



# STATE OF NORTH CAROLINA

**FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE**

**FAYETTEVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE**

**FAYETTEVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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The Honorable Beverly E. Perdue, Governor  
The General Assembly of North Carolina  
Board of Trustees, Fayetteville Technical Community College

We have completed a financial statement audit of Fayetteville Technical Community College for the year ended June 30, 2009, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

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

Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Assets .....	12
A-2 Statement of Revenues, Expenses, and Changes in Net Assets .....	13
A-3 Statement of Cash Flows .....	14
Notes to the Financial Statements .....	17
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 AUDITING STANDARDS</i> .....	33
ORDERING INFORMATION .....	35



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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Fayetteville Technical Community College  
Fayetteville, North Carolina

We have audited the accompanying basic financial statements of Fayetteville Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville Technical Community College as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, during the year ended June 30, 2009.

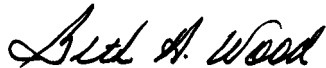
In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2010 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA  
State Auditor

February 18, 2010

## FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Fayetteville Technical Community College's (FTCC) financial statements presents management's discussion and analysis of the College's financial activity during the fiscal year ended June 30, 2009, with comparative data for fiscal year ended June 30, 2008. This management's discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements.

### **Using This Annual Report**

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This annual report consists of a series of financial statements, prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The three financial statements presented include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets presents the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) of the College as of the end of the fiscal year. It is a point of time financial statement.

The Statement of Revenues, Expenses, and Changes in Net Assets reports the College's results of operation for the fiscal year. It presents the revenues received by the College and the expenses paid by the College, both operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the College. It is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

For the fiscal year ended June 30, 2009, the College implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The implementation of these GASB Statements does not affect comparability of the current and prior year financial information.

### **Financial Highlights**

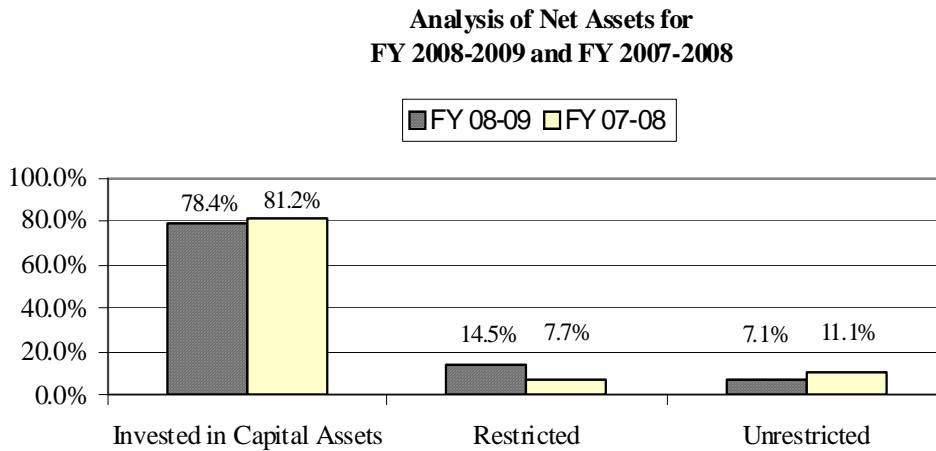
The College's net assets have increased from \$78,980,205.32 (as restated) at June 30, 2008, to \$89,700,736.28 at June 30, 2009. This increase of \$10,720,530.96 is due to a combination of factors. Investment in capital assets increased \$6,190,205.88 due to the capitalization of construction project and purchases of equipment and land. The College's construction projects are discussed below under "Significant Capital Asset Activities." Restricted for capital projects increased \$6,838,191.86 due to an increase in restricted due from primary government of \$4,913,211.20. This account represents the 2000 State bond funds due from

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

the North Carolina Community College System (NCCCS) for construction projects. Unrestricted net assets decreased \$2,364,798.49 due to an increase in personal services expense of \$1,239,331.95 and an increase in services expense of \$991,510.97, which includes an increase in contracted instruction expense paid from unrestricted funds.

The tuition rate was unchanged in FY 2009. Full Time Equivalents (FTE) that generated the FY 2009 funding decreased approximately 2.0 percent.

Total net assets as of June 30, 2009 consist of investments in capital assets (78.4 percent), restricted net assets (14.5 percent), and unrestricted net assets (7.1 percent). The following is a graphic illustration of net assets.



As of June 30, 2009, the College had recorded \$89,790,781.76 in invested in capital assets and \$19,460,382.91 in accumulated depreciation, resulting in net capital assets of \$70,330,398.85. Current assets decreased 19.53 percent from FY 2008 to FY 2009. This decrease was largely due to \$3,000,000 being reclassified from current cash and cash equivalents to noncurrent restricted cash and cash equivalents for the future renovations of our new bookstore. Noncurrent assets – capital increased 9.7 percent from FY 2008 to FY 2009 due to the increase in capital assets, as discussed below under “Significant Capital Asset Activities.” Noncurrent assets – other increased 158.6 percent from FY 2008 to FY 2009. The increase was primarily due to the increase in due from primary government of \$4,913,211.20 for construction and \$3,000,000 of cash moved from current cash and cash equivalents to noncurrent restricted cash and cash equivalents for future bookstore renovations. Noncurrent liabilities consist of the long-term portion of compensated absences. Total compensated absences include the balance of regular earned annual leave plus the balance of bonus leave, including benefits, for all full-time employees. The balance of bonus leave with benefits is \$1,642,992.86 at June 30, 2009, which is a decrease of 4.8 percent from the prior year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Condensed Statement of Net Assets

	<u>2009</u>	<u>2008</u> <u>(as restated)</u>	<u>Increase/ (Decrease)</u>
<b>ASSETS</b>			
Current Assets	\$ 11,473,798.26	\$ 14,259,268.23	\$ (2,785,469.97)
Noncurrent Assets:			
Capital	70,330,398.85	64,140,192.97	6,190,205.88
Other	<u>12,625,136.78</u>	<u>4,883,042.92</u>	<u>7,742,093.86</u>
<b>Total Assets</b>	<u>94,429,333.89</u>	<u>83,282,504.12</u>	<u>11,146,829.77</u>
<b>LIABILITIES</b>			
Current Liabilities	2,018,272.29	1,635,137.70	383,134.59
Noncurrent Liabilities	<u>2,710,325.32</u>	<u>2,667,161.10</u>	<u>43,164.22</u>
<b>Total Liabilities</b>	<u>4,728,597.61</u>	<u>4,302,298.80</u>	<u>426,298.81</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	70,330,398.85	64,140,192.97	6,190,205.88
Restricted	12,983,715.83	6,088,592.26	6,895,123.57
Unrestricted	<u>6,386,621.60</u>	<u>8,751,420.09</u>	<u>(2,364,798.49)</u>
<b>Total Net Assets</b>	<u>\$ 89,700,736.28</u>	<u>\$ 78,980,205.32</u>	<u>\$ 10,720,530.96</u>

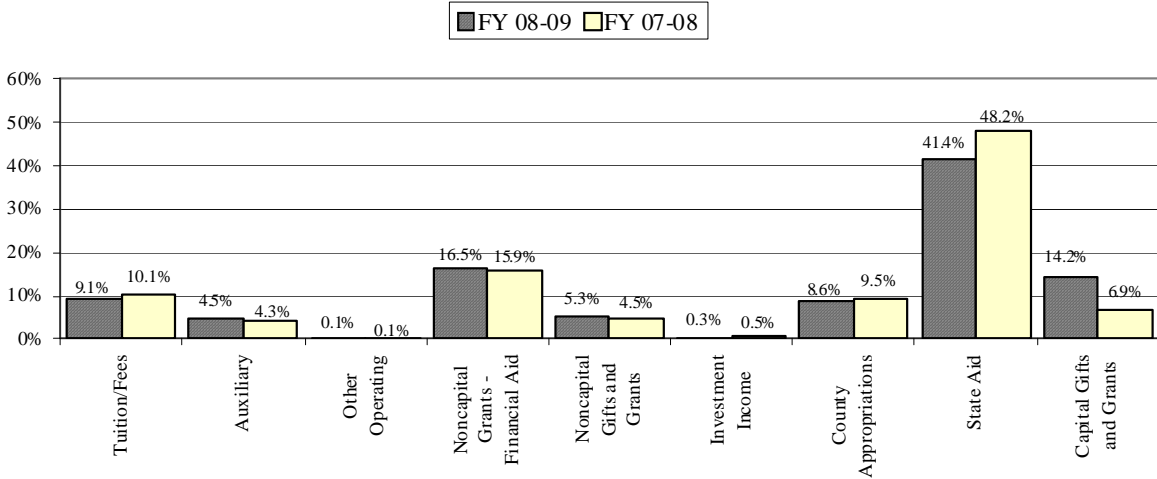
Total revenues for FY 2009 were \$95,951,023.17, an increase of 14.2 percent compared to FY 2008. Operating revenues increased 8.0 percent from FY 2008 to FY 2009. The change is largely due to increased student tuition and fees and sales and services revenues. The College's student tuition and fees revenue increased 2.3 percent. This is the result of an increase in enrollment in FY 2009, as tuition rates were unchanged. Sales and services revenue increased 18.7 percent. This is the result of increased bookstore revenues due to increased enrollment.

Nonoperating revenues increased 4.7 percent from FY 2008 to FY 2009. The change is largely due to increased noncapital grants and county appropriations revenues. Noncapital grants – federal student financial aid revenue increased 17.9 percent. The College awarded \$2,639,053.24 more in Pell grants in FY 2009 compared to FY 2008. Noncapital grants and gifts increased 34.4 percent. This is the result of \$314,701.11 in Golden Leaf grant revenue and \$208,258.28 in I3D Legislative grant revenue earned in FY 2009 that the College did not earn in FY 2008. In addition, the College recorded greater scholarships revenue in FY 2009. The largest increases in scholarships revenue were from the NCCCS Grant scholarship and the EARN scholarship, which increased \$165,958.00 and \$473,148.00, respectively. County appropriations revenue increased \$306,878.00 in FY 2009 compared to FY 2008.

Other revenues increased 137.2 percent from FY 2008 to FY 2009. The change is due to an increase in state capital aid of \$8,360,310.60. The College recorded more in state capital aid as a result of State funded construction projects.

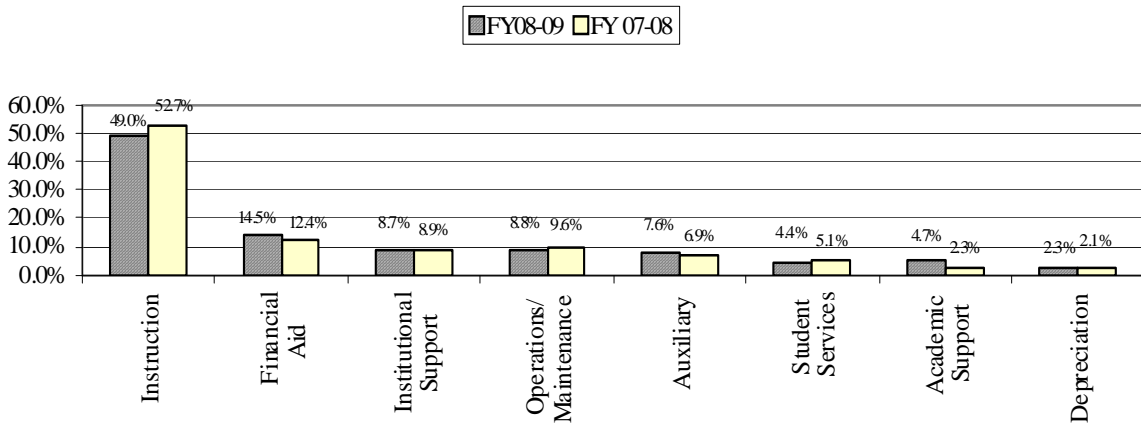
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Revenue by Source



Total operating expenses at June 30, 2009 were \$85,230,492.21; at June 30, 2008, total operating expenses (as restated) were \$79,706,048.70, resulting in a 6.9 percent increase from FY 2008. This increase was the result of a number of factors. Personal services expense increased 2.5 percent. All full-time employees of the College received a raise of either 3.0 percent or \$1,100.00, whichever was greater, in FY 2009. On April 28, 2009, Governor Perdue issued Executive Order #11, which mandated that all employees paid in whole or in part from funds appropriated by the 2008 Appropriations Act participate in a flexible furlough program. As a result, employee compensation supported by funds that flow through State accounts was reduced by an annualized amount equivalent to 0.5 percent. Services expense increased 13.9 percent. The College incurred increased cost for contracted instruction in FY 2009. Scholarships and fellowships expense increased 25.1 percent. As indicated previously, the College awarded \$2,639,053.24 more in Pell grants in FY 2009 compared to FY 2008.

### Operating Expenses



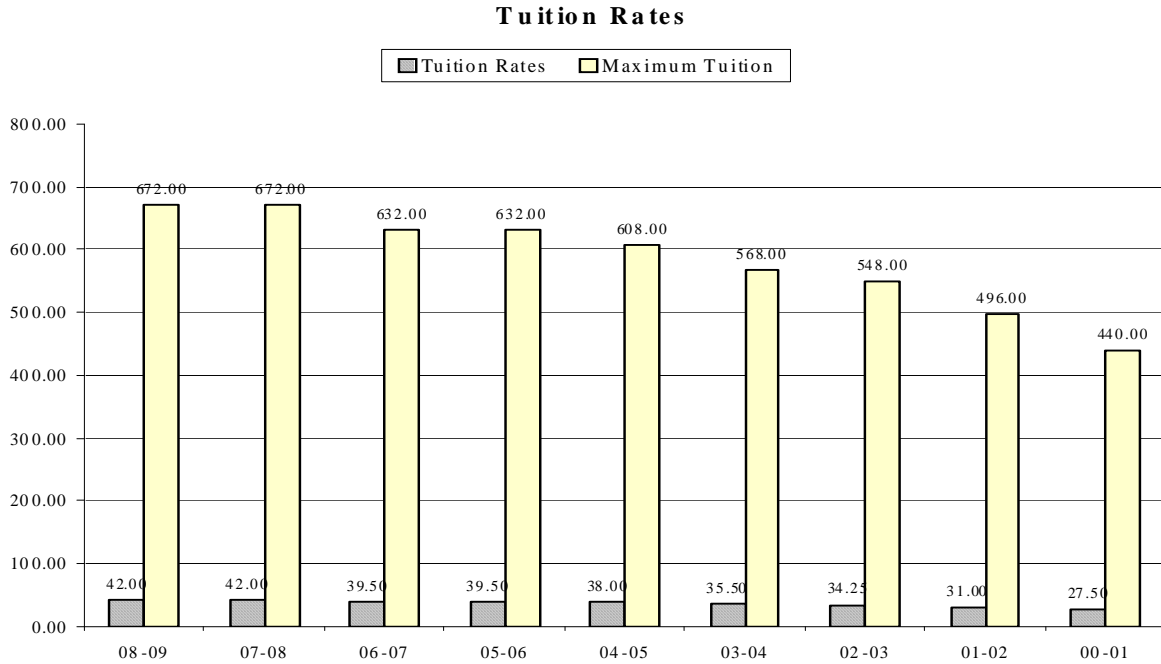
## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2009</u>	<u>2008</u> <u>(as restated)</u>	<u>Increase</u> <u>(Decrease)</u>
<b>OPERATING REVENUES</b>			
Tuition and Fees, Net	\$ 8,726,729.51	\$ 8,529,525.11	\$ 197,204.40
Grants and Contracts	31,048.10		31,048.10
Sales and Services, Net	4,281,756.89	3,607,678.85	674,078.04
Other Operating Revenues	113,548.85	43,542.47	70,006.38
<b>Total Operating Revenues</b>	<u>13,153,083.35</u>	<u>12,180,746.43</u>	<u>972,336.92</u>
<b>OPERATING EXPENSES</b>			
Personal Services	51,589,552.92	50,350,220.97	1,239,331.95
Supplies and Materials	9,842,549.33	9,360,542.35	482,006.98
Services	8,148,782.02	7,157,271.05	991,510.97
Scholarships and Fellowships	12,147,071.73	9,711,759.30	2,435,312.43
Utilities	1,536,361.39	1,480,353.49	56,007.90
Depreciation	1,966,174.82	1,645,901.54	320,273.28
<b>Total Operating Expenses</b>	<u>85,230,492.21</u>	<u>79,706,048.70</u>	<u>5,524,443.51</u>
<b>Operating Loss</b>	<u>(72,077,408.86)</u>	<u>(67,525,302.27)</u>	<u>(4,552,106.59)</u>
<b>NONOPERATING REVENUES</b>			
State Aid	37,278,865.63	40,474,770.07	(3,195,904.44)
State Aid - Federal Recovery Funds	2,471,177.65		2,471,177.65
County Appropriations	8,283,893.00	7,977,015.00	306,878.00
Noncapital Grants - Federal			
Student Financial Aid	15,782,318.00	13,384,441.18	2,397,876.82
Noncapital Grants and Gifts	5,036,201.60	3,747,789.58	1,288,412.02
Investment Income	262,068.12	428,633.31	(166,565.19)
Other Nonoperating Revenues	18,301.82	30,410.69	(12,108.87)
<b>Total Nonoperating Revenues</b>	<u>69,132,825.82</u>	<u>66,043,059.83</u>	<u>3,089,765.99</u>
<b>Loss Before Other Revenues</b>	<u>(2,944,583.04)</u>	<u>(1,482,242.44)</u>	<u>(1,462,340.60)</u>
Capital Contributions	<u>13,665,114.00</u>	<u>5,759,912.07</u>	<u>7,905,201.93</u>
<b>Total Increase in Net Assets</b>	<u>10,720,530.96</u>	<u>4,277,669.63</u>	<u>6,442,861.33</u>
<b>NET ASSETS</b>			
Beginning of Year, as Restated	<u>78,980,205.32</u>	<u>74,702,535.69</u>	<u>4,277,669.63</u>
End of Year	<u>\$ 89,700,736.28</u>	<u>\$ 78,980,205.32</u>	<u>\$ 10,720,530.96</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The State tuition rates for in-State and out-of-State students were unchanged in FY 2009. Over the last eight years, tuition has increased 52.7 percent.



As mentioned previously, the College receives funding from county and State sources. County appropriations increased from \$7,977,015.00 in FY 2008 to \$8,283,893.00 in FY 2009, a 3.8 percent increase. In June 2006, County Commissioners approved a special financing agreement to borrow funds to allocate to the College in order for the College to meet the remaining State bond match requirement of \$5,000,274.00. This match was allocated to the College as one lump sum and serves as the county allocation to the College for the next five years or until FY 2012. County funds are disbursed to the College on a reimbursement basis. At June 30, 2009, the College had received all county matching funds except for \$23,009.00. During FY 2009, the College purchased approximately 60 acres of land in the western part of Cumberland County. The project was funded by \$407,553.00 of county matching funds and \$2,505,136.00 of State bond funds. This property was purchased to meet future growth and expansion needs. Development of the property will begin as funds become available.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

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The FTEs that generate the College’s State budget (budget FTEs) declined in FY 2009 from FY 2008. The College is funded based on actual FTEs earned during the prior fiscal year, or a three year average, whichever is greater. In 2009, a three year average was used by the NCCCS to generate budgeted FTE in all three areas, as follows:

	<u>2008-2009</u>	<u>2007-2008</u>	<b>% Increase (Decrease)</b>
Curriculum	7,676 *	7,779	(1.3%)
Occupational Extension	1,441 *	1,542	(6.5%)
Basic Skills	<u>1,076 *</u>	<u>1,085 *</u>	(0.8%)
Total	<u><u>10,193</u></u>	<u><u>10,406</u></u>	(2.0%)

\* Numbers are based on a three year average performed by NCCCS.

In FY 2009, the College was required to revert 4.0 percent of its operating budget or \$1,683,338.00. Additional spending restrictions placed on the College by the NCCCS equated to approximately 5.0 percent, creating a total 9.0 percent negative impact on the College’s budget and thus, College operations. To add to the economic suffering, those full-time employees paid from State funds endured salary cuts totaling 0.5 percent of their annual salary, deducted from their pay checks in May and June 2009.

There were no new curriculum programs added in FY 2009; however, certificates and diplomas were added to various degree programs to include Advertising and Graphic Design, Business Administration, Web Technologies, and Medical Office Administration. Effective January 2009, the Cosmetology Program is no longer outsourced to a third party, but is operated by the College. The facility previously known as the Criminal Justice Center houses this program and has been renamed the Salon and Spa Services Educational Center. The Continuing Education Division added an online Medical Coding and Medical Records Terminology program that is a very popular and fast growing program.

FTCC continues to promote the advancement of technology in the classroom to prepare students for the future. The distance learning program enables students to take online courses anytime and anywhere using the Internet. FTCC served a total of 26,000 curriculum students and 500 continuing education students in FY 2009. Individual students are included in these figures multiple times, depending on the number of online courses a student takes.

The state of the economy, reflected by unemployment rates in Cumberland and surrounding counties, had a direct relationship to enrollment. The overall increase in actual FTE earned during FY 2009, was 8.0 percent, which will be reflected in the FY 2010 budget. The following information reflects the unemployment rates in Cumberland County as compared to prior years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>	<u>2001-2002</u>	<u>2000-2001</u>
January	8.9%	5.6%	5.6%	5.3%	5.8%	6.7%	5.1%
February	9.6%	5.7%	5.5%	5.7%	6.2%	6.5%	5.5%
March	9.2%	5.5%	5.1%	5.0%	5.5%	6.9%	5.0%
April	8.5%	5.3%	5.0%	4.6%	5.6%	6.3%	4.9%
May	9.3%	6.1%	5.2%	5.3%	5.5%	6.8%	5.0%
June	9.5%	6.6%	5.8%	5.6%	6.4%	6.8%	5.7%

### Significant Capital Asset Activities

The McKethan Drug Property purchase project is funded by \$529,398 of county funds. The purchase, which included land and a building, was complete in March 2008. The purchase also included a one year lease between the seller and the College. The lease ended April 1, 2009. The building is to be demolished during FY 2010. After the demolition is complete, current plans are to construct a parking lot.

The Service Merchandise renovations project is funded by \$10,189,000 in State bond funds and \$3,000,000 in bookstore revenues. The renovated Service Merchandise Building is expected to house the College bookstore and campus security. The building will also provide additional classrooms, labs, and faculty offices. The expected completion date is August 2011.

The Criminal Justice Center project is funded by \$2,209,944 of State bond funds. Project completion was initially scheduled for spring 2008. The completion date was extended to include the installation of mechanical uplifts used by cosmetology, aesthetic, and therapeutic programs. The project was complete in December 2008 and the name was changed to the Salon and Spa Services Educational Center.

The Americans with Disabilities Act & Life Safety Improvements project is funded by \$400,000 of State grant funds and \$400,000 of bookstore revenue. The expected completion date is September 2009.

The Bulla Property Parking Lot project is funded by \$261,182 of State bond funds and \$355,398 of county funds. The project was completed during August 2008.

The addition to the Thomas R. McLean Administration Building project is funded by \$500,000 of donated funds and \$1,208,000 of State bond funds. The expected completion date is July 2009.

The Student Center and Cumberland Hall roof replacement project is funded by \$746,235 of county funds. The replacements were completed during October 2008. This project was reclassified as repairs during 2009 to better agree with Office of State Controller guidelines concerning repairs versus capital construction.

The Western Property purchase occurred in December 2008 and is funded by \$2,505,136 of State bond funds and \$407,553 of county funds. The Western Property consists of

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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approximately 60 acres of land located in the western part of Cumberland County. To meet expected growth and expansion needs, future plans are to develop the Western Campus. This will be done as funds become available.

### **Economic Forecast**

The College budget for FY 2010 has been greatly impacted by the poor economy. The College had to implement a management flexibility reduction of \$1,313,038 and a 5.0 percent reversion of \$2,166,004 or a total reduction to its budget of \$3,479,042 during the first quarter of the fiscal year. Additionally, a 1.0 percent, or \$433,201, has been suggested to be held in case other reversions are required.

The College has been strategic in preparing its budget with limited resources and has been able to cover current needs so that instruction will not suffer. The current enrollment for Fall 2009 reflects an increase of approximately 3.9 percent and the final enrollment data is contingent on the second-eight week session. Increased enrollment without increased funds adds to heavy work loads for staff and faculty during a time of no raises and no bonuses. However, the future is looking brighter as we grow and look forward to moving out of the recession and into a time of economic recovery.

In the Fayetteville and surrounding area, the housing market has not suffered as greatly as in many other areas. Housing for the military community, as well as the anticipated housing needs because of BRAC (Base Realignment and Closure) at Ft. Bragg, has played a major role in this. The College is hopeful that the influx of the military associated with the BRAC initiative will add growth to its enrollment in the future.

***Fayetteville Technical Community College***  
***Statement of Net Assets***  
***June 30, 2009***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 9,161,345.51
Restricted Cash and Cash Equivalents	509,441.58
Receivables, Net (Note 4)	791,893.09
Due from State of North Carolina Component Units	345,186.31
Inventories	489,936.20
Prepaid Items	161,276.33
Notes Receivable, Net (Note 4)	14,719.24
	<hr/>
Total Current Assets	11,473,798.26
	<hr/>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	3,094,663.13
Restricted Receivables (Note 4)	9,181.72
Restricted Due from Primary Government	9,521,291.93
Capital Assets - Nondepreciable (Note 5)	9,534,891.39
Capital Assets - Depreciable, Net (Note 5)	60,795,507.46
	<hr/>
Total Noncurrent Assets	82,955,535.63
	<hr/>
Total Assets	94,429,333.89
	<hr/>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,227,188.41
Unearned Revenue	439,146.95
Funds Held for Others	32,312.29
Long-Term Liabilities - Current Portion (Note 7)	319,624.64
	<hr/>
Total Current Liabilities	2,018,272.29
	<hr/>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	2,710,325.32
	<hr/>
Total Liabilities	4,728,597.61
	<hr/>

**NET ASSETS**

Invested in Capital Assets	70,330,398.85
Restricted for:	
Nonexpendable:	
Endowment	39,050.00
Expendable:	
Scholarships and Fellowships	6,653.15
Loans	246,452.39
Capital Projects	12,632,519.16
Other	59,041.13
	<hr/>
Unrestricted	6,386,621.60
	<hr/>
Total Net Assets	\$ 89,700,736.28
	<hr/> <hr/>

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



***Fayetteville Technical Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2009***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 8,726,729.51
State and Local Grants and Contracts	31,048.10
Sales and Services, Net (Note 8)	4,281,756.89
Other Operating Revenues	113,548.85
	<hr/>
Total Operating Revenues	13,153,083.35
	<hr/>

**EXPENSES**

Operating Expenses:	
Personal Services	51,589,552.92
Supplies and Materials	9,842,549.33
Services	8,148,782.02
Scholarships and Fellowships	12,147,071.73
Utilities	1,536,361.39
Depreciation	1,966,174.82
	<hr/>
Total Operating Expenses	85,230,492.21
	<hr/>
Operating Loss	(72,077,408.86)
	<hr/>

**NONOPERATING REVENUES**

State Aid	37,278,865.63
State Aid - Federal Recovery Funds	2,471,177.65
County Appropriations	8,283,893.00
Noncapital Grants - Federal Student Financial Aid	15,782,318.00
Noncapital Grants	5,036,201.60
Investment Income	262,068.12
Other Nonoperating Revenues	18,301.82
	<hr/>
Total Nonoperating Revenues	69,132,825.82
	<hr/>
Loss Before Other Revenues	(2,944,583.04)
	<hr/>
State Capital Aid	13,257,275.42
County Capital Aid	407,552.58
Capital Gifts	286.00
	<hr/>
Increase in Net Assets	10,720,530.96

**NET ASSETS**

Net Assets, July 1, 2008 as Restated (Note 17)	78,980,205.32
	<hr/>
Net Assets, June 30, 2009	\$ 89,700,736.28
	<hr/> <hr/>

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

***Fayetteville Technical Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2009***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 12,992,492.51
Payments to Employees and Fringe Benefits	(51,594,155.91)
Payments to Vendors and Suppliers	(18,982,499.78)
Payments for Scholarships and Fellowships	(12,141,242.86)
Loans Issued to Students	(96,636.86)
Collection of Loans to Students	81,075.53
Other Receipts	32,311.83
	<hr/>
Net Cash Used by Operating Activities	(69,708,655.54)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	37,278,865.63
State Aid - Federal Recovery Funds	2,471,177.65
County Appropriations	8,283,893.00
Noncapital Grants - Federal Student Financial Aid	15,782,318.00
Noncapital Grants Received	4,751,194.10
William D. Ford Direct Lending Receipts	19,000,295.00
William D. Ford Direct Lending Disbursements	(19,000,295.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	68,567,448.38

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	8,344,064.22
County Capital Aid	407,552.58
Capital Grants Received	526,721.83
Capital Gifts Received	286.00
Proceeds from Sale of Capital Assets	10,278.71
Acquisition and Construction of Capital Assets	(8,310,706.99)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	978,196.35

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	262,068.12
	<hr/>
Cash Provided by Investing Activities	262,068.12

Net Increase in Cash and Cash Equivalents	99,057.31
Cash and Cash Equivalents, July 1, 2008	12,666,392.91
	<hr/>
Cash and Cash Equivalents, June 30, 2009	\$ 12,765,450.22

***Fayetteville Technical Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2009***

***Exhibit A-3***  
***Page 2***

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

Operating Loss	\$ (72,077,408.86)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,966,174.82
Miscellaneous Nonoperating Income	43,934.24
Changes in Assets and Liabilities:	
Receivables, Net	(279,075.63)
Inventories	72,731.37
Prepaid Items	81,053.45
Notes Receivable, Net	(600.09)
Accounts Payable and Accrued Liabilities	399,976.04
Unearned Revenue	106,368.68
Funds Held for Others	4,166.77
Compensated Absences	(25,976.33)
	<u>(25,976.33)</u>
Net Cash Used by Operating Activities	<u><u>\$ (69,708,655.54)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 9,161,345.51
Restricted Cash and Cash Equivalents	509,441.58
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>3,094,663.13</u>
Total Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 12,765,450.22</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 207,692.49
Increase in Receivables Related to Nonoperating Income	5,258,397.51
Loss on Disposal of Capital Assets	(74,206.64)

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

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**FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 40 to 60 years for buildings, and 5 to 45 years for equipment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 or designated 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 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.

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 June 30 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 Assets** - The College's net assets are classified as follows:

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

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

**Restricted Net Assets - Expendable** - Expendable restricted net assets include resources for which the College is legally or contractually

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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obligated to spend in accordance with restrictions imposed by external parties.

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

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

- L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- M. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 the College bookstore. All internal sales activities to College departments from auxiliary operations and the sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the sales and service unit and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital aid do not revert and are available for future use as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$3,560.00, and deposits in private financial institutions with a carrying value of \$5,223,780.78 and a bank balance of \$6,455,055.62.

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, 2009, the College's bank

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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 and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2009, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$7,538,109.44 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.8 years as of June 30, 2009. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

### **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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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, 2009, net appreciation of \$1,442.84 was available to be spent, all of which was restricted to specific purposes.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2009 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 566,025.13	\$ 424,956.10	\$ 141,069.03
Accounts	427,431.08		427,431.08
Intergovernmental	167,295.24		167,295.24
Other	56,097.74		56,097.74
<b>Total Current Receivables</b>	<b>\$ 1,216,849.19</b>	<b>\$ 424,956.10</b>	<b>\$ 791,893.09</b>
<b>Noncurrent Receivables:</b>			
Intergovernmental	\$ 9,181.72	\$ 0.00	\$ 9,181.72
<b>Notes Receivable:</b>			
Institutional Student Loan Programs	\$ 64,273.01	\$ 49,553.77	\$ 14,719.24

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2009 is presented as follows:

	Balance July 1, 2008 (as restated)	Increases	Decreases	Balance June 30, 2009
Capital Assets, Nondepreciable:				
Land	\$ 4,039,003.47	\$ 2,912,688.58	\$ 0.00	\$ 6,951,692.05
Construction in Progress	1,727,214.08	3,050,002.82	2,194,017.56	2,583,199.34
<b>Total Capital Assets, Nondepreciable</b>	<u>5,766,217.55</u>	<u>5,962,691.40</u>	<u>2,194,017.56</u>	<u>9,534,891.39</u>
Capital Assets, Depreciable:				
Buildings	64,452,441.20	2,321,887.55		66,774,328.75
Machinery and Equipment	10,559,977.03	1,485,151.06	183,166.97	11,861,961.12
General Infrastructure	1,003,021.12	616,579.38		1,619,600.50
<b>Total Capital Assets, Depreciable</b>	<u>76,015,439.35</u>	<u>4,423,617.99</u>	<u>183,166.97</u>	<u>80,255,890.37</u>
Less Accumulated Depreciation for:				
Buildings	13,501,822.97	1,311,777.43		14,813,600.40
Machinery and Equipment	3,734,888.15	622,269.96	147,255.84	4,209,902.27
General Infrastructure	404,752.81	32,127.43		436,880.24
<b>Total Accumulated Depreciation</b>	<u>17,641,463.93</u>	<u>1,966,174.82</u>	<u>147,255.84</u>	<u>19,460,382.91</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>58,373,975.42</u>	<u>2,457,443.17</u>	<u>35,911.13</u>	<u>60,795,507.46</u>
<b>Capital Assets, Net</b>	<u>\$ 64,140,192.97</u>	<u>\$ 8,420,134.57</u>	<u>\$ 2,229,928.69</u>	<u>\$ 70,330,398.85</u>

The capital assets schedule above includes land and buildings valued at a cost of \$3,008,130.45, for which the College does not currently hold the title. In 2006, the Cumberland County Board of Commissioners approved a special financing agreement to provide funds to the College in order for the College to meet the remaining State bond match requirement. In order for the county to obtain the private financing needed to provide the resources to the College, the College transferred title of the land and buildings to the county for use as collateral until the debt has been paid off, at which time the title reverts back to the College. Until that time, the College is leasing the property from the county for \$100 per year.

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2009 were as follows:

	Amount
Accounts Payable	\$ 704,521.10
Accrued Payroll	344,044.00
Contract Retainage	103,853.35
Intergovernmental Payables	21,892.01
Other	52,877.95
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 1,227,188.41</u>

## 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, 2009 is presented as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
<b>Total Compensated Absences</b>	\$ 3,055,926.29	\$ 1,452,689.50	\$ 1,478,665.83	\$ 3,029,949.96	\$ 319,624.64

### NOTE 8 - REVENUES

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

	Gross Revenues	Less Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 13,018,009.99	\$ 0.00	\$ 4,150,210.36	\$ 141,070.12	\$ 8,726,729.51
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 6,144,732.90	\$ 15,795.29	\$ 2,626,026.93	\$ 283,885.98	\$ 3,219,024.70
Vending	127,077.62				127,077.62
Early Childhood Education Center	905,467.56				905,467.56
Other	1,845.00				1,845.00
Sales and Services of Education and Related Activities	28,342.01				28,342.01
<b>Total Sales and Services</b>	\$ 7,207,465.09	\$ 15,795.29	\$ 2,626,026.93	\$ 283,885.98	\$ 4,281,756.89

### 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	\$ 33,889,006.68	\$ 3,691,314.01	\$ 4,102,911.73	\$ 0.00	\$ 0.00	\$ 0.00	\$ 41,683,232.42
Academic Support	3,868,083.07	65,433.14	92,233.70				4,025,749.91
Student Services	3,491,354.44	127,534.23	130,629.66				3,749,518.33
Institutional Support	5,423,369.25	497,067.01	1,479,434.65				7,399,870.91
Operations and Maintenance of Plant	3,483,952.48	500,678.91	2,063,320.56		1,536,361.39		7,584,313.34
Student Financial Aid	226,212.80			12,147,071.73			12,373,284.53
Auxiliary Enterprises	1,207,574.20	4,960,522.03	280,251.72				6,448,347.95
Depreciation						1,966,174.82	1,966,174.82
<b>Total Operating Expenses</b>	\$ 51,589,552.92	\$ 9,842,549.33	\$ 8,148,782.02	\$ 12,147,071.73	\$ 1,536,361.39	\$ 1,966,174.82	\$ 85,230,492.21

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2009, these rates were set at 3.36% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$45,886,830.20, of which \$35,672,514.35 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,198,596.48 and \$2,140,350.86, respectively.

Required employer contribution rates for the years ended June 30, 2008 and 2007 were 3.05% and 2.66%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2009, 2008, and 2007 which were \$1,198,596.48, \$1,069,970.29, and \$883,228.48, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$34,155.00 for the year ended June 30, 2009.

IRC 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 \$663,256.05 for the year ended June 30, 2009.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$159,749.76 for the year ended June 30, 2009.

### **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)

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The Plan's benefit and contribution provisions are established by *North Carolina General Statute 135-7* and Chapter 135, Article 3A, 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 determined by the General Assembly in the Appropriations Bill.

For the current fiscal year, the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2008 and 2007 were 4.1% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2009, 2008, and 2007 which were \$1,462,573.09, \$1,438,320.72, and \$1,261,754.97, 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.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2009, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2008 and 2007 were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2009, 2008, and 2007 which were \$185,497.07, \$182,421.64, and \$172,661.21, 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.

Tort claims of up to \$1,000,000 are 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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. The College is protected for losses from employee dishonesty and computer fraud for employees paid directly from county or institutional funds by contract with private insurance companies.

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

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

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

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

### NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,240,416.94 at June 30, 2009.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 14 - RELATED PARTIES

The Fayetteville Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$84,798 for the year ended June 30, 2009.

### NOTE 15 - LEASE OPERATING REVENUE

Future minimum lease revenue under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2009:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 20,957.00
2011	20,957.00
2012	20,957.00
2013	20,957.00
2014	20,957.00
2015-2019	104,785.00
2020-2024	104,785.00
2025-2029	104,785.00
2030-2034	104,785.00
2035-2036	41,914.00
Total Minimum Lease Revenues	<u>\$ 565,839.00</u>

Rental revenue for all operating leases during the year was \$20,957.

### NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2009, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations.*

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

GASB Statement No. 49, requires reporting pollution remediation obligations, including reporting pollution remediation obligations that previously may not have been reported.

GASB Statement No. 52, requires reporting land and other real estate held as investments at fair value. This statement amends GASB Statement No. 31 which required endowments to report land and other real estate investments at historical cost.

In addition, beginning with the year ended June 30, 2009, the College reports federal student aid as nonoperating revenue instead of operating revenue. This change was the result of a clarification in the *GASB Comprehensive Implementation Guide*.

### NOTE 17 - NET ASSET RESTATEMENTS

As of July 1, 2008, net assets, as previously reported, was restated as follows:

	<u>Amount</u>
July 1, 2008 Net Assets, as Previously Reported	\$ 78,903,751.71
Restatements:	
Correction of an Error Related to the Estimated Useful Lives of Capital Assets	748,527.61
Correction of an Error Related to the Capitalization of a Roof Repair in a Prior Period	<u>(672,074.00)</u>
July 1, 2008 Net Assets, as Restated	<u><u>\$ 78,980,205.32</u></u>



**Beth A. Wood, CPA**  
State Auditor

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**Office of the State Auditor**

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<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**

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Board of Trustees  
Fayetteville Technical Community College  
Fayetteville, North Carolina

We have audited the financial statements of Fayetteville Technical Community College, a component unit of the State of North Carolina as of and for the year ended June 30, 2009 and have issued our report thereon dated February 18, 2010.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* during the year ended June 30, 2009.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

**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)**

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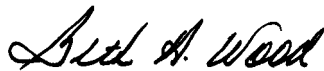
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

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



Beth A. Wood, CPA  
State Auditor

February 18, 2010

## **ORDERING INFORMATION**

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

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