



# STATE OF NORTH CAROLINA

**WILSON COMMUNITY COLLEGE**

**WILSON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

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

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**WILSON COMMUNITY COLLEGE**

**WILSON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

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

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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

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

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**AUDITOR'S TRANSMITTAL**

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

We have completed a financial statement audit of Wilson Community College for the year ended June 30, 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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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Wilson Community College  
Wilson, North Carolina

We have audited the accompanying financial statements of Wilson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 Wilson Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for this entity, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Wilson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

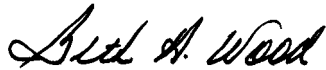
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wilson Community College and its discretely presented component unit as of June 30, 2011, and the respective changes 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 March 26, 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

March 26, 2012

## **WILSON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Wilson Community College offers readers of the College's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. This overview will provide comparative analyses of key elements for the aforementioned period.

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

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

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

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

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

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

### **Institutional Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the College's financial position. In the case of Wilson Community College, net assets increased by \$5,598.69 at the close of the most recent fiscal year. This increase in net assets represents approximately a .04% increase over the prior reporting period.

Current Assets include cash and cash equivalents, receivables, due from State of NC component units, inventories, and notes receivables. Current assets as of June 30, 2011 were \$4,233,197.84 and represent a \$207,004.49 or 5.14% increase from the previous year. The College had a large increase in current cash and cash equivalents and due from State of NC component units. These increases are primarily due to the revenue received for Super CIP grant; increase in fees collected such as parking/security fees and specific fees; and increase in revenue generated from various auxiliary services.

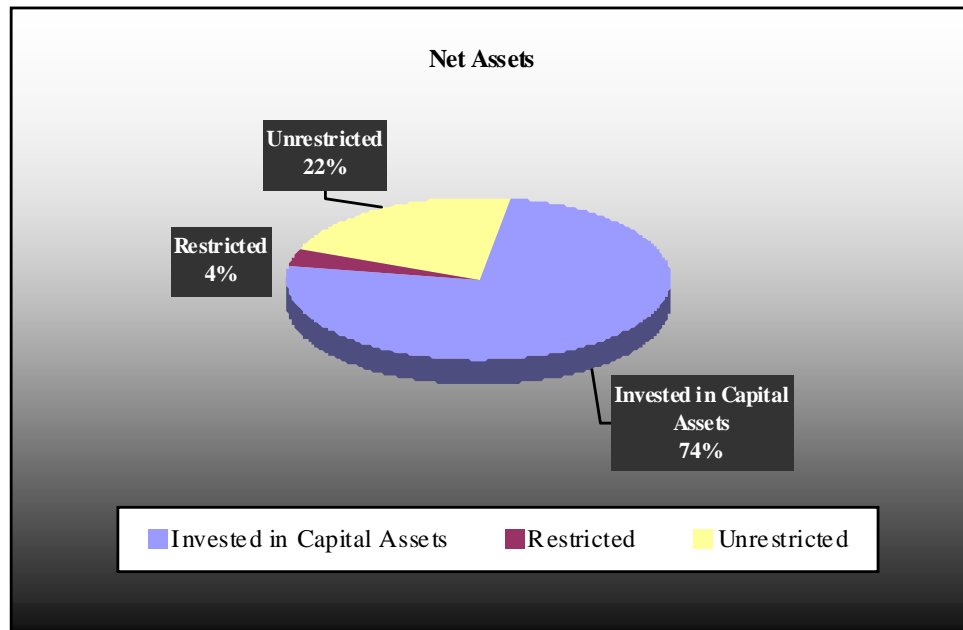
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital assets and invested in capital assets for fiscal year 2011 decreased \$253,128.42 over fiscal year 2010. The decrease is mainly attributable to the depreciation of our assets.

The College's current liabilities decreased by \$52,789.74 during the year, primarily as a result of a decrease in unearned revenue and accounts payable. The current year unearned revenue and accounts payable amounts decreased by \$45,824.85 over fiscal year 2010. A \$26,382.13 decrease in unearned revenue is attributed to a decrease in summer semester enrollment and a \$19,442.72 decrease in accounts payable is attributed to a decrease in amount owed for prior year expenditures.

### Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets</b>				
Current Assets	\$ 4,233,197.84	\$ 4,026,193.35	\$ 207,004.49	5.14%
Noncurrent Assets	222,623.04	229,496.32	(6,873.28)	-2.99%
Capital Assets	<u>10,745,111.96</u>	<u>10,998,240.38</u>	<u>(253,128.42)</u>	<u>-2.30%</u>
<b>Total Assets</b>	<u>15,200,932.84</u>	<u>15,253,930.05</u>	<u>(52,997.21)</u>	<u>-0.35%</u>
<b>Liabilities</b>				
Current Liabilities	341,408.48	394,198.22	(52,789.74)	-13.39%
Long-Term Liabilities	<u>427,081.14</u>	<u>432,887.30</u>	<u>(5,806.16)</u>	<u>-1.34%</u>
<b>Total Liabilities</b>	<u>768,489.62</u>	<u>827,085.52</u>	<u>(58,595.90)</u>	<u>-7.08%</u>
<b>Net Assets</b>				
Invested in Capital Assets	10,745,111.96	10,998,240.38	(253,128.42)	-2.30%
Restricted	546,209.35	449,437.32	96,772.03	21.53%
Unrestricted	<u>3,141,121.91</u>	<u>2,979,166.83</u>	<u>161,955.08</u>	<u>5.44%</u>
<b>Total Net Assets</b>	<u>\$ 14,432,443.22</u>	<u>\$ 14,426,844.53</u>	<u>\$ 5,598.69</u>	<u>0.04%</u>





## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of Wilson Community College's net assets, seventy-four percent (74%), reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment). Capital assets - depreciable is the greatest contributing factor to the overall percentage. Wilson Community College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion, twenty-two percent (22%), of net assets (unrestricted, \$3,141,121.91) may be used to meet the College's ongoing obligations to citizens and creditors. The remaining balance, four percent (4%), of Wilson Community College's net assets (restricted net assets, \$546,209.35) represents resources that are subject to external restrictions on how they may be used.

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

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

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

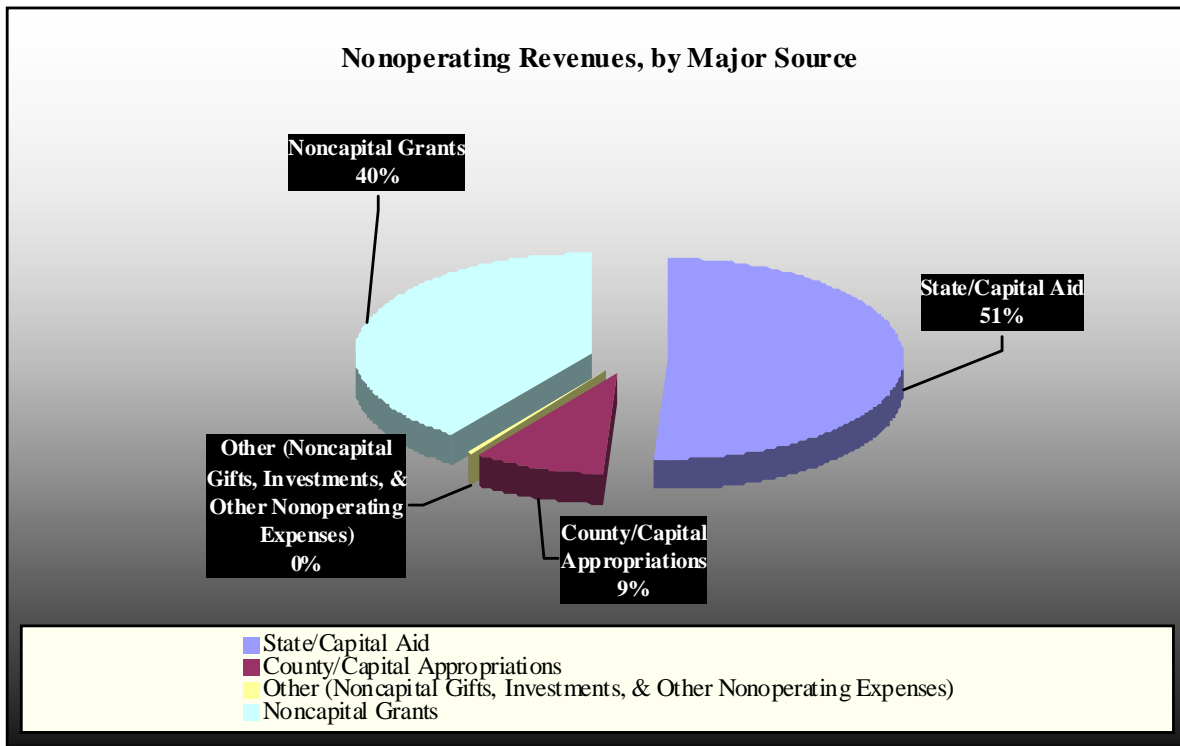
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$ 1,029,010.18	\$ 1,214,558.97	\$ (185,548.79)	-15.28%
Grants and Contracts	80,062.03	32,466.21	47,595.82	146.60%
Sales and Services, Net	558,414.84	666,489.00	(108,074.16)	-16.22%
Other Revenues	58,561.00	52,657.37	5,903.63	11.21%
<b>Total Operating Revenues</b>	<u>1,726,048.05</u>	<u>1,966,171.55</u>	<u>(240,123.50)</u>	-12.21%
<b>Operating Expenses:</b>				
Salaries & Benefits	11,799,288.50	11,840,485.09	(41,196.59)	-0.35%
Supplies and Materials	2,616,954.74	2,337,093.97	279,860.77	11.97%
Services	2,178,944.71	2,017,083.01	161,861.70	8.02%
Scholarships and Fellowships	3,541,367.84	3,634,330.98	(92,963.14)	-2.56%
Utilities	363,511.92	393,297.41	(29,785.49)	-7.57%
Depreciation	585,576.19	605,428.36	(19,852.17)	-3.28%
<b>Total Operating Expenses</b>	<u>21,085,643.90</u>	<u>20,827,718.82</u>	<u>257,925.08</u>	1.24%
<b>Operating Loss</b>	<u>(19,359,595.85)</u>	<u>(18,861,547.27)</u>	<u>(498,048.58)</u>	2.64%
<b>Nonoperating Revenues (Expenses):</b>				
State Aid	9,136,320.56	8,981,931.60	154,388.96	1.72%
County Appropriations	1,714,497.00	1,767,523.00	(53,026.00)	-3.00%
Noncapital Grants - Financial Aid	6,834,718.95	6,575,158.77	259,560.18	3.95%
Noncapital Grants	897,477.04	949,253.00	(51,775.96)	-5.45%
Noncapital Gifts	87,213.58	80,061.00	7,152.58	8.93%
Investment Income	27,896.67	41,873.61	(13,976.94)	-33.38%
Other Nonoperating Expenses	62,564.33	12,934.55	49,629.78	383.70%
<b>Other Revenues</b>	<u>729,635.07</u>	<u>418,728.05</u>	<u>310,907.02</u>	74.25%
<b>Total Nonoperating and Other Revenues</b>	<u>19,490,323.20</u>	<u>18,827,463.58</u>	<u>662,859.62</u>	3.52%
<b>Increase(Decrease) in Net Assets</b>	5,598.69	(34,083.69)	39,682.38	-116.43%
Net Assets, July 1, 2010	<u>14,426,844.53</u>	<u>14,486,797.32</u>	<u>(59,952.79)</u>	-0.41%
Net Assets, June 30, 2011	<u>\$ 14,432,443.22</u>	<u>\$ 14,452,713.63</u>	<u>\$ (20,270.41)</u>	-0.14%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

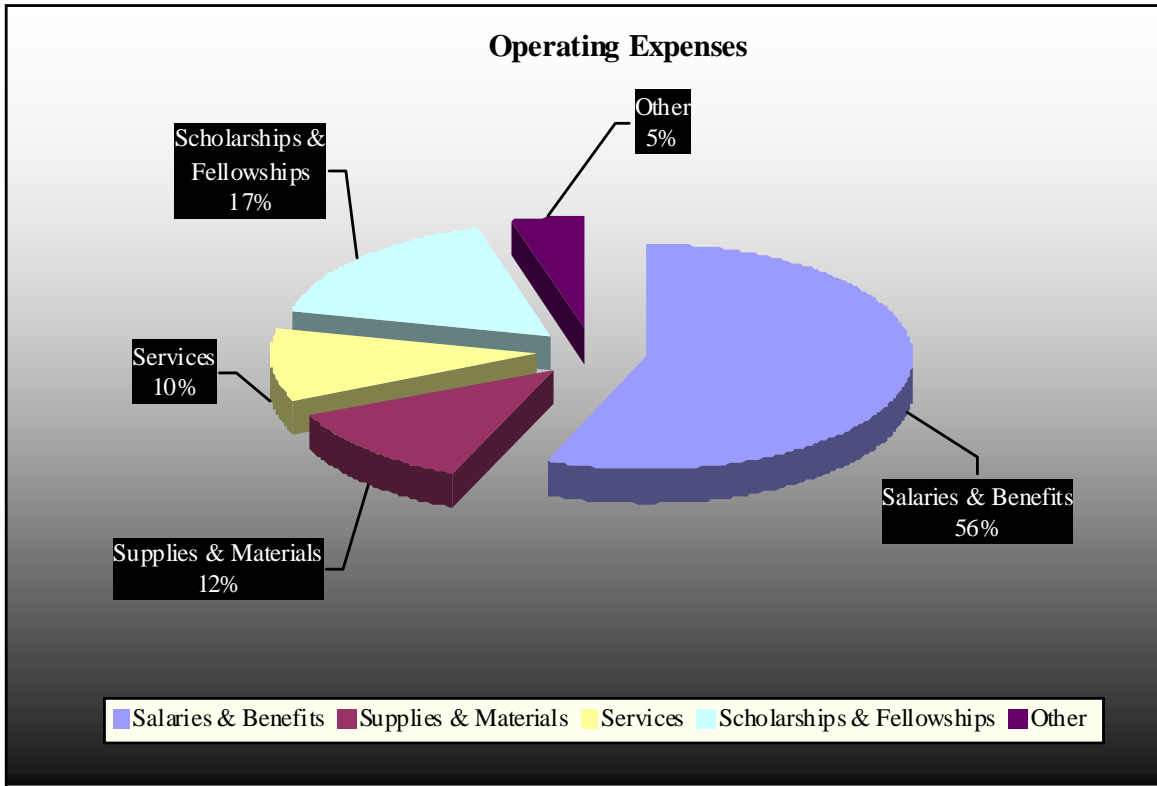
Total operating revenues decreased by over twelve percent (12.21%), nonoperating and other revenues increased by three percent. There are several contributing factors to explain the College's financial position. The student tuition and fees, which is a major part of operating revenue, showed a decrease from prior year. A higher demand in financial support for students and the payment sources being collected as nonoperating revenue versus operating revenue (i.e. PELL) is a major contributing factor for the decrease. Also, more waivers and categorical funds were established to financially support certain classes offered by our Wilson Early College programs and JobsNOW classes. Sales and services, net also contributed to the overall decrease. Although the college experienced some operating loss, increase in a few of its nonoperating revenue helped to offset these reductions for an increase in net assets at June 30, 2011.

Operating expenses for fiscal year 2011 increased \$257,925.08 over fiscal year 2010. The expense increase of the College can be primarily attributed to an increase in the use of supplies and materials and services by the College in the classroom and its other daily operations. Together the expenditures increased \$441,722.47 over fiscal year 2010.

Although, operating expenses for fiscal year 2011 showed an increase there are other important factors that need to be identified. Salaries and benefits decreased by \$41,196.59 due to the effects of limited hiring of staff and part-time faculty during the fiscal year. Also, scholarships and fellowships decreased by \$92,963.14 due to the decline in non-federal noncapital grants issued during the year. Last, utilities and depreciation expenses decreased by \$49,637.66 over fiscal year 2010. This is due to a decrease in utilities and a decrease in the amount of depreciation expense recorded for assets that were close to fully depreciated and had their useful life extended.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**



The following is a comparative analysis of the condensed Statement of Cash Flow for fiscal years ended June 30, 2010 and 2011. The Statement of Cash Flows provides information about cash receipts and cash payments during the year.

<b>Condensed Statement of Cash Flow</b>				
	<u>2011</u>	<u>2010</u>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Cash Provided (Used) by</b>				
Operating Activities	\$ (18,674,472.16)	\$ (18,260,650.44)	\$ (413,821.72)	2.27%
Noncapital Financing Activities	18,808,629.43	18,275,550.05	533,079.38	2.92%
Capital Financing Activities	329,245.77	276,851.57	52,394.20	18.93%
Investing Activities	28,545.22	42,654.76	(14,109.54)	-33.08%
<b>Net Change in Cash</b>	491,948.26	334,405.94	157,542.32	47.11%
<b>Cash, Beginning of Year</b>	<u>3,455,058.74</u>	<u>3,120,652.80</u>	334,405.94	10.72%
<b>Cash, Ending of Year</b>	<u>\$ 3,947,007.00</u>	<u>\$ 3,455,058.74</u>	<u>\$ 491,948.26</u>	14.24%

As seen in the chart above, net change in cash increased by over forty-seven percent (47.11%) and total cash increased by over 14 percent (14.24%) during the fiscal year 2011. The \$585,473.58 increase in cash flow from noncapital and capital financing activities offset the \$427,931.26 decrease in cash flows from operating and investing activities. A \$259,560.18

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

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increase in various Federal Grant awards (noncapital financing activities) and \$305,186.02 increase in State Capital (capital financing activities) are large contributing factors. These factors combined allowed total cash for the year to have an increase over prior year.

### **Capital Assets**

Wilson Community College's investment in capital assets as of June 30, 2011, amounts to \$10,745,111.69 (net of depreciation). This investment in capital assets includes land, buildings, improvements, and machinery/equipment. Wilson Community College's investment in capital assets experienced a net decrease of over two percent (2.30%) for the current fiscal year. The decrease can be attributed to the fiscal year's depreciation expense. The College continues to have an increase in its addition to depreciable assets which limits the decline in total investment in capital assets caused by the depreciation.

### **Economic Factors and Next Year's Budget**

Wilson Community College experienced some growth in enrollment during the 2010-11 budget funding cycle. However, we anticipate a decrease in appropriations from our state funding source due to legislative budget cuts across state government. We also anticipate a slight decrease in county appropriations due to the continuing negative economic climate that has impacted county revenue for the past several years. However, we do anticipate an increase in federal revenues from the PELL Grant, College Work Study, and various other Federal Programs the College participates in. In addition, the College will be participating in the Direct Loan Program for the first time and this should have a positive impact on enrollment.

During the upcoming academic year the College is planning several minor renovation and construction projects which will improve operations for the College. The College also plans to revamp its transportation curriculum program which should have a positive impact on future enrollment.

### **Requests for Information**

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

***Wilson Community College***  
***Statement of Net Assets***  
***June 30, 2011***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,419,647.75
Restricted Cash and Cash Equivalents	310,576.90
Receivables, Net (Note 4)	185,874.75
Restricted Due from State of North Carolina Component Units	30,000.00
Inventories	271,858.65
Notes Receivable, Net (Note 4)	15,239.79
	<hr/>
Total Current Assets	4,233,197.84
	<hr/>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	216,782.35
Restricted Due from Primary Government	5,840.69
Capital Assets - Nondepreciable (Note 5)	1,012,139.97
Capital Assets - Depreciable, Net (Note 5)	9,732,971.99
	<hr/>
Total Noncurrent Assets	10,967,735.00
	<hr/>
Total Assets	15,200,932.84
	<hr/>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	54,413.94
Due to Primary Government	1,297.03
Unearned Revenue	217,008.72
Funds Held for Others	1,977.42
Long-Term Liabilities - Current Portion (Note 7)	66,711.37
	<hr/>
Total Current Liabilities	341,408.48
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	427,081.14
	<hr/>
Total Liabilities	768,489.62
	<hr/>

**NET ASSETS**

Invested in Capital Assets	10,745,111.96
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	187,821.80
Expendable:	
Scholarships and Fellowships	6,861.77
Loans	56,158.64
Capital Projects	37,971.20
Restricted for Specific Programs	135,763.62
Other	121,632.32
Unrestricted	3,141,121.91
	<hr/>
Total Net Assets	\$ 14,432,443.22
	<hr/> <hr/>

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

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

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 1,029,010.18
State and Local Grants and Contracts	80,062.03
Sales and Services, Net (Note 9)	558,414.84
Other Operating Revenues	58,561.00

Net Operating Revenues	1,726,048.05
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	11,799,288.50
Supplies and Materials	2,616,954.74
Services	2,178,944.71
Scholarships and Fellowships	3,541,367.84
Utilities	363,511.92
Depreciation	585,576.19

Total Operating Expenses	21,085,643.90
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Operating Loss	(19,359,595.85)
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**NONOPERATING REVENUES (EXPENSES)**

State Aid	9,136,320.56
County Appropriations	1,714,497.00
Noncapital Grants - Federal Student Financial Aid	6,834,718.95
Noncapital Grants	897,477.04
Noncapital Gifts	87,213.58
Investment Income	27,896.67
Other Nonoperating Expenses	(62,564.33)

Net Nonoperating Revenues	18,635,559.47
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Loss Before Other Revenues	(724,036.38)
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State Capital Aid	684,635.07
County Capital Appropriations	45,000.00

Increase in Net Assets	5,598.69
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**NET ASSETS**

Net Assets, July 1, 2010	14,426,844.53
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Net Assets, June 30, 2011	\$ 14,432,443.22
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The accompanying notes to the financial statements are an integral part of this statement.

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

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,773,597.90
Payments to Employees and Fringe Benefits	(11,810,751.25)
Payments to Vendors and Suppliers	(5,086,129.57)
Payments for Scholarships and Fellowships	(3,552,817.90)
Loans Issued to Students	(88,199.47)
Collection of Loans to Students	86,024.36
Other Receipts	3,803.77
	<hr/>
Net Cash Used by Operating Activities	(18,674,472.16)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	9,136,320.56
County Appropriations	1,714,497.00
Noncapital Grants - Federal Student Financial Aid	6,870,754.69
Noncapital Grants Received	999,843.60
Noncapital Gifts Received	87,213.58
	<hr/>
Cash Provided by Noncapital Financing Activities	18,808,629.43

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

State Capital Aid Received	684,635.07
County Capital Appropriations	45,000.00
Proceeds from Sale of Capital Assets	6,588.01
Acquisition and Construction of Capital Assets	(406,977.31)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	329,245.77

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	28,545.22
	<hr/>
Cash Provided by Investing Activities	28,545.22

Net Increase in Cash and Cash Equivalents	491,948.26
Cash and Cash Equivalents, July 1, 2010	3,455,058.74
	<hr/>
Cash and Cash Equivalents, June 30, 2011	\$ 3,947,007.00

***Wilson 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	\$ (19,359,595.85)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	585,576.19
Provision for Uncollectible Loans and Write-Offs	1,415.52
Miscellaneous Nonoperating Income	5,377.20
Changes in Assets and Liabilities:	
Receivables, Net	62,291.67
Inventories	91,234.12
Notes Receivable, Net	(2,175.11)
Accounts Payable and Accrued Liabilities	(19,283.74)
Due to Primary Government	74.88
Unearned Revenue	(26,382.13)
Funds Held for Others	(1,383.18)
Compensated Absences	(11,621.73)
	<u>(11,621.73)</u>
Net Cash Used by Operating Activities	<u>\$ (18,674,472.16)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 3,419,647.75
Restricted Cash and Cash Equivalents	310,576.90
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	216,782.35
	<u>216,782.35</u>
Total Cash and Cash Equivalents - June 30, 2011	<u>\$ 3,947,007.00</u>

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

Loss on Disposal of Capital Assets	\$ (67,971.53)
Increase in Receivables Related to Nonoperating Income	30,000.00

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



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

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$ 273,296.92
Investments	<u>1,488,159.36</u>
Total Assets	<u>1,761,456.28</u>

**NET ASSETS**

Unrestricted	<u><u>\$ 1,761,456.28</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

***Exhibit B-2***

**UNRESTRICTED REVENUES AND GAINS**

Contributions Received	\$	137,718.02
Investment Income		44,305.64
Net Realized Gain on Investments		147,381.29
Net Unrealized Gain on Investments		20,073.25
Rental and Lease Income		127,747.19
Miscellaneous Income		1,547.04
		<hr/>
Total Unrestricted Revenues and Gains		478,772.43

**EXPENSES**

Program Services		126,223.78
Support Services		85,432.34
		<hr/>
Total Expenses		211,656.12

Increase in Unrestricted Net Assets		<hr/> 267,116.31
Net Assets July 1, 2010		<hr/> 1,494,339.97
Net Assets June 30, 2011	\$	<hr/> <hr/> 1,761,456.28

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

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

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

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

The 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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(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, 2011, the Foundation distributed \$126,223.78 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Wilson Community College, 902 Herring Avenue, Wilson, North Carolina or by calling 252-246-1293.

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

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

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 are recorded net of estimated uncollectible amounts.
- F. Inventories** - Bookstore inventories, consisting of merchandise for resale, are stated at the lower of cost or market value using first-in, first-out method. All other inventories held by the College are priced at the lower of cost or market value using the last invoice method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost 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 10 to 75 years for general infrastructure, 20 to 75 years for buildings, and 5 to 45 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 July 1st or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

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

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

**K. Net Assets** - The College's net assets are classified as follows:

**Invested in Capital Assets** - This represents the College's total investment in capital assets.

**Restricted Net Assets - Nonexpendable** - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2011 was \$2,059.50. The carrying amount of the College's deposits not with the State Treasurer was \$1,381,018.21, and the bank balance was \$1,621,000.05.

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.

- 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;



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$2,563,929.29, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.9 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.

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

	Cost	Market
Fixed Income Funds	\$ 649,814.56	\$ 656,708.55
Equities	665,653.67	681,778.31
Alternative Investments	149,408.49	149,672.50
	\$ 1,464,876.72	\$ 1,488,159.36

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 \$67,359.40 was available to be spent, of which the entire amount was restricted to specific purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	<u>Gross</u> <u>Receivables</u>	<u>Less</u> <u>Allowance</u> <u>for Doubtful</u> <u>Accounts</u>	<u>Net</u> <u>Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 213,556.84	\$ 69,492.32	\$ 144,064.52
Accounts	51,082.24	11,487.10	39,595.14
Investment Earnings	<u>2,215.09</u>	<u>                    </u>	<u>2,215.09</u>
<b>Total Current Receivables</b>	<u>\$ 266,854.17</u>	<u>\$ 80,979.42</u>	<u>\$ 185,874.75</u>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	<u>\$ 23,685.10</u>	<u>\$ 8,445.31</u>	<u>\$ 15,239.79</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	\$ 904,014.97	\$ 0.00	\$ 0.00	\$ 904,014.97
Construction in Progress	<u>175,810.48</u>	<u>3,077.10</u>	<u>70,762.58</u>	<u>108,125.00</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>1,079,825.45</u>	<u>3,077.10</u>	<u>70,762.58</u>	<u>1,012,139.97</u>
Capital Assets, Depreciable:				
Buildings	12,219,112.93	12,216.44		12,231,329.37
Machinery and Equipment	5,920,659.76	341,690.15	323,784.06	5,938,565.85
General Infrastructure	<u>779,654.27</u>	<u>120,756.20</u>		<u>900,410.47</u>
Total Capital Assets, Depreciable	<u>18,919,426.96</u>	<u>474,662.79</u>	<u>323,784.06</u>	<u>19,070,305.69</u>
Less Accumulated Depreciation:				
Buildings	4,817,892.68	219,582.79		5,037,475.47
Machinery and Equipment	3,646,194.46	342,856.87	249,254.52	3,739,796.81
General Infrastructure	<u>536,924.89</u>	<u>23,136.53</u>		<u>560,061.42</u>
Total Accumulated Depreciation	<u>9,001,012.03</u>	<u>585,576.19</u>	<u>249,254.52</u>	<u>9,337,333.70</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>9,918,414.93</u>	<u>(110,913.40)</u>	<u>74,529.54</u>	<u>9,732,971.99</u>
<b>Capital Assets, Net</b>	<u>\$ 10,998,240.38</u>	<u>\$ (107,836.30)</u>	<u>\$ 145,292.12</u>	<u>\$ 10,745,111.96</u>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 49,410.94
Accrued Payroll	<u>5,003.00</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 54,413.94</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	<u>\$ 505,414.24</u>	<u>\$ 453,165.80</u>	<u>\$ 464,787.53</u>	<u>\$ 493,792.51</u>	<u>\$ 66,711.37</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2012	\$ 12,000.00

Rental expense for all operating leases during the year was \$35,170.56.

### NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Change In Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 3,049,278.45	\$ 0.00	\$ 1,990,915.62	\$ 29,352.65	\$ 1,029,010.18
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 1,382,908.88	\$ 0.00	\$ 1,025,018.78	\$ 0.00	\$ 357,890.10
Print Shop	150,581.64	150,581.64			
Central Stores	28,985.19	28,985.19			
Other	126,812.02				126,812.02
Sales and Services of Education and Related Activities	73,712.72				73,712.72
<b>Total Sales and Services</b>	\$ 1,763,000.45	\$ 179,566.83	\$ 1,025,018.78	\$ 0.00	\$ 558,414.84

### 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	\$ 6,896,735.81	\$ 891,515.92	\$ 790,375.54	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8,578,627.27
Academic Support	1,142,619.38	117,540.70	195,619.21				1,455,779.29
Student Supplies	1,157,559.96	99,897.07	270,471.62				1,527,928.65
Institutional Support	1,981,453.98	321,553.73	527,578.50				2,830,586.21
Operations and Maintenance of Plant	521,465.44	90,528.59	303,900.10		363,511.92		1,279,406.05
Student Financial Aid				3,541,367.84			3,541,367.84
Auxiliary Enterprises	99,453.93	1,095,918.73	90,999.74				1,286,372.40
Depreciation						585,576.19	585,576.19
<b>Total Operating Expenses</b>	\$ 11,799,288.50	\$ 2,616,954.74	\$ 2,178,944.71	\$ 3,541,367.84	\$ 363,511.92	\$ 585,576.19	\$ 21,085,643.90

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 \$9,703,359.49, of which \$7,696,134.42 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$379,419.43 and \$461,768.07, 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 required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$379,419.43, \$278,026.04, and \$267,922.68, 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. **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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$1,200.00 for the year ended June 30, 2011.

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 \$90,804.00 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$377,110.59, \$350,454.77, and, \$326,929.89, 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.

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. Required contribution rates for the years ended June 30, 2010, and 2009, were .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 \$40,019.90, \$40,496.79, and \$41,464.22, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 13 - RISK MANAGEMENT

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

The risk of 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.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The College has secured a blanket fidelity insurance bond from a private company to cover the \$75,000 deductible and employees who are paid from County or Institutional Funds. Coverage for these employees is limited to \$100,000 per occurrence and a \$500 deductible.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the college entirely from county or institutional funds.

The College maintains a Medical Professional Liability Occurrence Insurance Policy covering all students in the Health Care Programs. The limits of liability are \$2,000,000 for each occurrence and \$4,000,000 in the aggregate.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

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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  
Wilson Community College  
Wilson, North Carolina

We have audited the financial statements of Wilson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 26, 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 Wilson Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Wilson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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)**

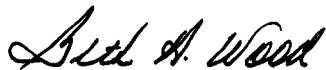
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be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

March 26, 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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