capital Assets, Net	\$ 32,868,078.85	\$ 1,749,676.79	\$ 0.00	\$ 34,617,755.64

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2006, were as follows:

	Amount
Accounts Payable	\$ 1,099,170.23
Accrued Payroll	736,877.66
Contract Retainage	478,797.14
Intergovernmental Payables	27,552.95
Total Accounts Payable and Accrued Liabilities	\$ 2,342,397.98

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Compensated Absences	\$ 1,721,964.77	\$ 1,715,726.97	\$ 1,294,298.34	\$ 2,143,393.40	\$ 314,179.84

NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2006:

Fiscal Year	Amount
2007	\$ 126,791.40
2008	38,823.98
Total Minimum Lease Payments	\$ 165,615.38

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

	Amount
Minimum Rentals	\$ 183,917.70
Contingent Rentals	3,577.98
Total Rental Expense	\$ 187,495.68

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 8,129,306.51	\$ 1,176,938.02	\$ 6,952,368.49
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Dining	\$ 227,364.56	\$ 0.00	\$ 227,364.56
Bookstore	3,154,866.47	719,804.43	2,435,062.04
Parking	10,532.84		10,532.84
Other	8,132.54		8,132.54
Sales and Services of Education and Related Activities			
	16,627.42		16,627.42
Total Sales and Services	\$ 3,417,523.83	\$ 719,804.43	\$ 2,697,719.40

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	\$ 17,787,910.82	\$ 2,977,301.36	\$ 3,695,837.89	\$ 0.00	\$ 46,676.84	\$ 0.00	\$ 24,507,726.91
Academic Support	3,144,155.83	222,944.96	107,711.09		45.43		3,474,857.31
Student Services	2,357,565.66	90,982.74	190,614.59	45,247.00			2,684,409.99
Institutional Support	5,508,022.06	354,887.42	861,497.31		145,369.42		6,869,776.21
Operations and Maintenance of Plant	1,483,820.03	1,554,508.30	955,698.80		848,018.07		4,842,045.20
Student Financial Aid				4,536,438.40			4,536,438.40
Auxiliary Enterprises	593,318.59	2,545,267.11	215,235.78				3,353,821.48
Depreciation						1,406,550.25	1,406,550.25
Total Operating Expenses	\$ 30,874,792.99	\$ 7,745,891.89	\$ 6,026,595.46	\$ 4,581,685.40	\$ 1,040,109.76	\$ 1,406,550.25	\$ 51,675,625.75

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*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2006, these rates were set at 2.34% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2006, the College had a total payroll of \$25,466,198.70, of which \$19,000,656.71 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$1,140,039.96 and \$444,615.37, respectively. The College made 100% of its annual required contributions for the years ended June 30, 2006, 2005, and 2004, which were \$444,615.37, \$384,916.95, and \$36,763.99, respectively.

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

- B. Supplemental Retirement Income Plans** – IRC Section 401(k) Plan – All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$328,434.00 for the year ended June 30, 2006.

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 \$204,076.00 for the year ended June 30, 2006.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 3.8% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2006, the College's total contribution to the Plan was \$722,024.95. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.
- B. Long-Term Disability –** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the year ended June 30, 2006, the College's total contribution to the DIPNC was \$98,803.41. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. In addition, the College is protected from losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$656,720.64 and on other purchases were \$629,527.25 at June 30, 2006.



Leslie W. Merritt, Jr., CPA, CFP
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
Forsyth Technical Community College
Winston-Salem, North Carolina

We have audited the financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 20, 2007. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Forsyth Technical Community College Foundation, Inc. (Foundation), the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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*.

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, and the General Assembly, 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

June 20, 2007

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