STATE OF
NORTH CAROLINA

WAYNE COMMUNITY COLLEGE

GOLDSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

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, Wayne Community College

We have completed a financial statement audit of Wayne Community College for the year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

BASIC FINANCIAL STATEMENTS

College Exhibits

A-1 Statement of Net Position 12

A-2 Statement of Revenues, Expenses, and Changes in Net Position 14

A-3 Statement of Cash Flows 15

Component Unit Exhibits

B-1 Statement of Financial Position 17

B-2 Statement of Activities 18

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 *GOVERNMENT AUDITING STANDARDS* 35

ORDERING INFORMATION 37

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, 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 The Foundation of Wayne Community College, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for discretely presented component unit, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of The Foundation of Wayne Community College, 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. 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 Wayne Community College and its discretely presented component unit, as of June 30, 2014, 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 November 26, 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

November 26, 2014

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This section of Wayne Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2014, and June 30, 2013. Since this discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Overview of Financial Statements

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

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

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

The Statement of Cash Flows provides information regarding the College's cash receipts, cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2013 to the ending cash on hand as of June 30, 2014.

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

Financial Statement Presentation

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

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

Statement of Net Position

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

Condensed Statement of Net Position

	2014	2013 (As Restated)	Increase (Decrease)	Percent Change
Current Assets	$ 4,473,640.17	$ 3,998,064.59	$ 475,575.58	11.90%
Capital Assets	33,494,305.02	32,169,105.30	1,325,199.72	4.12%
Other Assets	1,294,646.04	1,827,212.35	(532,566.31)	-29.15%
Total Assets	39,262,591.23	37,994,382.24	1,268,208.99	3.34%
Current Liabilities	1,924,321.92	854,138.38	1,070,183.54	125.29%
Long-Term Liabilities	760,268.40	737,471.63	22,796.77	3.09%
Total Liabilities	2,684,590.32	1,591,610.01	1,092,980.31	68.67%
Net Position				
Invested in Capital Assets	33,494,305.02	32,169,105.30	1,325,199.72	4.12%
Restricted	998,363.39	2,818,088.83	(1,819,725.44)	-64.57%
Unrestricted	2,085,332.50	1,415,578.10	669,754.40	47.31%
Total Net Position	$ 36,578,000.91	$ 36,402,772.23	$ 175,228.68	0.48%

During the current fiscal year, the College's assets increased by $1,268,208.99 (3.34%). This was due to several factors, most notably by an increase in current assets of $475,575.58 (11.90%), an increase in capital assets of $1,325,199.72 (4.12%) and a decrease in other assets of $532,566.31 (29.15%).

The increase in current assets was a net effect of current unrestricted cash and cash equivalents increasing by $465,064.09, restricted cash and cash equivalents increasing by $99,176.38 and receivables, net decreasing by $110,943.07. Current cash and cash equivalents increase stems mainly from county current cash increasing by $253,532.35, student government fees cash increasing by $43,818.29 and more cash collected on reimbursable grants or programs which increased cash by $134,188.53. During the current year, county cash increased because county cash received for current operations exceeded the operating expenses for the current year. The county cash surplus will be carried forward to the 2014-2015 fiscal year and has been earmarked for several maintenance projects around the campus. The increase in student government cash is the result of collection of revenue exceeding the amount that was spent. The overage of student activity this 2013-2014 year will allow the College to increase the 2014-2015 budget to accommodate for more student activities around campus. Last year, the college had two reimbursable grants that attributed mostly to the increase in cash collected. The first was a Golden LEAF grant for the Essential Skills Project. Wayne Community College is a sub-recipient of Pitt Community College (PCC), the grantee for this Golden LEAF grant. PCC owed the College $214,262.80 for the 2012-2013 fiscal year, while in the current year, PCC owed less funds equaling $110,907.85. In addition, during the 2012-2013 fiscal year, the available amount to drawdown on the Federal Pell grant through the G-5 Website was less than in the current year. The receivable for Federal Pell in 2012-2013 was $78,327.89, while the receivable for the 2013-2014 fiscal year was $50,248.37 which increased cash availability. Restricted cash and cash equivalents increase stems from the $131,251.70 increase in technology fees. These fees are to be used for offsetting the cost of technology expenditures. For the fiscal year 2014-2015, more expenditures have been allotted to purchase addition computers and other supplies and materials for supporting the operations of the 2014-2015 curriculum. Net receivables decreased due to intergovernmental receivables which decreased $127,258.26. The decrease for intergovernmental receivables mirrors the increase in cash collections. The receivables include money due to the College from grants or programs. Therefore, because the College collected more funds from these third parties, the intergovernmental receivables decreased.

The increase in capital assets resulted from the difference between the assets purchased of $2,387,375.48 and the depreciation expense of $1,060,462.18. Since the purchases of assets were larger than the depreciation, capital assets net of accumulated depreciation increased. Due in large part to grant funding from the Golden LEAF Foundation and the County, the amount of purchases for fixed assets was significant.

Other assets decreased since the Community Assistance Golden LEAF grant paid the College $250,000.00 which in turn decreased Due From State of NC Component unit from $1,250,000.00 prior year to 1,000,000.00 for the current fiscal year. In addition, the WLC Renovations receivable also decreased from $483,867.19 for the 2012-2013 fiscal year to $193,606.24 for the current fiscal year. The difference of $290,260.95 was a result of drawdowns from the projects continuing progress.

Current Liabilities increased due to sizeable invoices not paid at June 30, 2014. Those invoices originated from the Community Assistance Golden LEAF grant. The funds from Golden Leaf to pay the invoices were not received until July 10, 2014; however, the equipment and other capital outlay on these invoices were already placed into service and payable to the vendors. The vendors were paid in July when the funds from Golden LEAF were released to the College.

College Liabilities

The College reported long-term liabilities of $760,268.40 as of June 30, 2014. The balance consists of compensated absences of $820,935.54 of which $60,667.14 is reported as current. The note payable to BB&T for an Energy Savings Contract from last year has been paid off. The last payment on the contract was finished in November of 2013.

Statement of Revenues, Expenses, and Changes in Net Position

The following comparative statement for fiscal years ending 2014 and 2013 reflects the monetary and percentage increase or decrease in reported revenues and expenses between years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2014	2013 (As Restated)	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees	$ 2,877,469.98	$ 2,819,521.60	$ 57,948.38	2.06%
State and Local Grants and Contracts	11,500.00	6,500.00	5,000.00	76.92%
Sales and Services	672,722.84	680,154.30	(7,431.46)	-1.09%
Other Operating Revenues	14,174.90	19,300.80	(5,125.90)	-26.56%
Total Operating Revenues	3,575,867.72	3,525,476.70	50,391.02	1.43%
Operating Expenses:				
Personal Services	19,979,317.25	20,048,875.92	(69,558.67)	-0.35%
Supplies and Materials	3,599,187.04	2,570,720.76	1,028,466.28	40.01%
Services	2,723,995.41	2,441,063.54	282,931.87	11.59%
Scholarships and Fellowships	5,696,973.75	5,695,335.74	1,638.01	0.03%
Utilities	584,842.88	576,422.47	8,420.41	1.46%
Depreciation Expense	1,060,462.18	1,005,744.75	54,717.43	5.44%
Total Operating Expenses	33,644,778.51	32,338,163.18	1,306,615.33	4.04%
Operating Loss	(30,068,910.79)	(28,812,686.48)	(1,256,224.31)	4.36%
Nonoperating and Other Revenues:				
State Aid	13,950,087.60	14,081,586.31	(131,498.71)	-0.93%
County Appropriations	3,295,903.00	3,220,067.00	75,836.00	2.36%
Noncapital Grants and Gifts	9,842,223.28	9,698,429.76	143,793.52	1.48%
Other nonoperating Income and Expenses	109,771.92	122,865.78	(13,093.86)	-10.66%
State Capital Aid	1,257,399.04	1,219,995.94	37,403.10	3.07%
County Capital Aid	1,362,016.45	645,289.54	716,726.91	111.07%
Capital Grants	426,738.18	1,537,665.89	(1,110,927.71)	-72.25%
Total Nonoperating and Other Revenues	30,244,139.47	30,525,900.22	(281,760.75)	-0.92%
Change in Net Position	175,228.68	1,713,213.74	(1,537,985.06)	-89.77%
Net Position - Beginning of Year	36,402,772.23	34,689,558.49	1,713,213.74	4.94%
Net Position - End of Year	$ 36,578,000.91	$ 36,402,772.23	$ 175,228.68	0.48%

Fiscal Year 2013-2014 total revenues are $33,820,507.32 and total expenses are $33,645,278.64.

Fiscal Year 2012-2013 total revenues are $34,054,328.89 and total expenses are $32,411,115.15.

The increase in student tuition and fees resulted from a variety of different factors. The tuition was increased from $69.00 a credit hour in the 2012-2013 fiscal year to $71.50 a credit hour in the 2013-2014 fiscal year which increased tuition by $363,181.96, this was offset by the increase of tuition discounting in the current year of $322,403.76. Tuition discounting reduces the amount of tuition paid by financial aid which is recognized in noncapital grants. Since more financial aid was used in the 2013-2014 to pay for tuition, a larger amount of tuition discounting was calculated so that the tuition was not recognized twice as tuition and financial aid. The difference in the increase of tuition and the increase of tuition discounting amounts to $40,778.20. This accounts for the majority of the increase for student tuition & fees.

Total operating expenses increased by 1,306,615.33 (4.04%). Supplies and materials increased by $1,028,466.28. In the 2013-2014 fiscal year, several grants and projects were appropriated which increased the amount of expenditures in supplies and materials. First of all, a county allotment was made to the College to provide a stimulus for economic development and workforce training in the county of Wayne for the College's manufacturing curriculum. Of the $643,600.00 allotment, $144,631.63 was used to purchase supplies and minor equipment. The College purchased minor equipment worth $173,207.82 with a $1,250,000.00 grant received from Golden LEAF in FY 2013. This grant is targeted to make students more marketable to employers in the areas of Industrial Systems and Electronics. The last contributor to the increase in supplies and materials was the Wayne Learning Center Student Services Renovation. The College expended $722,224.17 in architect fees, general contracting fees and other capital outlay toward the project. Since this renovation does not extend the useful life of the building and the purpose is to reorganize the area for better service to our students, the project is considered an expenditure to the financial statements, instead of a capital project. The expenditures from these two grants and one project which total $1,040,126.62 make up the majority of the increase in supplies and materials.

Services were another factor in the total increase of operating expenses. The College expended funds for scanning student records from paper documents to computer documents. The total of those services was $120,535.58. In addition, advertising for the College increased $57,319.07. The College recently hired a Marketing and Recruiting Specialist and in assessing the college's needs additional funds were spent more on radio advertising to boost student enrollment. The last contributor to the increase in services was the repairs to equipment line item. The increase was $69,980.15 due to repairs on equipment mainly in the Applied Technologies area. Machines in the Applied Technologies area have to be taken apart, serviced and re-built. The process is laborious and costly. The sum of these three increases total $247,834.80 which is the majority of the difference in services.

Nonoperating and other revenues decreased by $281,760.75 due to the net effect of decreased State Aid totaling $131,498.71, increased County Aid of $75,836.00, increased Noncapital Grants and Gifts of $143,793.52, increased County Capital Aid of $716,726.91, and a decrease in Capital Grants of $1,110,927.71. The decrease to State Aid is a combination of moving some funds to State Capital Aid, which in turn increased, and the remainder was a decrease in State expenditures which mirrors the amount of State Aid revenue received. The difference in County Appropriations in the current year was due to a yearly allocation increase. The amount of financial aid for Federal Pell increased $187,169.92 which accounts for the increase in Noncapital Grants and Gifts. In the 2013-2014 fiscal year, the County awarded the College a Manufacturing Center appropriation of $643,600.00. This allotment was to be used to provide a stimulus for economic development and workforce training in the county of Wayne. This revenue was recognized in County Capital Aid which accounts for the increase from last year to the current year. In the fiscal year 2012-2013, the College was awarded the Community Assistance Golden LEAF Grant which amounted to $1,250,000.00. The revenue and receivable for this grant was recognized for the full amount of the grant in last year's financials. Therefore, in the current year, there is a receivable for $1,000,000.00 since $250,000.00 was collected but no income from this grant was recognized since it was done in the previous year.

Capital Assets

The following schedule compares capital assets for the fiscal years 2014 and 2013, net of accumulated depreciation.

	2014	2013 (As Restated)	Increase (Decrease)	Percent Change
Land	$ 1,876,665.63	$ 1,876,665.63	$ 0.00	0%
Construction in Progress	89,070.32	96,580.49	(7,510.17)	-8%
Buildings	23,674,405.36	24,429,669.52	(755,264.16)	-3%
Machinery and Equipment	6,570,429.68	4,535,829.95	2,034,599.73	45%
General Infrastructure	1,283,734.03	1,230,359.71	53,374.32	4%
Totals	$ 33,494,305.02	$ 32,169,105.30	$ 1,325,199.72	4%

At June 30, 2014, net capital assets of $33,494,305.02 represents $50,264,172.19 invested in capital assets less $16,769,867.17 in accumulated depreciation. The increase of machinery and equipment by $2,034,599.73 is mainly attributable to additions of fixed assets. The additions to equipment totaled $2,320,485.39 while current year's depreciation amounted to only $284,172.06. There were several major pieces of equipment that were purchased with grant funds. The Essential Skills Golden LEAF grant helped purchase a HAAS VF3 5 AXIS for $169,490.83 which was used to prepare students for jobs in advanced manufacturing. The Manufacturing Center Grant funded by Wayne County allowed the College to purchase an Omax Jet Machining Center for $270,178.91. This equipment will be used to provide a stimulus for economic development and workforce training in the eastern region of North Carolina. Lastly, the Community Assistance Golden LEAF grant allotted funds to the College to purchase a FESTO AFB-MPS Logistics System for $914,607.31. The FESTO system will be used in the Industrial Systems and Electronics programs to make students more marketable to employers.

Economic Factors

The major source of funding for the College is from the State of North Carolina and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. State aid and state capital aid constituted approximately 44.96% of the College's total revenues for fiscal year 2013-14 – 60.79% excluding financial aid (noncapital grants).

Most of the state funding the College receives is based on enrollment. There are a variety of formulas to allocated funds per FTE, and those have changed only a little over the past few years. Reductions from the formula levels of funding have increased dramatically; however, in the year ended June 30, 2014, those reductions total $1.3 million in the form of a "management flexibility" reduction – about 8.0% of the state aid shown on the Statement of Revenues, Expenses, and Changes in Net Position. For the 2014-15 fiscal year, the "management flexibility" reduction at the beginning of the year was $978,959 and the possibility of an additional reversion later in the year still exists.

While the College's financial position remains strong, the reductions in state funding, coupled with the need to reduce spending to a sustainable level, as described above, will continue to challenge the College.

Wayne Community College
Statement of Net Position
June 30, 2014

Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,579,775.70
Restricted Cash and Cash Equivalents		916,594.07
Receivables, Net (Note 4)		707,901.16
Inventories		269,369.24
Total Current Assets		4,473,640.17
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		100,103.17
Restricted Due from Primary Government		194,542.87
Restricted Due from State of North Carolina Component Units		1,000,000.00
Capital Assets - Nondepreciable (Note 5)		1,965,735.95
Capital Assets - Depreciable, Net (Note 5)		31,528,569.07
Total Noncurrent Assets		34,788,951.06
Total Assets		39,262,591.23
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources		0.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		1,483,857.71
Unearned Revenue		269,579.84
Funds Held for Others		110,217.23
Long-Term Liabilities - Current Portion (Note 7)		60,667.14
Total Current Liabilities		1,924,321.92
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		760,268.40
Total Noncurrent Liabilities		760,268.40
Total Liabilities		2,684,590.32
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources		0.00

NET POSITION		
Investment in Capital Assets		33,494,305.02
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		51,584.06
Other		16,000.00
Expendable:		
Scholarships and Fellowships		66,560.59
Loans		25,521.67
Capital Projects		83,502.70
Restricted for Specific Programs		509,756.17
Other		245,438.20
Unrestricted		2,085,332.50
Total Net Position	$	36,578,000.91

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

Wayne Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014 — *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 10)	$	2,877,469.98
State and Local Grants and Contracts		11,500.00
Sales and Services, Net (Note 10)		672,722.84
Other Operating Revenues		14,174.90
Total Operating Revenues		3,575,867.72
EXPENSES		
Operating Expenses:		
Salaries and Benefits		19,979,317.25
Supplies and Materials		3,599,187.04
Services		2,723,995.41
Scholarships and Fellowships		5,696,973.75
Utilities		584,842.88
Depreciation		1,060,462.18
Total Operating Expenses		33,644,778.51
Operating Loss		(30,068,910.79)
NONOPERATING REVENUES (EXPENSES)		
State Aid		13,950,087.60
County Appropriations		3,295,903.00
Noncapital Grants - Student Financial Aid		8,803,153.17
Noncapital Grants		751,357.48
Noncapital Gifts		287,712.63
Investment Income		17,411.83
Interest and Fees on Debt		(500.13)
Other Nonoperating Revenues		92,860.22
Net Nonoperating Revenues		27,197,985.80
Loss Before Other Revenues		(2,870,924.99)
State Capital Aid		1,257,399.04
County Capital Aid		1,362,016.45
Capital Grants		426,738.18
Increase in Net Position		175,228.68
NET POSITION		
Net Position, July 1, 2013 as Restated (Note 16)		36,402,772.23
Net Position, June 30, 2014	$	36,578,000.91

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

Wayne Community College
Statement of Cash Flows *Exhibit A-3*
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 3,609,434.67
Payments to Employees and Fringe Benefits	(19,932,427.86)
Payments to Vendors and Suppliers	(6,927,790.29)
Payments for Scholarships and Fellowships	(5,696,973.75)
Other Receipts	110,408.65
Net Cash Used by Operating Activities	(28,837,348.58)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	13,950,087.60
County Appropriations	3,295,903.00
Noncapital Grants - Student Financial Aid	8,827,678.43
Noncapital Grants	751,720.09
Noncapital Gifts	287,712.63
Cash Provided by Noncapital Financing Activities	27,113,101.75
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,547,659.99
County Capital Aid	1,362,016.45
Capital Grants	676,738.18
Proceeds from Sale of Capital Assets	632.70
Acquisition and Construction of Capital Assets	(1,276,670.25)
Principal Paid on Capital Debt	(31,106.83)
Interest Paid on Capital Debt	(500.13)
Net Cash Provided by Capital and Related Financing Activities	2,278,770.11
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	17,411.83
Cash Provided by Investing Activities	17,411.83
Net Increase in Cash and Cash Equivalents	571,935.11
Cash and Cash Equivalents, July 1, 2013	3,024,537.83
Cash and Cash Equivalents, June 30, 2014	$ 3,596,472.94

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(30,068,910.79)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,060,462.18
Nonoperating Other Income		93,941.10
Changes in Assets and Liabilities:		
Receivables, Net		85,239.45
Inventories		(22,278.18)
Accounts Payable and Accrued Liabilities		46,607.33
Unearned Revenue		28,064.10
Funds Held for Others		(63,269.05)
Compensated Absences		2,795.28
Net Cash Used by Operating Activities	$	(28,837,348.58)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	2,579,775.70
Restricted Cash and Cash Equivalents		916,594.07
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		100,103.17
Total Cash and Cash Equivalents - June 30, 2014	$	3,596,472.94

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	1,130,639.71
Loss on Disposal of Capital Assets		(1,080.88)

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

The Foundation of Wayne Community College, Inc.
Statement of Financial Position
June 30, 2014 ***Exhibit B-1***

ASSETS		
Cash and Cash Equivalents	$	2,643,227
Pledges Receivable, Net		6,125
Investments		1,570,499
Real Estate Held for Resale		5,000
Capital Assets, Nondepreciable		27,770
Total Assets		4,252,621
LIABILITIES		
Total Liabilities		0
NET ASSETS		
Unrestricted		893,457
Temporarily Restricted		860,222
Permanently Restricted		2,498,942
Total Net Assets	$	4,252,621

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

The Foundation of Wayne Community College, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2014 — *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Gains:		
Contributions	$	151,764
Interest and Investment Income		14,525
Donated Services and Facilities		200,052
Net Unrealized and Realized Gains on Long-Term Investments		52,818
Total Unrestricted Revenues and Gains		419,159
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		225,565
Total Net Assets Released from Restrictions		225,565
Total Unrestricted Revenues, Gains, and Other Support		644,724
Expenses and Losses:		
Awards, Gifts and Scholarships		249,906
Fund Raising		221,349
Administrative		72,136
Total Expenses		543,391
Increase in Unrestricted Net Assets		101,333
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Golf Tournament		175,199
Contributions		94,898
Interest and Investment Income		32,390
Net Unrealized Gains on Long-Term Investments		120,794
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(225,565)
Increase in Temporarily Restricted Net Assets		197,716
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		344,759
Interest and Investment Income		8
Increase in Permanently Restricted Net Assets		344,767
Increase in Net Assets		643,816
Net Assets at Beginning of Year		3,608,805
Net Assets at End of Year	$	4,252,621

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component units 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. See below for further discussion of the College's component unit.

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

The Foundation is a 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 25 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the

Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit 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 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, 2014, the Foundation distributed $220,492.65 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of The Foundation of Wayne Community College, Inc., 3000 Wayne Memorial Drive, Goldsboro, NC 27534.

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

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

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (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 allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.

G. Capital Assets - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts.

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

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

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

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. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

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. **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 central stores. 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 by the College as approved by the county commissioners.

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 $1,355.00, and deposits in private financial institutions with a carrying value of $138,088.69 and a bank balance of $305,111.61.

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, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the

State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes $3,457,029.25 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 1.3 years as of June 30, 2014. 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 of the College's discretely presented component unit, the Foundation of Wayne Community College, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. At June 30, 2014, the Foundation held investments with the North Carolina Community Foundation. As of June 30, 2014, the cost of the investments was $1,220,050.00; the gross unrealized gain was 350,449.36, which results in total investments of $1,570,499.36. At June 30, 2014, the amount shown on the Statement of Financial Position of The Foundation of Wayne Community College, Inc., the College's discretely presented component unit, as cash and cash equivalents includes $2,626,586.47, which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund.

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2014, interest earnings of $475.44 were available to be spent from endowment funds.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 484,536.93	$ 104,681.32	$ 379,855.61
Student Sponsors	102,515.35		102,515.35
Intergovernmental	225,530.20		225,530.20
Total Current Receivables	$ 812,582.48	$ 104,681.32	$ 707,901.16

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013 (as restated)	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 1,876,665.63	$ 0.00	$ 0.00	$ 1,876,665.63
Construction in Progress	96,580.49	66,890.09	74,400.26	89,070.32
Total Capital Assets, Nondepreciable	1,973,246.12	66,890.09	74,400.26	1,965,735.95
Capital Assets, Depreciable:				
Buildings	37,763,203.58			37,763,203.58
Machinery and Equipment	6,686,220.76	2,320,485.39	5,380.39	9,001,325.76
General Infrastructure	1,459,506.64	74,400.26		1,533,906.90
Total Capital Assets, Depreciable	45,908,930.98	2,394,885.65	5,380.39	48,298,436.24
Less Accumulated Depreciation for:				
Buildings	13,333,534.06	755,264.16		14,088,798.22
Machinery and Equipment	2,150,390.83	284,172.06	3,666.81	2,430,896.08
General Infrastructure	229,146.91	21,025.96		250,172.87
Total Accumulated Depreciation	15,713,071.80	1,060,462.18	3,666.81	16,769,867.17
Total Capital Assets, Depreciable, Net	30,195,859.18	1,334,423.47	1,713.58	31,528,569.07
Capital Assets, Net	$ 32,169,105.30	$ 1,401,313.56	$ 76,113.84	$ 33,494,305.02

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 1,032,861.69
Accrued Payroll	306,446.08
Contract Retainage	34,027.30
Intergovernmental Payables	990.66
Other	109,531.98
Total Accounts Payable and Accrued Liabilities	$ 1,483,857.71

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Notes Payable	$ 31,106.83	$ 0.00	$ 31,106.83	$ 0.00	$ 0.00
Compensated Absences	818,140.26	572,981.06	570,185.78	820,935.54	60,667.14
Total Long-Term Liabilities	$ 849,247.09	$ 572,981.06	$ 601,292.61	$ 820,935.54	$ 60,667.14

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers/printers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	$ 176,021.76
2016	160,405.60
Total Minimum Lease Payments	$ 336,427.36

Rental expense for all operating leases during the year was $187,074.09.

NOTE 9 – OPERATING LEASE REVENUES

Future minimum lease revenues under noncancelable operating leases related to wireless broadband services are recorded when earned. The minimum future lease revenues consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	$ 17,262.00
2016	17,262.00
2017	17,262.00
2018	17,262.00
2019	17,262.00
2020-2024	86,310.00
2025-2029	86,310.00
2030-2034	86,310.00
2035-2036	34,524.00
Total Minimum Lease Payments	$ 379,764.00

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

NOTE 10 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 6,447,808.39	$ 0.00	$ 3,592,435.90	$ (22,097.49)	$ 2,877,469.98
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Student Union Services	$ 28,917.02	$ 0.00	$ 0.00	$ 0.00	$ 28,917.02
Bookstore	242,773.20			(621.35)	243,394.55
Preschool	337,790.60				337,790.60
Other	26,000.68	2,083.11			23,917.57
Sales and Services of Education and Related Activities	38,703.10				38,703.10
Total Sales and Services	$ 674,184.60	$ 2,083.11	$ 0.00	$ (621.35)	$ 672,722.84

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 12,423,366.44	$ 1,960,755.14	$ 625,514.70	$ 0.00	$ 0.00	$ 0.00	$ 15,009,636.28
Public Service	3,924.52	17,394.56					21,319.08
Academic Support	1,956,650.80	231,154.94	67,400.11				2,255,205.85
Student Services	1,573,530.50	131,961.96	326,734.80	115,135.45			2,147,362.71
Institutional Support	2,752,849.58	228,826.18	956,686.36				3,938,362.12
Operations and Maintenance of Plant	1,268,995.41	1,016,157.64	589,292.93		584,842.88		3,459,288.86
Student Financial Aid			42,027.77	5,581,838.30			5,623,866.07
Auxiliary Enterprises		12,936.62	116,338.74				129,275.36
Depreciation						1,060,462.18	1,060,462.18
Total Operating Expenses	$ 19,979,317.25	$ 3,599,187.04	$ 2,723,995.41	$ 5,696,973.75	$ 584,842.88	$ 1,060,462.18	$ 33,644,778.51

NOTE 12 - PENSION PLANS

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, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $15,244,226.84, of which $13,181,169.99 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were $1,145,443.67 and $790,870.20, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were $1,145,443.67, $1,106,438.55, and $936,583.99, respectively.

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.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by 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 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were $711,783.18, $703,976.51, and $629,424.72, 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, 2014, 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, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were $57,997.15, $58,443.33, and $65,460.17, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is

$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible.

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

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

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

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $152,508.12 at June 30, 2014.

NOTE 16 - NET POSITION RESTATEMENT

As of July 1, 2013, net position as previously reported was restated as follows:

	Amount
July 1, 2013 Net Position as Previously Reported	$ 36,446,100.36
Restatement:	
Expense Costs Previously Capitalized in Error	(43,328.13)
July 1, 2013 Net Position as Restated	$ 36,402,772.23

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STATE OF NORTH CAROLINA
Office of the State Auditor

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

Board of Trustees
Wayne Community College
Goldsboro, 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 Wayne Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 26, 2014. Our report includes a reference to other auditors who audited the financial statements of The Foundation of Wayne Community College, Inc., as described in our report on the College's financial statements. The financial statements of the Colleges discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with 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

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)

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.

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 26, 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

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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

This audit required 280 audit hours at an approximate cost of $26,230.