

STATE OF NORTH CAROLINA

WILSON COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WILSON COMMUNITY COLLEGE

WILSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

DR. R. SCOTT RALLS, PRESIDENT

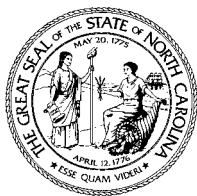
BOARD OF TRUSTEES

JAMES S. PRIDGEN, CHAIRMAN

ADMINISTRATIVE OFFICERS

DR. RUSTY STEPHENS, PRESIDENT

**HADIE C. HORNE, VICE PRESIDENT OF FINANCE AND
ADMINISTRATIVE SERVICES**



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Wilson 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.

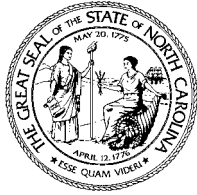
The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Position	11
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	13
A-3 Statement of Cash Flows	14
Component Unit Exhibits	
B-1 Statement of Financial Position	16
B-2 Statement of Activities.....	17
Notes to the Financial Statements	19
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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	35
ORDERING INFORMATION	37



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wilson Community College
Wilson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Wilson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 Wilson 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 opinion, insofar as it relates to the amounts included for discretely presented component unit, is 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 Wilson Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Wilson Community College, 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 5, 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, 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 5, 2014

WILSON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Wilson Community College offers readers of the College's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. This overview will provide comparative analyses of key elements for the aforementioned period.

Overview of the Financial Statements

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

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

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

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

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

Institutional Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of Wilson Community College, net position decreased by \$244 thousand at the close of the most recent fiscal year. This decrease in net position represents approximately a 1.68% decrease over the prior reporting period.

Current Assets include cash and cash equivalents, receivables, due from State of NC component units, inventories, and notes receivables. Current assets as of June 30, 2013 were \$4.47 million and represent a \$220 thousand or 5.18% increase from the previous year. The College had a large increase in current cash and cash equivalent. These increases are primarily due to the revenue received for Development Resources for the nursing department and North Carolina State University Upper Coastal Plain Learning Council 2013 grant; increase in fees collected such as self-supporting continuing education fees and system-wide technology fees; and increase in revenue generated from various auxiliary services. Additionally, the College

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

significantly reduced expenses related to Services to repair and renovation project and run the Curriculum Improvements Project that were completed in the prior fiscal year.

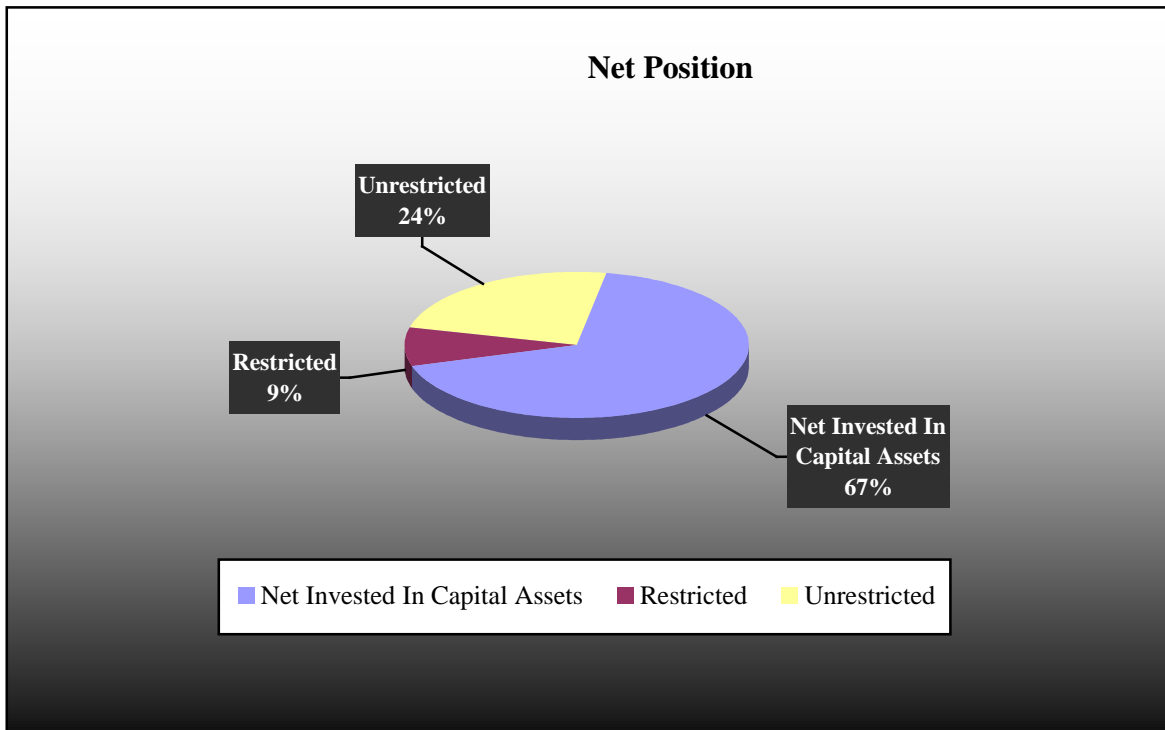
Noncurrent assets are comprised primarily of restricted cash and cash equivalents and restricted due from primary governments. Noncurrent assets had a decrease of \$101 thousand or 9.29% over fiscal year 2012. This is mostly attributed to the \$97 thousand decrease in prior year's cash balance for repair and renovation projects that were completed during the fiscal year.

Capital assets and invested in capital assets for fiscal year 2013 decreased \$303 thousand over fiscal year 2012. The decrease is mainly attributable to the depreciation expense of \$443 thousand, additions to accumulated depreciation of \$8 thousand from a transfer of a capital asset, and the disposal of assets of \$237 thousand. The College did however have additions to assets amounting to \$194 thousand and an accumulated depreciation reduction of \$191 thousand for assets that had not reach full depreciation at time of disposal, that help to offset these reductions.

Current liabilities increased by \$67 thousand during the year primarily, due to an increase in accounts payable/accrued liabilities and unearned revenue. The current year accounts payable/accrued liabilities and unearned revenue amounts increased by \$56 thousand over fiscal year 2012. A \$31 thousand increase in accounts payable/accrued liabilities is attributed to increase in vendor and contract payables. These payables include vendor invoices for June services received in July and amounts due on contracts for repairs and renovation projects. Also, a \$25 thousand increase in unearned revenue is attributed to an increase in summer semester enrollment as well as a tuition increase.

Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 4,475,104.10	\$ 4,254,753.24	\$ 220,350.86	5.18%
Noncurrent Assets	985,531.57	1,086,420.51	(100,888.94)	-9.29%
Capital Assets	9,653,615.99	9,956,946.54	(303,330.55)	-3.05%
Total Assets	<u>15,114,251.66</u>	<u>15,298,120.29</u>	<u>(183,868.63)</u>	<u>-1.20%</u>
Liabilities				
Current Liabilities	357,304.31	290,029.74	67,274.57	23.20%
Long-Term Liabilities	443,866.45	450,513.64	(6,647.19)	-1.48%
Total Liabilities	<u>801,170.76</u>	<u>740,543.38</u>	<u>60,627.38</u>	<u>8.19%</u>
Net Position				
Net Invested in Capital Assets	9,653,615.99	9,956,946.54	(303,330.55)	-3.05%
Restricted	1,245,112.01	1,419,897.44	(174,785.43)	-12.31%
Unrestricted	3,414,352.90	3,180,732.93	233,619.97	7.34%
Total Net Position	<u>\$ 14,313,080.90</u>	<u>\$ 14,557,576.91</u>	<u>\$ (244,496.01)</u>	<u>-1.68%</u>



By far the largest portion of Wilson Community College's net position, 67%, reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment). Depreciable capital assets are the greatest contributing factor to the overall percentage. Wilson Community College uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion, \$3.4 million or 24%, of net position is unrestricted and may be used to meet the College's ongoing obligations to citizens and creditors. The remaining balance, restricted net position, represents 9% or \$1.2 million of Wilson Community College's net position and represents resources that are subject to external restrictions on how they may be used.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2013	June 30, 2012 (as restated)	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,289,687.70	\$ 1,204,026.91	\$ 85,660.79	7.11%
Grants and Contracts	57,999.96	57,864.79	135.17	0.23%
Sales and Services, Net	606,354.78	692,838.70	(86,483.92)	-12.48%
Other Revenues	68,301.40	60,950.50	7,350.90	12.06%
Total Operating Revenues	2,022,343.84	2,015,680.90	6,662.94	0.33%
Operating Expenses:				
Salaries & Benefits	11,881,694.27	11,706,088.50	175,605.77	1.50%
Supplies and Materials	2,585,627.65	2,674,323.55	(88,695.90)	-3.32%
Services	1,666,363.97	2,187,464.80	(521,100.83)	-23.82%
Scholarships and Fellowships	2,207,229.43	2,363,355.02	(156,125.59)	-6.61%
Utilities	370,662.86	344,596.58	26,066.28	7.56%
Depreciation	442,688.76	491,563.56	(48,874.80)	-9.94%
Total Operating Expenses	19,154,266.94	19,767,392.01	(613,125.07)	-3.10%
Operating Loss	(17,131,923.10)	(17,751,711.11)	619,788.01	3.49%
Nonoperating Revenues (Expenses):				
State Aid	8,663,950.96	8,883,977.12	(220,026.16)	-2.48%
County Appropriations	1,714,497.00	1,714,497.00		
Noncapital Grants - Federal Fin. Aid	4,691,415.93	4,817,473.75	(126,057.82)	-2.62%
Noncapital Grants	1,083,811.88	1,207,542.86	(123,730.98)	-10.25%
Noncapital Gifts	83,445.00	83,837.50	(392.50)	-0.47%
Investment Income, Net	10,997.88	20,131.84	(9,133.96)	-45.37%
Other Nonoperating Expenses	(6,836.29)	(692,329.82)	685,493.53	99.01%
Other Revenues	646,144.73	1,841,714.55	(1,195,569.82)	-64.92%
Total Nonoperating and Other Revenues	16,887,427.09	17,876,844.80	(989,417.71)	-5.53%
Increase(Decrease) in Net Position	(244,496.01)	125,133.69	(369,629.70)	-295.39%
Net position, July 1	14,557,576.91	14,432,443.22	125,133.69	0.87%
Net position, June 30	<u>\$ 14,313,080.90</u>	<u>\$ 14,557,576.91</u>	<u>\$ (244,496.01)</u>	-1.68%

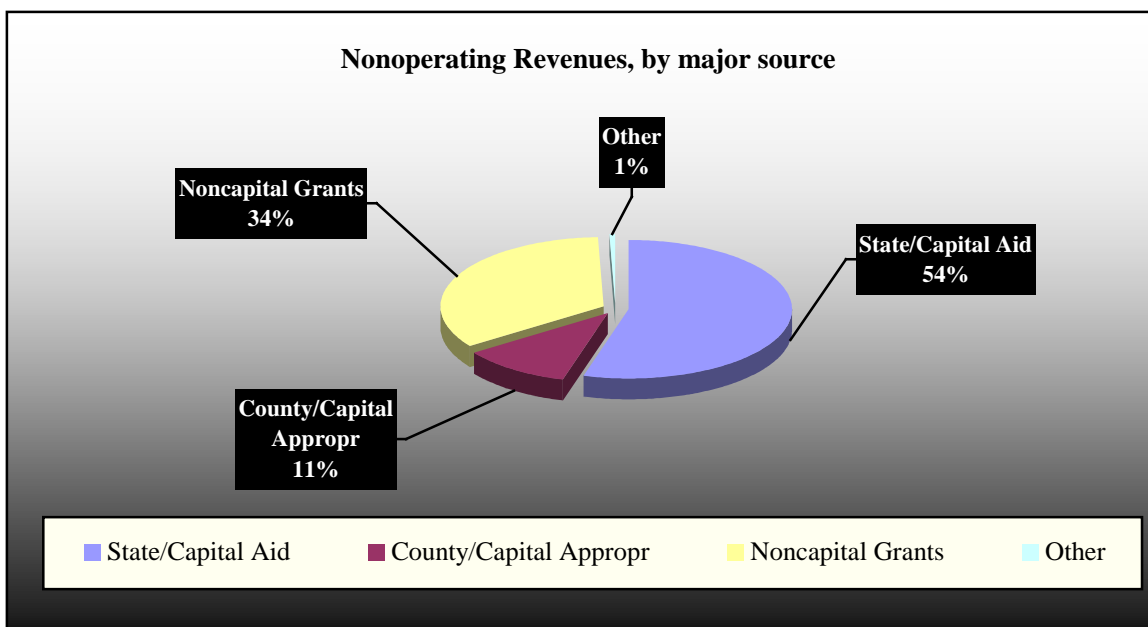
Total operating revenues increased by 0.33%, non-operating and other revenues decreased by 5.53%. There are several contributing factors for this financial position. The student tuition and fees, which is a major part of operating revenue, showed a 7.11% increase from the prior year. This increase was the result of an increase to the curriculum tuition rate per credit hour. The non-operating decrease can be attributed to the large decrease in state capital aid of \$1 million. This decrease can be attributed to a decline in funds allocated for construction projects and equipment purchases as compared to the prior fiscal year. Revenue received from state aid also decreased 2.48%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

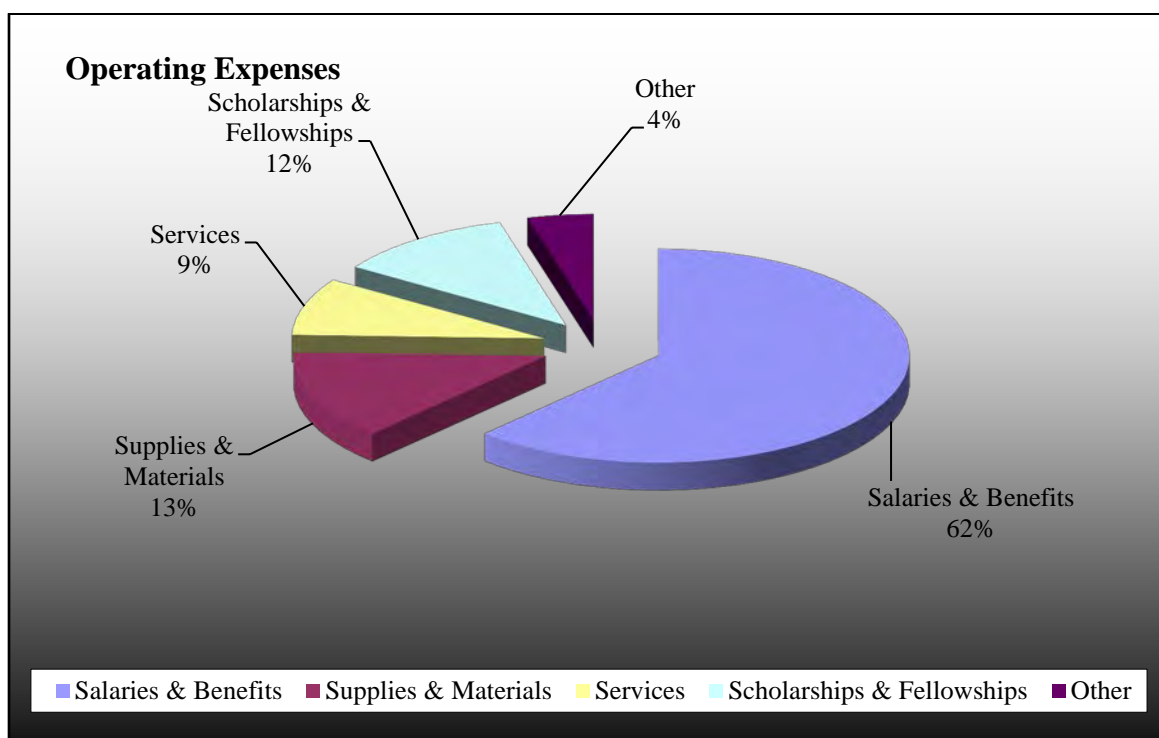
Noncapital grants received for federal financial aid had a decrease of \$126 thousand or 2.62% over fiscal year 2012, while revenues received from other noncapital grants had a decrease of \$123 thousand or 10.25%. These reductions were due to a decrease in enrollment during fiscal year 2013 that resulted in a decrease in student federal and state financial aid. In addition, other noncapital grants decreased due to a one-time \$135,000 grant received only in fiscal 2012.

Operating expenses decreased for fiscal year 2013 by \$613 thousand over fiscal year 2012. The expense decrease can be attributed to a few sources. Supplies and materials and services decreased by \$609 thousand due to the reduction in appropriation to various programs. The largest contributor of this amount was services expense, which decreased by \$521 thousand with the completion of the curriculum improvement projects in 2012 and a reduction of facility repair costs in 2013. In addition, the College received a directive to reduce purchases the last quarter of the fiscal year if feasible. Also, the scholarships and fellowships expense account had a decrease during the year of \$156 thousand or 6.61%. This account included expenses associated with grants and scholarships awarded to students. The decrease was caused by a decrease in PELL grants of \$69 thousand, Supplemental Educational Opportunity Grants (SEOG) of \$10 thousand, and a reduction in the amounts of other financial aid awarded of \$43 thousand due to a decrease in enrollment during the current fiscal year. In addition, expenses from depreciation decreased by \$48 thousand over fiscal year 2012. This is due to a decrease in the amount of depreciation expense recorded for assets and assets that were disposed during the fiscal year (see earlier discussion concerning reduction of capital assets and invested in capital assets).

Although certain operating expenses for fiscal year 2013 showed a decrease, salaries and benefits and utilities increased \$201 thousand over fiscal year 2012. With the startup of new programs and reopening some existing programs that had been on hold, the College's salaries and associated benefits increased.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



The following is a comparative analysis of the condensed Statement of Cash Flow for fiscal years ended June 30, 2012 and 2013. The Statement of Cash Flows provides information about cash receipts and cash payments during the year.

Condensed Statement of Cash Flow

	2013	2012	Increase (Decrease)	Percent Change
Cash Provided (Used) by				
Operating Activities	\$ (16,659,291.76)	\$ (17,380,796.88)	\$ 721,505.12	4.15%
Noncapital Financing Activities	16,294,855.98	16,590,394.25	(295,538.27)	-1.78%
Capital Financing Activities	494,713.32	648,015.04	(153,301.72)	-23.66%
Investing Activities	11,400.80	21,169.83	(9,769.03)	-46.15%
Net Change in Cash	141,678.34	(121,217.76)	262,896.10	216.88%
Cash, Beginning of Year	3,825,789.24	3,947,007.00	(121,217.76)	-3.07%
Cash, Ending of Year	\$ 3,967,467.58	\$ 3,825,789.24	\$ 141,678.34	3.70%

As seen in the chart above, net change in cash increased by 216.88% and total cash increased by 3.7% during the fiscal year 2013. The \$721 thousand decrease in operating activities has an effect on the cash ending balance. This was due to an overall increase in operating revenues and decrease in operating expenses (see the prior discussion of the revenue and expense variances). These factors combined contributed to an increase in ending cash balance for the year over the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Assets

Wilson Community College's net investment in capital assets as of June 30, 2013, amounts to \$9.65 million (net of depreciation). This net investment in capital assets includes land, buildings, improvements, and machinery/equipment. Wilson Community College's net investment in capital assets experienced a net decrease of 3.05% for the current fiscal year. The decrease can be attributed to the fiscal year's depreciation expense and disposal of assets.

The College continues to have an increase in its addition to depreciable assets which limits the decline in total net investment in capital assets (see earlier discussion concerning reduction in capital assets and invested in capital assets). The College has received funding for approved repair and renovation projects, but these projects are not expected to create new capital assets. Construction in progress has remained unchanged as the College has spent funds on architect fees, but has not begun construction on a new building that will allow the College to expand its Allied Health Sciences offerings.

Economic Factors and Next Year's Budget

Wilson Community College experienced a loss in enrollment during the 2012-13 budget funding cycle. Thereby we anticipate a decrease in appropriations from our state funding source due to the enrollment loss, system office funding formula changes, and to legislative budget cuts across state government. We anticipate an increase in county appropriations due to the acquisition of the Lee Campus in December 2013. The property is being donated by the current owners to the Wilson Community College Foundation, who will then lease the property to the College. The increase will primarily focus on renovation of the Lee Campus and will have little impact on the main campus. We also anticipate an increase in federal revenues from the PELL Grant, College Work Study, and the College's Direct Loan Program, and various other Federal Programs the College participates in.

Besides the Lee Campus renovations the College is planning several additional minor renovation and construction projects which will improve operations for the College. With the addition of the Lee Property the College also plans to begin several new programs which should have a positive impact on future enrollment. The Lee property will allow the College to expand its Advance Transportation Technology, Welding Technology, and Electrical Technology programs. It also would provide the College the space for new programs such as Hospitality Management and other specialized Industry and Industrial Technology programs.

Requests for Information

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

[This Page Left Blank Intentionally.]

Wilson Community College
Statement of Net Position
June 30, 2013

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,487,995.70
Restricted Cash and Cash Equivalents	289,811.39
Receivables, Net (Note 4)	272,635.81
Due from State of North Carolina Component Units	90,847.76
Inventories	302,193.08
Notes Receivable, Net (Note 4)	31,620.36

Total Current Assets	4,475,104.10
----------------------	--------------

Noncurrent Assets:

Restricted Cash and Cash Equivalents	189,660.49
Restricted Due from Primary Government	795,871.08
Capital Assets - Nondepreciable (Note 5)	1,012,139.97
Capital Assets - Depreciable, Net (Note 5)	8,641,476.02

Total Noncurrent Assets	10,639,147.56
-------------------------	---------------

Total Assets	15,114,251.66
--------------	---------------

DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	0.00
--------------------------------------	------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	90,763.28
Due to Primary Government	1,140.37
Unearned Revenue	201,079.38
Funds Held for Others	1,837.69
Long-Term Liabilities - Current Portion (Note 7)	62,483.59

Total Current Liabilities	357,304.31
---------------------------	------------

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	443,866.45
--------------------------------	------------

Total Liabilities	801,170.76
-------------------	------------

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	0.00
-------------------------------------	------

***Wilson Community College
Statement of Net Position
June 30, 2013***

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

NET POSITION

Investment in Capital Assets	9,653,615.99
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	187,821.80
Expendable:	
Loans	59,869.92
Capital Projects	693,918.19
Restricted for Specific Programs	273,195.66
Other	30,306.44
Unrestricted	<u>3,414,352.90</u>
Total Net Position	<u><u>\$ 14,313,080.90</u></u>

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

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

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 1,289,687.70
State and Local Grants and Contracts	57,999.96
Sales and Services, Net (Note 8)	606,354.78
Other Operating Revenues	68,301.40

Total Operating Revenues	<u>2,022,343.84</u>
--------------------------	---------------------

EXPENSES

Operating Expenses:

Salaries and Benefits	11,881,694.27
Supplies and Materials	2,585,627.65
Services	1,666,363.97
Scholarships and Fellowships	2,207,229.43
Utilities	370,662.86
Depreciation	442,688.76

Total Operating Expenses	<u>19,154,266.94</u>
--------------------------	----------------------

Operating Loss	<u>(17,131,923.10)</u>
----------------	------------------------

NONOPERATING REVENUES (EXPENSES)

State Aid	8,663,950.96
County Appropriations	1,714,497.00
Noncapital Grants - Federal Student Financial Aid	4,691,415.93
Noncapital Grants	1,083,811.88
Noncapital Gifts	83,445.00
Investment Income	10,997.88
Other Nonoperating Expenses	(6,836.29)

Net Nonoperating Revenues	<u>16,241,282.36</u>
---------------------------	----------------------

Loss Before Other Revenues	(890,640.74)
----------------------------	--------------

State Capital Aid	503,810.54
County Capital Appropriation	128,000.00
Capital Gifts	14,334.19

Decrease in Net Position	(244,496.01)
--------------------------	--------------

NET POSITION

Net Position, July 1, 2012	<u>14,557,576.91</u>
----------------------------	----------------------

Net Position, June 30, 2013	<u><u>\$ 14,313,080.90</u></u>
-----------------------------	--------------------------------

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

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

Exhibit A-3

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,018,617.07
Payments to Employees and Fringe Benefits	(11,875,318.52)
Payments to Vendors and Suppliers	(4,598,122.00)
Payments for Scholarships and Fellowships	(2,202,578.18)
Loans Issued to Students	(104,369.61)
Collection of Loans to Students	88,539.89
Other Receipts	13,939.59

Net Cash Used by Operating Activities	(16,659,291.76)
---------------------------------------	-----------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,663,950.96
County Appropriations	1,714,497.00
Noncapital Grants - Federal Student Financial Aid	4,703,290.93
Noncapital Grants Received	1,129,672.09
Noncapital Gifts Received	83,445.00
William D. Ford Direct Lending Receipts	1,219,682.00
William D. Ford Direct Lending Disbursements	(1,219,682.00)

Net Cash Provided by Noncapital Financing Activities	16,294,855.98
--	---------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	503,810.54
County Capital Appropriations	128,000.00
Proceeds from Sale of Capital Assets	34,159.66
Acquisition and Construction of Capital Assets	(171,256.88)

Net Cash Provided by Capital and Related Financing Activities	494,713.32
---	------------

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	11,400.80
-------------------	-----------

Cash Provided by Investing Activities	11,400.80
---------------------------------------	-----------

Net Increase in Cash and Cash Equivalents	141,678.34
---	------------

Cash and Cash Equivalents, July 1, 2012	3,825,789.24
---	--------------

Cash and Cash Equivalents, June 30, 2013	\$ 3,967,467.58
--	-----------------

Wilson 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	\$ (17,131,923.10)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	442,688.76
Provision for Uncollectible Loans and Write-Offs	4,343.75
Miscellaneous Nonoperating Income	5,236.91
Changes in Assets and Liabilities:	
Receivables, Net	(14,209.58)
Inventories	(10,226.16)
Notes Receivable, Net	(15,829.72)
Accounts Payable and Accrued Liabilities	31,250.60
Due to Primary Government	94.65
Unearned Revenue	24,964.52
Funds Held for Others	(1,127.78)
Compensated Absences	5,445.39
Net Cash Used by Operating Activities	<u><u>\$ (16,659,291.76)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 3,487,995.70
Restricted Cash and Cash Equivalents	289,811.39
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>189,660.49</u>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 3,967,467.58</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	14,334.19
Loss on Disposal of Capital Assets	(12,073.20)

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

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

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 348,765.41
Investments	<u>1,889,545.43</u>
Total Assets	<u>2,238,310.84</u>

LIABILITIES

Accounts Payable	<u>2,200.00</u>
Total Liabilities	<u>2,200.00</u>

NET ASSETS

Unrestricted	<u><u>\$ 2,236,110.84</u></u>
--------------	-------------------------------

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

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

Exhibit B-2

UNRESTRICTED REVENUES AND GAINS

Contributions Received	\$ 102,444.72
Investment Income	71,283.96
Net Realized Gains on Investments	38,221.08
Net Unrealized Gain on Investments	39,731.65
Lease Income	26,430.96
Miscellaneous Income	<u>1,663.77</u>
Total Unrestricted Revenues and Gains	<u>279,776.14</u>

EXPENSES

Program Services	135,232.79
Support Services	<u>89,534.66</u>
Total Expenses	<u>224,767.45</u>

Increase in Unrestricted Net Assets	55,008.69
Net Assets, July 1, 2012	<u>2,181,102.15</u>
Net Assets, June 30, 2013	<u><u>\$ 2,236,110.84</u></u>

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

[This Page Left Blank Intentionally.]

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is 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 – Wilson Community College Foundation, Inc. (Foundation) is a legally separate tax exempt component unit of the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of sixteen directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College. Because these 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 presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$135,232.79 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Wilson Community College, 902 Herring Avenue, Wilson, North Carolina or by calling 252-246-1293.

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

- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (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, private sources in connection with reimbursement of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

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

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 10 to 75 years for general infrastructure, 20 to 75 years for buildings, and 5 to 45 years for equipment.

- H. Restricted Assets** – Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1st or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30th is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

K. Net 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Internal Sales Activities** – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as LRC copier service, central stores, and print shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use as approved by the county commissioners.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 \$2,059.50 and deposits in private financial institutions with a carrying value of \$1,559,806.69 and a bank balance of \$1,771,882.54.

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 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$2,405,601.39, 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.

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

Investment Type	Cost	Market
Fixed Income Funds	\$ 876,262.42	\$ 858,054.40
Equities	753,617.49	825,746.51
Alternative Investments	205,864.13	205,744.52
	<u>\$ 1,835,744.04</u>	<u>\$ 1,889,545.43</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$36,297.16 was available to be spent, of which \$400.68 was classified in net position as restricted expendable for scholarships and fellowships. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 221,059.21	\$ 122,059.26	\$ 98,999.95
Student Sponsors	75,051.23	4,950.00	70,101.23
Accounts	114,762.82	12,002.37	102,760.45
Investment Earnings	774.18		774.18
Total Current Receivables	<u>\$ 411,647.44</u>	<u>\$ 139,011.63</u>	<u>\$ 272,635.81</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 41,097.19</u>	<u>\$ 9,476.83</u>	<u>\$ 31,620.36</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	\$ 904,014.97	\$ 0.00	\$ 0.00	\$ 904,014.97
Construction in Progress	108,125.00			108,125.00
Total Capital Assets, Nondepreciable	1,012,139.97			1,012,139.97
Capital Assets, Depreciable:				
Buildings	12,231,329.37			12,231,329.37
Machinery and Equipment	3,233,351.91	194,196.95	237,193.38	3,190,355.48
General Infrastructure	900,410.47			900,410.47
Total Capital Assets, Depreciable	16,365,091.75	194,196.95	237,193.38	16,322,095.32
Less Accumulated Depreciation:				
Buildings	5,257,139.66	219,664.19		5,476,803.85
Machinery and Equipment	1,576,894.91	217,207.91	190,960.52	1,603,142.30
General Infrastructure	586,250.61	14,422.54		600,673.15
Total Accumulated Depreciation	7,420,285.18	451,294.64	190,960.52	7,680,619.30
Total Capital Assets, Depreciable, Net	8,944,806.57	(257,097.69)	46,232.86	8,641,476.02
Capital Assets, Net	\$ 9,956,946.54	\$ (257,097.69)	\$ 46,232.86	\$ 9,653,615.99

The additions column includes a transfer of an asset from another community college, with \$22,940.07 added to the historical cost of equipment and \$8,605.88 added to the related accumulated depreciation.

NOTE 6 - 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	\$ 68,127.95
Accrued Payroll	4,003.92
Contract Retainage	5,093.20
Other	13,538.21
Total	\$ 90,763.28

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 500,904.65	\$ 403,766.08	\$ 398,320.69	\$ 506,350.04	\$ 62,483.59

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 3,082,390.71	\$ 0.00	\$ 1,770,060.23	\$ 22,642.78	\$ 1,289,687.70
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	1,336,215.73		916,670.39	1,275.11	418,270.23
Print Shop	146,544.75	146,544.75			0.00
Central Stores	28,984.95	28,984.95			0.00
Other	126,959.70				126,959.70
Sales and Services of Education and Related Activities	61,124.85				61,124.85
Total Sales and Services	\$ 1,699,829.98	\$ 175,529.70	\$ 916,670.39	\$ 1,275.11	\$ 606,354.78

* 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	\$ 6,789,110.41	\$ 589,790.64	\$ 526,898.07	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,905,799.12
Academic Support	1,002,162.05	97,862.30	130,897.09				1,230,921.44
Student Services	1,284,863.63	62,359.76	194,178.66				1,541,402.05
Institutional Support	2,138,295.49	183,940.06	535,454.65				2,857,690.20
Operations and Maintenance of Plant	537,909.82	621,282.98	202,730.46		370,662.86		1,732,586.12
Student Financial Aid				2,207,229.43			2,207,229.43
Auxiliary Enterprises	129,352.87	1,030,391.91	76,205.04				1,235,949.82
Depreciation						442,688.76	442,688.76
Total Operating Expenses	<u>\$ 11,881,694.27</u>	<u>\$ 2,585,627.65</u>	<u>\$ 1,666,363.97</u>	<u>\$ 2,207,229.43</u>	<u>\$ 370,662.86</u>	<u>\$ 442,688.76</u>	<u>\$ 19,154,266.94</u>

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 \$9,560,914.03, of which \$7,557,333.19 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$629,525.85 and \$453,440.00, 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 \$629,525.85, \$548,875.07, and \$379,419.43, 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 \$8,360.00 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. The voluntary contributions by employees amounted to \$92,700.00 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 North Carolina 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 \$400,538.66, \$368,867.55, and \$377,110.59, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% and .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 \$33,252.27, \$38,362.24, and \$40,019.90, 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

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

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

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

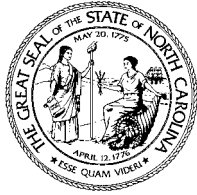
Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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

NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were \$58,779.31 at June 30, 2013.

[This Page Left Blank Intentionally.]



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

Board of Trustees
Wilson Community College
Wilson, 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 Wilson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 5, 2014. Our report includes a reference to other auditors who audited the financial statements of Wilson Community College Foundation, Inc, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit was 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 the discretely presented component unit.

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
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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 5, 2014

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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

Telephone: 919-807-7500

Facsimile: 919-807-7647

Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

or download our free app



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:

Bill Holmes
Director of External Affairs