



# **STATE OF NORTH CAROLINA**

**FORSYTH TECHNICAL COMMUNITY COLLEGE**

**WINSTON-SALEM, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

A Component Unit of the State of North Carolina

**FORSYTH TECHNICAL COMMUNITY COLLEGE  
WINSTON-SALEM, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**STATE BOARD OF COMMUNITY COLLEGES  
THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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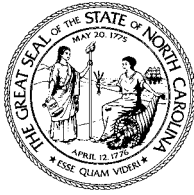
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**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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

We have completed a financial statement audit of Forsyth Technical Community College for the year ended June 30, 2011, 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.

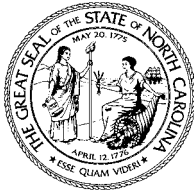
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**Beth A. Wood, CPA**  
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**Office of the State Auditor**

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Forsyth Technical Community College  
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2011, 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 Forsyth Technical Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for 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 Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

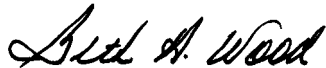
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Forsyth Technical Community College and its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012 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

February 3, 2012

## **FORSYTH TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

### **Overview of the Financial Statements**

The basic financial statements consist of three statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. These financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board and focus on the financial position of the College, the results of operations, and cash flows of the College as a whole. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets are prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities, with the difference between the two being reported as "net assets." The balance in net assets is one indicator of the College's financial health when considered with certain non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state and county funding, grants, and gifts as nonoperating revenues. This required classification of certain revenues usually results in an operating loss, although the College may have an overall increase in net assets for the year.

The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarized by operating, capital, noncapital financing, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year.

For the purpose of this discussion, we will address the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets. Comparative totals are being used in explaining the College's financial position and results of operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Results of Operations** – Net assets increased by \$29,436,233.55 for the fiscal year ended June 30, 2011. The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal years 2011 and 2010:

	2011	2010	Dollar Increase
Operating Revenues	\$ 12,121,288.04	\$ 12,042,539.34	\$ 78,748.70
Operating Expenses	76,762,328.03	68,199,430.79	8,562,897.24
Operating Loss	(64,641,039.99)	(56,156,891.45)	(8,484,148.54)
Nonoperating Revenues	60,795,179.83	51,135,466.28	9,659,713.55
Loss Before Other Revenues	(3,845,860.16)	(5,021,425.17)	1,175,565.01
Capital Contributions	33,138,421.88	12,512,341.89	20,626,079.99
Additions to Endowments	143,671.83	7,170.00	136,501.83
Increase in Net Assets	29,436,233.55	7,498,086.72	21,938,146.83
Net Assets - July 1	69,932,961.60	62,434,874.88	7,498,086.72
Net Assets - June 30	\$ 99,369,195.15	\$ 69,932,961.60	\$ 29,436,233.55

Total revenues for fiscal year ended June 30, 2011 were \$106.2 million increasing by \$30.5 million or 40.3%. The largest revenue increase was reported in other revenues for capital purposes and increased by \$20.6 million or 164.9%. Of the \$20.6 million increase, \$16.5 million was for the capital gift for the Career Center Property from the Winston-Salem/Forsyth County Board of Education. The largest revenue source was provided by the State. State aid, reported as nonoperating revenues, was \$28.9 million increasing by \$4.4 million or 18.0% from the previous year. State capital aid, reported as other revenues, was \$3.6 million decreasing by \$.6 million. Aid from the State totaled \$32.5 million, representing 30.6% of total revenues for this fiscal year. County appropriations and county capital aid totaled \$6.8 million and \$12.2 million, respectively. The major source of operating revenues was student tuition and fees in the amount of \$8.7 million. Federal student financial aid grants, reported as nonoperating revenues during the current year, were \$20.5 million increasing by \$4.1 million or 24.8%. These grants are considered nonexchange transactions and include grants for Pell, SEOG, College Work Study, and Academic Competitiveness.

Operating revenues of \$12.1 million represent 11.4% of total revenues. Operating revenues increased by \$78,748.70 from the previous year. The major sources of operating revenues were student tuition and fees in the amount of \$8.7 million and sales and services in the amount of \$3.4 million.

Nonoperating revenues were \$60.8 million increasing by \$9.7 million or 18.9% from the previous year. The major increases in nonoperating revenues were in State aid and noncapital grants for federal student financial aid. The 18.0% increase in State aid was attributed to the overall growth of the College to meet the educational needs of the community. The 24.8% increase in federal student financial aid mainly resulted from an increase in the number of students receiving Pell grants.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other revenues, which primarily accounts for capital funding, were \$33.3 million increasing by \$20.8 million. The major other revenues were county capital aid of \$12.2 million and capital gifts of \$16.6 million. The increase in county capital aid was \$4.9 million, mainly attributed to the funding of the Transportation Technology Center. The \$16.5 million increase in capital gifts was mainly attributed to the gift of the Career Center Property from the Winston-Salem/Forsyth County Board of Education.

Investment income totaled \$51,946.39, a decrease of \$17,082.68 that resulted from a decrease in interest rates during the year. Total additions to permanent endowments during the year amounted to \$143,671.83, compared to \$7,170.00 from the previous year. The increase is basically due to significant gifts that were received during the current year by four endowments that support student scholarships.

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

	2011	2010	Dollar Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees	\$ 8,740,848.74	\$ 8,439,879.08	\$ 300,969.66
Sales and Services	3,379,466.18	3,601,089.08	(221,622.90)
Other Operating Revenues	973.12	1,571.18	(598.06)
Total Operating Revenues	<u>12,121,288.04</u>	<u>12,042,539.34</u>	<u>78,748.70</u>
Nonoperating Revenues:			
State Aid	28,946,093.82	24,525,130.88	4,420,962.94
County Appropriations	6,818,876.00	6,592,790.00	226,086.00
Noncapital Grants - Federal Student Financial Aid	20,468,358.17	16,395,456.64	4,072,901.53
Noncapital Grants	4,103,273.82	3,000,465.93	1,102,807.89
Noncapital Gifts	305,436.28	519,528.37	(214,092.09)
Investment Income	51,946.39	69,029.07	(17,082.68)
Other Nonoperating Revenues	101,195.35	33,065.39	68,129.96
Total Nonoperating Revenues	<u>60,795,179.83</u>	<u>51,135,466.28</u>	<u>9,659,713.55</u>
Other Revenues:			
State Capital Aid	3,599,081.43	4,217,457.71	(618,376.28)
County Capital Aid	12,152,276.17	7,297,919.78	4,854,356.39
Capital Grants	757,980.92	894,814.15	(136,833.23)
Capital Gifts	16,629,083.36	102,150.25	16,526,933.11
Additions to Endowments	143,671.83	7,170.00	136,501.83
Total Other Revenues	<u>33,282,093.71</u>	<u>12,519,511.89</u>	<u>20,762,581.82</u>
Total Revenues	<u>\$ 106,198,561.58</u>	<u>\$ 75,697,517.51</u>	<u>\$ 30,501,044.07</u>

Operating expenses totaled \$76.8 million, increasing by \$8.6 million or 12.6% from the previous year's \$68.2 million. The largest expense was for salaries and benefits totaling \$43.2 million or 56.2% of the total expenses during the year. The \$43.2 million expended for salaries and benefits was allocated as follows: \$25.3 million for instruction, \$6.9 million for institutional support, \$5.4 million for academic support, \$3.5 million for student services, \$1.5 million for operations and maintenance of plant, and \$0.6 million for auxiliary

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

enterprises. Salaries and benefits increased by \$3.2 million or 8%. The increase was primarily attributed to the overall growth of the College to meet the increasing needs of students. Supplies and materials increased by \$2.1 million or 19.7%. The increase was mainly attributed to the cost of non-capitalized furniture and equipment that will be used to outfit the new 139,000 square foot Transportation Technology Center. Scholarships and fellowships increased by \$1.1 million or 10.9%. This increase can be attributed to an increase in Pell grants awarded to students that was discussed earlier. Depreciation expense increased by \$.7 million or 55.6%. The increase was attributed to the capitalization of buildings, infrastructure and equipment during the current year.

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

	2011	2010	Dollar Increase (Decrease)
Operating Expenses:			
Salaries and Benefits	\$ 43,161,320.45	\$ 39,949,146.55	\$ 3,212,173.90
Supplies and Materials	12,917,848.52	10,794,795.07	2,123,053.45
Services	5,853,789.79	4,441,743.37	1,412,046.42
Scholarships and Fellowships	11,574,322.63	10,441,177.24	1,133,145.39
Utilities	1,286,870.65	1,307,576.56	(20,705.91)
Depreciation	1,968,175.99	1,264,992.00	703,183.99
Total Operating Expenses	<u>\$ 76,762,328.03</u>	<u>\$ 68,199,430.79</u>	<u>\$ 8,562,897.24</u>

Outstanding commitments for capital projects as of June 30, 2011 were \$10.7 million. The most significant commitments were \$8,087,917 for the Career Center and \$2,167,327 for the Transportation Technology Center. Other capital project commitments were \$25,950 for the Greene Hall addition, \$19,500 for the Fire/EMS Training Center, \$44,237 for the Technology and Student Services (iTEC) Building, \$286,500 for the West Campus Parking Lot Repaving, and \$19,852 for the bundled repair and replacement project.

**Financial Position** – The following condensed schedule shows changes between the Statement of Net Assets for fiscal years 2011 and 2010:

	2011	2010	Dollar Increase
Assets:			
Capital Assets	\$ 89,385,747.99	\$ 62,082,230.79	\$ 27,303,517.20
Other Assets	16,848,375.80	13,359,230.04	3,489,145.76
Total Assets	<u>106,234,123.79</u>	<u>75,441,460.83</u>	<u>30,792,662.96</u>
Liabilities:			
Long-Term Liabilities	2,703,941.84	2,481,019.76	222,922.08
Other Liabilities	4,160,986.80	3,027,479.47	1,133,507.33
Total Liabilities	<u>6,864,928.64</u>	<u>5,508,499.23</u>	<u>1,356,429.41</u>
Net Assets:			
Invested in Capital Assets	89,385,747.99	62,082,230.79	27,303,517.20
Restricted	8,845,257.92	8,575,746.54	269,511.38
Unrestricted	1,138,189.24	(725,015.73)	1,863,204.97
Total Net Assets	<u>\$ 99,369,195.15</u>	<u>\$ 69,932,961.60</u>	<u>\$ 29,436,233.55</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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The College's net assets totaled \$99.4 million at June 30, 2011, and increased by \$29.4 million from the previous year. Of the total net assets, \$89.4 million was invested in capital assets, \$8.8 million was restricted for specific purposes, and \$1.1 million was unrestricted. Of the \$8.8 million restricted net assets, \$6.9 million was restricted for capital projects and \$1.9 million was restricted for grants, student support, and other restricted purposes. The increase in invested in capital assets of \$27.3 million is mainly attributed to capital asset donations that are discussed in further detail in the following paragraph. The increase in unrestricted net assets of \$1.8 million is mainly attributed to increased revenues in auxiliary operations and student fees.

Assets totaled \$106.2 million at June 30, 2011, an increase of \$30.8 million. Capital assets, net of depreciation, amounted to \$89.4 million, representing 84.1% of total assets, an increase from the previous year of \$27.3 million or 44.0%. The most significant increase in capital assets resulted from a \$16.5 million donation from the Winston-Salem/Forsyth County Board of Education related to the Career Center Property. The remaining increase in capital assets of \$10.5 million resulted from current year construction costs for the Transportation Technology Center. There was a net increase in construction in progress during the year in the amount of \$1.2 million. The net increase mainly resulted from the current year construction costs for the Transportation Technology Center in the amount of 10.5 million as previously noted. This combined with the capitalization of the Fire/EMS Training Center for \$5.1 million and the additions to Woodruff and Swisher Centers for \$4.3 million accounted for a significant part of the net increase in construction in progress. Buildings, less accumulated depreciation, the largest capital asset category, total \$62.4 million and represent 69.7% of the total capital assets.

Other assets of \$16.9 million increased \$3.5 million from the previous year. The most significant increase of other assets was attributed to funds due from Forsyth County for construction projects of approximately \$2.8 million.

Total liabilities at fiscal year ended June 30, 2011 were \$6.9 million. Long term liabilities totaled \$2.7 million at year-end and represent liabilities for accrued vacation for employees. Other liabilities, including accounts payable, accrued liabilities and unearned revenues totaled \$4.2 million or 60.6% of the total liabilities at year-end.

**Future Operations** – The economic position of Forsyth Technical Community College is closely tied to that of the State of North Carolina. State and county funding along with the \$16.5 million capital gift previously noted comprised 64.2% of the total revenues during the fiscal year ended June 30, 2011. There continues to be reports that the State and local economy remains sluggish and may not be rebounding as expected. This economic condition could result in less funding for the College in future years from the State and local governments. The future impact on the College is uncertain.

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***Forsyth Technical Community College***  
***Statement of Net Assets***  
***June 30, 2011***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,532,327.17
Restricted Cash and Cash Equivalents	3,400,540.96
Receivables, Net (Note 4)	1,346,007.02
Due from State of North Carolina Component Units	73,200.00
Inventories	1,395,264.11
Notes Receivable	1,043.98
	<hr/>
Total Current Assets	7,748,383.24

Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,865,342.53
Receivables	2,757,264.54
Restricted Due from Primary Government	3,477,385.49
Capital Assets - Nondepreciable (Note 5)	16,892,488.25
Capital Assets - Depreciable, Net (Note 5)	72,493,259.74
	<hr/>
Total Noncurrent Assets	98,485,740.55
	<hr/>
Total Assets	106,234,123.79

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	3,673,453.68
Unearned Revenue	466,730.40
Funds Held for Others	20,802.72
Long-Term Liabilities - Current Portion (Note 7)	169,770.83
	<hr/>
Total Current Liabilities	4,330,757.63

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	2,534,171.01
	<hr/>
Total Liabilities	6,864,928.64

**NET ASSETS**

Invested in Capital Assets	89,385,747.99
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	303,222.34
Expendable:	
Scholarships and Fellowships	326,488.09
Loans	197,800.77
Capital Projects	6,907,226.19
Grants	562,507.77
Student Support	548,012.76
	<hr/>
Unrestricted	1,138,189.24
	<hr/>
Total Net Assets	\$ 99,369,195.15

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

***Forsyth Technical Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2011***

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 8,740,848.74
Sales and Services, Net (Note 9)	3,379,466.18
Other Operating Revenues	973.12

Total Operating Revenues	<u>12,121,288.04</u>
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	43,161,320.45
Supplies and Materials	12,917,848.52
Services	5,853,789.79
Scholarships and Fellowships	11,574,322.63
Utilities	1,286,870.65
Depreciation	1,968,175.99

Total Operating Expenses	<u>76,762,328.03</u>
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Operating Loss	<u>(64,641,039.99)</u>
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**NONOPERATING REVENUES**

State Aid	28,946,093.82
County Appropriations	6,818,876.00
Noncapital Grants - Federal Student Financial Aid	20,468,358.17
Noncapital Grants	4,103,273.82
Noncapital Gifts	305,436.28
Investment Income	51,946.39
Other Nonoperating Revenues	101,195.35

Nonoperating Revenues	<u>60,795,179.83</u>
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Loss Before Other Revenues	(3,845,860.16)
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State Capital Aid	3,599,081.43
County Capital Aid	12,152,276.17
Capital Grants	757,980.92
Capital Gifts	16,629,083.36
Additions to Endowments	143,671.83

Increase in Net Assets	29,436,233.55
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**NET ASSETS**

Net Assets, July 1, 2010	<u>69,932,961.60</u>
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Net Assets, June 30, 2011	<u><u>\$ 99,369,195.15</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Forsyth Technical Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2011***

***Exhibit A-3  
Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 11,758,065.50
Payments to Employees and Fringe Benefits	(42,815,280.64)
Payments to Vendors and Suppliers	(20,738,317.73)
Payments for Scholarships and Fellowships	(11,574,322.63)
Collection of Loans to Students	348.21
Other Receipts	105,536.45
	<hr/>
Net Cash Used by Operating Activities	(63,263,970.84)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	28,946,093.82
County Appropriations	6,818,876.00
Noncapital Grants - Federal Student Financial Aid	20,466,828.66
Noncapital Grants Received	4,175,669.84
Noncapital Gifts and Endowments Received	449,108.11
	<hr/>
Cash Provided by Noncapital Financing Activities	60,856,576.43

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

State Capital Aid Received	3,833,957.33
County Capital Aid	9,585,479.97
Capital Grants Received	757,980.92
Acquisition and Construction of Capital Assets	(11,141,234.32)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	3,036,183.90

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	51,946.39
	<hr/>
Net Increase in Cash and Cash Equivalents	680,735.88
Cash and Cash Equivalents, July 1, 2010	7,117,474.78
	<hr/>
Cash and Cash Equivalents, June 30, 2011	\$ 7,798,210.66

***Forsyth Technical Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2011***

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

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

Operating Loss	\$ (64,641,039.99)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,968,175.99
Miscellaneous Nonoperating Income	101,195.35
Changes in Assets and Liabilities:	
Receivables, Net	(279,830.27)
Inventories	(267,874.03)
Notes Receivable	348.21
Accounts Payable and Accrued Liabilities	(288,817.01)
Unearned Revenue	(83,392.27)
Funds Held for Others	4,341.10
Compensated Absences	222,922.08
Net Cash Used by Operating Activities	<u><u>\$ (63,263,970.84)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 1,532,327.17
Restricted Cash and Cash Equivalents	3,400,540.96
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>2,865,342.53</u>
Total Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 7,798,210.66</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 1,823,287.41
Assets Acquired through a Gift	16,629,083.36
Increase in Receivables Related to Nonoperating Income	2,596,525.71

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



***Forsyth Technical Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2011***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$	5,048,549
Pledges Receivable		372,246
Sales Tax Receivable		5,097
Investments		1,751,888
Investment in Life Insurance Policy		57,388
Land		<u>111,000</u>
Total Assets	\$	<u><u>7,346,168</u></u>

**NET ASSETS**

Unrestricted	\$	3,076,908
Temporarily Restricted		2,301,758
Permanently Restricted		<u>1,967,502</u>
Total Net Assets	\$	<u><u>7,346,168</u></u>

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

***Forsyth Technical Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2011***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Support and Revenues:

Contributions	\$ 100,986
Investment Income (Net of Fees)	31,348
Change in Market Value of Investments	18,066
Net Assets Released from Restrictions	<u>1,047,190</u>

Total Unrestricted Support and Revenues	<u>1,197,590</u>
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Expenses:

Program Services	1,098,788
Fundraising	43,604
Management and General	<u>32,674</u>

Total Expenses	<u>1,175,066</u>
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Increase in Unrestricted Net Assets	<u>22,524</u>
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**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Support and Revenues:

Contributions	913,923
Investment Income (Net of Fees)	51,789
Change in Market Value of Investments	85,904
Net Assets Released from Restrictions	<u>(1,047,190)</u>

Increase in Temporarily Restricted Net Assets	<u>4,426</u>
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**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Support and Revenues:

Contributions	106,848
Investment Income (Net of Fees)	<u>135,398</u>

Increase in Permanently Restricted Net Assets	<u>242,246</u>
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Increase in Net Assets	269,196
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Net Assets at Beginning of Year	<u>7,076,972</u>
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Net Assets at End of Year	<u><u>\$ 7,346,168</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**FORSYTH TECHNICAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Forsyth Technical Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

**Discretely Presented Component Unit** – Forsyth Technical Community College Foundation, Inc. (Foundation) 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 30 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 is 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2011, the Foundation distributed \$863,252 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of postage and expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for general infrastructure and buildings, and 10 to 25 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

**College** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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*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 \$7,910.00, and deposits in private financial institutions with a carrying value of \$2,151,956.76 and a bank balance of \$2,775,049.97.

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, 2011, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; 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 of custodian.

At June 30, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$5,638,343.90 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.9 years as of June 30, 2011. 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 "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; asset-backed securities and corporate bonds/notes with specified ratings; general obligations of other states; and general obligations of North Carolina local governments.

### Component Unit:

**Deposits** – All funds of the College's discretely component presented component unit, Forsyth Technical Community College Foundation, Inc., are deposited in board-designated official depositories or with the State Treasurer. The Foundation had the following balances in established accounts at June 30, 2011:

	2011
Cash on Deposit with Private Financial Institutions	\$ 100,457.00
Cash on Deposit with State Treasurer	4,948,092.00
<b>Total Deposits</b>	<b>\$ 5,048,549.00</b>

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer's Short-Term Investment Fund. These moneys are invested in accordance with G.S. 147-69.1 and as required by law are "readily convertible into cash". All investments of the funds are held either by the Department of State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized to secure all deposits in excess of the federal depository insurance coverage.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

During 2008, the Federal Depository Insurance Corporation increased FDIC coverage from \$100,000 to \$250,000. This increased insurance level will remain in effect until December 2013. The Foundation had no cash deposits in excess of FDIC coverage as of June 30, 2011.

**Investments** - Investments of the College's discretely presented component unit, Forsyth Technical Community College Foundation, Inc., 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Fair Value
Mutual Funds	\$ 1,751,888.00

### NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2011, net appreciation of \$23,635.53 was available to be spent for restricted purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 1,373,211.32	\$ 352,084.23	\$ 1,021,127.09
Accounts	230,100.85		230,100.85
Intergovernmental	94,779.08		94,779.08
<b>Total Current Receivables</b>	<u>\$ 1,698,091.25</u>	<u>\$ 352,084.23</u>	<u>\$ 1,346,007.02</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land	\$ 2,555,802.42	\$ 2,610,000.00	\$ 0.00	\$ 5,165,802.42
Construction in Progress	10,546,149.15	11,058,160.46	9,877,623.78	11,726,685.83
<b>Total Capital Assets, Nondepreciable</b>	<u>13,101,951.57</u>	<u>13,668,160.46</u>	<u>9,877,623.78</u>	<u>16,892,488.25</u>
Capital Assets, Depreciable:				
Buildings	52,616,375.43	22,791,377.27		75,407,752.70
Machinery and Equipment	9,563,019.77	1,548,753.33	210,123.18	10,901,649.92
General Infrastructure	2,271,732.14	1,141,025.91		3,412,758.05
<b>Total Capital Assets, Depreciable</b>	<u>64,451,127.34</u>	<u>25,481,156.51</u>	<u>210,123.18</u>	<u>89,722,160.67</u>
Less Accumulated Depreciation for:				
Buildings	11,713,722.96	1,342,152.44		13,055,875.40
Machinery and Equipment	3,227,074.40	569,428.34	210,123.18	3,586,379.56
General Infrastructure	530,050.76	56,595.21		586,645.97
<b>Total Accumulated Depreciation</b>	<u>15,470,848.12</u>	<u>1,968,175.99</u>	<u>210,123.18</u>	<u>17,228,900.93</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>48,980,279.22</u>	<u>23,512,980.52</u>		<u>72,493,259.74</u>
<b>Capital Assets, Net</b>	<u><u>\$ 62,082,230.79</u></u>	<u><u>\$ 37,181,140.98</u></u>	<u><u>\$ 9,877,623.78</u></u>	<u><u>\$ 89,385,747.99</u></u>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011, were as follows:

	Amount
Accounts Payable	\$ 1,968,646.23
Accrued Payroll	1,196,496.32
Contract Retainage	508,311.13
<b>Total Accounts Payable and Accrued Liabilities</b>	<u><u>\$ 3,673,453.68</u></u>

### NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Compensated Absences	\$ 2,481,019.76	\$ 1,771,595.51	\$ 1,548,673.43	\$ 2,703,941.84	\$ 169,770.83

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for rental of equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 336,056.41
2013	156,704.52
2014	110,312.50
Total Minimum Lease Payments	<u>\$ 603,073.43</u>

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

	<u>Amount</u>
Minimum Rentals	\$ 297,693.98
Contingent Rentals	9,984.39
Total Rental Expense	<u>\$ 307,678.37</u>

### NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	<u>\$ 15,016,169.81</u>	<u>\$ 6,063,693.54</u>	<u>\$ 211,627.53</u>	<u>\$ 8,740,848.74</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 672,941.24	\$ 0.00	\$ 624.04	\$ 672,317.20
Bookstore	7,397,267.76	4,657,080.23	128,156.25	2,612,031.28
Parking	77,255.17		8,518.28	68,736.89
Other	10,986.39		3,158.13	7,828.26
Sales and Services of Education and Related Activities	<u>18,552.55</u>			<u>18,552.55</u>
<b>Total Sales and Services</b>	<u>\$ 8,177,003.11</u>	<u>\$ 4,657,080.23</u>	<u>\$ 140,456.70</u>	<u>\$ 3,379,466.18</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:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 25,314,780.91	\$ 4,750,325.19	\$ 1,469,772.60	\$ 0.00	\$ 14,430.24	\$ 0.00	\$ 31,549,308.94
Academic Support	5,367,243.95	218,329.66	202,386.03		58.73		5,788,018.37
Student Services	3,450,859.88	115,281.88	250,911.54	40,075.13			3,857,128.43
Institutional Support	6,903,149.52	292,064.38	2,267,926.30		176,623.41		9,639,763.61
Operations and Maintenance of Plant	1,509,941.41	1,446,776.87	1,252,249.23		1,095,758.27		5,304,725.78
Student Financial Aid			15,244.49	11,534,247.50			11,549,491.99
Auxiliary Enterprises	615,344.78	6,095,070.54	395,299.60				7,105,714.92
Depreciation						1,968,175.99	1,968,175.99
Total Operating Expenses	<u>\$ 43,161,320.45</u>	<u>\$ 12,917,848.52</u>	<u>\$ 5,853,789.79</u>	<u>\$ 11,574,322.63</u>	<u>\$ 1,286,870.65</u>	<u>\$ 1,968,175.99</u>	<u>\$ 76,762,328.03</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, 2011, these rates were set at 4.93% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$35,228,388.96, of which \$24,264,638.28 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,196,246.67 and \$1,455,880.31, respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6% each year. The College made 100% of its annual

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$1,196,246.67, \$823,688.52, and \$762,309.54, 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 "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Supplemental Retirement Income Plans** - IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2011, were \$11,810.76. The voluntary contributions by employees amounted to \$422,294.00 for the year ended June 30, 2011.

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. There were no voluntary contributions by employees for the year ended June 30, 2011.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 4.9% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.5% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$1,188,967.28, \$1,038,262.84, and \$930,199.14, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2011, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. The required contribution rate for the years ended June 30, 2010 and 2009 was .52% for both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$126,176.12, \$119,977.04, and \$117,976.48, 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, 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.

Risk for tort claims of up to \$1,000,000 is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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. In addition, the College is protected for losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts with private insurance companies.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit 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.

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 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$10,651,282.84 and on other purchases were \$565,793.37 at June 30, 2011.

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Beth A. Wood, CPA  
State Auditor

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**Office of the 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**

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Board of Trustees  
Forsyth Technical Community College  
Winston-Salem, North Carolina

We have audited the financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 3, 2012. Our report was modified to include a reference to other auditors.

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

Internal Control Over Financial Reporting

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

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.

**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)**

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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, CPA  
State Auditor

February 3, 2012

## **ORDERING INFORMATION**

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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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