



STATE OF NORTH CAROLINA

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue
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, 2008, 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.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

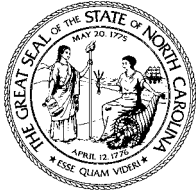
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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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, 2008, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 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., 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 opinions, insofar as they relate to the amounts included for the discretely presented component unit, are 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 provide a reasonable basis for our opinions.

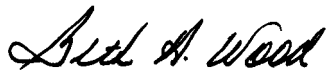
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Forsyth Technical Community College and its discretely presented component unit as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2009, 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.



Beth A. Wood, CPA
State Auditor

April 9, 2009

**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, 2008. 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 considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements. The basic financial statements consist of three statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

For the purpose of this discussion, we will address the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

Financial Information

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

Results of Operations – Net assets decreased by \$99,086 for the fiscal year ended June 30, 2008. The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal years 2008 and 2007.

	2008	2007	Dollar Increase (Decrease)
Operating Revenues	\$ 15,339,881.37	\$ 13,110,241.35	\$ 2,229,640.02
Operating Expenses	56,010,923.00	49,703,412.66	6,307,510.34
Operating Loss	(40,671,041.63)	(36,593,171.31)	(4,077,870.32)
Nonoperating Revenues	35,409,538.54	32,871,477.74	2,538,060.80
Loss Before Other Revenues	(5,261,503.09)	(3,721,693.57)	(1,539,809.52)
Capital Contributions	5,130,322.17	13,503,733.14	(8,373,410.97)
Additions to Endowments	32,095.00	1,635.00	30,460.00
Increase (Decrease) in Net Assets	(99,085.92)	9,783,674.57	(9,882,760.49)
Net Assets - July 1	57,104,240.08	42,427,240.72	14,676,999.36
Restatements		4,893,324.79	(4,893,324.79)
Net Assets - June 30	\$ 57,005,154.16	\$ 57,104,240.08	\$ (99,085.92)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total revenues for fiscal year ended June 30, 2008 were \$55.9 million decreasing by \$3.6 million or 6%. The largest revenue source was provided by the State. State aid, reported as nonoperating revenues, was \$25 million increasing by \$1.6 million or 7%. State capital aid, reported as other revenues, was \$1.2 million. Aid from the State totaled \$26.2 million, representing 47% of total revenues for this fiscal year. County appropriations and county capital aid totaled \$6.2 million and \$2.8 million, respectively. The major sources of operating revenues were student tuition and fees in the amount of \$6.3 million, and federal grants in the amount of \$6.1 million. Federal grants reported as operating revenues during the current year are considered exchange transactions and include grants for Pell, SEOG, College Work Study, and Academic Competitiveness.

Operating revenues of \$15.3 million represent 27% of total revenues. Operating revenues increased by \$2.2 million or 17% from the previous year. During the current fiscal year, federal grants and student tuition and fees each had increases of \$1 million. The increase in student tuition and fees can be attributed to enrollment increases and the increase in federal grants can be attributed to an increase in Pell grant funding.

Nonoperating and other revenues totaled \$40.6 million and represent 73% of total revenues. Nonoperating and other revenues decreased by \$5.8 million from the previous year. The major funding decrease was in state capital aid by \$10.5 million and was attributed to decreases in state funding for construction projects. The decrease in state capital aid resulted from the cash flow financing approach used by the State to allot bond funds for approved construction projects. This resulted in revenues for the Northwest Forsyth Center that amounted to \$7.4 million being recognized in the previous fiscal years. Although overall there was a decrease in nonoperating and other revenues, there were significant increases in state aid by \$1.6 million or 7%, and county capital aid by \$2.2 million or 374%. The current year increase in county capital aid is mainly attributed to the \$2 million in county bond funds that were provided to purchase the property for the Transportation Center.

Capital gifts increased by \$85,477 or 63% from the previous year and were mainly used to purchase equipment for the interior design and welding programs.

Investment income totaled \$307,672, an increase of \$9,612. Total additions to permanent endowments during the year amounted to \$32,095, an increase of \$30,460 from the previous year. The increase in permanent endowments resulted mainly from a contribution for a new endowment in the name of Thomas E. Shown.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

A detailed schedule of revenues is presented below to provide additional comparative financial data.

	2008	2007	Dollar Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees	\$ 6,315,031.09	\$ 5,312,339.13	\$ 1,002,691.96
Federal Grants and Contracts	6,101,579.78	5,017,492.87	1,084,086.91
Sales and Services	2,918,844.31	2,778,250.54	140,593.77
Other Operating Revenues	4,426.19	2,158.81	2,267.38
Total Operating Revenues	15,339,881.37	13,110,241.35	2,229,640.02
Nonoperating Revenues:			
State Aid	24,988,329.30	23,344,868.66	1,643,460.64
County Appropriations	6,220,037.00	5,858,302.00	361,735.00
Noncapital Grants	3,254,185.62	2,803,827.79	450,357.83
Noncapital Gifts	528,253.30	558,962.32	(30,709.02)
Investment Income	307,672.15	298,059.75	9,612.40
Other Nonoperating Revenues	111,061.17	7,457.22	103,603.95
Total Nonoperating Revenues	35,409,538.54	32,871,477.74	2,538,060.80
Other Revenues:			
State Capital Aid	1,233,081.30	11,723,806.14	(10,490,724.84)
County Capital Aid	2,828,443.12	597,200.00	2,231,243.12
Capital Grants	846,504.13	1,045,910.00	(199,405.87)
Capital Gifts	222,293.62	136,817.00	85,476.62
Additions to Endowments	32,095.00	1,635.00	30,460.00
Total Other Revenues	5,162,417.17	13,505,368.14	(8,342,950.97)
Total Revenues	\$ 55,911,837.08	\$ 59,487,087.23	\$ (3,575,250.15)

Operating expenses totaled \$56 million, increasing by \$6.3 million or 13% from the previous year's \$49.7 million. The largest expense was for personal services which accounted for salaries and benefits totaling \$34.6 million or 61.9% of the total expenses during the year. The \$34.6 million expended for personal services was allocated as follows: \$20.2 million for instruction, \$5.7 million for institutional support, \$4 million for academic support, \$2.6 million for student services, \$1.4 million for operations and maintenance of plant, and \$0.7 million for auxiliary enterprises.

Personal services increased by \$2.2 million or 6.9%. This increase is primarily attributed to increases in salaries and benefits given during the current fiscal year. Supplies and materials increased by \$1.9 million or 28%. This increase was largely due to repairs and renovations that were not capitalized. Scholarships and fellowships increased by \$1 million or 34%. This

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

increase can be attributed to an increase in Pell grant funding as a result of enrollment growth, discussed earlier.

A detailed schedule of operating expenses is presented below to provide additional comparative financial data.

	2008	2007	Dollar Increase
Operating Expenses:			
Personal Services	\$ 34,657,882.56	\$ 32,433,498.11	\$ 2,224,384.45
Supplies and Materials	9,022,721.21	7,057,754.53	1,964,966.68
Services	5,645,180.98	4,986,235.92	658,945.06
Scholarships and Fellowships	4,187,196.63	3,124,427.46	1,062,769.17
Utilities	1,126,994.80	1,002,740.64	124,254.16
Depreciation	1,370,946.82	1,098,756.00	272,190.82
Total Operating Expenses	<u>\$ 56,010,923.00</u>	<u>\$ 49,703,412.66</u>	<u>\$ 6,307,510.34</u>

Outstanding commitments for capital projects as of June 30, 2008 were \$3.4 million. The most significant commitment was \$2.8 million for the Greene Hall addition. Other significant capital project commitments were \$136,500 for the Fire/EMS Training Center, \$113,920 for the Woodruff & Swisher Center additions, \$142,000 for the main campus sign, and \$127,408 for the bundle repair and replacement project.

Financial Position – The following schedule shows changes between the Statement of Net Assets for fiscal years 2008 and 2007.

	2008	2007	Dollar Increase (Decrease)
Assets:			
Capital Assets	\$ 48,888,917.90	\$ 42,376,385.29	\$ 6,512,532.61
Other Assets	12,676,120.08	19,318,661.35	(6,642,541.27)
Total Assets	<u>61,565,037.98</u>	<u>61,695,046.64</u>	<u>(130,008.66)</u>
Liabilities:			
Long-Term Liabilities	2,136,798.69	2,187,642.63	(50,843.94)
Other Liabilities	2,423,085.13	2,403,163.93	19,921.20
Total Liabilities	<u>4,559,883.82</u>	<u>4,590,806.56</u>	<u>(30,922.74)</u>
Net Assets:			
Invested in Capital Assets	48,888,917.90	42,376,385.29	6,512,532.61
Restricted	7,892,694.14	14,159,220.32	(6,266,526.18)
Unrestricted	223,542.12	568,634.47	(345,092.35)
Total Net Assets	<u>\$ 57,005,154.16</u>	<u>\$ 57,104,240.08</u>	<u>\$ (99,085.92)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The College's net assets totaled \$57 million at June 30, 2008, and decreased by \$99,086 from the previous year. Of the total net assets, \$48.9 million was invested in capital assets. Unrestricted net assets totaled \$0.2 million, and restricted net assets totaled \$7.9 million. Of the \$7.9 million restricted net assets, \$5.1 million was restricted for capital projects a decrease of \$6 million or 54% from the previous year's \$11.2 million. The \$6 million decrease in expendable net assets for capital projects is mainly attributed to the current year expenditure of prior year allotments that had been received from the State for construction projects.

Assets totaled \$61.6 million at June 30, 2008, a decrease of \$130,009. Capital assets net of depreciation, amounted to \$48.9 million, representing 79% of total assets, an increase from the previous year of \$6.5 million or 15%. The total amount due from the State and its component units at year-end was \$4.8 million, a decrease from the previous year of \$5.9 million that resulted from construction allotment reductions. Cash and cash equivalents amounted to \$6.4 million, representing 10% of total assets, a decrease from the previous year by \$0.9 million. These three assets totaling \$60.1 million represent 98% of total assets. Other assets at year-end included receivables, inventories, and notes receivable. Buildings, less accumulated depreciation, the largest capital asset category, total \$31.8 million and represent 65% of the total capital assets.

There was a net decrease in construction in progress during the year in the amount of \$4.8 million. The net decrease mainly resulted from the \$10.1 million capitalization of the Information Technology Education Center combined with the new construction cost of \$4.9 million for the Northwest Forsyth Center.

Total liabilities at fiscal year ended June 30, 2008 were \$4.5 million. Long term liabilities totaled \$2.1 million at year-end and represent liabilities for accrued vacation for employees. Other liabilities, including accounts payable and accrued liabilities, totaled \$2.4 million or 53% of the total liabilities at year-end.

Future Operations – The economic position of Forsyth Technical Community College is closely tied to that of the State of North Carolina. State and county funding for the College comprised 63% of the total revenues during the fiscal year ended June 30, 2008. The news media has reported almost daily that the State and local economy remains sluggish and may not rebound quickly. This economic downturn could result in smaller increases in State and local funding for the College in future years. The specific impact on the College is uncertain.

Forsyth Technical Community College
Statement of Net Assets
June 30, 2008

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 1,577,567.68
Restricted Cash and Cash Equivalents	1,790,712.20
Receivables, Net (Note 4)	512,838.27
Due from State of North Carolina Component Units	1,547,450.00
Inventories	975,687.40
Notes Receivable (Note 4)	<u>1,848.19</u>
Total Current Assets	<u>6,406,103.74</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,038,672.51
Restricted Due from Primary Government	3,231,343.83
Capital Assets - Nondepreciable (Note 5)	11,103,823.35
Capital Assets - Depreciable, Net (Note 5)	<u>37,785,094.55</u>
Total Noncurrent Assets	<u>55,158,934.24</u>
Total Assets	<u>61,565,037.98</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	2,124,751.58
Unearned Revenue	281,218.48
Funds Held for Others	11,230.90
Long-Term Liabilities - Current Portion (Note 7)	<u>370,122.22</u>
Total Current Liabilities	<u>2,787,323.18</u>
Noncurrent Liabilities:	
Funds Held for Others	5,884.17
Long-Term Liabilities (Note 7)	<u>1,766,676.47</u>
Total Noncurrent Liabilities	<u>1,772,560.64</u>
Total Liabilities	<u>4,559,883.82</u>

NET ASSETS

Invested in Capital Assets	48,888,917.90
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	116,922.66
Expendable:	
Scholarships and Fellowships	305,150.85
Loans	187,035.56
Capital Projects	5,134,051.25
Grants	2,042,479.34
Student Support	101,959.12
Other	5,095.36
Unrestricted	<u>223,542.12</u>
Total Net Assets	<u>\$ 57,005,154.16</u>

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, 2008***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 6,315,031.09
Federal Grants and Contracts	6,101,579.78
Sales and Services, Net (Note 9)	2,918,844.31
Other Operating Revenues	4,426.19
	<hr/>
Total Operating Revenues	15,339,881.37
	<hr/>

EXPENSES

Operating Expenses:	
Personal Services	34,657,882.56
Supplies and Materials	9,022,721.21
Services	5,645,180.98
Scholarships and Fellowships	4,187,196.63
Utilities	1,126,994.80
Depreciation	1,370,946.82
	<hr/>
Total Operating Expenses	56,010,923.00
	<hr/>
Operating Loss	(40,671,041.63)
	<hr/>

NONOPERATING REVENUES

State Aid	24,988,329.30
County Appropriations	6,220,037.00
Noncapital Grants	3,254,185.62
Noncapital Gifts	528,253.30
Investment Income	307,672.15
Other Nonoperating Revenues	111,061.17
	<hr/>
Nonoperating Revenues	35,409,538.54
	<hr/>
Loss Before Other Revenues	(5,261,503.09)
	<hr/>
State Capital Aid	1,233,081.30
County Capital Aid	2,828,443.12
Capital Grants	846,504.13
Capital Gifts	222,293.62
Additions to Endowments	32,095.00
	<hr/>
Decrease in Net Assets	(99,085.92)
	<hr/>

NET ASSETS

Net Assets, July 1, 2007	57,104,240.08
	<hr/>
Net Assets, June 30, 2008	\$ 57,005,154.16
	<hr/> <hr/>

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, 2008***

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 15,351,102.70
Payments to Employees and Fringe Benefits	(34,622,113.31)
Payments to Vendors and Suppliers	(16,324,867.34)
Payments for Scholarships and Fellowships	(4,283,576.38)
Collection of Loans to Students	741.05
Other Receipts	115,131.63
	<hr/>
Net Cash Used by Operating Activities	(39,763,581.65)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	24,988,329.30
County Appropriations	6,220,037.00
Noncapital Grants Received	3,332,823.88
Noncapital Gifts and Endowments Received	560,348.30
	<hr/>
Cash Provided by Noncapital Financing Activities	35,101,538.48

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	7,138,605.53
County Capital Aid	2,828,443.12
Capital Grants Received	846,504.13
Capital Gifts Received	198,473.62
Acquisition and Construction of Capital Assets	(7,604,188.29)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	3,407,838.11

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	307,672.15
	<hr/>
Net Decrease in Cash and Cash Equivalents	(946,532.91)
Cash and Cash Equivalents, July 1, 2007	7,353,485.30
	<hr/>
Cash and Cash Equivalents, June 30, 2008	\$ 6,406,952.39

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (40,671,041.63)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,370,946.82
Miscellaneous Nonoperating Income	111,061.17
Changes in Assets and Liabilities:	
Receivables, Net	(138,890.93)
Inventories	(150,004.25)
Notes Receivable, Net	741.05
Accounts Payable and Accrued Liabilities	(293,352.91)
Unearned Revenue	53,732.51
Funds Held for Others	4,070.46
Compensated Absences	(50,843.94)
	<hr/>
Net Cash Used by Operating Activities	\$ (39,763,581.65)

***Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008***

***Exhibit A-3
Page 2***

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,577,567.68
Restricted Cash and Cash Equivalents	1,790,712.20
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>3,038,672.51</u>
Total Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 6,406,952.39</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 837,996.75
Assets Acquired through a Gift	23,820.00
Capital Asset Write-Offs	229,701.29

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, 2008

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	3,155,230.00
Pledges Receivable		2,160,842.00
Sales tax Receivable		14,640.00
Investments		1,822,857.00
Investments on Life Insurance Policy		50,052.00
Restricted Land		89,000.00
		<hr/>
Total Assets	\$	<u>7,292,621.00</u>

LIABILITIES AND NET ASSETS

NET ASSETS

Unrestricted	\$	3,055,043.00
Temporarily Restricted		2,513,266.00
Permanently Restricted		1,724,312.00
		<hr/>
Total Net Assets	\$	<u>7,292,621.00</u>

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

Forsyth Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2008

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Support and Revenues	
Contributions	\$ 248,316.00
Investment Income (Net of Fees)	77,026.00
Change in Market Value of Investments	(8,375.00)
Net Assets Released from Restrictions	<u>787,991.00</u>
	<u>1,104,958.00</u>
Expenses:	
Program Services	825,031.00
Fundraising	38,300.00
Management and General	<u>58,295.00</u>
	<u>921,626.00</u>
	<u>183,332.00</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Support and Revenue:	
Contributions	682,601.00
Investment Income (Net of Fees)	123,012.00
Change in Market Value of Investments	(68,569.00)
Net Assets Released from Restrictions	<u>(787,991.00)</u>
	<u>(50,947.00)</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Support and Revenue:	
Contributions	31,633.00
Investment Income (Net of Fees)	2,485.00
Change in Market Value of Investments	<u>(41,669.00)</u>
	<u>(7,551.00)</u>
Increase in Net Assets	124,834.00
Net Assets at Beginning of Year	<u>7,167,787.00</u>
Net Assets at End of Year	<u><u>\$ 7,292,621.00</u></u>

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

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FORSYTH TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 (GAAP), 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 its 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 is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit – Forsyth Technical Community College Foundation, Inc. is legally separate not-for-profit corporations 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 29 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.

The Forsyth 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 revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2008, the Foundation distributed \$745,937 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 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 may deposit and withdraw cash at any time without prior notice or penalty.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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** - Inventories, consisting of postage and expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market 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 over the estimated useful lives of the assets, generally 50 years for general infrastructure and buildings, and 7 to 25 years for equipment.
- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

College - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

totaling \$5,950.00, and deposits in private financial institutions with a carrying value of \$1,373,144.57 and a bank balance of \$1,561,966.62.

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, 2008, 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, 2008, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$5,027,857.82 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 2.9 years as of June 30, 2008. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Component Unit - Investments of the College's discretely presented 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Fair Value
Investment Type	
Mutual Funds	\$ 1,822,857.00

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2008, net appreciation of \$28,752.60 was available to be spent for restricted purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 572,453.14	\$ 252,520.30	\$ 319,932.84
Accounts	66,578.40		66,578.40
Intergovernmental	54,493.02		54,493.02
Other	71,834.01		71,834.01
Total Current Receivables	\$ 765,358.57	\$ 252,520.30	\$ 512,838.27
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 1,848.19	\$ 0.00	\$ 1,848.19

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets, Nondepreciable:				
Land	\$ 1,609,702.42	\$ 946,100.00	\$ 0.00	\$ 2,555,802.42
Construction in Progress	13,381,051.31	5,269,970.06	10,103,000.44	8,548,020.93
Total Capital Assets, Nondepreciable	14,990,753.73	6,216,070.06	10,103,000.44	11,103,823.35
Capital Assets, Depreciable:				
Buildings	30,213,360.12	10,984,728.28		41,198,088.40
Machinery and Equipment	7,110,951.01	591,196.53	229,701.29	7,472,446.25
General Infrastructure	1,771,478.76	194,485.00		1,965,963.76
Total Capital Assets, Depreciable	39,095,789.89	11,770,409.81	229,701.29	50,636,498.41
Less Accumulated Depreciation:				
Buildings	8,630,410.42	815,144.48		9,445,554.90
Machinery and Equipment	2,339,988.79	518,525.34	229,701.29	2,628,812.84
General Infrastructure	739,759.12	37,277.00		777,036.12
Total Accumulated Depreciation	11,710,158.33	1,370,946.82	229,701.29	12,851,403.86
Total Capital Assets, Depreciable, Net	27,385,631.56	10,399,462.99		37,785,094.55
Capital Assets, Net	\$ 42,376,385.29	\$ 16,615,533.05	\$ 10,103,000.44	\$ 48,888,917.90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2008, were as follows:

	<u>Amount</u>
Accounts Payable	\$ 556,350.67
Accrued Payroll	759,556.20
Contract Retainage	<u>808,844.71</u>
Total Accounts Payable and Accrued Liabilities	<u><u>\$ 2,124,751.58</u></u>

NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 2,187,642.63</u>	<u>\$ 1,567,494.04</u>	<u>\$ 1,618,337.98</u>	<u>\$ 2,136,798.69</u>	<u>\$ 370,122.22</u>

NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases for equipment consist of the following at June 30, 2008:

Fiscal Year	<u>Amount</u>
2009	\$ 91,079.16
2010	91,079.16
2011	91,079.16
2012	<u>37,949.65</u>
Total Minimum Lease Payments	<u><u>\$ 311,187.13</u></u>

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

	<u>Amount</u>
Minimum Rentals	\$ 145,765.64
Contingent Rentals	<u>10,532.42</u>
Total Rental Expense	<u><u>\$ 156,298.06</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	<u>\$ 8,344,385.34</u>	<u>\$ 1,842,198.71</u>	<u>\$ 187,155.54</u>	<u>\$ 6,315,031.09</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 359,987.37	\$ 0.00	\$ 77.67	\$ 359,909.70
Bookstore	3,683,533.60	1,162,604.39	48,807.10	2,472,122.11
Parking	64,687.17		13,949.17	50,738.00
Other	13,783.36		2,530.82	11,252.54
Sales and Services of Education and Related Activities	<u>24,821.96</u>			<u>24,821.96</u>
Total Sales and Services	<u><u>\$ 4,146,813.46</u></u>	<u><u>\$ 1,162,604.39</u></u>	<u><u>\$ 65,364.76</u></u>	<u><u>\$ 2,918,844.31</u></u>

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	\$ 20,167,028.56	\$ 2,706,737.69	\$ 2,167,272.72	\$ 0.00	\$ 30,392.50	\$ 0.00	\$ 25,071,431.47
Academic Support	4,004,281.18	167,773.13	160,437.64		3,675.69		4,336,167.64
Student Services	2,646,585.42	74,199.61	186,046.64	40,481.06			2,947,312.73
Institutional Support	5,745,212.68	85,092.31	1,655,916.72		156,161.87		7,642,383.58
Operations and Maintenance of Plant	1,440,769.36	2,648,997.67	1,254,144.48		936,764.74		6,280,676.25
Student Financial Aid			8,120.28	4,146,715.57			4,154,835.85
Auxiliary Enterprises	654,005.36	3,339,920.80	213,242.50				4,207,168.66
Depreciation						<u>1,370,946.82</u>	<u>1,370,946.82</u>
Total Operating Expenses	<u><u>\$ 34,657,882.56</u></u>	<u><u>\$ 9,022,721.21</u></u>	<u><u>\$ 5,645,180.98</u></u>	<u><u>\$ 4,187,196.63</u></u>	<u><u>\$ 1,126,994.80</u></u>	<u><u>\$ 1,370,946.82</u></u>	<u><u>\$ 56,010,923.00</u></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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$29,006,395.37, of which \$21,606,662.58 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$659,003.21 and \$1,296,399.81, respectively.

Required employer contribution rates for the years ended June 30, 2007, and 2006, were 2.66% and 2.34%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were \$659,003.21, \$547,420.28, and \$444,615.37, 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.ncosc.net/> 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 except for a 5% employer contribution for the College's law enforcement officers, which is mandated under G.S. 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2008, were \$5,427.21. The voluntary contributions by employees amounted to \$354,477.00 for the year ended June 30, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$310,969.00 for the year ended June 30, 2008.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides 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. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the current fiscal year the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were \$885,873.17, \$782,028.97, and \$722,024.95, respectively. 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*. 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.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were \$112,354.65, \$107,014.49, and \$98,803.41, respectively. 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, and can include participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 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. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence with a \$75,000 deductible and a 10% participation in each loss above the deductible. In addition, the College is protected for 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 \$3,428,883.42 and on other purchases were \$562,325.66 at June 30, 2008.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2008, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45, requires cost-sharing employers to recognize OPEB expense for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB*.

GASB Statement No. 50, aligns financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement No. 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 16 - SUBSEQUENT EVENT

Component Unit – The fair market value of the Foundation’s investments decreased from \$1,822,857.00 at June 30, 2008, to \$1,243,287.29 at January 31, 2009. This represents a \$579,569.71 or 32 percent decrease in the Foundation’s investments over the seven-month period. These changes are primarily due to unrealized losses on these investments as a result of the volatile and unstable world-wide financial markets. It is expected that this downward trend will continue into the foreseeable future. Foundation management, along with their investment management advisors, will continue to monitor investments for the purpose of managing investment risks and to maximize investment returns.



Beth A. Wood, CPA
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, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 9, 2009. Our report was modified to include a reference to other auditors.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

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 discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the 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 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 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, others within the entity, 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.



Beth A. Wood, CPA
State Auditor

April 9, 2009

ORDERING INFORMATION

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

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