



STATE OF NORTH CAROLINA

WILSON COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WILSON COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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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 Eaves Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Wilson Community College

We have completed a financial statement audit of Wilson 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*.

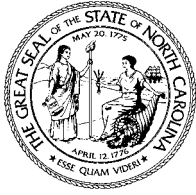
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wilson Community College
Wilson, North Carolina

We have audited the accompanying financial statements of Wilson 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, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wilson 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 this entity, 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 Wilson Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

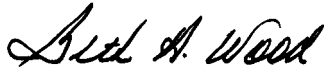
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wilson Community College and its discretely presented component unit as of June 30, 2009, and the respective changes 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.

As discussed in Note 14 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 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.

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

May 19, 2010

WILSON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Wilson Community College offers readers of the College's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. This overview will provide comparative analyses of key elements for the aforementioned period.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Wilson Community College's basic financial statements. The College's basic financial statements include Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain and provide more detail on the information in the statements.

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

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

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

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

Institutional Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the college's financial position. In the case of Wilson Community College, net assets decreased by \$228,221.04 at the close of the most recent fiscal year. This decline in net assets represents approximately a 1.55% decrease over the prior reporting period.

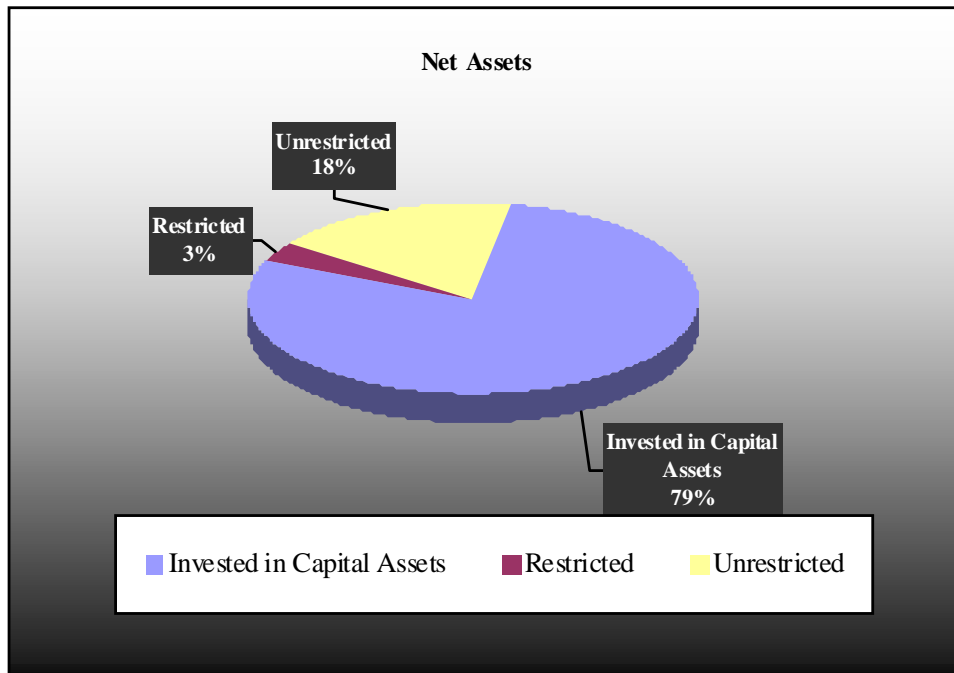
Noncurrent assets consist of restricted cash and cash equivalents and restricted receivables from primary governments. Noncurrent assets as of June 30, 2009 were \$344,040.50 and represent a \$541,559.46 or 61.15% decrease from the previous year. There was a decrease of \$423,114.92 in the amount classified as restricted due from primary government because of completion of state construction projects. Also, the prior year's county restricted cash and cash equivalents had a carryover of \$119,849.00. This amount, as well as new allotments received during the current fiscal year were used for needed repairs and renovation of the College not finished in the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College's current liabilities increased during the year, primarily as a result of an increase in accounts payable/accrued liabilities. The current year accounts payable/accrued liabilities amount increased by \$31,050.13 over the prior year's accrued liabilities. Net assets restricted category for fiscal year 2009 decreased \$441,409.01 over fiscal year 2008. As identified above the decrease can be attributed to capital projects (i.e. completion of construction projects) and other restricted expendables.

Condensed Statement of Net Assets

	June 30, 2009	Restated June 30, 2008	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 3,564,595.03	\$ 3,408,089.63	\$ 156,505.40	4.59%
Noncurrent Assets	344,040.50	885,599.96	(541,559.46)	-61.15%
Capital Assets	11,370,923.21	11,143,381.86	227,541.35	2.04%
Total Assets	15,279,558.74	15,437,071.45	(157,512.71)	-1.02%
Liabilities				
Current Liabilities	305,459.05	254,187.17	51,271.88	20.17%
Long-Term Liabilities	487,302.37	467,865.92	19,436.45	4.15%
Total Liabilities	792,761.42	722,053.09	70,708.33	9.79%
Net Assets				
Invested in Capital Assets	11,370,923.21	11,143,381.86	227,541.35	2.04%
Restricted	508,938.93	950,347.94	(441,409.01)	-46.45%
Unrestricted	2,606,935.18	2,621,288.56	(14,353.38)	-0.55%
Total Net Assets	\$ 14,486,797.32	\$ 14,715,018.36	\$ (228,221.04)	-1.55%



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of Wilson Community College's net assets, seventy-nine percent (79%), reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment). Capital assets - depreciable is the greatest contributing factor to the overall percentage. The increase in capital assets - depreciable is largely attributed to the additions to equipment purchases for various programs as well as the reclassification of Construction in Progress (CIP) for the Student Center to completion of the Student Service Center. Wilson Community College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion, eighteen percent (18%), of net assets (unrestricted, \$2,606,935.18) may be used to meet the College's ongoing obligations to citizens and creditors. The remaining balance, three percent (3%), of Wilson Community College's net assets (restricted net assets, \$508,938.93) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, Wilson Community College is able to report a positive balance in net assets. The same situation held true for the prior fiscal year.

The following table and graphs depict the financial position of the College at the close of the current fiscal year. They further define the sources of funding and their related uses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	June 30, 2009	June 30, 2008 Restated	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,117,170.02	\$ 951,441.90	\$ 165,728.12	17.42%
Grants and Contracts	10,000.00		10,000.00	
Sales and Services, Net	623,216.57	645,981.76	(22,765.19)	-3.52%
Other Revenues	21,318.56	23,379.48	(2,060.92)	-8.82%
Total Operating Revenues	1,771,705.15	1,620,803.14	150,902.01	9.31%
Operating Expenses:				
Personal Services	12,226,052.97	12,237,272.34	(11,219.37)	-0.09%
Supplies and Materials	2,106,779.88	2,472,078.63	(365,298.75)	-14.78%
Services	2,034,212.75	2,177,023.84	(142,811.09)	-6.56%
Scholarships and Fellowships	2,222,676.49	1,666,918.40	555,758.09	33.34%
Utilities	386,675.58	334,173.12	52,502.46	15.71%
Depreciation	610,415.78	602,975.83	7,439.95	1.23%
Total Operating Expenses	19,586,813.45	19,490,442.16	96,371.29	0.49%
Operating Loss	(17,815,108.30)	(17,869,639.02)	54,530.72	19.20%
Nonoperating Revenues (Expenses):				
State Aid	9,304,053.58	10,502,398.20	(1,198,344.62)	-11.41%
State Aid - Federal Recovery Funds	393,361.93		393,361.93	
County Appropriations	1,963,915.00	1,702,250.00	261,665.00	15.37%
Noncapital Grants - Financial Aid	4,048,136.17	3,577,007.37	471,128.80	13.17%
Noncapital Grants	811,588.43	1,022,991.18	(211,402.75)	-20.67%
Noncapital Gifts	45,904.00	53,730.00	(7,826.00)	-14.57%
Investment Income	68,417.93	136,596.06	(68,178.13)	-49.91%
Other Nonoperating (Expenses)	(5,180.02)	(25,813.91)	20,633.89	-79.93%
Other Revenues	956,690.24	1,051,260.74	(94,570.50)	-9.00%
Total Nonoperating and Other Revenues	17,586,887.26	18,020,419.64	(433,532.38)	-2.41%
Increase(Decrease) in Net Assets	(228,221.04)	150,780.62	(379,001.66)	-251.36%
Net assets, July 1 as Restated	14,715,018.36	14,564,237.74	150,780.62	1.04%
Net assets, June 30	\$ 14,486,797.32	\$ 14,715,018.36	\$ (228,221.04)	-1.55%

The 2008 amounts listed in this report have been restated from the prior year financial statements. The reporting of non-exchange transaction (i.e. PELL, SEOG, CWS, NC Community College Grant) as nonoperating revenue (Noncapital Grants) instead of operating revenue grants and contracts is the contributing factor. Effective for fiscal year 2009 the College implemented the reclassification of non-exchange transactions (pass-through grants) as nonoperating revenue.

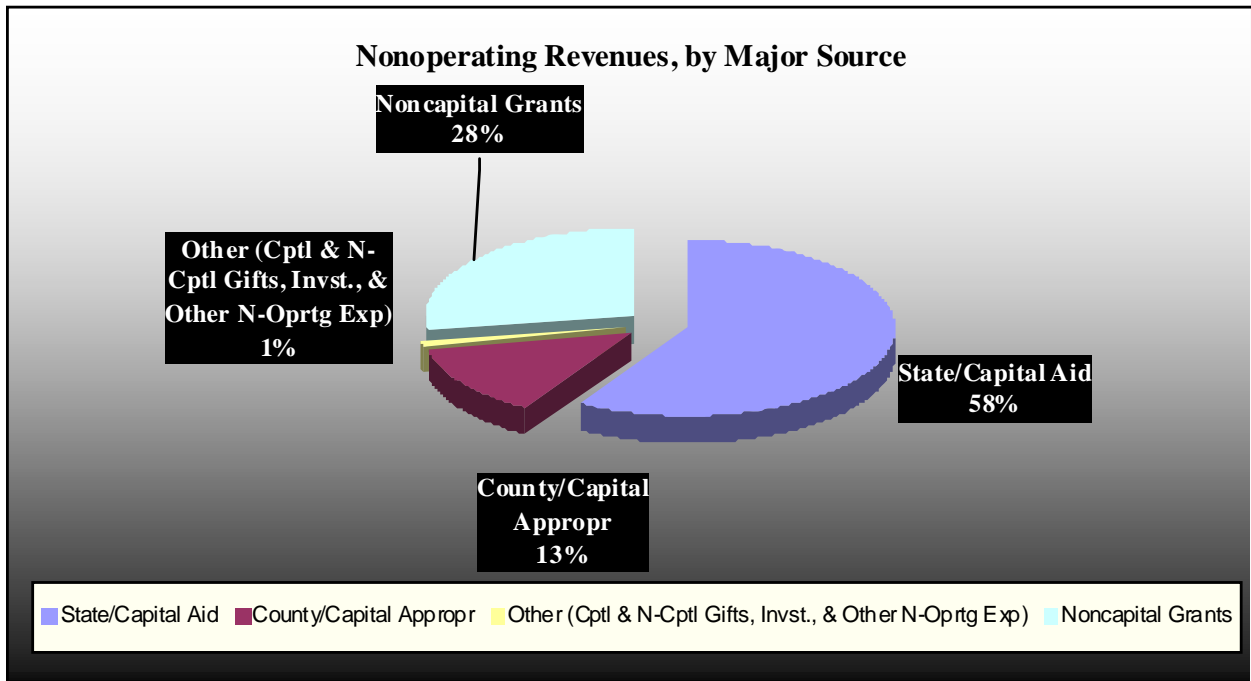
Total operating revenues increased over nine percent (9.31%), and nonoperating and other revenues had a decrease of over two percent (2.41%). There are several contributing factors to explain the College's financial position. The student tuition and fees, which is a major part of operating revenue, showed an increase from prior year. This is due primarily to an enrollment increase five percent (98 additional FTE) over fiscal year 2008 and a minor increase in student fees. The State Aid, which is a part of nonoperating revenues, reflects a decline due to a decrease in certification primary because of state spending restrictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

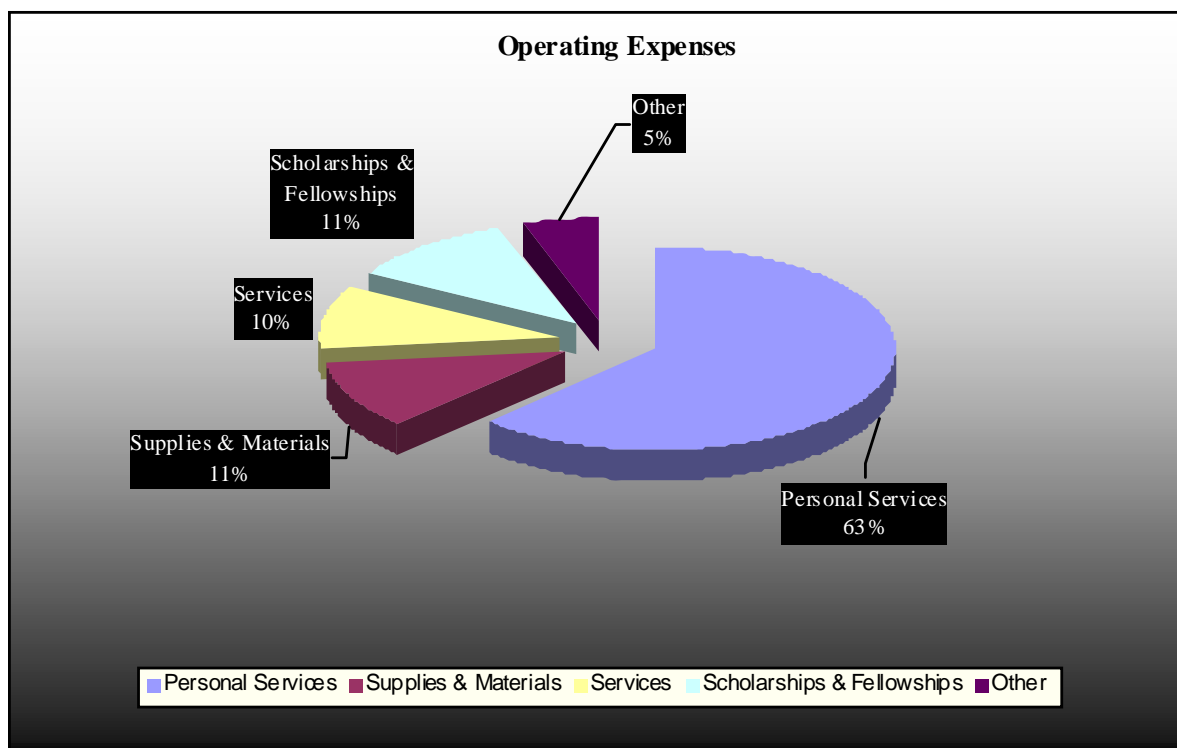
However, this was made up in part by the addition of \$393,361.93 in Federal Recovery Funds passed through the state. Also, the College during the year has a decline in interest received from investments due to financial market factors.

Operating expenses for fiscal year 2009 increased \$96,371.29 over fiscal year 2008. The expense increase of the College can be attributed to a few sources. The scholarships and fellowships expense account had a significant increase during the year of 33.34%. This account included expenses associated with grants and scholarships awarded to students. The increase was caused by an increase in PELL grants, newly established EARN Program (Education Access Rewards North Carolina Scholars Fund Program) and other financial aid due to higher enrollment. Utilities increased by \$52,502.46 over fiscal year 2008 due to the addition of a new 16,466 square foot building (Student Center) and an increase in utility rates by our supplier.

Although, operating expenses for fiscal year 2009 showed an increase there are other important factors that need to be identified. The supplies and materials decreased \$365,298.75 and services decreased \$142,811.09 over fiscal year 2008. The decreases in these expense accounts are primarily a result of state mandated spending restrictions that impacts all areas that support continued operations of the College.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



The following is a comparative analysis of the condensed Statement of Cash Flow for fiscal years ended June 30, 2008 and 2009. The Statement of Cash Flows provides information about cash receipts and cash payments during the year.

Condensed Statement of Cash Flow

	2009	Restated 2008	Increase (Decrease)	Percent Change
Cash Provided (Used) by				
Operating Activities	\$ (17,080,150.85)	\$ (17,102,097.04)	\$ 21,946.19	-0.13%
Noncapital Financing Activities	16,605,776.46	16,857,012.62	(251,236.16)	-1.49%
Capital Financing Activities	531,288.37	199,057.88	332,230.49	166.90%
Investing Activities	70,583.96	136,865.49	(66,281.53)	-48.43%
Net Change in Cash	127,497.94	90,838.95	36,658.99	40.36%
Cash, Beginning of Year	2,993,154.86	2,902,315.91	90,838.95	3.13%
Cash, Ending of Year	\$ 3,120,652.80	\$ 2,993,154.86	\$ 127,497.94	4.26%

As seen in the chart above, the net change in cash increased by over forty percent (40.36%). The decrease in noncapital financing activities has an affect on the cash ending balance. As previously mentioned, the State Aid, which is a part of noncapital financing, decreased in certification primarily due to state spending restrictions. This factor alone has made an impact on the cash flow of receipts. However, the total cash was able to increase by over 4 percent (4.26%) during the fiscal year 2009. A contributing factor was the increase in cash

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

flow of receipt of capital financing activities amount of \$332,230.49 over fiscal year 2008 which helped to offset noncapital financing activities. A \$193,335.00 increase of receipt for county capital aid was a large contributing factor. These factors combined allowed total cash for the year to have an increase over prior year.

Capital Assets

Wilson Community College's investment in capital assets as of June 30, 2009, amounts to \$11,370,923.21 (net of depreciation). This investment in capital assets includes land, buildings, improvements, and machinery/equipment. Wilson Community College's investment in capital assets experienced a net increase of two percent (2.04%) for the current fiscal year. The increase was primarily from equipment purchases for specialized training in the areas of Allied Health, Electrical/Electronics, and Welding.

Economic Factors and Next Year's Budget

Wilson Community College expects considerable growth in enrollment during the 2009-10 budget funding cycle. However, we do not anticipate an increase in appropriations from either state or county sources due to the general economic climate that is impacting these funding sources. We are anticipating an increase in federal revenues from the PELL Grant, College Work Study and various Federal Stimulus Programs.

The College continues to move forward with advanced planning for its proposed Allied Health and Technology Building. The College is exploring alternative funding sources for the project outside the traditional state and county sources.

The College has expanded its curriculum offerings by adding two new associate degree programs. The College has also implemented a JobsNOW training program utilizing funds provided through federal stimulus monies.

Requests for Information

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

Wilson Community College
Statement of Net Assets
June 30, 2009

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,700,051.38
Restricted Cash and Cash Equivalents	190,526.61
Receivables, Net (Note 4)	210,347.50
Due from State of North Carolina Component Units	90,000.00
Inventories	354,800.06
Notes Receivable, Net (Note 4)	18,869.48

Total Current Assets	3,564,595.03
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	230,074.81
Restricted Due from Primary Government	113,965.69
Capital Assets - Nondepreciable (Note 5)	988,668.67
Capital Assets - Depreciable, Net (Note 5)	10,382,254.54

Total Noncurrent Assets	11,714,963.71
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Total Assets	15,279,558.74
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	65,612.87
Due to Primary Government	1,701.92
Unearned Revenue	181,991.85
Funds Held for Others	6,127.21
Long-Term Liabilities - Current Portion (Note 7)	50,025.20

Total Current Liabilities	305,459.05
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	487,302.37
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Total Liabilities	792,761.42
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NET ASSETS

Invested in Capital Assets	11,370,923.21
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Restricted for:

Nonexpendable:

Scholarships and Fellowships	187,821.80
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Expendable:

Scholarships and Fellowships	14,069.54
Loans	55,686.55
Capital Projects	150,457.84
Other	100,903.20

Unrestricted	2,606,935.18
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Total Net Assets	\$ 14,486,797.32
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The accompanying notes to the financial statements are an integral part of this statement.

***Wilson 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 9)	\$ 1,117,170.02
State and Local Grants and Contracts	10,000.00
Sales and Services, Net (Note 9)	623,216.57
Other Operating Revenues	21,318.56
	<hr/>
Net Operating Revenues	1,771,705.15
	<hr/>

EXPENSES

Operating Expenses:	
Personal Services	12,226,052.97
Supplies and Materials	2,106,779.88
Services	2,034,212.75
Scholarships and Fellowships	2,222,676.49
Utilities	386,675.58
Depreciation	610,415.78
	<hr/>
Total Operating Expenses	19,586,813.45
	<hr/>
Operating Loss	(17,815,108.30)
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NONOPERATING REVENUES (EXPENSES)

State Aid	9,304,053.58
State Aid -Federal Recovery Funds	393,361.93
County Appropriations	1,963,915.00
Noncapital Grants - Federal Student Financial Aid	4,048,136.17
Noncapital Grants	811,588.43
Noncapital Gifts	45,904.00
Investment Income	68,417.93
Other Nonoperating Expenses	(5,180.02)
	<hr/>
Net Nonoperating Revenues	16,630,197.02
	<hr/>
Loss Before Other Revenues	(1,184,911.28)
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State Capital Aid	614,443.24
County Capital Appropriations	327,247.00
Capital Gifts	15,000.00
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Decrease in Net Assets	(228,221.04)
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NET ASSETS

Net Assets, July 1, 2008 as Restated (Note 15)	14,715,018.36
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Net Assets, June 30, 2009	\$ 14,486,797.32
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The accompanying notes to the financial statements are an integral part of this statement.

***Wilson 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	\$ 1,762,887.94
Payments to Employees and Fringe Benefits	(12,213,114.57)
Payments to Vendors and Suppliers	(4,404,787.10)
Payments for Scholarships and Fellowships	(2,221,467.70)
Loans Issued to Students	(71,841.73)
Collection of Loans to Students	65,261.05
Other Receipts	2,911.26
	<hr/>
Net Cash Used by Operating Activities	(17,080,150.85)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	9,304,053.58
State Aid -Federal Recovery Funds	393,361.93
County Appropriations	1,963,915.00
Noncapital Grants Federal Student Financial Aid	4,086,953.52
Noncapital Grants Received	811,588.43
Noncapital Gifts Received	45,904.00
	<hr/>
Cash Provided by Noncapital Financing Activities	16,605,776.46

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,037,558.16
County Capital Appropriations	327,247.00
Proceeds from Sale of Capital Assets	691.01
Acquisition and Construction of Capital Assets	(834,207.80)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	531,288.37

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	70,583.96
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Cash Provided by Investing Activities	70,583.96

Net Increase in Cash and Cash Equivalents	127,497.94
Cash and Cash Equivalents, July 1, 2008	2,993,154.86
	<hr/>
Cash and Cash Equivalents, June 30, 2009	\$ 3,120,652.80

***Wilson 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	\$ (17,815,108.30)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	610,415.78
Provision for Uncollectible Loans and Write-Offs	5,173.03
Miscellaneous Nonoperating Income	5,379.64
Changes in Assets and Liabilities:	
Receivables, Net	(18,713.91)
Inventories	68,575.26
Notes Receivable, Net	(6,580.68)
Accounts Payable and Accrued Liabilities	31,050.13
Due to Primary Government	96.72
Unearned Revenue	9,036.03
Funds Held for Others	(398.92)
Compensated Absences	30,924.37
	<u>30,924.37</u>
Net Cash Used by Operating Activities	<u>\$ (17,080,150.85)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 2,700,051.38
Restricted Cash and Cash Equivalents	190,526.61
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	230,074.81
	<u>230,074.81</u>
Total Cash and Cash Equivalents - June 30, 2009	<u>\$ 3,120,652.80</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	\$ 15,000.00
Loss on Disposal of Capital Assets	(10,559.66)

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

Wilson Community College Foundation, Inc.
Statement of Financial Position
June 30, 2009

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	133,634.92
Investments		<u>1,283,922.61</u>
Total Assets		<u>1,417,557.53</u>

NET ASSETS

Unrestricted	\$	<u><u>1,417,557.53</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Wilson Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Exhibit B-2

UNRESTRICTED REVENUES AND GAINS

Contributions Received	\$ 86,464.66
Investment Income	45,431.42
Net Realized Gains on Investments	5,295.96
Net Unrealized Loss on Investments	(240,806.32)
Miscellaneous Income	<u>1,169.41</u>
Total Unrestricted Revenues and Gains (losses)	<u>(102,444.87)</u>

EXPENSES

Program Services	81,908.69
Support Services	<u>84,226.68</u>
Total Expenses	<u>166,135.37</u>

Decrease in Unrestricted Net Assets	<u>(268,580.24)</u>
Net Assets July 1, 2008	<u>1,686,137.77</u>
Net Assets June 30, 2009	<u><u>\$ 1,417,557.53</u></u>

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

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WILSON 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. Wilson 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 College's 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 - Wilson Community College Foundation, Inc., is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2009, the Foundation distributed \$81,908.79 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Wilson Community College, 902 Herring Avenue, Wilson, North Carolina or by calling 252-246-1293.

- 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 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, net of estimated uncollectible amounts, 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 deposits held by the State Treasurer in the short-term investment fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Bookstore inventories, consisting of merchandise for resale, are stated at the lower of cost or market value using first-in, first-out method. All other inventories held by the College are priced at the lower of cost or market value using the last invoice method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The 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 and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 75 years for buildings, and 2 to 40 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 include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accumulation of unused vacation leave of 30 days which can be carried forward each July 1st or for which an employee can be paid upon termination of employment. 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 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30th is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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 - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

N. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as LRC copier service, central stores, and print shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. **Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$2,059.50 and deposits in private financial institutions with a carrying value of \$641,018.72 and a bank balance of \$923,147.70.

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.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); 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, 2009, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$2,477,574.58, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.8 years as of June 30, 2009. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Generally accepted accounting principles require that investments with readily determinable fair values to be shown at their current fair market value. All invested funds are held in trust under an agreement with Branch Banking and Trust Company, Wilson, North Carolina. Investments are composed of the following:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Cost	Market
BB&T Total Return Bond Fund	\$ 264,312.11	\$ 270,830.39
Federated Total RTN Gov't Fund	363,796.28	380,833.31
BB&T Mid Cap Growth Fund	48,284.92	31,841.49
BB&T Small Cap Fund	34,403.84	20,866.18
BB&T Special Opportunities Fund	79,212.43	67,918.74
Fidelity Advisor Small Cap	35,686.58	25,908.43
Fidelity Adv Diverse Intl-Ins	104,844.21	71,792.61
Harbor International Fund	103,622.13	91,378.20
T Rowe Price Growth Fund	170,082.05	139,940.47
Allianz NFJ Large Cap Value Fund	281,016.53	174,919.79
BB&T Common Stock	9,394.00	7,693.00
	\$ 1,494,655.08	\$ 1,283,922.61

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2009, net appreciation of \$95,072.50 was available to be spent, of which \$95,072.50 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 195,739.18	\$ 51,466.02	\$ 144,273.16
Accounts	68,038.89	5,609.34	62,429.55
Investment Earnings	3,644.79		3,644.79
Total Current Receivables	\$ 267,422.86	\$ 57,075.36	\$ 210,347.50
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 26,239.23	\$ 7,369.75	\$ 18,869.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

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

	July 1, 2008 as Restated	Increases	Decreases	Balance June 30, 2009
Capital Assets, Nondepreciable:				
Land	\$ 892,974.58	\$ 11,040.39	\$ 0.00	\$ 904,014.97
Construction in Progress	3,034,147.67	298,508.93	3,248,002.90	84,653.70
Total Capital Assets, Nondepreciable	3,927,122.25	309,549.32	3,248,002.90	988,668.67
Capital Assets, Depreciable:				
Buildings	8,734,780.93	3,455,346.00		12,190,126.93
Machinery and Equipment	5,709,623.42	332,315.38	65,700.22	5,976,238.58
General Infrastructure	751,609.60			751,609.60
Total Capital Assets, Depreciable	15,196,013.95	3,787,661.38	65,700.22	18,917,975.11
Less Accumulated Depreciation:				
Buildings	4,368,923.22	212,822.00		4,581,745.22
Machinery and Equipment	3,113,232.55	378,070.86	54,449.55	3,436,853.86
General Infrastructure	497,598.57	19,522.92		517,121.49
Total Accumulated Depreciation	7,979,754.34	610,415.78	54,449.55	8,535,720.57
Total Capital Assets, Depreciable, Net	7,216,259.61	3,177,245.60	11,250.67	10,382,254.54
Capital Assets, Net	\$ 11,143,381.86	\$ 3,486,794.92	\$ 3,259,253.57	\$ 11,370,923.21

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 60,933.63
Accrued Payroll	4,679.24
Total Accounts Payable and Accrued Liabilities	\$ 65,612.87

NOTE 7 - 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	\$ 506,403.20	\$ 373,745.83	\$ 342,821.46	\$ 537,327.57	\$ 50,025.20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2010	31,676.16
2011	12,000.00
2012	12,000.00
Total Minimum Lease Payments	<u>\$ 55,676.16</u>

Rental expense for all operating leases during the year was \$76,299.84.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	<u>\$ 2,062,382.05</u>	<u>\$ 0.00</u>	<u>\$ 921,102.64</u>	<u>\$ 24,109.39</u>	<u>\$ 1,117,170.02</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	1,103,685.45		608,353.08		495,332.37
Print Shop	157,133.05	157,133.05			
Central Stores	36,029.21	36,029.21			
Other	68,859.80				68,859.80
Sales and Services of Education and Related Activities	<u>59,024.40</u>				<u>59,024.40</u>
Total Sales and Services	<u>\$ 1,424,731.91</u>	<u>\$ 193,162.26</u>	<u>\$ 608,353.08</u>	<u>\$ 0.00</u>	<u>\$ 623,216.57</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 6,927,529.92	\$ 614,684.04	\$ 544,682.65	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8,086,896.61
Academic Support	1,328,799.38	141,149.23	59,211.95				1,529,160.56
Student Services	1,297,929.67	73,038.15	263,030.84				1,633,998.66
Institutional Support	1,986,943.35	55,154.80	646,954.31				2,689,052.46
Operations and Maintenance of Plant	587,149.34	345,138.14	397,505.24		386,675.58		1,716,468.30
Student Financial Aid				2,222,676.49			2,222,676.49
Auxiliary Enterprises	97,701.31	877,615.52	122,827.76				1,098,144.59
Depreciation						610,415.78	610,415.78
Total Operating Expenses	<u>\$ 12,226,052.97</u>	<u>\$ 2,106,779.88</u>	<u>\$ 2,034,212.75</u>	<u>\$ 2,222,676.49</u>	<u>\$ 386,675.58</u>	<u>\$ 610,415.78</u>	<u>\$ 19,586,813.45</u>

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System 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 \$10,269,569.78, of which \$7,973,889.16 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$267,922.68 and \$478,433.42, 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 required contributions for the years ended June 30, 2009, 2008, and 2007, which were \$267,922.68, \$242,192.45, and \$199,102.65, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,584.72 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 \$71,554.00 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 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 \$150.00 for the year ended June 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 *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 June 30, 2009, 2008, and 2007, which were \$326,929.89, \$325,570.39, and \$284,433.05, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$41,464.22, \$41,291.83, and \$38,922.32, 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 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 includes 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 community 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 College has secured a blanket fidelity insurance bond from a private company to cover the \$75,000 deductible and employees who are paid from County or Institutional Funds. Coverage for these employees is limited to \$100,000 per occurrence and a \$500 deductible.

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 College entirely from county or institutional funds.

The College maintains a Medical Professional Liability Occurrence Insurance Policy covering all students in the Health Care Programs. The limits of liability are \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 14 - 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*.

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.

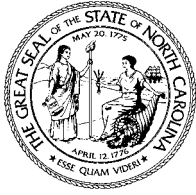
GASB Statement No. 52, requires reporting land and other real estate held as investments at fair value. This statement amends GASB Statement No. 31 which required endowments to report land and other real estate investments at historical cost.

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

NOTE 15 - NET ASSET RESTATEMENT

As of July 1, 2008, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2008 Net Assets as Previously Reported	\$ 14,926,968.60
Restatements:	
Correction of Error Made in Prior Years When Extending Useful Lives for Assets.	(83,207.58)
To Correct Error Made When Recording Prior Year Unearned Revenue.	<u>(128,742.66)</u>
July 1, 2008 Net Assets as Restated	<u>\$ 14,715,018.36</u>



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
Wilson Community College
Wilson, North Carolina

We have audited the financial statements of Wilson 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, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 19, 2010. Our report was modified to include a reference to other auditors.

As discussed in Note 14 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. Other auditors audited the financial statements of Wilson Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Wilson Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

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

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.

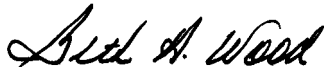
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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 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

May 19, 2010

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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