



STATE OF NORTH CAROLINA

WAKE TECHNICAL COMMUNITY COLLEGE

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WAKE TECHNICAL COMMUNITY COLLEGE

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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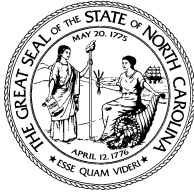
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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Wake Technical Community College

We have completed a financial statement audit of Wake Technical Community College for the year ended June 30, 2009, 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*.

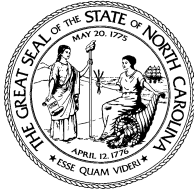
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Assets	8
A-2 Statement of Revenues, Expenses, and Changes in Net Assets	9
A-3 Statement of Cash Flows	10
Notes to the Financial Statements	13
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	27
ORDERING INFORMATION	29



Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wake Technical Community College
Raleigh, North Carolina

We have audited the accompanying basic financial statements of Wake Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wake Technical Community College as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, during the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010 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, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA
State Auditor

April 29, 2010

WAKE TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following information provides a general overview of the financial statements and activities of Wake Technical Community College for the year ended June 30, 2009. The Management's Discussion & Analysis is required supplementary information (RSI) comparing data for the current and previous year. Significant capital asset activity and conditions expected to influence financial position and results of operations are also discussed. Contact the Division of Finance for additional information at 919-866-5901.

Overview of the Financial Statements

The College's financial report includes three financial statements:

- The Statement of Net Assets
- The Statement of Revenues, Expenses, and Changes in Net Assets
- The Statement of Cash Flows

The Notes to the Financial Statements provide additional information required for an understanding of the financial statements.

Important characteristics of the financial statements include the following:

- The Statement of Net Assets is separated by current and noncurrent assets. The designation is also used in reporting liabilities. The term current is used to cover a time period of one year or less while noncurrent is considered to be a period of greater than one year.
- Revenues and expenses are categorized as either operating or nonoperating.
- Purchases of capital assets are expensed over the asset's useful life by the recognition of depreciation expense on the capital assets.
- Scholarships and fellowships applied to student accounts are discounted from revenue to avoid overstatement of tuition and fees.

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements.

Statement of Net Assets

The following condensed Statement of Net Assets compares current year information with the prior year and indicates the categorical as well as overall percentage of increase or decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Assets			
Current Assets	\$ 11,235,535.67	\$ 13,359,959.77	-15.90%
Noncurrent Assets	3,148,386.38	375,634.32	738.15%
Capital Assets, Net	<u>137,194,142.54</u>	<u>114,632,343.35</u>	19.68%
Total Assets	<u>151,578,064.59</u>	<u>128,367,937.44</u>	18.08%
Liabilities			
Current Liabilities	9,501,664.51	10,096,346.12	-5.89%
Noncurrent Liabilities	<u>2,222,272.40</u>	<u>1,970,452.05</u>	12.78%
Total Liabilities	<u>11,723,936.91</u>	<u>12,066,798.17</u>	-2.84%
Net Assets			
Invested in Capital Assets	137,194,142.54	114,632,343.35	19.68%
Restricted - Expendable	1,146,136.34	1,082,803.18	5.85%
Unrestricted	<u>1,513,848.80</u>	<u>585,992.74</u>	158.34%
Total Net Assets	<u>\$ 139,854,127.68</u>	<u>\$ 116,301,139.27</u>	20.25%

Analysis of Statement of Net Assets Comparison

The Statement of Net Assets measures the value of all the College's assets after deducting liabilities and depreciation. Current assets consist of inventories, cash, prepaid items, and receivables expected to be collected within the next accounting cycle. Noncurrent assets consist of receivables estimated to be collected beyond the next fiscal year, receivables related to capital projects, and also capital assets. Accounts payable, funds held for others, unearned revenue, and the current portion of accrued compensated absences comprise most of current liabilities. Noncurrent liabilities represent accrued compensated absences not expected to be used within the next twelve months and the noncurrent portion of obligations for pollution remediation. The amounts for compensated absences reflect a last-in, first-out estimate. Invested in capital assets consists primarily of buildings, infrastructure, and equipment with a unit purchase cost of \$5,000 or greater. Other equipment is expensed in the year of purchase. Restricted net assets are separated from unrestricted because external sources exert control over their use. Noncurrent assets increased due to an increased receivable related to ongoing construction projects, primarily at the North Campus. Current liabilities decreased in relation to budget spending restrictions and non-current liabilities reflect an increase in compensated absences and the recognition of pollution remediation obligations. Capital assets continue to grow in conjunction with the building program at the North Campus. In accordance with GASB Statement 49, the college recognized a net pollution remediation obligation of \$210,000 this fiscal year. The details of this noncurrent liability are disclosed in the Notes to the Financial Statements under note 6B.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Assets

The following condensed Statement of Revenues, Expenses, and Changes in Net Assets compares current year information with the prior year and indicates the categorical as well as overall percentage of increase or decrease.

	2009	2008 (Restated)	%Change
Operating Revenues			
Student Tuition and Fees, Net	\$ 15,695,884.90	\$ 13,942,548.28	12.58%
Other Operating Revenues	1,377,254.17	2,271,351.22	-39.36%
Total Operating Revenues	17,073,139.07	16,213,899.50	5.30%
Operating Expenses			
Salaries and Benefits	67,340,097.42	61,955,478.02	8.69%
Supplies and Materials	5,625,865.55	7,767,759.81	-27.57%
Services	10,321,243.50	10,915,577.23	-5.44%
Scholarships and Fellowships	8,853,845.86	5,637,820.56	57.04%
Utilities	1,814,818.42	1,799,223.56	0.87%
Depreciation	2,577,467.90	2,174,478.86	18.53%
Total Operating Expenses	96,533,338.65	90,250,338.04	6.96%
Operating Loss	(79,460,199.58)	(74,036,438.54)	7.33%
Nonoperating Revenues			
State Aid	45,054,848.12	40,712,362.87	10.67%
County Appropriations	16,652,989.00	16,738,164.96	-0.51%
Other Nonoperating Revenues	13,166,109.62	8,740,324.28	50.64%
Total Nonoperating Revenues	74,873,946.74	66,190,852.11	13.12%
State Capital Aid	3,257,934.47	2,605,670.71	25.03%
County Capital Aid	24,881,306.78	16,024,402.56	55.27%
Capital Grants		5,128.54	-100.00%
Increase in Net Assets	23,552,988.41	10,789,615.38	118.29%
Net Assets			
Net Assets - July 1	116,301,139.27	105,511,523.89	10.23%
Net Assets - June 30	\$ 139,854,127.68	\$ 116,301,139.27	20.25%

Analysis of Statement of Revenues, Expenses, and Changes in Net Assets Comparison

Transactions reflected in the Statement of Revenues, Expenses, and Changes in Net Assets have a direct correlation to changes in total net assets recorded on the Statement of Net Assets. Operating revenues and expenses are segregated into individual sections of the statement. Student tuition and fees, adjusted for scholarship discounts, accounted for the largest portion of operating revenues and was directly related to 13% enrollment growth. Salary and fringe benefits expenses are the predominant operating expense and grew as the result of mandated salary increases and positions added to accommodate student enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Service contracts and Pell grants form the major components of services and scholarships and fellowships. Pell grant awards grew in relation to the previous year partially due to the worsening economy. Revenues for federal grants and contracts were shifted to nonoperating revenues at the directive of the State Controller's Office. The largest components of this revenue category are state and county aid. State aid for current operations rose in concert with student enrollment. Grants from the Department of Education and the National Science Foundation (NSF) comprise additional federal revenue and are included in other nonoperating revenues for fiscal year 2009. State capital aid remained low in proportion to county capital aid because the majority of construction on the Northern Wake Campus is now financed with County bond funds as available State bond funds have waned.

Capital Assets

The following schedule compares capital assets for the fiscal years 2009 and 2008, net of accumulated depreciation.

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Land	\$ 17,333,653.48	\$ 8,744,779.71	98.22%
Construction in Progress	25,940,915.19	12,895,222.43	101.17%
Buildings	84,868,748.31	84,417,074.92	0.54%
General Infrastructure	4,911,952.26	4,937,567.92	-0.52%
Machinery and Equipment	4,138,873.30	3,637,698.37	13.78%
Total Capital Assets, Net	<u>\$ 137,194,142.54</u>	<u>\$ 114,632,343.35</u>	19.68%

Analysis of Capital Assets Comparison

The College purchased a tract of land near Morrisville and Research Triangle Park (RTP) to start a Western Wake Campus. The purchase was approximately 76 acres and sits adjacent to major highway arteries. Actual construction will not be funded from the current bond referendum and will not begin for several years. Construction in progress consists primarily of Building D expenses at the North Campus. The second renovation project at the Public Safety Training Center is also under way. Equipment purchases leveled off because of spending restrictions imposed to balance the State budget.

Economic Outlook and Effects on Financial Position

The FTE's that generate the College's State budget showed unprecedented growth over the previous year and mirrored NCCC System-wide growth fueled by the economic downturn.

<u>Instruction Area</u>	<u>2009 FTE'S</u>	<u>2008 FTE'S</u>	<u>% Change</u>
Curriculum	\$ 10,461	\$ 9,195	13.77%
Occupational	1,580	1,393	13.42%
Basic Skills	<u>1,127</u>	<u>1,050</u>	7.33%
Total FTE'S (Full-Time Equivalents)	<u>\$ 13,168</u>	<u>\$ 11,638</u>	13.15%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The housing market crash evolved into the worst global recession since the 1930's. Long established Wall Street financial firms began to fail in September 2008 which precipitated a collapse of the financial and credit markets. In our own state, Wachovia Bank was required to merge with Wells Fargo to avoid liquidation proceedings. General Motors and Chrysler were forced into bankruptcy despite receiving Federal bailout funds which sent the auto industry into chaos. The fallout impact for the North Carolina economy was staggering with unemployment reaching 11.0% in June as compared to 6.1% one year earlier. Wake County was unable to sell general obligation bonds for construction projects because there were no buyers in the bond market. The AAA bond rating maintained by the County made no difference at the time. The direct impact on Wake Tech was the delay or extension of some construction plans. Community colleges across the state came to the rescue by offering new programs to quickly re-train the workforce for developing industries such as the "green economy" and biotechnology. Wake Tech experienced FTE (full-time equivalent) student enrollment growth in excess of 13%. The challenge was compounded by mandatory budget reversions to the State of \$1.9 million. An additional \$1.4 million reverted at the end of June due to the lack of cash availability. The North Carolina Legislature decided not to permit carryover of operating capital budget balances for the first time in 25 years. Wake County required all departments along with public schools and community colleges to revert part of their budgets. For Wake Tech, the reversion equated to 1.8% of the original current operating allotment which amounted to slightly more the \$300,000. Even with the backdrop of economic instability, the College anticipates having adequate budget resources in fiscal year 2009-10 to meet the needs of our citizens. This is due primarily to the tremendous FTE growth experienced this fiscal year. The economy is expected to level off with the infusion of American Recovery and Reinvestment Act (ARRA) dollars. Analysts predict unemployment to reverse and trend downward the latter half of calendar year 2010. Preliminary data indicates the Wake Tech student population will continue to grow at a rate in excess of 10% during the new academic year.

Wake Technical Community College
Statement of Net Assets
June 30, 2009

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,544,068.84
Restricted Cash and Cash Equivalents	1,262,569.45
Receivables (Note 3)	4,295,852.31
Inventories	93,432.23
Prepaid Items	39,612.84

Total Current Assets	<u>11,235,535.67</u>
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Noncurrent Assets:

Receivables (Note 3)	2,932,291.05
Restricted Due from Primary Government	216,095.33
Capital Assets - Nondepreciable (Note 4)	43,274,568.67
Capital Assets - Depreciable, Net (Note 4)	<u>93,919,573.87</u>

Total Noncurrent Assets	<u>140,342,528.92</u>
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Total Assets	<u>151,578,064.59</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	4,442,117.88
Due to Primary Government	16,701.56
Unearned Revenue	4,250,210.82
Funds Held for Others	459,262.32
Long-Term Liabilities - Current Portion (Note 6)	<u>333,371.93</u>

Total Current Liabilities	<u>9,501,664.51</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>2,222,272.40</u>
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Total Liabilities	<u>11,723,936.91</u>
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NET ASSETS

Invested in Capital Assets	137,194,142.54
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Restricted for:

Expendable:

Scholarships and Fellowships	28,422.94
Loans	11,926.01
Capital Projects	479,636.09
Other	626,151.30

Unrestricted	<u>1,513,848.80</u>
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Total Net Assets	<u>\$ 139,854,127.68</u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Wake Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2009***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 15,695,884.90
State and Local Grants and Contracts	418,676.26
Sales and Services (Note 8)	911,122.31
Other Operating Revenues	47,455.60

Total Operating Revenues	<u>17,073,139.07</u>
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EXPENSES

Operating Expenses:

Personal Services	67,340,097.42
Supplies and Materials	5,625,865.55
Services	10,321,243.50
Scholarships and Fellowships	8,853,845.86
Utilities	1,814,818.42
Depreciation	2,577,467.90

Total Operating Expenses	<u>96,533,338.65</u>
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Operating Loss	<u>(79,460,199.58)</u>
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NONOPERATING REVENUES

State Aid	43,475,673.26
State Aid - Federal Recovery Funds	1,579,174.86
County Appropriations	16,652,989.00
Noncapital Grants - Federal Student Financial Aid	7,927,840.50
Noncapital Grants	5,047,336.57
Noncapital Gifts	150,216.14
Investment Income	10,938.60
Other Nonoperating Revenues	29,777.81

Total Nonoperating Revenues	<u>74,873,946.74</u>
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Loss Before Other Revenues	<u>(4,586,252.84)</u>
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State Capital Aid	3,257,934.47
County Capital Aid	24,881,306.78

Increase in Net Assets	23,552,988.41
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NET ASSETS

Net Assets, July 1, 2008	<u>116,301,139.27</u>
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Net Assets, June 30, 2009	<u><u>\$ 139,854,127.68</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Wake Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 18,891,487.91
Payments to Employees and Fringe Benefits	(66,992,330.92)
Payments to Vendors and Suppliers	(18,355,454.31)
Payments for Scholarships and Fellowships	(8,853,845.86)
Other Receipts	482,820.55

Net Cash Used by Operating Activities	<u>(74,827,322.63)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	43,475,673.26
State Aid - Federal Recovery Funds	1,579,174.86
County Appropriations	16,652,989.00
Noncapital Grants - Federal Student Financial Aid	7,927,840.50
Noncapital Grants Received	5,398,173.09
Noncapital Gifts Received	150,216.14

Cash Provided by Noncapital Financing Activities	<u>75,184,066.85</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	3,417,473.46
County Capital Aid	24,214,698.09
Acquisition and Construction of Capital Assets	<u>(27,461,672.79)</u>

Net Cash Provided by Capital and Related Financing Activities	<u>170,498.76</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>10,938.60</u>
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Cash Provided by Investing Activities	<u>10,938.60</u>
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Net Increase in Cash and Cash Equivalents	538,181.58
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Cash and Cash Equivalents, July 1, 2008	<u>6,268,456.71</u>
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Cash and Cash Equivalents, June 30, 2009	<u>\$ 6,806,638.29</u>
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Wake Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

Exhibit A-3
Page 2

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

Operating Loss	\$ (79,460,199.58)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,577,467.90
Miscellaneous Nonoperating Income	78,323.05
Changes in Assets and Liabilities:	
Receivables	(46,754.41)
Inventories	21,037.83
Prepaid Items	71,803.38
Accounts Payable and Accrued Liabilities	(560,868.33)
Due to Primary Government	16,013.01
Unearned Revenue	2,056,888.58
Funds Held for Others	92,988.86
Pollution Remediation Obligation Payable	210,000.00
Compensated Absences	115,977.08
Net Cash Used by Operating Activities	<u><u>\$ (74,827,322.63)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 5,544,068.84
Restricted Cash and Cash Equivalents	<u>1,262,569.45</u>
Total Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 6,806,638.29</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 2,217,525.30
Increase in Receivables Related to Nonoperating Income	315,772.17
Capital Asset Write-Offs	48,545.24

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

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WAKE TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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. Wake 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 for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity 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, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and money market accounts.
- E. Receivables** - Receivables consist of tuition and fees charged to students. 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. The direct write-off method is used to record worthless receivables because historically these amounts have been minimal.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an estimated 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 method over the estimated useful lives of the assets, generally 50 years for general infrastructure, 50 years for buildings, and 5 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences and pollution remediation obligations 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. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. 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.

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.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- 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 - Expendable - Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - 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 \$4,000.00, and deposits in private financial institutions with a carrying value of \$6,802,638.29 and a bank balance of \$9,936,219.87.

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, 2009, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, were as follows:

	<u>Amount</u>
Current Receivables:	
Students	\$ 950,973.07
Intergovernmental	2,649,440.41
Other	<u>695,438.83</u>
Total Current Receivables	<u><u>\$ 4,295,852.31</u></u>
Noncurrent Receivables:	
Intergovernmental	<u><u>\$ 2,932,291.05</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2009, is presented as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital Assets, Nondepreciable:				
Land	\$ 8,744,779.71	\$ 8,588,873.77	\$ 0.00	\$ 17,333,653.48
Construction in Progress	12,895,222.43	13,728,153.39	682,460.63	25,940,915.19
Total Capital Assets, Nondepreciable	21,640,002.14	22,317,027.16	682,460.63	43,274,568.67
Capital Assets, Depreciable:				
Buildings	99,422,283.12	2,464,766.72		101,887,049.84
Machinery and Equipment	6,508,847.95	894,305.45	315,389.95	7,087,763.45
General Infrastructure	5,749,631.71	194,173.63		5,943,805.34
Total Capital Assets, Depreciable	111,680,762.78	3,553,245.80	315,389.95	114,918,618.63
Less Accumulated Depreciation for:				
Buildings	15,005,208.20	2,013,093.33		17,018,301.53
Machinery and Equipment	2,772,178.12	443,556.74	266,844.71	2,948,890.15
General Infrastructure	911,035.25	120,817.83		1,031,853.08
Total Accumulated Depreciation	18,688,421.57	2,577,467.90	266,844.71	20,999,044.76
Total Capital Assets, Depreciable, Net	92,992,341.21	975,777.90	48,545.24	93,919,573.87
Capital Assets, Net	\$ 114,632,343.35	\$ 23,292,805.06	\$ 731,005.87	\$ 137,194,142.54

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2009, were as follows:

	Amount
Accounts Payable	\$ 582,270.24
Accrued Payroll	1,642,322.34
Accounts Payable - Capital Assets	2,217,525.30
Total Accounts Payable and Accrued Liabilities	\$ 4,442,117.88

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2009, is presented as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Compensated Absences	\$ 2,229,667.25	\$ 2,141,644.51	\$ 2,025,667.43	\$ 2,345,644.33	\$ 312,371.93
Pollution Remediation Payable		210,000.00		210,000.00	21,000.00
Total Long-Term Liabilities	\$ 2,229,667.25	\$ 2,351,644.51	\$ 2,025,667.43	\$ 2,555,644.33	\$ 333,371.93

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Pollution Remediation Payable - The College has recognized a pollution remediation liability for two underground storage tanks. The tanks were removed in 1994 and the site was remediated as required at that time. During 2005, North Carolina Department of Environment and Natural Resources (NCDENR) required the College to obtain a limited site assessment. Based on the results of this assessment, NCDENR required the College to obtain a more comprehensive site assessment. Based on the results of that assessment, it was determined that the amount of the estimated liability is \$700,000 for complete remediation of the pollution. This estimate was calculated using information provided by the company that prepared the site assessment. The amount of the estimated recoveries for this estimated liability is \$490,000.

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for Western Wake Campus facilities and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2009:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 759,547.81
2011	774,573.73
2012	789,975.21
2013	779,954.37
2014	331,039.82
Total Minimum Lease Payments	<u>\$ 3,435,090.94</u>

Rental expense for all operating leases during the year was \$904,683.54.

NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Net Revenues</u>
Operating Revenues:			
Student Tuition and Fees	<u>\$ 18,032,108.90</u>	<u>\$ 2,336,224.00</u>	<u>\$ 15,695,884.90</u>
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	\$ 698,036.81	\$	\$ 698,036.81
Vending	160,542.31		160,542.31
Other	52,543.19		52,543.19
Total Sales and Services	<u>\$ 911,122.31</u>	<u>\$ 0.00</u>	<u>\$ 911,122.31</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - 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	\$ 41,165,249.64	\$ 4,100,638.09	\$ 2,875,451.36	\$ 0.00	\$ 0.00	\$ 0.00	\$ 48,141,339.09
Academic Support	10,714,317.95	663,165.65	366,479.48				11,743,963.08
Student Services	6,551,726.51	203,796.82	506,840.24				7,262,363.57
Institutional Support	7,281,879.08	389,223.78	1,651,693.80				9,322,796.66
Operations and Maintenance of Plant	1,626,924.24	262,413.10	4,880,745.89		1,814,818.42		8,584,901.65
Student Financial Aid				8,853,845.86			8,853,845.86
Auxiliary Enterprises		6,628.11	40,032.73				46,660.84
Depreciation						2,577,467.90	2,577,467.90
Total Operating Expenses	<u>\$ 67,340,097.42</u>	<u>\$ 5,625,865.55</u>	<u>\$ 10,321,243.50</u>	<u>\$ 8,853,845.86</u>	<u>\$ 1,814,818.42</u>	<u>\$ 2,577,467.90</u>	<u>\$ 96,533,338.65</u>

NOTE 10 - 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 is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. The plan is 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, 2009, these rates were set at 3.36% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$55,327,049.00, of which \$45,922,650.67 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,543,001.06 and \$2,755,359.04, respectively.

Required employer contribution rates for the years ended June 30, 2008 and 2007 were 3.05% and 2.66%, respectively, while employee contributions were 6% each year. The College made 100% of its annual

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

required contributions for the years ended June 30, 2009, 2008, and 2007, which were \$1,543,001.06, \$1,285,187.53, and \$1,028,837.69, 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 "Proceed directly to OSC's index page," then "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 \$222,592.00 for the year ended June 30, 2009.

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 \$870,493.00 for the year ended June 30, 2009.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$536,413.18 for the year ended June 30, 2009.

NOTE 11 - 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 *North Carolina General Statute* 135-7 and Chapter 135, Article 3A, 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 of the 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.

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, 2008 and 2007 were 4.1% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2009, 2008, and 2007, which were \$1,882,828.68, \$1,727,629.14, and \$1,469,768.14, 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 "Proceed directly to OSC's index page," then "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, 2009, 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, 2008 and 2007 were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2009, 2008, and 2007, which were \$238,797.78, \$219,113.94, and \$201,126.17, 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*.

NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, 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 are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. 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. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The honesty bond for other employees is covered by contracts with private insurance companies.

The College purchased public officers' and employees' liability insurance coverage of \$11,000,000 from a private insurance company through the North Carolina Department of Insurance.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan 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 13 - 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 \$4,324,800.94 and on other purchases were \$258,123.75 at June 30, 2009.

NOTE 14 - RELATED PARTIES

- A. Foundation** – The Wake Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$150,215 for the year ended June 30, 2009.
- B. Contracted Services** – The College has contracted with Waste Industries for trash removal since 1986. Mr. Jim Perry, CEO of Waste Industries, was appointed to the Wake Technical Community College Board of Trustees by the Wake County Board of Education in November 2002. Payments to Waste Industries for the fiscal year ended June 30, 2009 amounted to \$944,029.25.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2009, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

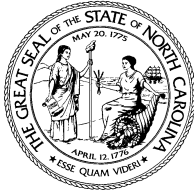
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

GASB Statement No. 49, requires reporting pollution remediation obligations, including reporting pollution remediation obligations that previously may not have been reported.

GASB Statement No. 52, requires reporting land and other real estate held as investments at fair value. This statement amends GASB Statement No. 31 which required endowments to report land and other real estate investments at historical cost.

In addition, beginning with the year ended June 30, 2009, the College reports federal student aid as nonoperating revenue instead of operating revenue. This change was the result of a clarification in the GASB *Comprehensive Implementation Guide*.



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

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

Board of Trustees
Wake Technical Community College
Raleigh, North Carolina

We have audited the financial statements of Wake Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2009, and have issued our report thereon dated April 29, 2010.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, during the year ended June 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting 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 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.

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

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 General Assembly, and the State Controller, 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 29, 2010

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