

STATE OF NORTH CAROLINA

WAKE TECHNICAL COMMUNITY COLLEGE

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WAKE TECHNICAL COMMUNITY COLLEGE

RALEIGH, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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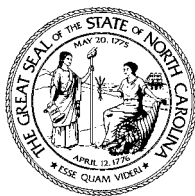
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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Wake 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*.

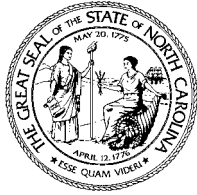
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wake Technical Community College
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Wake Technical Community College, a component unit of the State of North Carolina, 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 an opinion on these financial statements based on our audit. 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Wake Technical Community College, as of June 30, 2013, and the changes in financial position and 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 December 13, 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, 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

December 13, 2013

WAKE TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following information provides a general overview of the financial statements and activities of Wake Technical Community College for the year ended June 30, 2013. The Management's Discussion & Analysis is required supplementary information (RSI) comparing data for the current and previous year. Significant capital asset activity and conditions expected to influence financial position and results of operations are also discussed. Contact the Division of Finance for additional information at 919-866-5901.

Overview of the Financial Statements

The College's financial report includes three financial statements:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

The Notes to the Financial Statements provide additional information required for an understanding of the financial statements.

Important characteristics of the financial statements include the following:

- The Statement of Net Position is separated by current and noncurrent assets. The designation is also used in reporting liabilities. The term current is used to cover a time period of one year or less while noncurrent is considered to be a period of greater than one year.
- Revenues and expenses are categorized as either operating or nonoperating.
- Purchases of capital assets are expensed over the asset's useful life by the recognition of depreciation expense on the capital assets.
- Scholarships and fellowships applied to student accounts are discounted from revenue to avoid overstatement of tuition and fees.

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Net Position

The following condensed Statement of Net Position compares current year information with the prior year and indicates the categorical as well as overall percentage of increase or decrease.

	2013	2012 (as restated)	% Change
Assets			
Current Assets	\$ 20,820,039.26	\$ 20,978,575.59	(0.76)%
Noncurrent Assets	4,356,213.86	5,491,307.11	(20.67)%
Capital Assets, Net	221,788,291.71	214,158,544.78	3.56%
Total Assets	246,964,544.83	240,628,427.48	2.63%
Liabilities			
Current Liabilities	8,270,260.52	10,214,731.43	(19.04)%
Noncurrent Liabilities	2,649,657.11	2,291,440.88	15.63%
Total Liabilities	10,919,917.63	12,506,172.31	(12.68)%
Net Position			
Net Investment in Capital Assets	220,302,638.53	210,109,985.71	4.85%
Restricted - Expendable	5,071,646.70	7,699,788.25	(34.13)%
Unrestricted	10,670,341.97	10,312,481.21	3.47%
Total Net Position	\$ 236,044,627.20	\$ 228,122,255.17	3.47%

Analysis of Statement of Net Position Comparison

The Statement of Net Position measures the value of all the College's assets after deducting liabilities and depreciation. Current assets consist of inventories, cash, prepaid items, and receivables expected to be collected within the next accounting cycle. Noncurrent assets consist of receivables estimated to be collected beyond the next fiscal year, receivables related to capital projects and also capital assets. Accounts payable, funds held for others, unearned revenue, and the current portion of accrued compensated absences comprise most of current liabilities. Noncurrent liabilities represent accrued compensated absences not expected to be used within the next twelve months and the noncurrent portion of obligations for pollution remediation. The amounts for compensated absences reflect a last-in, first-out estimate. Net Investment in capital assets consists primarily of buildings, infrastructure, and equipment with a unit purchase cost of \$5,000 or greater and an expected life exceeding one year. Other equipment is expensed in the year of purchase. Restricted net position is separated from unrestricted because external sources exert control over the use of these funds.

The decrease in noncurrent assets is related to receivables for construction projects that were completed during 2012 and 2013, which also resulted in a decrease in restricted expendable net position. Current liabilities related to accounts payable for capital assets also decreased due to the capitalization of completed projects. Noncurrent liabilities reflect an increase in compensated absences. Capital Assets continue to grow in conjunction with the building program at the North Campus and a new building and parking deck at the Health Science Campus.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Position

The following condensed Statement of Revenues, Expenses, and Changes in Net Position compares current year information with the prior year and indicates the categorical as well as overall percentage of increase or decrease.

	2013	2012 (as restated)	% Change
Operating Revenues			
Student Tuition and Fees, Net	\$ 25,833,768.74	\$ 21,420,794.83	20.60%
Other Operating Revenues	1,635,966.14	1,930,884.43	(15.27)%
Total Operating Revenues	27,469,734.88	23,351,679.26	17.63%
Operating Expenses			
Salaries and Benefits	92,529,162.29	82,178,261.32	12.60%
Supplies and Materials	9,655,010.12	7,642,745.10	26.33%
Services	13,712,485.32	13,162,328.88	4.18%
Scholarships and Fellowships	22,345,226.81	20,862,534.88	7.11%
Other Operating Expenses	6,857,711.12	5,999,500.62	14.30%
Total Operating Expenses	145,099,595.66	129,845,370.80	11.75%
Operating Loss	(117,629,860.78)	(106,493,691.54)	10.46%
Nonoperating Revenues			
State Aid	53,707,835.91	50,246,180.35	6.89%
County Appropriations	16,190,938.00	15,991,050.00	1.25%
Noncapital Grants-Student Financial Aid	31,849,835.60	28,679,025.36	11.06%
Other Net Nonoperating Revenues	6,327,416.69	5,315,868.20	19.03%
Net Nonoperating Revenues	108,076,026.20	100,232,123.91	7.83%
State Capital Aid	4,059,583.11	5,627,514.04	(27.86)%
County Capital Aid	13,143,375.39	37,220,005.61	(64.69)%
Capital Grants and Gifts	273,248.11	1,553,275.49	(82.41)%
Increase in Net Position	7,922,372.03	38,139,227.51	(79.23)%
Net Position			
Net Position - July 1, as Restated	228,122,255.17	189,983,027.66	20.08%
Net Position - June 30	\$ 236,044,627.20	\$ 228,122,255.17	3.47%

Analysis of Statement of Revenues, Expenses and Changes in Net Position Comparison

Transactions reflected in the Statement of Revenues, Expenses and Changes in Net Position have a direct correlation to changes in total net position recorded on the Statement of Net Position. Operating revenues and expenses are segregated into individual sections of the statement. Student tuition and fees, adjusted for scholarship discounts, accounted for the largest increase in operating revenues and was directly related to enrollment growth as well as an increase in curriculum tuition rates and campus access fees. Salaries and benefits is the predominant operating expense and grew as the result of positions added to accommodate student enrollment growth along with an overall salary increase for annual employees. Service contracts and Pell grants form the major components of services and scholarships and fellowships. Pell grant awards continue to grow due to the state of the economy. Supplies and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

materials increased due to the furniture and equipment expensed for the new buildings on the Health Science Campus and North Campus. The largest components of nonoperating revenues are state and county aid. State aid for current operations continues to increase relative to student enrollment growth. Grants from the Department of Education and the National Science Foundation (NSF) comprise additional federal revenue. State capital aid remained low in proportion to county capital aid because the majority of construction projects are now financed with County bond funds. Two large construction projects were in process during fiscal year 2012 with one completed in 2012 and the other in 2013. This resulted in less county capital reimbursements for fiscal year 2013, decreasing the amount of county capital aid received.

Capital Assets

The following schedule compares capital assets for the fiscal years 2013 and 2012, net of accumulated depreciation.

	2013	2012 (as restated)	% Change
Land	\$ 21,350,887.66	\$ 21,350,887.66	0.00%
Construction in Progress	3,809,766.15	39,910,349.33	(90.45)%
Buildings	180,741,434.65	140,048,252.28	29.06%
General Infrastructure	9,238,333.69	6,621,175.13	39.53%
Machinery and Equipment	6,647,869.56	6,227,880.38	6.74%
Total Capital Assets, Net	<u>\$ 221,788,291.71</u>	<u>\$ 214,158,544.78</u>	3.56%

Analysis of Capital Assets Comparison

Completion of a parking deck and parking lot at Northern Wake Campus and a parking deck and building at Health Sciences Campus resulted in a decrease in construction in progress and an increase in buildings and general infrastructure.

Economic Outlook and Effects on Financial Position

The full-time equivalents (FTE's) that generate the College's State budget continued to show growth over the previous year.

Instruction Area	2013 FTE'S	2012 FTE'S	% Change
Curriculum	14,696	13,757	6.83%
Occupational	1,637	1,641	(0.24)%
Basic Skills	1,447	1,460	(0.89)%
Total FTE'S	<u>17,780</u>	<u>16,858</u>	5.47%

Wake Tech experienced 5% FTE enrollment growth during fiscal year 2012-13 which resulted in an increase in funding for fiscal year 2013-14. However, NC Community College

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

budgets were reduced by Management Flexibility Reductions as in previous years. Wake Tech continues to monitor budget and expenditures carefully to ensure that the funds are spent prudently and the College operates effectively and efficiently.

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

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 14,187,810.04
Restricted Cash and Cash Equivalents	1,699,991.96
Receivables, Net (Note 3)	4,830,235.73
Inventories	100,801.53
Prepaid Items	1,200.00
Total Current Assets	<u>20,820,039.26</u>

Noncurrent Assets:

Intergovernmental Receivables	2,236,988.53
Restricted Due from Primary Government	2,119,225.33
Capital Assets - Nondepreciable (Note 4)	25,160,653.81
Capital Assets - Depreciable, Net (Note 4)	<u>196,627,637.90</u>
Total Noncurrent Assets	<u>226,144,505.57</u>
Total Assets	<u>246,964,544.83</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	5,839,453.97
Unearned Revenue	1,683,151.02
Funds Held for Others	324,010.97
Long-Term Liabilities - Current Portion (Note 6)	<u>423,644.56</u>
Total Current Liabilities	<u>8,270,260.52</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>2,649,657.11</u>
Total Liabilities	<u>10,919,917.63</u>

NET POSITION

Net Investment in Capital Assets	220,302,638.53
Restricted for Expendable:	
Scholarships and Fellowships	17,915.95
Loans	10,522.91
Capital Projects	3,194,293.04
Restricted for Specific Programs	1,623,210.64
Other	225,704.16
Unrestricted	<u>10,670,341.97</u>
Total Net Position	<u>\$ 236,044,627.20</u>

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

***Wake 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 8)	\$ 25,833,768.74
State and Local Grants and Contracts	291,526.61
Sales and Services	1,310,083.53
Other Operating Revenues	34,356.00
Total Operating Revenues	<u>27,469,734.88</u>

EXPENSES

Operating Expenses:

Salaries and Benefits	92,529,162.29
Supplies and Materials	9,655,010.12
Services	13,712,485.32
Scholarships and Fellowships	22,345,226.81
Utilities	2,344,380.20
Depreciation	4,513,330.92
Total Operating Expenses	<u>145,099,595.66</u>

Operating Loss (117,629,860.78)

NONOPERATING REVENUES (EXPENSES)

State Aid	53,707,835.91
County Appropriations	16,190,938.00
Noncapital Grants - Student Financial Aid	31,849,835.60
Noncapital Grants	4,913,668.94
Noncapital Gifts	1,433,247.03
Investment Income	24,751.03
Other Nonoperating Expenses	(44,250.31)
Net Nonoperating Revenues	<u>108,076,026.20</u>

Income Before Other Revenues (9,553,834.58)

State Capital Aid	4,059,583.11
County Capital Aid	13,143,375.39
Capital Grants	209,326.11
Capital Gifts	63,922.00
Increase in Net Position	<u>7,922,372.03</u>

NET POSITION

Net Position, July 1, 2012 as Restated (Note 15)	<u>228,122,255.17</u>
Net Position, June 30, 2013	<u><u>\$ 236,044,627.20</u></u>

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

Wake 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	\$ 27,497,528.58
Payments to Employees and Fringe Benefits	(91,825,512.84)
Payments to Vendors and Suppliers	(25,775,359.94)
Payments for Scholarships and Fellowships	(22,345,226.81)
Other Payments	(513,474.17)

Net Cash Used by Operating Activities	(112,962,045.18)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	53,707,835.91
County Appropriations	16,190,938.00
Noncapital Grants - Student Financial Aid	31,942,903.72
Noncapital Grants Received	4,839,981.07
Noncapital Gifts Received	1,433,247.03
William D. Ford Direct Lending Receipts	47,324,738.00
William D. Ford Direct Lending Disbursements	(47,125,727.00)

Net Cash Provided by Noncapital Financing Activities	108,313,916.73
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**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

State Capital Aid Received	4,059,583.11
County Capital Aid	16,841,374.53
Capital Grants Received	209,326.11
Acquisition and Construction of Capital Assets	(14,757,058.40)

Net Cash Provided by Capital and Related Financing Activities	6,353,225.35
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	24,751.03
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Cash Provided by Investing Activities	24,751.03
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Net Increase in Cash and Cash Equivalents	1,729,847.93
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Cash and Cash Equivalents, July 1, 2012	14,157,954.07
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Cash and Cash Equivalents, June 30, 2013	\$ 15,887,802.00
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Wake 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	\$ (117,629,860.78)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,513,330.92
Miscellaneous Nonoperating Income	70,746.35
Changes in Assets and Liabilities:	
Receivables, Net	(682,607.58)
Inventories	(11,752.30)
Prepaid Items	458.00
Accounts Payable and Accrued Liabilities	200,832.14
Unearned Revenue	283,071.73
Funds Held for Others	(156,890.97)
Pollution Remediation Payable	(94,415.54)
Compensated Absences	545,042.85
Net Cash Used by Operating Activities	<u><u>\$ (112,962,045.18)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 14,187,810.04
Restricted Cash and Cash Equivalents	<u>1,699,991.96</u>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 15,887,802.00</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 1,485,653.18
Assets Acquired through a Gift	63,922.00
Loss on Disposal of Capital Assets	(114,996.66)

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

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WAKE 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. Wake 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 for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, savings accounts, money market 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 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 value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

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 5 to 25 years for equipment.
- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences and pollution remediation payable 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding payables related to those capital assets.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Position as cash and cash equivalents includes cash on hand totaling \$5,050.00, and deposits in private financial institutions with a carrying value of \$13,870,335.04 and a bank balance of \$17,705,962.66.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$2,012,416.96 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 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,766,681.18	\$ 194,003.00	\$ 1,572,678.18
Student Sponsors	505,679.03		505,679.03
Intergovernmental	2,324,548.97		2,324,548.97
Other	427,329.55		427,329.55
Total	<u>\$ 5,024,238.73</u>	<u>\$ 194,003.00</u>	<u>\$ 4,830,235.73</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - 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 (as restated)	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land	\$ 21,350,887.66	\$ 0.00	\$ 0.00	\$ 21,350,887.66
Construction in Progress	39,910,349.33	12,271,104.00	48,371,687.18	3,809,766.15
Total Capital Assets, Nondepreciable	61,261,236.99	12,271,104.00	48,371,687.18	25,160,653.81
Capital Assets, Depreciable:				
Buildings	165,047,877.34	44,370,169.78		209,418,047.12
Machinery and Equipment	9,810,579.02	1,181,859.17	236,558.22	10,755,879.97
General Infrastructure	8,070,194.41	2,806,628.74		10,876,823.15
Total Capital Assets, Depreciable	182,928,650.77	48,358,657.69	236,558.22	231,050,750.24
Less Accumulated Depreciation for:				
Buildings	24,999,625.06	3,676,987.41		28,676,612.47
Machinery and Equipment	3,582,698.64	646,873.33	121,561.56	4,108,010.41
General Infrastructure	1,449,019.28	189,470.18		1,638,489.46
Total Accumulated Depreciation	30,031,342.98	4,513,330.92	121,561.56	34,423,112.34
Total Capital Assets, Depreciable, Net	152,897,307.79	43,845,326.77	114,996.66	196,627,637.90
Capital Assets, Net	\$ 214,158,544.78	\$ 56,116,430.77	\$ 48,486,683.84	\$ 221,788,291.71

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 2,045,568.84
Accrued Payroll	2,308,231.95
Accounts Payable - Capital Assets	1,485,653.18
Total	\$ 5,839,453.97

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in 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	\$ 2,457,980.76	\$ 3,085,978.46	\$ 2,540,935.61	\$ 3,003,023.61	\$ 416,616.75
Pollution Remediation Payable	164,693.60		94,415.54	70,278.06	7,027.81
Total Long-Term Liabilities	\$ 2,622,674.36	\$ 3,085,978.46	\$ 2,635,351.15	\$ 3,073,301.67	\$ 423,644.56

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Pollution Remediation Payable – The College has recognized a pollution remediation liability for two Underground Storage Tanks. The tanks were removed in 1994 and the site was remediated as required at that time. During 2005, the North Carolina Department of Environment and Natural Resources (NCDENR) required the College to obtain a limited site assessment. Based on the results of this assessment, NCDENR required the College to obtain a comprehensive site assessment. The amount of the estimated liability is \$200,000.00. This estimate was calculated using information provided by the company that prepared the site assessment. The amount of the estimated recoveries for this estimated liability is \$129,721.94.

NOTE 7 - LEASE OBLIGATIONS

The College entered into operating leases for Western Wake Campus 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	\$ 806,944.86
2015	824,986.78
2016	841,802.02
2017	858,963.08
2018	876,477.16
2019-2023	3,208,656.20
Total Minimum Lease Payments	\$ 7,417,830.10

Rental expense for all operating leases during the year was \$1,267,489.16.

NOTE 8 - 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	\$ 37,949,394.52	\$ 12,082,361.78	\$ 33,264.00	\$ 25,833,768.74

* 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 9 - 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	\$ 52,081,386.31	\$ 6,540,754.08	\$ 2,660,455.71	\$ 0.00	\$ 0.00	\$ 0.00	\$ 61,282,596.10
Academic Support	15,703,696.13	295,145.47	637,876.20				16,636,717.80
Student Services	9,691,463.09	251,934.81	1,018,762.88				10,962,160.78
Institutional Support	12,006,834.47	1,113,961.84	2,850,947.74				15,971,744.05
Operations and Maintenance of Plant	3,044,483.93	1,383,931.12	6,064,717.22		2,344,380.20		12,837,512.47
Student Financial Aid			142,448.70	22,345,226.81			22,487,675.51
Auxiliary Enterprises	1,298.36	69,282.80	337,276.87				407,858.03
Depreciation						4,513,330.92	4,513,330.92
Total Operating Expenses	\$ 92,529,162.29	\$ 9,655,010.12	\$ 13,712,485.32	\$ 22,345,226.81	\$ 2,344,380.20	\$ 4,513,330.92	\$ 145,099,595.66

NOTE 10 - 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 \$71,902,045.22, of which \$59,218,577.33 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$4,932,907.49 and \$3,553,114.64, 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 \$4,932,907.49, \$3,913,256.72, and \$2,492,587.34, 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. 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 \$139,317.00 for the year ended June 30, 2013.

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 \$50,991.03. The voluntary contributions by employees amounted to \$917,729.00 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

are the responsibility of the Plan participants. The plan administrator is the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). No costs are incurred by the College. The voluntary contributions by employees amounted to \$448,523.09 for the year ended June 30, 2013.

NOTE 11 - 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 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 \$3,138,584.60, \$2,629,876.83, and \$2,477,419.47, 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 0.44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were 0.52% and 0.52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$260,561.74, \$273,507.19, and \$262,909.82, 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 12 - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The honesty bond for other employees is covered by contracts with private insurance companies.

The College purchased public officers' and employees' liability coverage of \$11,000,000 from private insurance companies through the North Carolina Department of Insurance.

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 0.16% for the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 13 - 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 \$16,058,129.23 and on other purchases were \$935,590.65 at June 30, 2013.

NOTE 14 - RELATED PARTIES

- A. Foundation** – The Wake Technical Community College Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$1,496,104.03 for the year ended June 30, 2013.
- B. Contracted Services** – The College has contracted with Waste Industries for trash removal since 1986. Mr. Jim Perry, CEO of Waste Industries, was appointed to the Wake Technical Community College Board of Trustees by the Wake County Board of Education in November 2002. Payments to Waste Industries for the fiscal year ended June 30, 2013 amounted to \$97,787.03.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 15 - NET POSITION RESTATEMENT

As of July 1, 2012, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2012 Net Position as Previously Reported	\$ 223,792,245.62
Restatements:	
To correct prior period capital assets error	<u>4,330,009.55</u>
July 1, 2012 Net Position as Restated	<u><u>\$ 228,122,255.17</u></u>

The reported restatement has no effect on the change in net position for fiscal year 2012. The error being corrected effects the change in net position for fiscal year 2011. For fiscal year 2011, the College incorrectly expensed construction accruals that should have been capitalized. The resulting effect on the change in net position for fiscal year 2011 is an increase of \$4,330,009.55.

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Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Wake Technical Community College
Raleigh, 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 Wake Technical Community College, a component unit of the State of North Carolina, 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 December 13, 2013.

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, 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.

**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 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

December 13, 2013

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