

STATE OF NORTH CAROLINA

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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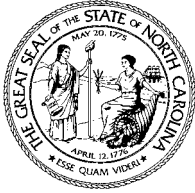
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STATE OF NORTH CAROLINA

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Forsyth Technical Community College for the year ended June 30, 2013, 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.

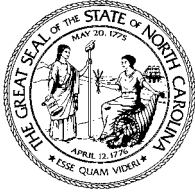
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Forsyth Technical Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely 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 from material misstatement. The financial statements of Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Forsyth Technical Community College and its discretely presented component unit, as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information


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 a 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 our audit of the basic financial statements. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014 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,

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 17, 2014

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FORSYTH TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Results of Operations – Net position increased by \$1,300,831.06 for the fiscal year ended June 30, 2013. The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2013 and 2012.

| | 2013 | 2012 | Dollar Increase (Decrease) |
|----------------------------|--------------------------|--------------------------|----------------------------------|
| Operating Revenues | \$ 11,006,198.58 | \$ 11,354,480.28 | \$ (348,281.70) |
| Operating Expenses | 83,723,837.19 | 78,169,147.81 | 5,554,689.38 |
| Operating Loss | (72,717,638.61) | (66,814,667.53) | (5,902,971.08) |
| Nonoperating Revenues | 67,299,217.91 | 63,719,350.42 | 3,579,867.49 |
| Loss Before Other Revenues | (5,418,420.70) | (3,095,317.11) | (2,323,103.59) |
| Capital Contributions | 6,714,321.76 | 13,922,632.93 | (7,208,311.17) |
| Additions to Endowments | 4,930.00 | 28,809.84 | (23,879.84) |
| Increase in Net Position | 1,300,831.06 | 10,856,125.66 | (9,555,294.60) |
| Net Position - July 1 | 110,225,320.81 | 99,369,195.15 | 10,856,125.66 |
| Net Position - June 30 | <u>\$ 111,526,151.87</u> | <u>\$ 110,225,320.81</u> | <u>\$ 1,300,831.06</u> |

Total revenues for fiscal year ended June 30, 2013 were \$85 million. The largest revenue source was provided by the State. State aid, reported as nonoperating revenues, was \$32.4 million and state capital aid, reported as other revenues, was \$2.9 million. Aid from the State totaled \$35.3 million, representing 41.5% of total revenues for this fiscal year. County appropriations and county capital aid totaled \$8.1 million and \$3.6 million, respectively. Federal student financial aid grants, reported as nonoperating revenues during the current year, were \$21.3 million, decreasing by \$1.4 million or 6.3% as a result of the total number of Pell grant recipients decreasing by approximately 325 during the current year. These grants are considered nonexchange transactions and include grants for Pell, SEOG, and College Work Study.

Operating revenues of \$11 million represent 12.9% of total revenues. Operating revenues decreased by \$348,281.70 from the previous year. The major sources of operating revenues were student tuition and fees in the amount of \$8.2 million and sales and services in the amount of \$2.8 million. These operating revenues for financial presentation are shown as net revenues adjusted for scholarship discounts and allowance for uncollectibles.

Nonoperating revenues were \$67.3 million increasing by \$3.6 million or 5.6% from the previous year. The major increase in nonoperating revenues was in state aid by \$3.6 million or 12.6% from the previous year. County appropriations increased by \$.9 million or 12.2%. These increases are attributed to the overall growth of the College to meet the educational needs of the community. Noncapital grants increased by \$1 million or 24.8%. The increase was attributed to an \$825,000.00 Golden Leaf grant for training associated with essential mid-skills building in advanced manufacturing for the Piedmont Triad. Increases in

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

nonoperating revenues were offset by a decrease in federal student financial aid grants of approximately \$1.4 million, as previously discussed.

Other revenues, which primarily accounts for capital funding, were \$6.7 million, decreasing by \$7.2 million. The decrease in county capital aid of \$7.3 million was attributed to the completion of the Transportation Center and the first phase of renovations for the Career Center. State capital aid increased by \$.4 million and was primarily attributed to an increase in funding for equipment offset by a reduction in funding for construction projects.

Investment income totaled \$27,631, a decrease of \$9,469 that resulted from a decrease in interest rates during the year. Total additions to permanent endowments during the year amounted to \$4,930, compared to \$28,810 from the previous year. The change is due to a decrease in endowment contributions for the current year.

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

| | 2013 | 2012 | Dollar Increase (Decrease) |
|---|------------------|------------------|----------------------------------|
| Operating Revenues: | | | |
| Student Tuition and Fees, Net | \$ 8,238,493.65 | \$ 8,358,340.52 | \$ (119,846.87) |
| Sales and Services, Net | 2,766,634.18 | 2,994,981.81 | (228,347.63) |
| Other Operating Revenues | 1,070.75 | 1,157.95 | (87.20) |
| Total Operating Revenues | 11,006,198.58 | 11,354,480.28 | (348,281.70) |
| Nonoperating Revenues: | | | |
| State Aid | 32,375,128.20 | 28,758,476.74 | 3,616,651.46 |
| County Appropriations | 8,122,096.00 | 7,237,283.00 | 884,813.00 |
| Noncapital Grants - Federal Student Financial Aid | 21,330,066.05 | 22,766,682.08 | (1,436,616.03) |
| Noncapital Grants | 5,011,536.69 | 4,015,692.91 | 995,843.78 |
| Noncapital Gifts | 331,863.23 | 772,350.37 | (440,487.14) |
| Investment Income | 27,631.40 | 37,100.05 | (9,468.65) |
| Other Nonoperating Revenues | 100,896.34 | 131,765.27 | (30,868.93) |
| Total Nonoperating Revenues | 67,299,217.91 | 63,719,350.42 | 3,579,867.49 |
| Other Revenues: | | | |
| State Capital Aid | 2,956,805.53 | 2,599,091.71 | 357,713.82 |
| County Capital Aid | 3,580,641.13 | 10,930,469.50 | (7,349,828.37) |
| Capital Grants | 32,559.52 | 295,000.00 | (262,440.48) |
| Capital Gifts | 144,315.58 | 98,071.72 | 46,243.86 |
| Additions to Endowments | 4,930.00 | 28,809.84 | (23,879.84) |
| Total Other Revenues | 6,719,251.76 | 13,951,442.77 | (7,232,191.01) |
| Total Revenues | \$ 85,024,668.25 | \$ 89,025,273.47 | \$ (4,000,605.22) |

Operating expenses totaled \$83.7 million, increasing by \$5.5 million from the previous year's \$78.2 million. The largest expense was for salaries and benefits totaling \$49.4 million or 59% of the total expenses during the year. The \$49.4 million expended for salaries and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

benefits was allocated as follows: \$28.6 million for instruction, \$8.2 million for institutional support, \$6.6 million for academic support, \$3.7 million for student services, \$1.6 million for operations and maintenance of plant, and \$0.7 million for auxiliary enterprises. Salaries and benefits increased by \$3.5 million or 7.7%. The increase was primarily attributed to the overall growth of the College to meet the increasing needs of students. Supplies and materials increased by \$1.3 million or 9.8%. The increase was mainly attributed to other capital outlay purchases that were expensed as supplies during the current year and bookstore purchases. Expenditures for services increased by \$1.5 million or 24.8%. This increase was mostly attributed to a new bioscience grant from the U.S. Department of Labor and an increase in county funding for institutional support and plant operations and maintenance. Scholarships and fellowships decreased by \$1.2 million or 13.3%. The decrease was attributed to a decrease in Pell scholarships by approximately \$1.4 million. Depreciation expense increased by \$.2 million. The increase was attributed to the capitalization of buildings and machinery and equipment during the current year.

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

| | 2013 | 2012 | Dollar Increase (Decrease) |
|------------------------------|------------------|------------------|----------------------------------|
| Operating Expenses: | | | |
| Salaries and Benefits | \$ 49,444,124.26 | \$ 45,909,308.78 | \$ 3,534,815.48 |
| Supplies and Materials | 14,868,465.50 | 13,547,171.39 | 1,321,294.11 |
| Services | 7,630,499.63 | 6,112,172.83 | 1,518,326.80 |
| Scholarships and Fellowships | 7,668,708.51 | 8,841,835.24 | (1,173,126.73) |
| Utilities | 1,570,022.02 | 1,396,052.43 | 173,969.59 |
| Depreciation | 2,542,017.27 | 2,362,607.14 | 179,410.13 |
| Total Operating Expenses | \$ 83,723,837.19 | \$ 78,169,147.81 | \$ 5,554,689.38 |

Outstanding commitments for capital projects as of June 30, 2013 were \$.8 million. The most significant commitments were \$280,136 for the Career Center Phase IIB and \$392,570 for the Main Campus renovations. Other capital project commitments were \$5,000 for the Transportation Center, \$44,237 for the Technology and Student Services Building (ITEC), \$16,616 for the Transportation Center Surface Concrete, \$25,766 for the Woodruff Center Parking Lot, \$37,100 for the Stokes County Center, and \$17,800 for the Oak Grove Center Acoustic Modifications.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Position – The following schedule shows changes between the Statement of Net Position for fiscal years 2013 and 2012.

| | 2013 | 2012 | Dollar Increase (Decrease) |
|----------------------------|--------------------------|--------------------------|----------------------------------|
| Assets: | | | |
| Capital Assets | \$ 100,023,082.18 | \$ 99,118,066.96 | \$ 905,015.22 |
| Other Assets | 16,875,564.32 | 16,823,600.46 | 51,963.86 |
| Total Assets | 116,898,646.50 | 115,941,667.42 | 956,979.08 |
| Liabilities: | | | |
| Long-Term Liabilities | 2,929,273.37 | 2,630,033.64 | 299,239.73 |
| Other Liabilities | 2,443,221.26 | 3,086,312.97 | (643,091.71) |
| Total Liabilities | 5,372,494.63 | 5,716,346.61 | (343,851.98) |
| Net Position: | | | |
| Invested in Capital Assets | 100,023,082.18 | 99,118,066.96 | 905,015.22 |
| Restricted | 9,421,536.80 | 9,271,360.36 | 150,176.44 |
| Unrestricted | 2,081,532.89 | 1,835,893.49 | 245,639.40 |
| Total Net Position | \$ 111,526,151.87 | \$ 110,225,320.81 | \$ 1,300,831.06 |

The College's net position totaled \$111.5 million at June 30, 2013, an increase of \$1.3 million from the previous year. The total net position consists of \$100 million invested in capital assets, and \$9.4 million was restricted for specific purposes. Of the \$9.4 million restricted net position, \$6 million was restricted for capital projects and \$3.4 million was restricted for grants, student support, and other restricted purposes. Unrestricted net position totaled \$2.1 million and was mainly attributed to the bookstore operation.

Assets totaled \$116.9 million at June 30, 2013, an increase of \$1 million. Capital assets net of depreciation, amounted to \$100 million, representing 85.6% of total assets, an increase from the previous year of \$.9 million or .9%. The most significant activity resulted from the capitalization of construction costs for the Career Center by \$8.5 million. Other assets, such as amounts due from the State at year-end, totaled \$4.5 million and mainly related to construction projects. Cash and cash equivalents amounted to \$9.6 million, representing 8.2% of total assets. Buildings, less accumulated depreciation, the largest capital asset category, totaled \$81 million and represented 81% of the total capital assets.

There was a net decrease in construction in progress during the year in the amount of \$6.4 million. The net decrease resulted from the capitalization of the Career Center in the amount of \$8.5 million combined with the current year increases in construction in progress for the Career Center Phases I and IIB, Research Park, and Woodruff Center Parking Lot totaling \$2.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Total liabilities at fiscal year ended June 30, 2013 were \$5.4 million. Long term liabilities totaled \$2.9 million at year-end and represent liabilities for accrued vacation for employees. Other liabilities, consisting mainly of accounts payable, accrued payroll and unearned revenues totaled approximately \$2.4 million or 45.5% of the total liabilities at year-end.

Future Operations – The economic position of Forsyth Technical Community College is closely tied to that of the State of North Carolina. State and county funding totaled \$47 million for the year and represented 55.3% of the total revenue received by the College. There continues to be reports that the state and local economy remains sluggish. This economic condition could result in less funding for the College in future years from the state and local governments. The future impact on the College is uncertain.

Forsyth Technical Community College
Statement of Net Position
June 30, 2013

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

| | |
|--|-----------------|
| Cash and Cash Equivalents | \$ 4,013,742.17 |
| Restricted Cash and Cash Equivalents | 2,354,517.69 |
| Receivables, Net (Note 4) | 1,176,094.10 |
| Due from State of North Carolina Component Units | 1,272,145.00 |
| Inventories | 1,447,023.43 |
| Notes Receivable | 645.80 |
| | <hr/> |
| Total Current Assets | 10,264,168.19 |

Noncurrent Assets:

| | |
|--|----------------|
| Restricted Cash and Cash Equivalents | 3,216,656.02 |
| Receivables | 143,040.11 |
| Restricted Due from Primary Government | 3,251,700.00 |
| Capital Assets - Nondepreciable (Note 5) | 6,040,076.11 |
| Capital Assets - Depreciable, Net (Note 5) | 93,983,006.07 |
| | <hr/> |
| Total Noncurrent Assets | 106,634,478.31 |

| | |
|--------------|----------------------|
| Total Assets | <hr/> 116,898,646.50 |
|--------------|----------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------|------------|
| Deferred Outflows of Resources | <hr/> 0.00 |
|--------------------------------|------------|

LIABILITIES

Current Liabilities:

| | |
|---|--------------|
| Accounts Payable and Accrued Liabilities (Note 6) | 1,828,872.67 |
| Unearned Revenue | 578,500.69 |
| Funds Held for Others | 35,847.90 |
| Long-Term Liabilities - Current Portion (Note 7) | 180,978.34 |
| | <hr/> |
| Total Current Liabilities | 2,624,199.60 |

Noncurrent Liabilities:

| | |
|--------------------------------|--------------------|
| Long-Term Liabilities (Note 7) | <hr/> 2,748,295.03 |
| Total Liabilities | <hr/> 5,372,494.63 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------|------------|
| Deferred Inflows of Resources | <hr/> 0.00 |
|-------------------------------|------------|

Forsyth Technical Community College
Statement of Net Position
June 30, 2013

Exhibit A-1
Page 2 of 2

NET POSITION

| | |
|------------------------------|---------------------------------|
| Investment in Capital Assets | 100,023,082.18 |
| Restricted for: | |
| Nonexpendable: | |
| Scholarships and Fellowships | 337,724.16 |
| Expendable: | |
| Scholarships and Fellowships | 315,047.16 |
| Loans | 198,371.96 |
| Capital Projects | 6,044,528.82 |
| Grants | 1,369,091.54 |
| Student Support | 1,156,773.16 |
| Unrestricted | <u>2,081,532.89</u> |
| Total Net Position | <u><u>\$ 111,526,151.87</u></u> |

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

***Forsyth Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2013***

Exhibit A-2

REVENUES

| | |
|--|-----------------|
| Operating Revenues: | |
| Student Tuition and Fees, Net (Note 9) | \$ 8,238,493.65 |
| Sales and Services, Net (Note 9) | 2,766,634.18 |
| Other Operating Revenues | 1,070.75 |
| | <hr/> |
| Total Operating Revenues | 11,006,198.58 |
| | <hr/> |

EXPENSES

| | |
|------------------------------|-----------------|
| Operating Expenses: | |
| Salaries and Benefits | 49,444,124.26 |
| Supplies and Materials | 14,868,465.50 |
| Services | 7,630,499.63 |
| Scholarships and Fellowships | 7,668,708.51 |
| Utilities | 1,570,022.02 |
| Depreciation | 2,542,017.27 |
| | <hr/> |
| Total Operating Expenses | 83,723,837.19 |
| | <hr/> |
| Operating Loss | (72,717,638.61) |
| | <hr/> |

NONOPERATING REVENUES

| | |
|---|----------------|
| State Aid | 32,375,128.20 |
| County Appropriations | 8,122,096.00 |
| Noncapital Grants - Federal Student Financial Aid | 21,330,066.05 |
| Noncapital Grants | 5,011,536.69 |
| Noncapital Gifts | 331,863.23 |
| Investment Income | 27,631.40 |
| Other Nonoperating Revenues | 100,896.34 |
| | <hr/> |
| Nonoperating Revenues | 67,299,217.91 |
| | <hr/> |
| Loss Before Other Revenues | (5,418,420.70) |
| | <hr/> |
| State Capital Aid | 2,956,805.53 |
| County Capital Aid | 3,580,641.13 |
| Capital Grants | 32,559.52 |
| Capital Gifts | 144,315.58 |
| Additions to Endowments | 4,930.00 |
| | <hr/> |
| Increase in Net Position | 1,300,831.06 |
| | <hr/> |

NET POSITION

| | |
|-----------------------------|-------------------|
| Net Position, July 1, 2012 | 110,225,320.81 |
| | <hr/> |
| Net Position, June 30, 2013 | \$ 111,526,151.87 |
| | <hr/> <hr/> |

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

***Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013***

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

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Received from Customers | \$ 11,520,839.87 |
| Payments to Employees and Fringe Benefits | (49,135,029.05) |
| Payments to Vendors and Suppliers | (23,635,854.98) |
| Payments for Scholarships and Fellowships | (7,689,195.71) |
| Collection of Loans to Students | 158.95 |
| Other Receipts | 103,244.64 |
| | <hr/> |
| Net Cash Used by Operating Activities | (68,835,836.28) |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|-----------------|
| State Aid Received | 32,375,128.20 |
| County Appropriations | 8,122,096.00 |
| Noncapital Grants - Federal Student Financial Aid | 21,342,030.65 |
| Noncapital Grants Received | 4,538,876.29 |
| Noncapital Gifts and Endowments Received | 336,793.23 |
| William D. Ford Direct Lending Receipts | 16,123,185.00 |
| William D. Ford Direct Lending Disbursements | (16,123,185.00) |
| | <hr/> |
| Net Cash Provided by Noncapital Financing Activities | 66,714,924.37 |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|----------------|
| State Capital Aid Received | 2,985,453.14 |
| County Capital Aid | 4,805,491.47 |
| Capital Grants Received | 32,559.52 |
| Capital Gifts Received | 107,015.58 |
| Acquisition and Construction of Capital Assets | (4,073,249.15) |
| | <hr/> |
| Net Cash Provided by Capital and Related Financing Activities | 3,857,270.56 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------|
| Investment Income | 27,631.40 |
| | <hr/> |
| Net Increase in Cash and Cash Equivalents | 1,763,990.05 |
| Cash and Cash Equivalents, July 1, 2012 | 7,820,925.83 |
| | <hr/> |
| Cash and Cash Equivalents, June 30, 2013 | \$ 9,584,915.88 |

Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

Exhibit A-3
Page 2 of 2

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

| | |
|---|----------------------------------|
| Operating Loss | \$ (72,717,638.61) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 2,542,017.27 |
| Miscellaneous Nonoperating Income | 100,896.34 |
| Changes in Assets and Liabilities: | |
| Receivables, Net | 505,843.24 |
| Inventories | 413,221.85 |
| Notes Receivable | 158.95 |
| Accounts Payable and Accrued Liabilities | 29,765.80 |
| Unearned Revenue | (11,689.15) |
| Funds Held for Others | 2,348.30 |
| Compensated Absences | 299,239.73 |
| | <hr/> |
| Net Cash Used by Operating Activities | <u><u>\$ (68,835,836.28)</u></u> |

RECONCILIATION OF CASH AND CASH EQUIVALENTS

| | |
|---|-------------------------------|
| Current Assets: | |
| Cash and Cash Equivalents | \$ 4,013,742.17 |
| Restricted Cash and Cash Equivalents | 2,354,517.69 |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 3,216,656.02 |
| | <hr/> |
| Total Cash and Cash Equivalents - June 30, 2013 | <u><u>\$ 9,584,915.88</u></u> |

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

| | |
|--|--------------|
| Assets Acquired through Assumption of a Liability | \$ 85,316.32 |
| Assets Acquired through a Gift | 37,300.00 |
| Increase in Receivables Related to Nonoperating Income | 825,000.00 |

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

Forsyth Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2013

Exhibit B-1

ASSETS

| | | |
|-------------------------------------|----|-------------------------|
| Cash and Cash Equivalents | \$ | 5,373,107 |
| Pledges Receivable | | 222,515 |
| Accounts Receivable | | 3,067 |
| Investments | | 1,867,741 |
| Investment in Life Insurance Policy | | 62,253 |
| Land | | <u>190,000</u> |
| Total Assets | \$ | <u><u>7,718,683</u></u> |

LIABILITIES

| | | |
|------------------|----|--------------|
| Accounts Payable | \$ | <u>2,190</u> |
|------------------|----|--------------|

NET ASSETS

| | | |
|----------------------------------|----|-------------------------|
| Unrestricted | | 3,068,562 |
| Temporarily Restricted | | 2,522,123 |
| Permanently Restricted | | <u>2,125,808</u> |
| Total Net Assets | | <u>7,716,493</u> |
| Total Liabilities and Net Assets | \$ | <u><u>7,718,683</u></u> |

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

Forsyth Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

| | |
|---|-----------|
| Support and Revenues: | |
| Contributions | \$ 38,725 |
| Investment Income (Net of Fees) | 16,196 |
| Change in Market Value of Investments | 3,678 |
| Net Assets Released from Restrictions | 483,313 |
| | <hr/> |
| Total Unrestricted Support and Revenues | 541,912 |
| | <hr/> |
| Expenses: | |
| Program Services | 556,404 |
| Fundraising | 20,117 |
| Management and General | 26,584 |
| | <hr/> |
| Total Expenses | 603,105 |
| | <hr/> |
| Decrease in Unrestricted Net Assets | (61,193) |
| | <hr/> |

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

| | |
|---|-----------|
| Support and Revenues: | |
| Contributions | 512,763 |
| Investment Income (Net of Fees) | 51,072 |
| Change in Market Value of Investments | 33,667 |
| Net Assets Released from Restrictions | (483,313) |
| | <hr/> |
| Increase in Temporarily Restricted Net Assets | 114,189 |
| | <hr/> |

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

| | |
|---|--------------|
| Support and Revenues: | |
| Contributions | 87,108 |
| Investment Income (Net of Fees) | 22,757 |
| | <hr/> |
| Increase in Permanently Restricted Net Assets | 109,865 |
| | <hr/> |
| Increase in Net Assets | 162,861 |
| Net Assets at Beginning of Year | 7,553,632 |
| | <hr/> |
| Net Assets at End of Year | \$ 7,716,493 |
| | <hr/> <hr/> |

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

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FORSYTH TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit – Forsyth Technical Community College Foundation, Inc. (Foundation) is a legally separate, not-for-profit, 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 at least 10 and no more than 30 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests 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 the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2013, the Foundation distributed \$443,470.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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.

- 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 petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

- F. Inventories** - Inventories, consisting of postage and expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for general infrastructure and buildings, and 10 to 30 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, resources whose use is limited by external parties or statute, and endowment and other restricted deposits.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Position - The College's net position is classified as follows:

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

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes 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 Position - Expendable - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes 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 Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

College

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Position as cash and cash equivalents includes cash on hand totaling \$8,960.00, and deposits in private financial institutions with a carrying value of \$4,559,420.84 and a bank balance of \$6,188,032.02.

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, 2013, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in 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, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$5,016,535.04 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2013. Assets and shares of the STIF are

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 STIF) 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

Deposits – All funds of the College’s discretely presented component unit, Forsyth Technical Community College Foundation, Inc., are deposited in board-designated official depositories or with the State Treasurer. The Foundation had the following balances in established accounts at June 30, 2013:

| | <u>2013</u> |
|---|-------------------------------|
| Cash on Deposit with Private Financial Institutions | \$ 113,304.00 |
| Cash on Deposit with State Treasurer | <u>5,259,803.00</u> |
| Total Deposits | <u><u>\$ 5,373,107.00</u></u> |

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer’s Short-Term Investment Fund. These moneys are invested in accordance with G.S. 147-69.1 and as required by law are “readily convertible into cash.” All investments of the funds are held either by the Department of State Treasurer or its agent in the State’s name. The fund’s uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized to secure all deposits in excess of the federal depository insurance coverage. The federal depository insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. The Foundation had no cash deposits in excess of FDIC coverage as of June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments - Investments of the College’s discretely presented component unit, Forsyth Technical Community College Foundation, Inc., are subject to and restricted by G.S. 36E “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

| Investment Type | <u>Fair Value</u> |
|------------------------|------------------------|
| Mutual Funds | <u>\$ 1,867,741.00</u> |

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, 2013, net appreciation of \$21,860.05 was available to be spent, all of which was classified in net position as restricted for expendable scholarships and fellowships.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

| | <u>Gross Receivables</u> | <u>Less Allowance for Doubtful Accounts</u> | <u>Net Receivables</u> |
|----------------------------------|------------------------------|---|----------------------------|
| Current Receivables: | | | |
| Students | \$ 1,412,024.19 | \$ 762,369.01 | \$ 649,655.18 |
| Student Sponsors | 166,060.55 | 656.00 | 165,404.55 |
| Accounts | 184,033.62 | | 184,033.62 |
| Intergovernmental | 177,000.75 | | 177,000.75 |
| Total Current Receivables | <u>\$ 1,939,119.11</u> | <u>\$ 763,025.01</u> | <u>\$ 1,176,094.10</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, 2013, is presented as follows:

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|---|-------------------------|------------------------|------------------------|--------------------------|
| Capital Assets, Nondepreciable: | | | | |
| Land | \$ 5,165,802.42 | \$ 0.00 | \$ 0.00 | \$ 5,165,802.42 |
| Construction in Progress | 7,247,230.99 | 2,135,597.32 | 8,508,554.62 | 874,273.69 |
| Total Capital Assets, Nondepreciable | 12,413,033.41 | 2,135,597.32 | 8,508,554.62 | 6,040,076.11 |
| Capital Assets, Depreciable: | | | | |
| Buildings | 89,011,866.80 | 8,508,554.62 | | 97,520,421.42 |
| Machinery and Equipment | 13,205,944.22 | 1,311,435.17 | 161,061.12 | 14,356,318.27 |
| General Infrastructure | 3,986,897.42 | | | 3,986,897.42 |
| Total Capital Assets, Depreciable | 106,204,708.44 | 9,819,989.79 | 161,061.12 | 115,863,637.11 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 14,690,486.63 | 1,781,566.73 | | 16,472,053.36 |
| Machinery and Equipment | 4,146,637.63 | 680,712.59 | 161,061.12 | 4,666,289.10 |
| General Infrastructure | 662,550.63 | 79,737.95 | | 742,288.58 |
| Total Accumulated Depreciation | 19,499,674.89 | 2,542,017.27 | 161,061.12 | 21,880,631.04 |
| Total Capital Assets, Depreciable, Net | 86,705,033.55 | 7,277,972.52 | | 93,983,006.07 |
| Capital Assets, Net | \$ 99,118,066.96 | \$ 9,413,569.84 | \$ 8,508,554.62 | \$ 100,023,082.18 |

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

| | Amount |
|---|------------------------|
| Accounts Payable | \$ 610,884.41 |
| Accrued Payroll | 1,157,597.64 |
| Contract Retainage | 60,390.62 |
| Total Accounts Payable and Accrued Liabilities | \$ 1,828,872.67 |

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

| | Balance July 1, 2012 | Additions | Reductions | Balance June 30, 2013 | Current Portion |
|----------------------|-------------------------|-----------------|-----------------|--------------------------|--------------------|
| Compensated Absences | \$ 2,630,033.64 | \$ 2,069,437.39 | \$ 1,770,197.66 | \$ 2,929,273.37 | \$ 180,978.34 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for rental of equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

| <u>Fiscal Year</u> | <u>Amount</u> |
|-------------------------------------|------------------------------------|
| 2014 | \$ 122,089.10 |
| 2015 | 9,535.60 |
| 2016 | 8,740.97 |
| Total Minimum Lease Payments | <u><u>\$ 140,365.67</u></u> |

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

| | <u>Amount</u> |
|-----------------------------|------------------------------------|
| Minimum Rentals | \$ 444,511.96 |
| Contingent Rentals | 12,126.94 |
| Total Rental Expense | <u><u>\$ 456,638.90</u></u> |

NOTE 9 - REVENUES

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

| | <u>Gross Revenues</u> | <u>Less Scholarship Discounts</u> | <u>Less Allowance for Uncollectibles*</u> | <u>Net Revenues</u> |
|---|---------------------------|---|---|-------------------------|
| Operating Revenues: | | | | |
| Student Tuition and Fees | <u>\$ 17,152,958.14</u> | <u>\$ 8,792,191.56</u> | <u>\$ 122,272.93</u> | <u>\$ 8,238,493.65</u> |
| Sales and Services: | | | | |
| Sales and Services of Auxiliary Enterprises: | | | | |
| Dining | \$ 966,172.22 | \$ 0.00 | \$ 1,916.48 | \$ 964,255.74 |
| Bookstore | 8,300,376.03 | 6,437,148.14 | 145,523.53 | 1,717,704.36 |
| Parking | 63,871.99 | | 6,875.43 | 56,996.56 |
| Other | 9,242.12 | | 3,487.60 | 5,754.52 |
| Sales and Services of Education and Related Activities | <u>21,923.00</u> | | | <u>21,923.00</u> |
| Total Sales and Services | <u>\$ 9,361,585.36</u> | <u>\$ 6,437,148.14</u> | <u>\$ 157,803.04</u> | <u>\$ 2,766,634.18</u> |

* Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

| | Salaries and Benefits | Supplies and Materials | Services | Scholarships and Fellowships | Utilities | Depreciation | Total |
|-------------------------------------|-----------------------------|------------------------------|------------------------|------------------------------------|------------------------|------------------------|-------------------------|
| Instruction | \$ 28,595,949.66 | \$ 3,931,532.70 | \$ 2,614,876.71 | \$ 0.00 | \$ 2,448.10 | \$ 0.00 | \$ 35,144,807.17 |
| Academic Support | 6,593,781.79 | 273,765.58 | 265,045.34 | | | | 7,132,592.71 |
| Student Services | 3,738,817.33 | 138,439.22 | 459,301.90 | 46,988.00 | | | 4,383,546.45 |
| Institutional Support | 8,249,047.94 | 284,039.20 | 2,107,012.23 | | 226,394.27 | | 10,866,493.64 |
| Operations and Maintenance of Plant | 1,550,830.07 | 2,331,942.16 | 1,708,101.36 | | 1,341,179.65 | | 6,932,053.24 |
| Student Financial Aid | | | 6,126.44 | 7,621,720.51 | | | 7,627,846.95 |
| Auxiliary Enterprises | 715,697.47 | 7,908,746.64 | 470,035.65 | | | | 9,094,479.76 |
| Depreciation | | | | | | 2,542,017.27 | 2,542,017.27 |
| Total Operating Expenses | <u>\$ 49,444,124.26</u> | <u>\$ 14,868,465.50</u> | <u>\$ 7,630,499.63</u> | <u>\$ 7,668,708.51</u> | <u>\$ 1,570,022.02</u> | <u>\$ 2,542,017.27</u> | <u>\$ 83,723,837.19</u> |

NOTE 11 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS 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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$39,270,476.79, of which \$27,791,990.87 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$2,315,072.84 and \$1,667,519.45, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$2,315,072.84, \$1,916,703.34, and \$1,196,246.67, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The TSERS 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. Supplemental Retirement Income Plans** - 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, 2013, were \$12,679.44. The voluntary contributions by employees amounted to \$447,872.00 for the year ended June 30, 2013.

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 MetLife. No costs are incurred by the College. There were no voluntary contributions by employees for the year ended June 30, 2013.

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 Chapter 135, Article 3B, of the General Statutes, and may be amended

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$1,472,975.52, \$1,288,107.08, and \$1,188,967.28, 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, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees'

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Retirement System to the DIPNC. The required contribution rate for the years ended June 30, 2012 and 2011 was .52% for both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$122,284.76, \$133,963.14, and \$126,176.12, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

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 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. In addition, the College is protected for losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts with private insurance companies.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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

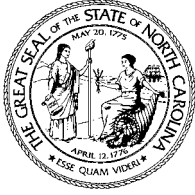
Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$819,225.02 and on other purchases were \$391,714.81 at June 30, 2013.

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

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

We have audited, in accordance with the 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, the financial statements of Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 17, 2014. Our report includes a reference to other auditors who audited the financial statements of Forsyth Technical Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency,

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 17, 2014

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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For additional information contact:

Bill Holmes
Director of External Affairs