



STATE OF NORTH CAROLINA

WILSON TECHNICAL COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

WILSON TECHNICAL COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

STATE BOARD OF COMMUNITY COLLEGES

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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, Wilson Technical Community College

We have completed a financial statement audit of Wilson Technical Community College for the year ended June 30, 2007, 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 statement 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

May 27, 2008

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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, 2007, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 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., the College's discretely presented component unit. 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 the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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, 2007, 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 May 19, 2008, 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 19, 2008

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, 2007. This overview will provide comparative analyses of key elements for the aforementioned period.

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. The College's basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain and provide more detail on the information in the statements.

The Statement of Net Assets presents information on all of the 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 the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the College's net assets changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

The Statement of Cash Flows provides detail on the College's cash activity for the year. The direct method is used to present cash flows.

The Notes provide additional information that is essential to a full understanding of the data provided.

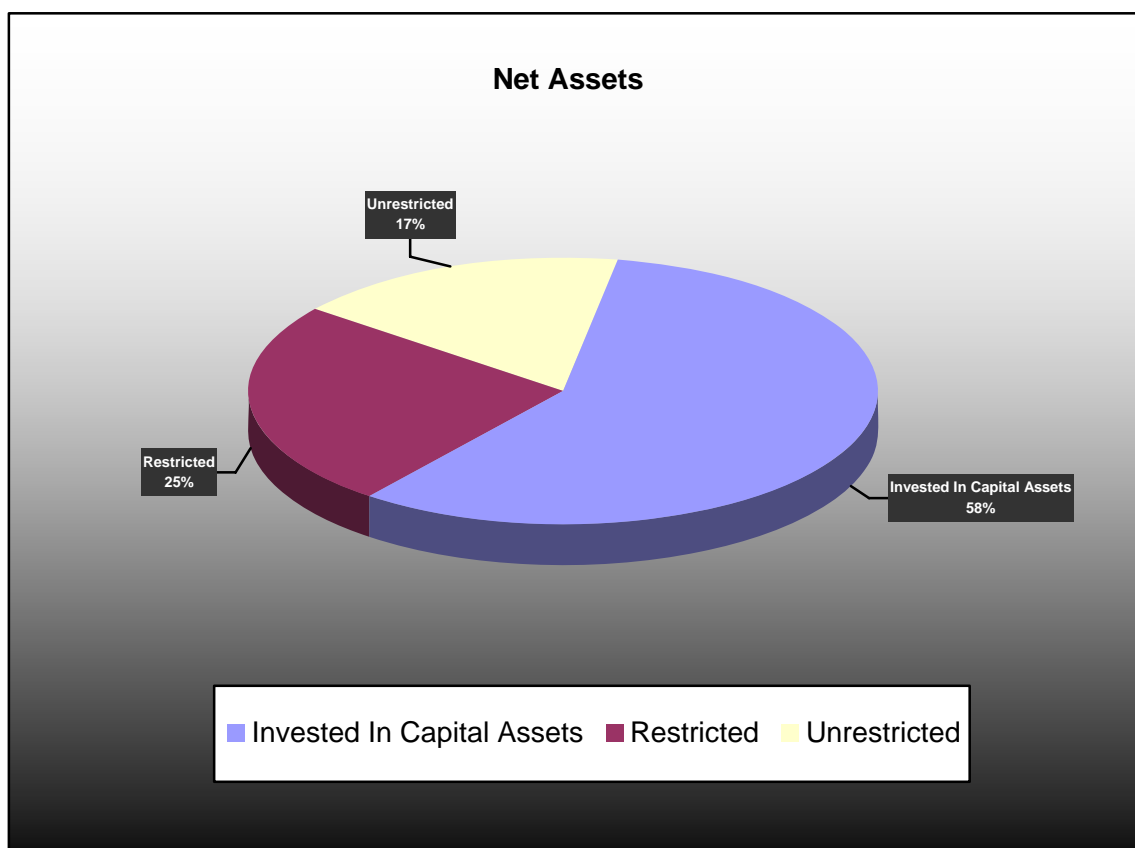
Institutional Financial Analysis

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 \$2,324,928.33 at the close of the most recent fiscal year. This growth in net assets represents over an eighteen percent (18.87%) increase over the prior reporting period.

By far the largest portion of Wilson Technical Community College's net assets, fifty-eight percent (58%), 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Net Assets				
	2007	As Restated 2006	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 3,448,904.54	\$ 3,274,133.57	\$ 174,770.97	5.34 %
Noncurrent Assets	3,338,167.64	1,246,306.77	2,091,860.87	167.84 %
Capital Assets	8,482,516.19	8,411,385.33	71,130.86	0.85 %
Total Assets	15,269,588.37	12,931,825.67	2,337,762.70	18.08 %
Liabilities				
Long-Term Liabilities	430,534.87	429,579.08	955.79	0.22 %
Current Liabilities	191,606.18	179,727.60	11,878.58	6.61 %
Total Liabilities	622,141.05	609,306.68	12,834.37	2.11 %
Net Assets				
Invested in Capital Assets	8,482,516.19	8,411,385.33	71,130.86	0.85 %
Restricted	3,624,603.01	1,593,703.97	2,030,899.04	127.43 %
Unrestricted	2,540,328.12	2,317,429.69	222,898.43	9.62 %
Total Net Assets	\$ 14,647,447.32	\$ 12,322,518.99	\$ 2,324,928.33	18.87 %



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

An additional portion, twenty-five percent (25%), of Wilson Technical Community College's net assets (restricted net assets, \$3,624,603.01) represents resources that are subject to external restrictions on how they may be used. The remaining balance, seventeen percent (17%), of net assets (unrestricted, \$2,540,328.12) may be used to meet the College's ongoing obligations to citizens and creditors.

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 \$2,324,928.33. This increase was attributable primarily to the increase in noncurrent assets. The funding allocation for upcoming approved construction projects is the major source of the increase in noncurrent assets. The capital assets restatement was a result of correcting an error to extend the useful life for assets that had been fully depreciated and those near original depreciable life. 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.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

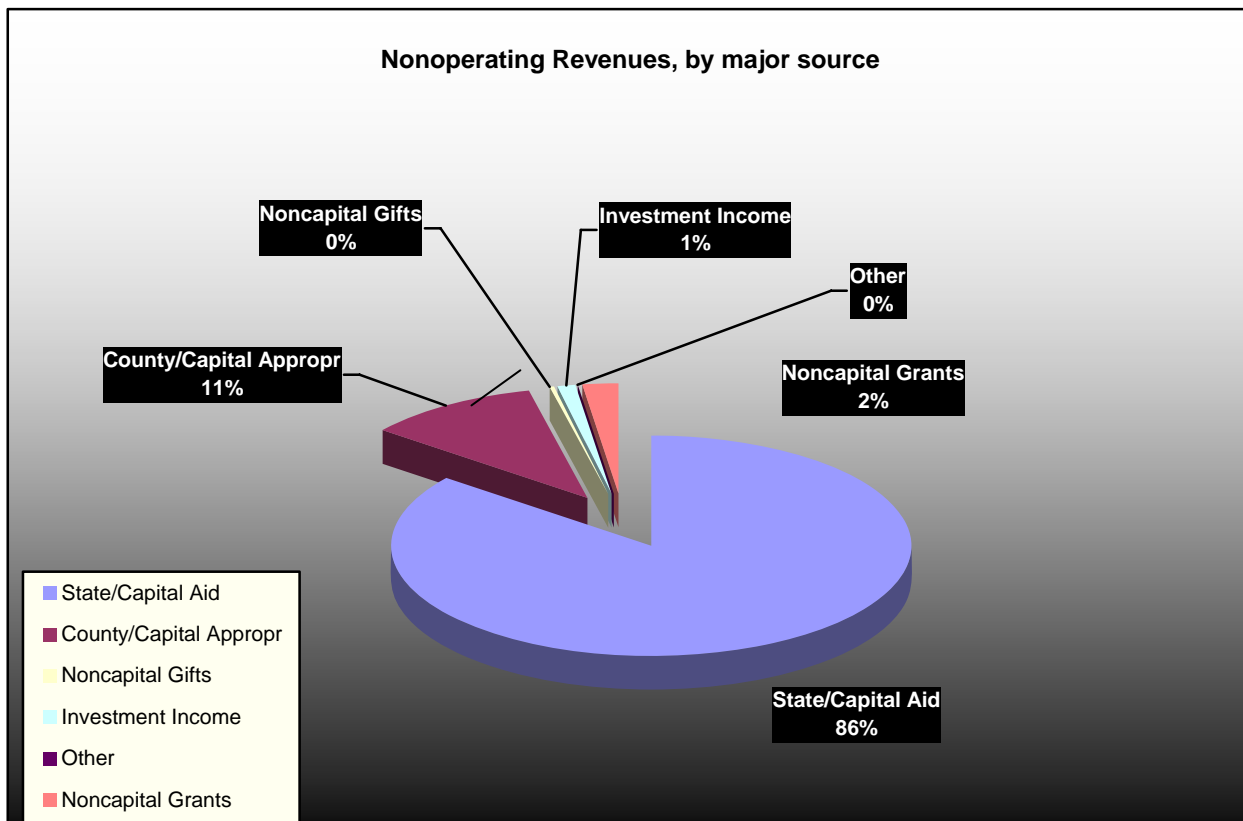
	2007	2006	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,082,792.01	\$ 1,139,860.86	\$ (57,068.85)	(5.01) %
Grants and Contracts	3,605,905.67	4,470,274.78	(864,369.11)	(19.34) %
Sales and Services, Net	580,202.24	628,909.66	(48,707.42)	(7.74) %
Other Revenues	15,080.06	10,885.50	4,194.56	38.53 %
Total Operating Revenues	<u>5,283,979.98</u>	<u>6,249,930.80</u>	<u>(965,950.82)</u>	(15.46) %
Operating Expenses:				
Personal Services	11,600,536.36	10,790,535.71	810,000.65	7.51 %
Supplies and Materials	2,722,020.16	2,253,965.02	468,055.14	20.77 %
Services	2,515,935.17	2,310,652.89	205,282.28	8.88 %
Scholarships and Fellowships	1,519,400.83	1,947,181.31	(427,780.48)	(21.97) %
Other	903,418.13	673,344.21	230,073.92	34.17 %
Total Operating Expenses	<u>19,261,310.65</u>	<u>17,975,679.14</u>	<u>1,285,631.51</u>	7.15 %
Operating Loss	<u>(13,977,330.67)</u>	<u>(11,725,748.34)</u>	<u>(2,251,582.33)</u>	19.20 %
Nonoperating Revenues (Expenses):				
State Aid	10,258,087.37	9,033,819.56	1,224,267.81	13.55 %
County Appropriations	1,668,872.00	1,660,264.00	8,608.00	0.52 %
Noncapital Grants	352,210.48	309,485.92	42,724.56	13.81 %
Noncapital Gifts	40,403.50	30,545.50	9,858.00	32.27 %
Investment Income	153,286.27	103,452.52	49,833.75	48.17 %
Other Nonoperating (Expenses)	(22,025.40)	(3,067.69)	(18,957.71)	617.98 %
Other Revenues	<u>3,851,424.78</u>	<u>1,394,833.02</u>	<u>2,456,591.76</u>	176.12 %
Total Nonoperating and Other Revenues	<u>16,302,259.00</u>	<u>12,529,332.83</u>	<u>3,772,926.17</u>	30.11 %
Increase in Net Assets	2,324,928.33	803,584.49	1,521,343.84	189.32 %
Net Assets, July 1 as Restated	<u>12,322,518.99</u>	<u>9,750,298.41</u>	<u>2,572,220.58</u>	26.38 %
Net Assets, June 30	<u>\$ 14,647,447.32</u>	<u>\$ 10,553,882.90</u>	<u>\$ 4,093,564.42</u>	38.79 %

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

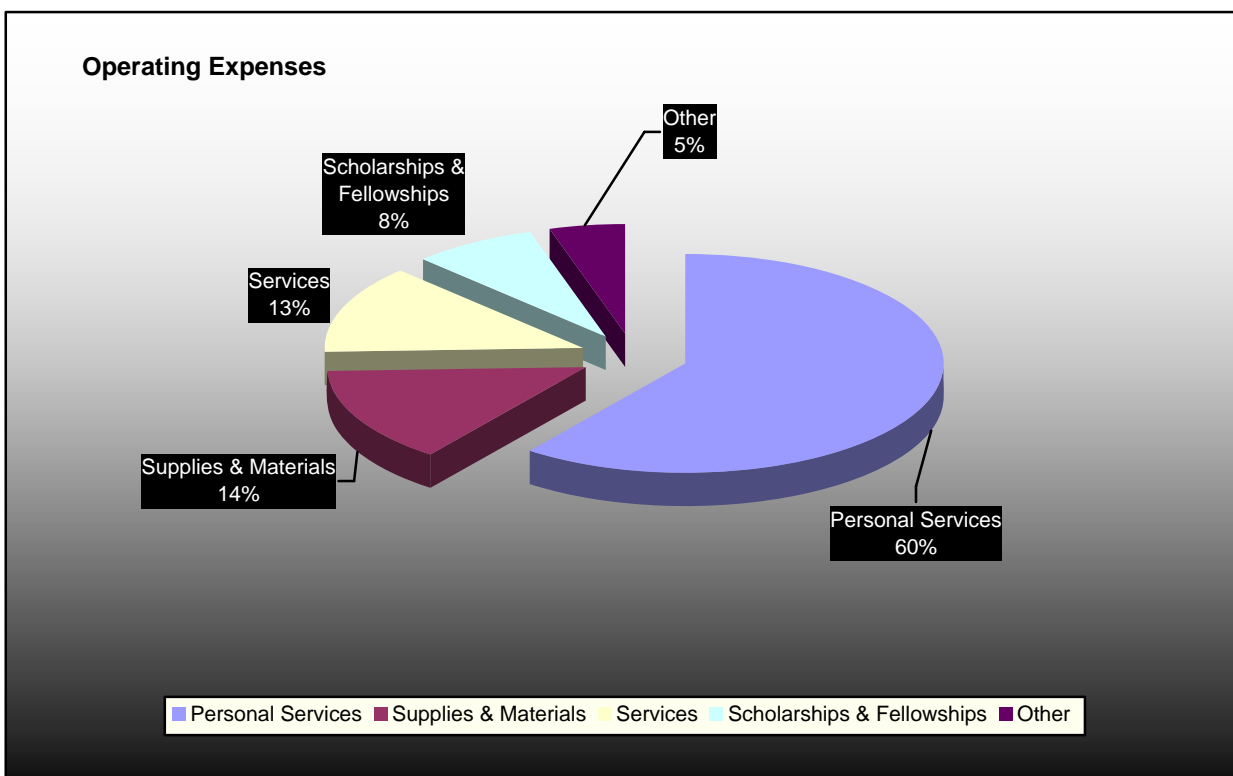
The total operating revenues decreased by over fifteen percent (15.46%). The majority of the revenue decrease is attributed to the decrease in grants and contracts as well as the decrease in sales and services. Pell grant makes up a large portion of the decrease in grants and contracts. This is due to the slight decline in enrollment and fewer students qualifying for the Pell grant.

The nonoperating and other revenues increased by over thirty percent (30.11%). The majority of the increase was from increase in State aid and State capital aid received for the fiscal year. The State capital aid contributed the largest percentage due to funds that have been allocated for upcoming approved construction projects. Also interest received from investments and funding for noncapital grants such as vocational education all contributed to the increase in nonoperating and other revenues.

Operating expenses for fiscal year 2007 increased \$1,285,631.51 over fiscal year 2006. The expense increase of the College can be attributed to a combination of sources which includes the following: personal services increased due to the effects of pay increase for faculty and staff and performance bonuses received during the fiscal year; supplies and materials expenses increased due to the increase in demand for needed resources for existing services and facility repair supplies; other expenses increased by \$230,073.92 over fiscal year 2006 due to increase in utilities and adjusted amounts associated with depreciation for the restatement of assets that had been fully depreciated and those near original depreciable life.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



The following is a comparative analysis of the condensed Statement of Cash Flow for fiscal years ended June 30, 2006, and 2007. The Statement of Cash Flows provides information about cash receipts and cash payments during the year.

Condensed Statement of Cash Flows				
	2007	2006	Increase (Decrease)	Percent Change
Cash Provided (Used) by				
Operating Activities	\$ (13,390,396.55)	\$ (11,357,482.61)	\$ (2,032,913.94)	17.90%
Noncapital Financing Activities	12,518,417.45	10,878,222.01	1,640,195.44	15.08%
Capital Financing Activities	995,911.70	557,624.94	438,286.76	78.60%
Investing Activities	151,889.30	102,091.53	49,797.77	48.78%
Net Change in Cash	275,821.90	180,455.87	95,366.03	52.85%
Cash, Beginning of Year	2,626,494.01	2,446,038.14	180,455.87	7.38%
Cash, Ending of Year	<u>\$ 2,902,315.91</u>	<u>\$ 2,626,494.01</u>	<u>\$ 275,821.90</u>	10.50%

As seen in the chart above, the net change in cash increased by over fifty-two percent (52.85%) and the total cash increased by over 10 percent (10.5%) during the fiscal year 2007. A number of factors such as State aid, interest received from investments and noncapital grants all contributed to the increase. However, the allocations of upcoming approved construction projects through State capital aid contributed the most to the increase in cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Assets

Wilson Technical Community College's investment in capital assets as of June 30, 2007, amounts to \$8,482,516.19 (net of 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 .85% for the current fiscal year. The increase was the result of an increase in work in progress contributing toward the new Student Center, new machinery and equipment purchases for the Heavy Equipment Operations and other areas to support continued functioning of the College. A restatement of \$1,768,636.09 was done to accumulated depreciation to extend the useful lives of fully depreciated assets.

Economic Factors and Next Year's Budget

Wilson Technical Community College anticipates growth in both student enrollment and revenues during the 2007-08 budget funding cycle. We expect larger appropriations from both State and county sources due to construction activities and an increase in services. An additional increase in funding activities is expected from larger appropriations from federal grants and other sources.

The College has begun construction of the new Student Center which will house the Business Office and Student Services. Construction is scheduled to be completed by the fall of 2008. Several other small construction projects are scheduled for the upcoming fiscal year with completion scheduled by the end of fiscal year 2007-2008.

The College's NEIT (New and Expanding Industry Training) projects will continue to provide unique training opportunities for local industry in the 2007-08 funding cycle. Also the high demand for Basic Skills, Allied Health, Early Childhood and College Transfer programs, are anticipated to be the catalyst for the continuing increase in the student population.

The College also is developing a new set of instructional programs to support the College's "Green Initiative." Once "up and going", these programs should have a major positive impact on enrollment.

Increases in the amount of Pell Grant and College Work Study Awards are anticipated. Also, we expect increase in other forms of financial aid.

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, 2007

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,324,348.29
Restricted Cash and Cash Equivalents	304,007.24
Receivables, Net (Note 4)	287,478.33
Due from State of North Carolina Component Units	42,000.00
Inventories	475,538.04
Notes Receivable, Net (Note 4)	15,532.64

Total Current Assets	3,448,904.54
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	273,960.38
Restricted Due from Primary Government	3,064,207.26
Capital Assets - Nondepreciable (Note 5)	1,296,716.09
Capital Assets - Depreciable, Net (Note 5)	7,185,800.10

Total Noncurrent Assets	11,820,683.83
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Total Assets	15,269,588.37
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	79,261.74
Due to Primary Government	1,666.67
Unearned Revenue	53,982.89
Funds Held for Others	4,567.34
Long-Term Liabilities - Current Portion (Note 7)	52,127.54

Total Current Liabilities	191,606.18
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	430,534.87
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Total Liabilities	622,141.05
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NET ASSETS

Invested in Capital Assets	8,482,516.19
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Restricted for:

Nonexpendable:

Scholarships and Fellowships	187,822.00
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Expendable:

Scholarships and Fellowships	13,133.85
Loans	49,069.99
Capital Projects	3,110,433.41
Other	264,143.76

Unrestricted	2,540,328.12
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Total Net Assets	\$ 14,647,447.32
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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, 2007***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 1,082,792.01
Federal Grants and Contracts	3,413,236.41
State and Local Grants and Contracts	192,669.26
Sales and Services, Net (Note 9)	580,202.24
Other Operating Revenues	15,080.06

Net Operating Revenues	<u>5,283,979.98</u>
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EXPENSES

Operating Expenses:

Personal Services	11,600,536.36
Supplies and Materials	2,722,020.16
Services	2,515,935.17
Scholarships and Fellowships	1,519,400.83
Utilities	342,763.85
Depreciation	560,654.28

Total Operating Expenses	<u>19,261,310.65</u>
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Operating Loss	<u>(13,977,330.67)</u>
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NONOPERATING REVENUES (EXPENSES)

State Aid	10,258,087.37
County Appropriations	1,668,872.00
Noncapital Grants	352,210.48
Noncapital Gifts	40,403.50
Investment Income	153,286.27
Other Nonoperating Expenses	(22,025.40)

Net Nonoperating Revenues	<u>12,450,834.22</u>
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Loss Before Other Revenues	(1,526,496.45)
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State Capital Aid	3,717,512.78
County Capital Appropriations	<u>133,912.00</u>

Increase in Net Assets	2,324,928.33
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NET ASSETS

Net Assets, July 1, 2006 as Restated (Note 14)	<u>12,322,518.99</u>
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Net Assets, June 30, 2007	<u><u>\$ 14,647,447.32</u></u>
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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, 2007

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 5,380,183.75
Payments to Employees and Fringe Benefits	(11,573,696.82)
Payments to Vendors and Suppliers	(5,671,607.65)
Payments for Scholarships and Fellowships	(1,521,617.34)
Loans Issued to Students	(52,239.88)
Collection of Loans to Students	50,263.42
Other Payments	(1,682.03)
	<hr/>
Net Cash Used by Operating Activities	(13,390,396.55)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	10,258,087.37
County Appropriations	1,668,872.00
Noncapital Grants Received	551,054.58
Noncapital Gifts Received	40,403.50
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Cash Provided by Noncapital Financing Activities	12,518,417.45

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

State Capital Aid Received	1,516,804.11
County Capital Appropriations	133,912.00
Proceeds from Sale of Capital Assets	5,430.68
Acquisition and Construction of Capital Assets	(660,235.09)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	995,911.70

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	151,889.30
	<hr/>
Cash Provided by Investing Activities	151,889.30

Net Increase in Cash and Cash Equivalents	275,821.90
Cash and Cash Equivalents, July 1, 2006	2,626,494.01
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Cash and Cash Equivalents, June 30, 2007	\$ 2,902,315.91

Wilson Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

Exhibit A-3
Page 2

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

Operating Loss	\$ (13,977,330.67)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	560,654.28
Provision for Uncollectible Loans and Write-Offs	109.69
Miscellaneous Nonoperating Income	993.87
Changes in Assets and Liabilities:	
Receivables, Net	62,787.38
Inventories	(48,469.01)
Notes Receivable, Net	(1,976.46)
Accounts Payable and Accrued Liabilities	(42,905.17)
Due to Primary Government	485.10
Unearned Revenue	32,524.46
Funds Held for Others	(4,000.48)
Compensated Absences	26,730.46
Net Cash Used by Operating Activities	<u><u>\$ (13,390,396.55)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 2,324,348.29
Restricted Cash and Cash Equivalents	304,007.24
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>273,960.38</u>
Total Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 2,902,315.91</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	2,202,105.64
Loss on Disposal of Capital Assets	(23,019.27)

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

Wilson Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2007

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 58,182.34
Investments	<u>1,682,339.24</u>
Total Assets	<u>1,740,521.58</u>

NET ASSETS

Unrestricted	<u><u>\$ 1,740,521.58</u></u>
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See Note 1 in the Notes to the Financial Statements

Wilson Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Exhibit B-2

UNRESTRICTED REVENUES AND GAINS

Contributions Received	\$ 67,843.99
Investment Income	48,977.42
Net Realized Gains on Investments	35,468.06
Net Unrealized Gains on Investments	<u>131,138.03</u>
Total Unrestricted Revenues and Gains	<u>283,427.50</u>

EXPENSES

Program Services	53,230.72
Support Services	<u>8,062.49</u>
Total Expenses	<u>61,293.21</u>

Increase in Unrestricted Net Assets	222,134.29
Net Assets July 1, 2006	<u>1,518,387.29</u>
Net Assets June 30, 2007	<u><u>\$ 1,740,521.58</u></u>

See Note 1 in the Notes to the Financial Statements

WILSON TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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 the 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. The discretely presented component unit's 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 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 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, 2007, the Foundation distributed \$53,230.72 to the College for restricted and unrestricted purposes. 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 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. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. 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 75 years for general infrastructure, 10 to 75 years for buildings, and 5 to 40 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 forward each July 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30th is retained by employees and transferred into the next fiscal 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 between the actual charge for goods and services provided by the College

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- A. Deposits** - 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 \$2,059.50 and deposits in private financial institutions with a carrying value of \$1,434,628.83 and a bank balance of \$1,626,361.12.

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, 2007, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

- B. Investments** - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2007, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$1,465,627.58 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 1.6 years as of June 30, 2007. 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.

Investments of the College's discretely presented component unit, the Foundation, 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. Generally accepted accounting principles require that investments with readily determinable fair values to be shown at their current fair market value. All invested funds are held in trust under an agreement with Branch Banking and Trust Company, Wilson, North Carolina. Investments are composed of the following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Cost	Market
BB&T Total Return Bond Fund	\$ 339,787.29	\$ 334,913.92
Federated Total RTN Gov't Fund	510,441.00	495,155.51
BB&T Mid Cap Growth Trust	28,284.92	34,930.51
BB&T Small Cap Fund	28,364.69	33,877.44
BB&T Special Opportunities Fund	58,212.43	68,916.78
Fidelity Advisor Small Cap	34,734.98	34,375.81
Fidelity Adv Diverse Intl-Ins	39,844.21	51,234.54
Harbor International Fund	44,622.13	69,759.33
T Rowe Price Growth Fund	178,855.54	221,471.64
Allianz NFJ Large Cap Value Fund	288,695.34	337,703.76
	<u>\$ 1,551,842.53</u>	<u>\$ 1,682,339.24</u>

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, 2007, net appreciation of \$75,021.89 was available to be spent, all of which was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 196,647.06	\$ 30,208.55	\$ 166,438.51
Accounts	47,308.25	27,577.65	19,730.60
Intergovernmental	95,226.97		95,226.97
Investment Earnings	6,082.25		6,082.25
Total Current Receivables	<u>\$ 345,264.53</u>	<u>\$ 57,786.20</u>	<u>\$ 287,478.33</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 26,063.27</u>	<u>\$ 10,530.63</u>	<u>\$ 15,532.64</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2007, is presented as follows:

	Balance As Restated July 1, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets, Nondepreciable:				
Land	\$ 892,974.58	\$ 0.00	\$ 0.00	\$ 892,974.58
Construction in Progress	316,124.39	113,594.69	25,977.57	403,741.51
Total Capital Assets, Nondepreciable	1,209,098.97	113,594.69	25,977.57	1,296,716.09
Capital Assets, Depreciable:				
Buildings	8,510,329.80	224,451.13		8,734,780.93
Machinery and Equipment	5,190,721.82	348,166.84	396,265.19	5,142,623.47
General Infrastructure	751,609.60			751,609.60
Total Capital Assets, Depreciable	14,452,661.22	572,617.97	396,265.19	14,629,014.00
Less Accumulated Depreciation:				
Buildings	3,958,064.88	188,290.14		4,146,355.02
Machinery and Equipment	2,853,059.49	346,490.10	367,815.24	2,831,734.35
General Infrastructure	439,250.49	25,874.04		465,124.53
Total Accumulated Depreciation	7,250,374.86	560,654.28	367,815.24	7,443,213.90
Total Capital Assets, Depreciable, Net	7,202,286.36	11,963.69	28,449.95	7,185,800.10
Capital Assets, Net	\$ 8,411,385.33	\$ 125,558.38	\$ 54,427.52	\$ 8,482,516.19

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2007, were as follows:

	Amount
Accounts Payable	\$ 66,261.72
Accrued Payroll	13,000.02
Total Accounts Payable and Accrued Liabilities	\$ 79,261.74

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Compensated Absences	\$ 455,931.95	\$ 349,103.14	\$ 322,372.68	\$ 482,662.41	\$ 52,127.54

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 71,757.36
2009	46,944.00
2010	28,512.00
2011	2,520.00
Total Minimum Lease Payments	<u>\$ 149,733.36</u>

Rental expense for all operating leases during the year was \$75,222.91.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	<u>\$ 1,911,962.80</u>	<u>\$ 0.00</u>	<u>\$ 814,593.10</u>	<u>\$ 14,577.69</u>	<u>\$ 1,082,792.01</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 968,918.31	\$ 0.00	\$ 477,862.61	\$ 0.00	\$ 491,055.70
Print Shop	190,129.73	190,129.73			
Central Stores	32,240.11	32,240.11			
Other	49,357.05				49,357.05
Sales and Services of Education and Related Activities	<u>39,789.49</u>				<u>39,789.49</u>
Total Sales and Services	<u>\$ 1,280,434.69</u>	<u>\$ 222,369.84</u>	<u>\$ 477,862.61</u>	<u>\$ 0.00</u>	<u>\$ 580,202.24</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 6,693,105.37	\$ 840,915.56	\$ 1,160,318.62	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8,694,339.55
Academic Support	1,279,021.81	386,407.34	123,430.75				1,788,859.90
Student Services	1,240,919.41	47,461.70	295,093.78				1,583,474.89
Institutional Support	1,799,351.85	133,419.58	542,721.69				2,475,493.12
Operations and Maintenance of Plant	493,762.56	560,648.03	363,623.37		342,763.85		1,760,797.81
Student Financial Aid				1,519,400.83			1,519,400.83
Auxiliary Enterprises	94,375.36	753,167.95	30,746.96				878,290.27
Depreciation						560,654.28	560,654.28
Total Operating Expenses	<u>\$ 11,600,536.36</u>	<u>\$ 2,722,020.16</u>	<u>\$ 2,515,935.17</u>	<u>\$ 1,519,400.83</u>	<u>\$ 342,763.85</u>	<u>\$ 560,654.28</u>	<u>\$ 19,261,310.65</u>

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 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, 2007, these rates were set at 2.66% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2007, the College had a total payroll of \$9,787,943.19, of which \$7,485,061.93 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$449,103.62 and \$199,102.65, respectively. The College made 100% of its annual required contributions for the years ended June 30, 2007, 2006, and 2005, which were \$199,102.65, \$159,062.21, and \$140,873.01, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,584.72 for the year ended June 30, 2007.

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 \$60,018.00 for the year ended June 30, 2007.

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 \$2,000.00 for the year ended June 30, 2007.

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, 2007, the College's total contribution to the Plan was \$284,433.05. 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. Disability Income -

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, 2007, the College's total contribution to the DIPNC was \$38,922.32. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$75,000 deductible. The College has secured a blanket fidelity insurance bond from a private company to cover the \$75,000 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.

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 - NET ASSET RESTATEMENT

As of July 1, 2006, net assets as previously reported were restated as follows:

	<u>Amount</u>
July 1, 2006 Net Assets as Previously Reported	\$ 10,553,882.90
Restatement:	
Correction of Error: Extension of Lives for Fully Depreciated Assets and Assets Near Full Depreciation	<u>1,768,636.09</u>
July 1, 2006 Net Assets as Restated	<u><u>\$ 12,322,518.99</u></u>

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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
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, 2007, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 19, 2008. 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 Wilson Technical Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Wilson Technical Community College Foundation, Inc., 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability

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to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management of the College the Board of Trustees, the State Board of Community Colleges, 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., CPA, CFP
State Auditor

May 19, 2008

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