STATE OF NORTH CAROLINA

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2010

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Wayne Community College

We have completed a financial statement audit of Wayne Community College for the year ended June 30, 2010, 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.

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

We have audited the accompanying financial statements of Wayne 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, 2010, 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 The Foundation of Wayne Community College, 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 that 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 The Foundation of Wayne Community College, 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 Wayne Community College and its discretely presented component unit as of June 30, 2010, 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 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2011 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

Beth A. Wood, CPA
State Auditor

April 14, 2011

This section of Wayne Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2010, and June 30, 2009. Since this discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Overview of Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets are the two financial statements that report information about the College and about its activities that should help answer a question like: Is the College better off or worse off as a result of this year's activities? These statements include assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the College's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets measure whether the College's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the net assets changed during the fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. deferred revenue and earned but unused vacation leave).

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2009 to the ending cash on hand as of June 30, 2010.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements. Notes to these financial statements may be found at the end of this report.

Financial Statement Presentation

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Assets combines and consolidates current financial resources (short-term consumable resources) with capital assets. The focus of the Statement of Revenues, Expenses and

Changes in Net Assets is designed to be similar to bottom line results for the College. This statement focuses on both the gross costs and the net costs of College activities that are supported mainly by State, local, federal and other revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

Statement of Net Assets

The following condensed statement of net assets compares the current year information with the prior year and indicates the monetary and percentage increase or decrease between years.

Condensed Statement of Net Assets

	2010	2009	Increase (Decrease)	Percent Change
ASSETS:				
Current Assets	$ 2,955,948.98	$ 2,034,068.24	$ 921,880.74	45.32%
Capital Assets	32,358,709.89	32,752,935.79	(394,225.90)	-1.20%
Other Assets	129,857.76	243,609.38	(113,751.62)	-46.69%
Total Assets	**35,444,516.63**	**35,030,613.41**	**413,903.22**	**1.18%**
LIABILITIES:				
Current Liabilities	770,655.60	658,179.53	112,476.07	17.09%
Long-Term Liabilities	770,355.39	946,331.65	(175,976.26)	-18.60%
Total Liabilities	**1,541,010.99**	**1,604,511.18**	**(63,500.19)**	**-3.96%**
NET ASSETS:				
Invested in Capital Assets	32,358,709.89	32,752,935.79	(394,225.90)	-1.20%
Restricted	1,181,710.45	718,814.20	462,896.25	64.40%
Unrestricted	363,085.30	(45,647.76)	408,733.06	895.41%
Total Net Assets	**$ 33,903,505.64**	**$ 33,426,102.23**	**$ 477,403.41**	**1.43%**

During the current fiscal year, the College's net assets increased by $477,403.41 (1.43%). This was due to several factors, most notably an increase in current assets of $921,880.74 and a decrease in capital assets of $394,225.90. Current unrestricted and restricted cash and cash equivalents increased by $775,655.71. A new grant was approved in the current year by the Golden Leaf Foundation in the amount of $550,000.00 for the aviation department. Before year-end, the College received 80% of the grant; however, the majority of the expenditures will take place in the next fiscal year. Restricted cash increased approximately $110,000.00 for technology fees collected from students upon registration. The College is currently assessing the technological needs of the campus so that the funds available can be expended in the next fiscal year on those crucial areas requiring technological advancement. The majority of the remaining increase in cash and cash equivalents was the increase of current county funds by approximately $141,000.00. These funds will be used for the operations and maintenance of the College's campus. The residual increase of current assets is the change in sponsorship accounts receivable by $156,000.00. This year the College had several new sponsors for students along with some sponsors with significant balances that were paid right after year-end.

The difference between additions to construction in progress, equipment purchased, equipment sold or written off and depreciation allowed, accounts for the majority of the capital asset decline. Increases to construction in progress and equipment purchases totaled $721,857.43 and the removal of equipment net of accumulated depreciation totaled $149,889.72 and the current year depreciation expense of $966,193.61 resulted in a $394,225.90 (1.20%) decrease in capital assets.

The restricted net assets also increased by $462,896.25 (64.40%). The College recognized $550,000.00 for a Golden Leaf Grant toward the end of the fiscal year. The College received $440,000.00 of the grant before the fiscal year end and recognized the remaining $110,000 as a receivable at year-end. The amount of the grant that had been expended before year-end was $53,724.32. Both the recognized revenue and the expenditures were posted to restricted net assets; therefore, the difference between the two increased those assets by $496,275.68, which is the majority of the variance between prior year and current year.

College Liabilities

The College reported long-term liabilities of $770,355.39 as of June 30, 2010. This balance consists of compensated absences of $709,984.36 of which $88,748.05 is reported as current. The remaining balance consists of a note payable to BB&T for an Energy Savings Contract of $204,462.39. The current portion of the note payable as of June 30, 2010 was $55,343.31. The payment on the contract will be finished in November of 2013.

Statement of Revenues, Expenses, and Changes in Net Assets

The following comparative statement for fiscal years ending 2010 and 2009 reflects the monetary and percentage increase or decrease in reported revenues and expenses between years.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2010	2009	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees	$ 2,126,063.84	$ 1,744,468.92	$ 381,594.92	21.87%
State and Local Grants and Contracts	5,000.00	118,099.45	(113,099.45)	-95.77%
Sales and Services	543,327.58	525,861.50	17,466.08	3.32%
Other Operating Revenues	24,443.18	27,534.02	(3,090.84)	-11.23%
Total Operating Revenues	2,698,834.60	2,415,963.89	282,870.71	11.71%
Operating Expenses:				
Salaries and Benefits	18,212,653.13	18,932,161.61	(719,508.48)	-3.80%
Supplies and Materials	2,395,281.38	2,214,303.67	180,977.71	8.17%
Services	2,238,197.46	1,749,591.73	488,605.73	27.93%
Scholarships and Fellowships	5,790,399.93	4,139,800.37	1,650,599.56	39.87%
Utilities	699,874.46	666,454.49	33,419.97	5.01%
Depreciation	966,193.61	958,123.74	8,069.87	0.84%
Total Operating Expenses	30,302,599.97	28,660,435.61	1,642,164.36	5.73%
Operating Loss	(27,603,765.37)	(26,244,471.72)	(1,359,293.65)	5.18%
Nonoperating Revenues:				
State Aid	13,929,050.80	14,668,616.95	(739,566.15)	-5.04%
County Appropriations	2,992,684.00	2,626,294.00	366,390.00	13.95%
Noncapital Grants and Gifts	9,919,576.39	6,785,449.25	3,134,127.14	46.19%
Investment Income	31,961.02	61,846.27	(29,885.25)	-48.32%
Interest and Fees on Debt	(10,177.26)	(12,387.79)	2,210.53	-17.84%
Other Nonoperating Revenues/Expenses	(77,301.70)	66,031.30	(143,333.00)	-217.07%
Other Revenues:				
State Capital Aid	765,309.18	767,503.60	(2,194.42)	-0.29%
County Capital Aid	390,081.35	855,195.35	(465,114.00)	-54.39%
Capital Grants	139,985.00	85,153.21	54,831.79	64.39%
Total Nonoperating and Other Revenues	28,081,168.78	25,903,702.14	2,177,466.64	8.41%
Change in Net Assets	477,403.41	(340,769.58)	818,172.99	-240.10%
Net Assets - Beginning of Year	33,426,102.23	33,766,871.81	(340,769.58)	-1.01%
Net Assets - End of Year	$ 33,903,505.64	$ 33,426,102.23	$ 477,403.41	1.43%

An increase in student enrollment was a major factor which caused student tuition and fees to go up by $381,594.92 (21.87%). State and local grants decreased by $113,099.45 due to the Virtual Learning Center project becoming part of State aid and the CIS training project decreasing the amount of funding for use of the college's campus facilities to only $5,000.00 for the current year.

Total operating expenses increased by $1,642,164.36 (5.73%). Scholarships and fellowships expenses were up by $1,650,599.56 due to an increase in the federal Pell program of $1,893,094 which is net of the scholarship discount, and a decrease of $171,554 in benefits from the North Carolina Community College grants. Salaries and benefits decreased by 3.8% due to the State budget constraints on salary expenses for the year.

Nonoperating and other revenues increased by 8.41% due to the increase in scholarships and fellowships. With an increase of over 600 full-time students attending curriculum programs, there was an increase in federal financial aid for Pell recipients. The increase in the Federal Pell Program alone was $2,624,340. In addition, the American Recoveries Act provided additional funding for students financial assistance in the amount of $173,182.

Condensed Statement of Cash Flows
For the Fiscal Years Ended June 30, 2010 and June 30, 2009

	2010	2009	Increase (Decrease)	Percent Change
Cash Provided (Used) by:				
Operating Activities	$ (26,793,916.80)	$ (24,668,156.75)	$ (2,125,760.05)	8.62%
Noncapital Financing Activities	26,891,311.19	23,400,781.91	3,490,529.28	14.92%
Capital Financing Activities	663,594.89	1,156,871.96	(493,277.07)	-42.64%
Investing Activities	31,961.02	61,846.27	(29,885.25)	-48.32%
Net Change in Cash	792,950.30	(48,656.61)	841,606.91	1729.69%
Cash, Beginning of Year	1,538,550.43	1,587,207.04	(48,656.61)	-3.07%
Cash, End of Year	$ 2,331,500.73	$ 1,538,550.43	$ 792,950.30	51.54%

Capital financing activities decreased by $493,277.07 from prior year to current year. Capital aid given to the College from the County was the main factor that attributed to the decrease. The amount of decrease equaled $465,114.00 in county capital aid and was the result of the county's funding for a new roof on the Dogwood Building that was repaired in the fiscal year ended 2009. The amount of county funding in 2009 for the roof repair was $507,053.88.

The net change in cash of $841,606.91 was due in large part to the receipt of a new Golden Leaf Grant. The grantor sent the College $440,000.00 toward the end the fiscal year 2010 to begin the grant's purpose. The College only spent $53,724.32 of this funding, which left a restricted cash balance of $386,275.68. In addition, restricted cash for technology fees collected for the campus's technological advancement increased $113,116.41. The College is currently assessing the technological needs of our students and will determine and expend this funding for those crucial technological areas in the next fiscal year. Furthermore, the College's county cash increased by $141,834.40. The county funds received are a monthly allotment, and if the amount is not expended in the current year, the funds may be carried over to the next fiscal year to maintain the buildings and grounds of the College's campus. The funds that the College maintained on behalf of students for scholarships and fellowship (a.k.a. Agency Funds) increased $53,969.32. Due to the growing number of enrolled students, this cash balance increased significantly this year. The remaining increase of $146,411.10 was a combination of several different accounts. Mainly cash increased as a result of collections for the dental clinic, overhead receipts collected for administrative functions paid by various grants, and transcript fees collected from the students. All of these cash balances fluctuate depending on the year to year expenditures.

Capital Assets

The following schedule compares capital assets for the fiscal years 2010 and 2009, net of accumulated depreciation.

	2010	2009	Increase (Decrease)	Percent Change
Land	$ 1,876,665.63	$ 1,876,665.63	$ 0.00	0.00%
Construction in Progress	89,070.32	540,554.89	(451,484.57)	-83.52%
Buildings, Net	26,695,462.00	26,878,028.67	(182,566.67)	-0.68%
Machinery and Equipment, Net	2,756,992.03	2,501,137.93	255,854.10	10.23%
General Infrastructure, Net	940,519.91	956,548.67	(16,028.76)	-1.68%
Totals	$ 32,358,709.89	$ 32,752,935.79	$ (394,225.90)	-1.20%

At June 30, 2010, net capital assets of $32,358,710 represents $45,360,910 invested in capital assets less $13,002,200 in accumulated depreciation. The $451,485 decrease in construction in progress during the year represents the completion of the Auto Body Building placed into service on 9/16/2009. Even though $570,795 was added to the cost of buildings for the Auto Body Building, the depreciation expense was still $753,362 which still resulted in reduction of net book value for buildings. The machinery and equipment purchased during the year outweighed both the depreciation expense and the sale and write-off of assets by $255,854.

Economic Factors

Wayne Community College has experienced increased enrollment over the past year. For the 2010-2011 fiscal year, the legislators have provided additional funding for salaries and benefits to meet the number of full-time student enrollment on campus. The amount of funds required for the additional purchases of equipment has also been adequately allotted to account for the need to update technology. Even though the 2010-2011 year is currently well funded, the projection for the 2011-2012 is not so certain. Currently, the projections indicate that North Carolina may be facing budget shortfalls for the 2011-2012 fiscal year. If this situation occurs, budget cuts will be passed to all state entities, including Wayne Community College. However, the community colleges are assisting now by cutting back on several areas of non-instructional expenditures. The economic outlook is invariably changing, and despite the possible looming budget cuts, Wayne Community College will continue to respond to the community to provide services and education to the population of Wayne County to the extent resources will allow.

Wayne Community College
Statement of Net Assets
June 30, 2010 ***Exhibit A-1***

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,279,438.13
Restricted Cash and Cash Equivalents	925,184.26
Receivables, Net (Note 4)	441,485.30
Due from State of North Carolina Component Units	150,000.00
Inventories	159,841.29
Total Current Assets	2,955,948.98
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	126,878.34
Restricted Due from Primary Government	2,979.42
Capital Assets - Nondepreciable (Note 5)	1,965,735.95
Capital Assets - Depreciable, Net (Note 5)	30,392,973.94
Total Noncurrent Assets	32,488,567.65
Total Assets	35,444,516.63
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	326,714.75
Unearned Revenue	219,613.89
Funds Held for Others	80,235.60
Long-Term Liabilities - Current Portion (Note 7)	144,091.36
Total Current Liabilities	770,655.60
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	770,355.39
Total Liabilities	1,541,010.99
NET ASSETS	
Invested in Capital Assets	32,358,709.89
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	76,296.87
Other	16,000.00
Expendable:	
Scholarships and Fellowships	78,333.64
Loans	6,414.33
Restricted for Specific Programs	741,067.81
Other	263,597.80
Unrestricted	363,085.30
Total Net Assets	$ 33,903,505.64

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

Wayne Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010 ***Exhibit A-2***

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 10)	$	2,126,063.84
State and Local Grants and Contracts		5,000.00
Sales and Services, Net (Note 10)		543,327.58
Other Operating Revenues		24,443.18
Total Operating Revenues		2,698,834.60
EXPENSES		
Operating Expenses:		
Salaries and Benefits		18,212,653.13
Supplies and Materials		2,395,281.38
Services		2,238,197.46
Scholarships and Fellowships		5,790,399.93
Utilities		699,874.46
Depreciation		966,193.61
Total Operating Expenses		30,302,599.97
Operating Loss		(27,603,765.37)
NONOPERATING REVENUES (EXPENSES)		
State Aid		13,929,050.80
County Appropriations		2,992,684.00
Noncapital Grants - Federal Student Financial Aid		7,070,951.89
Noncapital Grants		2,600,667.39
Noncapital Gifts		247,957.11
Investment Income, Net		31,961.02
Interest and Fees on Debt		(10,177.26)
Other Nonoperating Expenses		(77,301.70)
Net Nonoperating Revenues		26,785,793.25
Loss Before Other Revenues, Expenses, Gains, and Losses		(817,972.12)
State Capital Aid		765,309.18
County Capital Aid		390,081.35
Capital Grants		139,985.00
Increase in Net Assets		477,403.41
NET ASSETS		
Net Assets, July 1, 2009		33,426,102.23
Net Assets, June 30, 2010	$	33,903,505.64

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

Wayne Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010 ***Exhibit A-3***

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 2,562,352.77
Payments to Employees and Fringe Benefits	(18,275,952.53)
Payments to Vendors and Suppliers	(5,385,827.75)
Payments for Scholarships and Fellowships	(5,790,399.93)
Other Receipts	95,910.64
Net Cash Used by Operating Activities	(26,793,916.80)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	13,929,050.80
County Appropriations	2,992,684.00
Noncapital Grants - Federal Student Financial Aid	7,070,951.89
Noncapital Grants Received	2,650,667.39
Noncapital Gifts	247,957.11
Cash Provided by Noncapital Financing Activities	26,891,311.19
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	896,355.39
County Capital Aid	390,081.35
Capital Grants Received	139,985.00
Proceeds from Sale of Capital Assets	1,164.50
Proceeds from Insurance on Capital Assets	21,080.00
Acquisition and Construction of Capital Assets	(721,857.43)
Principal Paid on Capital Debt	(53,036.66)
Interest Paid on Capital Debt	(10,177.26)
Net Cash Provided by Capital and Related Financing Activities	663,594.89
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	31,961.02
Cash Provided by Investing Activities	31,961.02
Net Increase in Cash and Cash Equivalents	792,950.30
Cash and Cash Equivalents, July 1, 2009	1,538,550.43
Cash and Cash Equivalents, June 30, 2010	$ 2,331,500.73

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(27,603,765.37)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		966,193.61
Miscellaneous Nonoperating Income		50,343.52
Changes in Assets and Liabilities:		
Receivables, Net		(181,775.17)
Inventories		(14,449.86)
Accounts Payable and Accrued Liabilities		11,528.01
Unearned Revenue		41,561.56
Funds Held for Others		49,298.90
Compensated Absences		(112,852.00)
Net Cash Used by Operating Activities	$	(26,793,916.80)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,279,438.13
Restricted Cash and Cash Equivalents		925,184.26
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		126,878.34
Total Cash and Cash Equivalents - June 30, 2010	$	2,331,500.73

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Write-Offs	$	321,366.27

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

The Foundation of Wayne Community College, Inc.
Statement of Financial Position
June 30, 2010 ***Exhibit B-1***

ASSETS		
Cash and Cash Equivalents	$	1,594,859
Investments		1,090,745
Real Estate Held for Resale		5,000
Pledges Receivable		5,608
Land		27,770
Total Assets		2,723,982
LIABILITIES		
Total Liabilities		
NET ASSETS		
Unrestricted		529,286
Temporarily Restricted		240,708
Permanently Restricted		1,953,988
Total Net Assets	$	2,723,982

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

The Foundation of Wayne Community College, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2010 — *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Gains:		
Fund Drives	$	122,235
Special Events		1,590
Golf Tournament		22,585
Gift Income		14,809
Interest and Investment Income		14,385
Donated Services and Facilities		145,778
Net Unrealized and Realized Gains on Long-Term Investments		27,447
Other Income		12,914
Total Unrestricted Revenues and Gains		361,743
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		154,644
Total Unrestricted Revenues, Gains, and Other Support		516,387
Expenses and Losses:		
Awards, Gifts and Scholarships		208,571
Fund Raising Expenses		157,563
Administrative		58,928
Total Expenses		425,062
Increase in Unrestricted Net Assets		91,325
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Fund Drives		19,539
Contributions		3,000
Special Events		700
Golf Tournament		78,000
Gift Income		27,204
Interest and Investment Income		36,696
Net Unrealized Gains on Long-Term Investments		3,698
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(154,644)
Increase in Temporarily Restricted Net Assets		14,193
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Fund Drives		24,600
Contributions		144,346
Interest and Investment Income		28
Net Unrealized and Realized Gains on Long-Term Investments		59,085
Increase in Permanently Restricted Net Assets		228,059
Increase in Net Assets		333,577
Net Assets at Beginning of Year		2,390,405
Net Assets at End of Year	$	2,723,982

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

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. Wayne Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and the component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the 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 model and to emphasize its legal separateness.

Discretely Presented Component Unit - The Foundation of Wayne Community College, Inc. (Foundation) is a legally separate not-for-profit tax-exempt 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 25 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation of Wayne Community College, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the 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, 2010, the Foundation distributed $181,520.17 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of The Foundation of Wayne Community College, Inc., 3000 Wayne Memorial Drive, Goldsboro, NC 27534.

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.

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 that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

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 College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater. 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 50 to 75 years for general infrastructure, 50 years for buildings, and 10 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 notes payable and compensated absences that will not be paid within the next fiscal year.

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. 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 - Nonexpendable - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

L. **Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other 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 the College's central store. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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 by the College or 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 $1,305.00, and deposits in private financial institutions with a carrying value of $293,824.08, and a bank balance of $305,921.83.

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, 2010, the College’s bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (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, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $2,036,371.65, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. At June 30, 2010, the amount shown on the Statement of Financial Position of The Foundation of Wayne Community College, Inc., the College's discretely presented component unit, as cash and cash equivalents includes $1,481,751.37, which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2010. 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.osc.nc.gov/ 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.

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

Component Units - Investments of the College's discretely presented component unit, The Foundation of Wayne Community College, Inc., is 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. At June 30, 2010, the Foundation held investments with North Carolina Community Action Foundation. The investments were held at the quoted market value. As of June 30, 2010, the cost of the investments was $1,220,000.00; the gross realized loss was $129,254.53.

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, 2010, interest earnings of $1,833.04 were available to be spent from endowment funds.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 126,103.46	$ 10,079.28	$ 116,024.18
Accounts	243,035.43	942.20	242,093.23
Intergovernmental	83,367.89		83,367.89
Total Current Receivables	$ 452,506.78	$ 11,021.48	$ 441,485.30

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 1,876,665.63	$ 0.00	$ 0.00	$ 1,876,665.63
Construction in Progress	540,554.89	119,310.26	570,794.83	89,070.32
Total Capital Assets, Nondepreciable	2,417,220.52	119,310.26	570,794.83	1,965,735.95
Capital Assets, Depreciable:				
Buildings	37,192,408.75	570,794.83		37,763,203.58
Machinery and Equipment	4,265,561.73	602,547.17	356,351.99	4,511,756.91
General Infrastructure	1,120,213.81			1,120,213.81
Total Capital Assets, Depreciable	42,578,184.29	1,173,342.00	356,351.99	43,395,174.30
Less Accumulated Depreciation				
Buildings	10,314,380.08	753,361.50		11,067,741.58
Machinery and Equipment	1,764,423.80	196,803.35	206,462.27	1,754,764.88
General Infrastructure	163,665.14	16,028.76		179,693.90
Total Accumulated Depreciation	12,242,469.02	966,193.61	206,462.27	13,002,200.36
Total Capital Assets, Depreciable, Net	30,335,715.27	207,148.39	149,889.72	30,392,973.94
Capital Assets, Net	$ 32,752,935.79	$ 326,458.65	$ 720,684.55	$ 32,358,709.89

Other nonoperating expense includes an impairment loss of $1,187.12 due to an accident that permanently damaged a vehicle, which is net of an insurance recovery of $21,080.00.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	$ 46,954.72
Accrued Payroll	278,633.25
Intergovernmental Payables	1,126.78
Total Accounts Payable and Accrued Liabilities	$ 326,714.75

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Notes Payable	$ 257,499.05	$ 0.00	$ 53,036.66	$ 204,462.39	$ 55,343.31
Compensated Absences	822,836.36	518,660.52	631,512.52	709,984.36	88,748.05
Total Long-Term Liabilities	$ 1,080,335.41	$ 518,660.52	$ 684,549.18	$ 914,446.75	$ 144,091.36

B. Notes Payable - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2010	Principal Outstanding June 30, 2010
Energy Savings Contract	BB&T	4.28%	11/20/2013	$ 512,069.61	$ 307,608.22	$ 204,462.39

The annual requirements to pay principal and interest on notes payable at June 30, 2010, are as follows:

	Annual Requirements Notes Payable	
Fiscal Year	Principal	Interest
2011	$ 55,343.31	$ 7,870.61
2012	57,750.30	5,463.62
2013	60,261.95	2,951.97
2014	31,106.83	500.13
Total Requirements	$ 204,462.39	$ 16,786.33

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers/printers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

Fiscal Year		Amount
2011	$	222,624.84
2012		91,621.24
Total Minimum Lease Payments	$	314,246.08

Rental expense for all operating leases during the year was $232,624.94.

NOTE 9 - OPERATING LEASE REVENUES

Future minimum lease revenues under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2010:

Fiscal Year		Amount
2011	$	17,262.00
2012		17,262.00
2013		17,262.00
2014		17,262.00
2015		17,262.00
2016		17,262.00
2017-2021		86,310.00
2022-2026		86,310.00
2027-2031		86,310.00
2032-2036		86,310.00
Total Minimum Lease Payments	$	448,812.00

Rental revenue for all operating leases during the year was $17,262.00

NOTE 10 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 4,439,172.15	$ 0.00	$ 2,303,358.10	$ 9,750.21	$ 2,126,063.84
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Student Union Services	$ 38,180.84	$ 0.00	$ 0.00	$ 212.00	$ 37,968.84
Bookstore	131,999.43			1,059.27	130,940.16
Preschool	307,401.03				307,401.03
Other	34,873.15	7,548.30			27,324.85
Sales and Services of Education and Related Activities	39,692.70				39,692.70
Total Sales and Services	$ 552,147.15	$ 7,548.30	$ 0.00	$ 1,271.27	$ 543,327.58

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 11,002,766.75	$ 1,539,136.20	$ 929,031.71	$ 0.00	$ 0.00	$ 0.00	$ 13,470,934.66
Public Service	43,147.20	657.30	4,854.47				48,658.97
Academic Support	1,986,110.35	231,308.37	87,197.43				2,304,616.15
Student Services	1,607,486.38	115,466.00	74,214.09	68,796.55			1,865,963.02
Institutional Support	2,365,295.34	162,477.09	618,063.76				3,145,836.19
Operations and Maintenance of Plant	1,207,847.11	328,667.77	445,514.53		699,874.46		2,681,903.87
Student Financial Aid			46,983.09	5,721,603.38			5,768,586.47
Auxiliary Enterprises		17,568.65	32,338.38				49,907.03
Depreciation						966,193.61	966,193.61
Total Operating Expenses	$ 18,212,653.13	$ 2,395,281.38	$ 2,238,197.46	$ 5,790,399.93	$ 699,874.46	$ 966,193.61	$ 30,302,599.97

NOTE 12 - 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, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $14,810,911.84, of which $12,742,030.17 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $454,890.48 and $764,522.45, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were $454,890.48, $447,729.54, and $402,091.47, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ 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 $25,470.00 for the year ended June 30, 2010.

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 $215,292.00 for the year ended June 30, 2010.

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 $20,215.00 for the year ended June 30, 2010.

NOTE 13 - 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.

For the current fiscal year the College contributed 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were $573,391.36, $546,336.64, and $540,516.40, 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.osc.nc.gov/ 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 by the General Assembly. For the fiscal year ended June 30, 2010, 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, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were $66,258.56, $69,291.48, and $68,553.30, 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 14 - 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 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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and retains the risk for the $10 million deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the $10 million deductible. 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 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. Losses caused by employees paid from county and institutional funds are covered with private insurance companies.

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.

The College purchases malpractice insurance for students in medical related fields. Coverage is provided at $1,000,000 per occurrence with a limit of $3,000,000.

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 15 - 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 $929.68. There were no commitments on other purchases.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

> GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.

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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
Wayne Community College
Goldsboro, North Carolina

We have audited the financial statements of Wayne 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, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 14, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of The Foundation of Wayne Community College, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of The Foundation of Wayne Community College the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITOR'S REPORT 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

Beth A. Wood, CPA
State Auditor

April 14, 2011

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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