STATE OF NORTH CAROLINA

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Wayne Community College

We have completed a financial statement audit of Wayne Community College for the year ended June 30, 2012, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

We have audited the accompanying financial statements of Wayne Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Foundation of Wayne Community College, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for that entity, are based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wayne Community College and its discretely presented component unit as of June 30, 2012, 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)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

February 8, 2013

WAYNE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Wayne Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2012, and June 30, 2011. Since this discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Overview of Financial Statements

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

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

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

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments and net changes in cash resulting from operating, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2011 to the ending cash on hand as of June 30, 2012.

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

Financial Statement Presentation

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

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

Statement of Net Assets

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

Condensed Statement of Net Assets

	2012	2011	Increase (Decrease)	Percent Change
Current Assets	$ 3,768,017.54	$ 2,731,099.23	$ 1,036,918.31	37.97%
Capital Assets	31,863,099.88	32,353,327.14	(490,227.26)	-1.52%
Other Assets	593,323.32	93,289.23	500,034.09	536.00%
Total Assets	36,224,440.74	35,177,715.60		
Current Liabilities	791,791.60	792,624.07	(832.47)	-0.11%
Long-Term Liabilities	743,090.65	764,240.40	(21,149.75)	-2.77%
Total Liabilities	1,534,882.25	1,556,864.47		
Net Assets				
Invested in Capital Assets	31,863,099.88	32,353,327.14	(490,227.26)	-1.52%
Restricted	1,524,991.23	1,004,338.42	520,652.81	51.84%
Unrestricted	1,301,467.38	263,185.57	1,038,281.81	394.51%
Total Net Assets	$ 34,689,558.49	$ 33,620,851.13		

During the current fiscal year, the College's net assets increased by $1,068,707.36 (3.18%). This was due to several factors, most notably by an increase in current assets of $1,036,918.31 (37.97%), a decrease in capital assets of $490,227.26 (1.52%) and an increase in other assets of $500,034.09 (536.00%).

The increase in current assets was an effect of current unrestricted cash and cash equivalents increasing by $635,976.03, current restricted cash and cash equivalents increasing by $197,441.66 and receivables, net increasing by $296,691.67. The current cash and cash equivalents increase stems mainly from county current cash increasing by $267,288.30, bookstore cash increasing by $51,275.84, student government fees cash increasing by $101,221.73 and patron fees cash increasing by $26,001.01. During the current year, county cash increased because county cash received for current operations exceeded the operating expenses for the current year. The county cash surplus will be carried forward to the 2012-2013 fiscal year and has been earmarked for several maintenance projects around the campus. The difference in the amount of commission income versus the moderate expenses for operating activities accounts for the majority of the increase in bookstore cash for the current year. Furthermore, the increase in student government cash is the result of the board approval to increase student activity fees from $10.00-$20.00 for the 2010-2011 year to $15.00-$30.00 in the 2011-2012 year while the expenses remained flat between the two years. During the 2011-2012 year, a new Director of Student Activities was hired which left expenses much like last year's while the transition was taking place. This new Director is currently assessing the students' needs and will be using the funds during the 2012-2013 fiscal year to offer additional programs to target those needs. Patron fees are used to cover dental instructional supplies. In the fiscal year 2011-2012, there were other funds available to the dental program which left a reserve in institutional cash for the fees collected from dental patients. These funds are budgeted to be spent in the upcoming 2012-2013 fiscal year. The increase in current restricted cash and cash equivalents was a combination of increases in system-wide technology funds by $103,874.45, WORKS self-supporting funds by $34,568.70 and agency funds by $57,728.61. The technology fees are budgeted to be spent in 2012-2013 for computers, software upgrades and other technology needs for students. The WORKS self-supporting cash will eventually be a program that will be maintained solely by institutional funds. The cash in this account must be sufficient so that the program can sustain itself without aid from other funds. The amount in this cash account will continue to increase until such a time is reached that the county and state funds no longer contribute to this program. Finally, agency funds increased due to the amount of cash received on behalf of students eligible for Veteran Affairs Chapter 33 funding. This cash has increased due to the growing number of students that are eligible for these benefits. Net receivables increased due to student accounts receivable and intergovernmental receivables. Student accounts receivable increased $169,643.28 mainly attributable to recording receivables for return to title IV costs. In the past, those charges were recognized when received; however, in the current year, the College recognized those charges because they are indeed due to the College. The increase for intergovernmental receivables resulted from the Federal Pell receivable. The change from last year to the current year was $127,137.00. This increase was due to a portion of current year Federal Pell being drawn down in the beginning of the 2013 fiscal year.

The decrease in capital assets resulted from the difference between depreciation expense of $984,847.71 and the assets purchased of $560,874.67. Since the depreciation expense was larger than the purchases, capital assets net of accumulated depreciation decreased.

Other assets increased since a new project was approved for repairs and renovations for the College. A receivable for $500,000.00 was, therefore, recorded in other assets to recognize additional receivables due from primary government.

College Liabilities

The College reported long-term liabilities of $864,507.90 as of June 30, 2012. The balance consists of compensated absences of $773,139.12 of which $61,155.30 is reported as current. The remaining balance consists of a note payable to BB&T for an Energy Savings Contract of $91,368.78. The current portion of the note payable as of June 30, 2012 was $60,261.95. The payment on the contract will be finished in November of 2013.

Statement of Revenues, Expenses, and Changes in Net Assets

The following comparative statement for fiscal years ending 2012 and 2011 reflects the monetary and percentage increase or decrease in reported revenues and expenses between years.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2012	2011	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 3,014,305.45	$ 2,432,335.17	$ 581,970.28	23.93%
State and Local Grants and Contracts	4,500.00	0.00	4,500.00	100.00%
Sales and Services, Net	627,300.71	563,371.72	63,928.99	11.35%
Other Operating Revenues	17,105.63	20,204.10	(3,098.47)	-15.34%
Total Operating Revenues	3,663,211.79	3,015,910.99		
Operating Expenses:				
Salaries and Benefits	19,024,609.40	18,812,900.82	211,708.58	1.13%
Supplies and Materials	3,111,989.79	3,148,040.75	(36,050.96)	-1.15%
Services	1,950,276.30	1,930,209.71	20,066.59	1.04%
Scholarships and Fellowships	5,269,724.16	6,266,569.25	(996,845.09)	-15.91%
Utilities	583,669.72	671,943.59	(88,273.87)	-13.14%
Depreciation Expense	984,847.71	968,422.27	16,425.44	1.70%
Total Operating Expenses	30,925,117.08	31,798,086.39		
Operating Loss	(27,261,905.29)	(28,782,175.40)		
Nonoperating Revenues:				
State Aid	13,526,367.39	13,774,041.58	(247,674.19)	-1.80%
County Appropriations	3,017,684.00	2,992,684.00	25,000.00	0.84%
Noncapital Grants and Gifts	8,825,169.75	9,926,335.08	(1,101,165.33)	-11.09%
Investment Income	17,871.69	25,639.88	(7,768.19)	-30.30%
Interest and Fees on Debt	(5,463.62)	(7,870.61)	(2,406.99)	-30.58%
Other Nonoperating Revenues (Expenses)	(4,829.86)	61,657.28	(66,487.14)	-107.83%
Other Revenues:				
State Capital Aid	2,250,333.61	1,418,487.41	831,846.20	58.64%
County Capital Aid	643,547.57	167,262.69	476,284.88	284.75%
Capital Grants	59,932.12	141,283.58	(81,351.46)	-57.58%
Total Nonoperating and Other Revenues	28,330,612.65	28,499,520.89		
Change in Net Assets	1,068,707.36	(282,654.51)		
Net Assets - Beginning of Year	33,620,851.13	33,903,505.64		
Net Assets - End of Year	$ 34,689,558.49	$ 33,620,851.13		

An increase in student tuition and fees from $56.50 per credit hour in the 2010-2011 fiscal year to $66.50 per credit hour in the 2011-2012 fiscal year was the major factor which caused student tuition and fees to go up by $581,970.28 (23.93%). State and local grants increased by $4,500.00 (100%) due to funding received in the current year from the State for the Computer Information System project. Sales and services increased by $63,928.99 (11.35%)

which reflected the increase in bookstore receipts for the current year of $39,749.63, an increase in preschool collections of $14,483.90 and an increase in county rental fees of $15,396.63. Preschool collection increased due to a reduction in subsidized day care and an increase in full-time self-paying day care. County rental fees increased due to an increase in rental fees and by charging fees to all groups, while some groups were exempt from fees in previous years.

Total operating expenses decreased by $872,969.31 (2.75%). Total personnel costs were up by $211,708.58 (1.13%) which was mostly a combination of a $133,768.66 decrease in salaries and a $325,153.15 increase in retirement benefit expense. In the current year, salaries decreased because there were several full-time faculty positions vacant that were filled with part-time faculty. In addition, full-time faculty had to cover areas for which part-time faculty would normally be paid. The percentage for the College's portion of other post-employment benefits expense was 10.51% in the 2010-2011 fiscal year versus 13.12% in the 2011-2012 fiscal year. The decrease in expense for scholarships and fellowships of $996,845.09 was a major contributor of the operating expense decrease. The Federal Pell grant program for scholarships decreased $980,674.78 which included the scholarship discount on the program. For the 2010-2011 fiscal year, maximum Federal Pell was allowed for all three semesters 2010 Fall, 2011 Spring and 2011 Summer for each student. In years past, a maximum amount of Federal Pell was reached after two full semesters. On the other hand, during the fiscal year 2011-2012, the maximum amount of Federal Pell for all three semesters was eliminated and fewer students qualified for the maximum amount funds because the calculation for expected family contribution increased.

Total non-operating and other revenues decreased by $168,908.24 (.59%) due to the net effect of increased State Capital Aid totaling $831,846.20, as well as increased County Capital Aid of $476,284.88 in comparison to a decrease in Noncapital Grants and Gifts of $1,101,165.33. Due to more budget flexibility with the State, more funds could be used for State Capital purchases. The College, therefore, spent $331,846.20 more funds on equipment with State Capital Aid. Furthermore, a new project for $500,000.00 was approved with State Capital Aid to allow for repairs and renovations on campus. The County capital aid increased to allow for the plans of constructing an additional parking lot on campus. Noncapital Grants and Gifts took a downward spiral due to funding for Federal Pell grants as well as Workforce Development Act Dislocated Worker and Adult programs. As mentioned in the preceding paragraph, Federal Pell grant decreased by $806,065.29 excluding the scholarship discount for Noncapital Grants and Gifts. To reiterate, Federal Pell decreased due to the elimination of the grant allocations over three semesters and the revised calculation of expected family contribution which resulted in fewer students who were eligible for the grant. Workforce Development funding (WIA) decreased $116,374.47 due to the significant reduction of the budget allotted to the College for the 2011-2012 fiscal year.

Capital Assets

The following schedule compares capital assets for the fiscal years 2012 and 2011, net of accumulated depreciation.

	2012	2011	Increase (Decrease)	Percent Change
Land and Permanent Easements	$ 1,876,665.63	$ 1,876,665.63	0.00	0.00%
Construction in Progress	89,070.32	89,070.32		0.00%
Buildings	25,184,933.68	25,940,197.84	(755,264.16)	-2.91%
Machinery and Equipment	3,803,967.86	3,522,902.20	281,065.66	7.98%
General Infrastructure	908,462.39	924,491.15	(16,028.76)	-1.73%
	$ 31,863,099.88	$ 32,353,327.14		

At June 30, 2012, net capital assets of $31,863,099.88 represents $46,677,437.83 invested in capital assets less $14,814,337.95 in accumulated depreciation. The increase of machinery and equipment by $281,065.66 is mainly attributable to the amount of purchases in the current year. Purchases of equipment totaled $560,874.67 and current year's depreciation amounted to only $213,554.79. The decrease of $755,264.16 for buildings is solely the current year's depreciation expense.

Economic Factors

Following two years of enrollment increases, Wayne Community College's growth has stabilized. In addition, the College has experienced a decrease in operational funding by the State due to the State's continued economic difficulties. Although this creates a challenge, the College will continue to look for ways to do more with less and pursue other revenue opportunities such as grants to support and expand programs. Despite the economic outlook and the budget cuts, Wayne Community College will continue to respond to the community to provide services and education to the population of Wayne County to the extent resources will allow.

Wayne Community College
Statement of Net Assets
June 30, 2012 ***Exhibit A-1***

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 2,024,887.44
Restricted Cash and Cash Equivalents	783,743.35
Receivables, Net (Note 4)	702,643.70
Inventories	256,743.05
Total Current Assets	3,768,017.54
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	92,386.69
Restricted Due from Primary Government	500,936.63
Capital Assets - Nondepreciable (Note 5)	1,965,735.95
Capital Assets - Depreciable, Net (Note 5)	29,897,363.93
Total Noncurrent Assets	32,456,423.20
Total Assets	36,224,440.74
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	325,715.80
Unearned Revenue	236,427.09
Funds Held for Others	108,231.46
Long-Term Liabilities - Current Portion (Note 7)	121,417.25
Total Current Liabilities	791,791.60
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	743,090.65
Total Liabilities	1,534,882.25
NET ASSETS	
Invested in Capital Assets	31,863,099.88
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	76,386.69
Other	16,000.00
Expendable:	
Scholarships and Fellowships	255,795.26
Loans	18,630.12
Capital Projects	497,385.38
Restricted for Specific Programs	390,623.50
Other	270,170.28
Unrestricted	1,301,467.38
Total Net Assets	$ 34,689,558.49

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

Wayne Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 10)	$	3,014,305.45
State and Local Grants and Contracts		4,500.00
Sales and Services, Net (Note 10)		627,300.71
Other Operating Revenues		17,105.63
Total Operating Revenues		3,663,211.79
EXPENSES		
Operating Expenses:		
Salaries and Benefits		19,024,609.40
Supplies and Materials		3,111,989.79
Services		1,950,276.30
Scholarships and Fellowships		5,269,724.16
Utilities		583,669.72
Depreciation		984,847.71
Total Operating Expenses		30,925,117.08
Operating Loss		(27,261,905.29)
NONOPERATING REVENUES (EXPENSES)		
State Aid		13,526,367.39
County Appropriations		3,017,684.00
Noncapital Grants - Student Financial Aid		7,605,138.17
Noncapital Grants		945,982.43
Noncapital Gifts		274,049.15
Investment Income		17,871.69
Interest and Fees on Debt		(5,463.62)
Other Nonoperating Expenses		(4,829.86)
Net Nonoperating Revenues		25,376,799.35
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,885,105.94)
State Capital Aid		2,250,333.61
County Capital Aid		643,547.57
Capital Grants		59,932.12
Increase in Net Assets		1,068,707.36
NET ASSETS		
Net Assets, July 1, 2011		33,620,851.13
Net Assets, June 30, 2012	$	34,689,558.49

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

Wayne Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 3,491,896.76
Payments to Employees and Fringe Benefits	(18,968,397.34)
Payments to Vendors and Suppliers	(5,715,147.38)
Payments for Scholarships and Fellowships	(5,269,724.16)
Other Receipts	96,185.15
Net Cash Used by Operating Activities	(26,365,186.97)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	13,526,367.39
County Appropriations	3,017,684.00
Noncapital Grants - Student Financial Aid	7,483,314.52
Noncapital Grants Received	937,023.38
Noncapital Gifts Received	274,049.15
Principal Paid on Noncapital Debt	(57,750.30)
Interest Paid on Noncapital Debt	(5,463.62)
Net Cash Provided by Noncapital Financing Activities	25,175,224.52
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,750,333.61
County Capital Aid	643,547.57
Capital Grants Received	169,932.12
Proceeds from Sale of Capital Assets	2,603.91
Acquisition and Construction of Capital Assets	(560,874.67)
Net Cash Provided by Capital and Related Financing Activities	2,005,542.54
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	17,871.69
Cash Provided by Investing Activities	17,871.69
Net Increase in Cash and Cash Equivalents	833,451.78
Cash and Cash Equivalents, July 1, 2011	2,067,565.70
Cash and Cash Equivalents, June 30, 2012	$ 2,901,017.48

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(27,261,905.29)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		984,847.71
Miscellaneous Nonoperating Income		58,820.45
Changes in Assets and Liabilities:		
Receivables, Net		(165,908.97)
Inventories		(16,808.95)
Accounts Payable and Accrued Liabilities		(29,259.70)
Unearned Revenue		(25,769.97)
Funds Held for Others		57,728.61
Compensated Absences		33,069.14
Net Cash Used by Operating Activities	$	(26,365,186.97)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	2,024,887.44
Restricted Cash and Cash Equivalents		783,743.35
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		92,386.69
Total Cash and Cash Equivalents - June 30, 2012	$	2,901,017.48

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	630,782.70
Capital Asset Write-Offs		129,766.68

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

The Foundation of Wayne Community College, Inc.
Statement of Financial Position
June 30, 2012 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	1,965,348.34
Investments		1,310,368.26
Real Estate Held for Resale		5,000.00
Pledges Receivable		8,260.00
Property and Equipment, Net		27,770.00
Total Assets		3,316,746.60
LIABILITIES		
Total Liabilities		0.00
NET ASSETS		
Unrestricted		743,011.84
Temporarily Restricted		438,679.90
Permanently Restricted		2,135,054.86
Total Net Assets	$	3,316,746.60

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

The Foundation of Wayne Community College, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2012 — *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Gains:		
Contributions	$	106,231.38
Interest and Investment Income		14,162.16
Donated Service and Facilities		159,036.27
Net Unrealized Loss on Long-Term Investments		(7,891.79)
Total Unrestricted Revenues and Gains		271,538.02
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		193,553.22
Total Unrestricted Revenues, Gains, and Other Support		465,091.24
Expenses and Losses:		
Awards, Gifts and Scholarships		252,070.29
Fund Raising		169,543.65
Administrative		61,029.48
Total Expenses		482,643.42
Decrease in Unrestricted Net Assets		(17,552.18)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions		188,821.38
Golf Tournament		142,598.97
Interest and Investment Income		31,110.85
Net Unrealized Loss on Long-Term Investments		(18,114.99)
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(193,553.22)
Increase in Temporarily Restricted Net Assets		150,862.99
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		89,212.00
Interest and Investment Income		12.10
Increase in Permanently Restricted Net Assets		89,224.10
Increase in Net Assets		222,534.91
Net Assets at Beginning of Year		3,094,211.69
Net Assets at End of Year	$	3,316,746.60

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit - The Foundation of Wayne Community College, Inc. (Foundation) is a legally separate not-for-profit tax-exempt corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 25 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2012, the Foundation distributed $237,101.64 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of The Foundation of Wayne Community College, Inc., 3000 Wayne Memorial Drive, Goldsboro, NC 27534.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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 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, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, 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 expendable supplies, are valued at cost using the first-in, first-out method.

G. Capital Assets - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 50 years for buildings, and 10 to 40 years for equipment.

H. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.

J. Compensated Absences - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling $1,305.00, and deposits in private financial institutions with a carrying value of $198,056.79 and a bank balance of $209,561.79.

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, 2012, 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 any form of investment established or managed by certain investment advisors pursuant to G.S 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; 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.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $2,701,655.69 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 1.5 years as of June 30, 2012. 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) 707-0500.

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 - Investments of the College's discretely presented component unit, The Foundation of Wayne Community College, Inc., is subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. At June 30, 2012, the Foundation held investments with the North Carolina Community Foundation. As of June 30, 2012, the cost of the investments was $1,220,000.00; the gross unrealized gain was $90,368.26, which results in total investments of $1,310,368.26. At June 30, 2012, the amount shown on the Statement of Financial Position of The Foundation of Wayne Community College, Inc., the College's discretely presented component unit, as cash and cash equivalents includes $1,904,913.52, which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund.

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, 2012, interest earnings of $751.22 were available to be spent from endowment funds.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 369,028.48	$ 46,133.48	$ 322,895.00
Student Sponsors	142,144.75	1,489.45	140,655.30
Intergovernmental	239,093.40		239,093.40
Total Current Receivables	$ 750,266.63	$ 47,622.93	$ 702,643.70

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 1,876,665.63	$ 0.00	$ 0.00	$ 1,876,665.63
Construction in Progress	89,070.32			89,070.32
Total Capital Assets, Nondepreciable	1,965,735.95			1,965,735.95
Capital Assets, Depreciable:				
Buildings	37,763,203.58			37,763,203.58
Machinery and Equipment	5,458,072.54	560,874.67	190,662.72	5,828,284.49
General Infrastructure	1,120,213.81			1,120,213.81
Total Capital Assets, Depreciable	44,341,489.93	560,874.67	190,662.72	44,711,701.88
Less Accumulated Depreciation for:				
Buildings	11,823,005.74	755,264.16		12,578,269.90
Machinery and Equipment	1,935,170.34	213,554.79	124,408.50	2,024,316.63
General Infrastructure	195,722.66	16,028.76		211,751.42
Total Accumulated Depreciation	13,953,898.74	984,847.71	124,408.50	14,814,337.95
Total Capital Assets, Depreciable, Net	30,387,591.19	(423,973.04)	66,254.22	29,897,363.93
Capital Assets, Net	$ 32,353,327.14	$ (423,973.04)	$ 66,254.22	$ 31,863,099.88

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	Amount
Accounts Payable	$ 41,217.87
Accrued Payroll	283,525.34
Intergovernmental Payables	972.59
Total Accounts Payable and Accrued Liabilities	$ 325,715.80

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Notes Payable	$ 149,119.08	$ 0.00	$ 57,750.30	$ 91,368.78	$ 60,261.95
Compensated Absences	740,069.98	513,602.49	480,533.35	773,139.12	61,155.30
Total Long-Term Liabilities	$ 889,189.06	$ 513,602.49	$ 538,283.65	$ 864,507.90	$ 121,417.25

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2012	Principal Outstanding June 30, 2012
Energy Savings Contract	BB&T	4.28%	11/20/2013	$ 512,069.61	$ 420,700.83	$ 91,368.78

The annual requirements to pay principal and interest on notes payable at June 30, 2012, are as follows:

	Annual Requirements Notes Payable	
Fiscal Year	Principal	Interest
2013	$ 60,261.95	$ 2,951.97
2014	31,106.83	500.13
Total Requirements	$ 91,368.78	$ 3,452.10

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copier/printers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	$ 168,555.72
2014	168,555.72
2015	168,555.72
2016	168,324.17
Total Minimum Lease Payments	$ 673,991.33

Rental expense for all operating leases during the year was $224,933.17.

NOTE 9 - OPERATING LEASE REVENUES

Future minimum lease revenues under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	$ 17,262.00
2014	17,262.00
2015	17,262.00
2016	17,262.00
2017	17,262.00
2018-2022	86,310.00
2023-2027	86,310.00
2028-2032	86,310.00
2033-2036	69,048.00
Total Minimum Lease Payments	$ 414,288.00

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

NOTE 10 - REVENUES

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

		Gross Revenues		Internal Sales Eliminations		Less Scholarship Discounts		Less Allowance for Uncollectibles		Net Revenues
Operating Revenues:										
Student Tuition and Fees	$	5,901,978.13	$	0.00	$	2,880,579.49	$	7,093.19	$	3,014,305.45
Sales and Services:										
Sales and Services of Auxiliary Enterprises:										
Student Union Services	$	36,652.08	$	0.00	$	0.00	$	0.00	$	36,652.08
Bookstore		214,704.23						6,285.57		208,418.66
Preschool		302,975.80								302,975.80
Other		43,589.37		641.80						42,947.57
Sales and Services of Education and Related Activities		36,306.60								36,306.60
Total Sales and Services	$	634,228.08	$	641.80	$	0.00	$	6,285.57	$	627,300.71

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 11,821,500.68	$ 2,031,079.88	$ 527,435.50	$ 0.00	$ 0.00	$ 0.00	$ 14,380,016.06
Public Service	1,349.28	8,986.45	3,497.87				13,833.60
Academic Support	1,949,083.36	192,491.93	56,956.78				2,198,532.07
Student Services	1,497,470.13	96,143.22	118,667.15	69,702.95			1,781,983.45
Institutional Support	2,602,530.86	213,012.29	732,745.16				3,548,288.31
Operations and Maintenance of Plant	1,152,675.09	545,831.84	450,344.07		583,669.72		2,732,520.72
Student Financial Aid			15,301.66	5,200,021.21			5,215,322.87
Auxiliary Enterprises		24,444.18	45,328.11				69,772.29
Depreciation						984,847.71	984,847.71
Total Operating Expenses	$ 19,024,609.40	$ 3,111,989.79	$ 1,950,276.30	$ 5,269,724.16	$ 583,669.72	$ 984,847.71	$ 30,925,117.08

NOTE 12 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (Plan) 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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $14,823,520.29, of which $12,588,494.44 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $936,583.99 and $755,309.67, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were $936,583.99, $625,838.86, and $454,890.48, 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) 707-0500.

B. **Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred*

Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $78,846.74 for the year ended June 30, 2012.

Internal Revenue Code 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, 2012, were $3,869.04. The voluntary contributions by employees amounted to $154,519.00 for the year ended June 30, 2012.

Internal Revenue Code 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. The plan administrator is Variable Annuity. No costs are incurred by the College. The voluntary contributions by employees amounted to $14,830.00 for the year ended June 30, 2012.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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 State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were $629,424.72, $622,030.51, and $573,391.36, 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) 707-0500.

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, 2012, 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, 2011, and 2010, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were $65,460.17, $66,011.40, and $66,258.56, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

The risk of tort claims of up to $1,000,000 per claimant 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 the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10 million deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10 million deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. Losses caused by employees paid from county and institutional funds are covered with private insurance companies.

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

The College purchases malpractice insurance for students in medical related fields. Coverage is provided at $1,000,000 per occurrence with a limit of $5,000,000.00.

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $929.68 at June 30, 2012.

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

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

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

We have audited the financial statements of Wayne Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 8, 2013. 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

The College's management is responsible for establishing and maintaining effective 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)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the College, the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

February 8, 2013

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

This audit required 351.5 audit hours at an approximate cost of $25,308. The cost represents .07% of the College's total assets and .08% of total expenses subjected to audit.