

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## NORTH CAROLINA AGRICULTURAL & TECHNICAL STATE UNIVERSITY

GREENSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A CONSTITUENT INSTITUTION OF THE UNIVERSITY OF NORTH CAROLINA  
SYSTEM AND A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
Board of Trustees, North Carolina Agricultural & Technical State University

We have completed a financial statement audit of North Carolina Agricultural & Technical State University for the year ended June 30, 2015, 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



Beth A. Wood, CPA  
State Auditor

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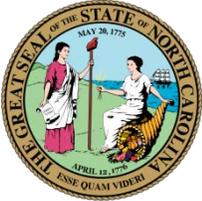
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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.



# INDEPENDENT AUDITOR'S REPORT

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



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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
North Carolina Agricultural & Technical State University  
Greensboro, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of North Carolina Agricultural & Technical State University, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University'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 North Carolina A&T University Foundation, Inc., the University's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit 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 University'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 University'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 respective financial position of North Carolina Agricultural & Technical State University and its discretely presented component unit, as of June 30, 2015, and the respective 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.

### Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended June 30, 2015, North Carolina Agricultural & Technical State University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the University'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 University's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

December 14, 2015



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Introduction

North Carolina Agricultural & Technical State University provides the following discussion and analysis in order to give the reader a summary of its financial activities and to provide assistance in understanding the financial statements for the fiscal year ended June 30, 2015. Comparative data for the year ended June 30, 2014 is also included. All information provided has been prepared by University staff for the purpose of identifying significant transactions, trends, and events that have had an impact on the fiscal health of the University and that may continue to exert influence in future years. To properly use and interpret the information provided in this discussion and analysis, it is recommended that it be read in conjunction with the related financial statements and the accompanying notes to the financial statements for further explanation and details.

## The Financial Statements

The financial statements for North Carolina Agricultural & Technical State University include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

These statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and reflect an economic resource measurement focus and the accrual basis of accounting. Management's discussion and analysis will concentrate on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position using condensed versions. Complete versions of each of the financial statements are presented as exhibits immediately following management's discussion and analysis.

In fiscal year 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement addresses the accounting and reporting requirements for state and local governments that provide pension benefits to employees through plans administered by a trustee. The University participates in such a plan by making contributions on behalf of its employees to the Teachers' and State Employees' Retirement System (TSERS), a cost-sharing, multiple-employer, defined benefit plan administered by the State of North Carolina. As a result of implementing GASB Statement No. 68, the University recorded its proportionate share of the collective net pension liability, deferred inflows, deferred outflows, and pension expense for TSERS from information provided by the State Treasurer. The Statement of Net Position has been restated to reflect the adjustments made in consideration of GASB Statement No. 68.

## Statement of Net Position

The Statement of Net Position summarizes and provides insight into the financial wellness of the University at June 30, 2015. It presents the financial position as defined by the balances of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets and liabilities are classified as current or noncurrent. Current assets and liabilities include those resources and obligations that pertain to current operating requirements. Noncurrent assets are held to meet future needs while noncurrent liabilities are obligations that will be payable in future periods. Deferred outflows of resources are made up of funds held in escrow for refunded bonds, current year contributions to TSERS on behalf of employees, and adjustments to the components of the net pension liability. Deferred inflows of resources related to pensions are also adjusted for changes in the

components of the net pension liability. Net position (assets and deferred outflows of resources, net of liabilities and deferred inflows of resources) is grouped into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is further classified as nonexpendable or expendable. Endowments and loan funds comprise the nonexpendable net position and expendable net position is made up primarily of contracts, grants, and restricted gifts.

**Condensed Statement of Net Position**

	2015	2014 (As Restated)	Dollar Change	Percent Change
<b>Assets</b>				
Current Assets	\$ 66,447,038.46	\$ 56,793,389.52	\$ 9,653,648.94	17.00%
Noncurrent Capital Assets, Net of Accumulated Depreciation	333,149,779.38	328,497,377.71	4,652,401.67	1.42%
Other Noncurrent Assets	43,176,070.89	48,162,895.69	(4,986,824.80)	-10.35%
<b>Total Assets</b>	<b>442,772,888.73</b>	<b>433,453,662.92</b>	<b>9,319,225.81</b>	<b>2.15%</b>
<b>Deferred Outflows of Resources</b>				
Deferred Loss on Refunding	164,547.55	197,457.05	(32,909.50)	-16.67%
Deferred Outflows Related to Pensions	6,069,187.96	5,588,159.00	481,028.96	8.61%
<b>Total Deferred Outflows</b>	<b>6,233,735.51</b>	<b>5,785,616.05</b>	<b>448,119.46</b>	<b>7.75%</b>
<b>Liabilities</b>				
Current Liabilities	10,886,601.10	10,796,285.28	90,315.82	0.84%
Long-Term Liabilities	46,205,909.15	61,162,764.23	(14,956,855.08)	-24.45%
Other Noncurrent Liabilities	1,084,181.61	1,169,122.15	(84,940.54)	-7.27%
<b>Total Liabilities</b>	<b>58,176,691.86</b>	<b>73,128,171.66</b>	<b>(14,951,479.80)</b>	<b>-20.45%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows Related to Pensions	17,478,186.00		17,478,186.00	100.00%
<b>Net Position</b>				
Net Investment in Capital Assets	303,335,850.17	308,666,231.36	(5,330,381.19)	-1.73%
Restricted-Nonexpendable	32,425,729.67	30,613,481.39	1,812,248.28	5.92%
Restricted-Expendable	19,891,736.40	17,787,459.31	2,104,277.09	11.83%
Unrestricted	17,698,430.14	9,043,935.25	8,654,494.89	95.69%
<b>Total Net Position</b>	<b>\$ 373,351,746.38</b>	<b>\$ 366,111,107.31</b>	<b>\$ 7,240,639.07</b>	<b>1.98%</b>

While the overall change in total net position of \$7,240,639.07 was slightly less than two percent, there was significant activity within several categories. Total assets of North Carolina Agricultural & Technical State University increased by \$9,319,225.81 over the previous year while liabilities decreased by \$14,951,479.80. Deferred outflows increased by only \$448,119.46 while deferred inflows significantly increased by \$17,478,186.00.

Current assets totaled \$66,447,038.46, an increase of \$9,653,648.94 over the prior year. Receivables decreased by \$6,891,503.63, while cash and cash equivalents increased by \$14,902,790.31 and investments increased by \$1,742,609.45.

The balance in accounts receivable decreased significantly in fiscal year 2015, primarily because of a \$6,404,192.75 decrease in amounts due from federal agencies. The decrease in federal contracts and grants receivable resulted from the current year's collection of outstanding receivables from the prior year, as well as the timely reimbursement of current year contract and grant expenditures from federal sources.

The \$14,902,790.31 increase in current cash and cash equivalents was due primarily to the following:

- Annual activities of auxiliary services and unrestricted funds provided a net increase in cash of \$8,244,170.21. Revenues totaled \$59,512,608.58, with fees and sales and services making up 90.28% of that total. Fees increased from the prior year by \$3,400,886.84 due to increases in rates as well as enrollment. Expenses and net transfers to noncurrent funds totaled \$51,726,292.19, a slight decrease from the prior year. The more significant decreases in expenses occurred in personnel costs, supplies, and services.
- Cash from the collection of overhead expense reimbursements for contracts and grants increased by \$1,788,422.19. Decreases in expenses charged to overhead also resulted in a net increase to cash.
- Cash in restricted funds increased by \$6,324,532.55, due primarily to collections of outstanding fiscal year 2014 receivables and collections of receivables for current year activities prior to year-end. The net change in receivables on contracts and grants billings totaled \$6,351,599.43.
- During the year, the University used current unrestricted cash to fund construction projects, resulting in a decrease of \$2,193,239.43, an off-set to the increases listed above.

Current restricted investments increased by \$1,742,609.45. The increase was primarily due to funds received in fiscal year 2015 from note proceeds to cover the costs of energy saving projects. The projects are expected to be completed by the spring of the current fiscal year.

Noncurrent capital assets, net of accumulated depreciation, increased by 1.42% for a total of \$4,652,401.67. Net additions were made up of \$20,545,155.69 in new assets and \$8,751,011.31 in disposals. The majority of additions occurred in building construction and equipment acquisitions. Capital asset disposals were significant in fiscal year 2015 because the student union facility was razed to make way for a large state-of-the-art student center. Net depreciation totaled \$7,141,742.71, the difference between the current year's expense of \$11,325,403.14 and depreciation on asset disposals of \$4,183,660.43.

Other noncurrent assets decreased during the year by \$4,986,824.80. A decrease in cash of \$8,449,035.93, off-set by an increase in investments of \$3,827,953.79, made up the majority of the total decrease. Cash decreased as expenses for major construction projects reduced the balances that were on hand at June 30, 2014 by \$7,448,659.35. Investments increased due to the addition of \$1,000,000.00 from endowment gifts, reinvestment of net income of \$214,827.50, and market appreciation of \$2,610,636.12.

Deferred outflows of resources increased by \$448,119.46, consisting primarily of the change in deferred outflows for pensions. In accordance with GASB Statement No. 68, the University restated the beginning balance of deferred outflows for pensions to \$5,588,159.00 and that

amount increased to \$6,069,187.96 at June 30, based on information provided by the State Treasurer.

Current liabilities increased slightly by \$90,315.82, or .84%, while noncurrent liabilities decreased by \$15,041,795.62, of which \$14,956,855.08 pertained to long-term liabilities. Fiscal year 2014 long-term liabilities were restated by \$25,571,132.00 to reflect the University's share of TSERS pension liability at June 30, 2014. Based on actuarial information provided by the State Treasurer, the pension liability at June 30, 2015 was \$4,839,285.00, a decrease of \$20,731,847.00. This decrease in long-term liabilities was off-set by a net increase in capital debt totaling \$6,018,784.61. The University issued new capital debt in the amount of \$7,059,801 for bond anticipation notes for the new student center and for energy conservation projects, and retired \$1,041,016.39 in existing capital debt.

Deferred inflows of resources related to pensions was first recorded in fiscal year 2015. The year-end balance of \$17,478,186.00 was based on actual calculations provided by the State Treasurer as required by GASB Statement No. 68.

The increase in total net position of \$7,240,639.07 is composed of the following: a decrease of \$5,330,381.19 in net investments in capital assets, increases in nonexpendable and expendable net positions of \$1,812,248.28 and \$2,104,277.09, respectively, and an increase of \$8,654,494.89 in unrestricted net position. The decrease in net investments in capital assets was caused by increases in debt incurred for the construction of facilities and energy conservation of \$9,982,782.86, off-set by increases in capital assets, net of depreciation, of \$4,652,401.67. The increase in nonexpendable net position was due primarily to endowment gifts totaling \$1,825,372.30, netted against a decrease in loan funds of \$9,953.22. Net endowments earnings provided \$974,000.41 of the increase in expendable net position, with increases in restricted contracts, grants, and gifts providing the balance. Unrestricted net position increased by \$8,654,494.89, due primarily to an increase of \$12,565,313.75 in auxiliary and unrestricted funds as well as an increase of \$538,169.09 in unrestricted endowments and debt service funds, off-set by decreases in net position for facility construction of \$4,448,987.95. Increased tuition and fees as well as cost containment contributed to the strong performance in unrestricted funds and ongoing project expenses reduced the net position for facility construction assets.

### **Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position reports the activity of the University during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues (expenses), and other revenues, expenses, gains or losses. Revenues are reported by major source and expenses are reported by natural classification. Intra-departmental sales, services, and transfers are eliminated and depreciation of capital assets is recorded.

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

	2015	2014*	Dollar Change	Percent Change
<b>Operating Revenues</b>				
Student Tuition and Fees, Net	\$ 56,474,471.05	\$ 52,472,310.73	\$ 4,002,160.32	7.63%
Federal Appropriations	7,835,525.60	8,288,730.91	(453,205.31)	-5.47%
Grants and Contracts	23,693,977.94	25,555,739.48	(1,861,761.54)	-7.29%
Sales and Services, Net	21,788,923.09	23,839,753.08	(2,050,829.99)	-8.60%
Other Operating Revenues	2,181,645.10	2,295,680.10	(114,035.00)	-4.97%
<b>Total Operating Revenues</b>	<b>111,974,542.78</b>	<b>112,452,214.30</b>	<b>(477,671.52)</b>	<b>-0.42%</b>
<b>Operating Expenses</b>				
Salaries and Benefits	154,667,408.41	159,890,423.16	(5,223,014.75)	-3.27%
Supplies and Materials	13,071,660.21	14,556,119.99	(1,484,459.78)	-10.20%
Services	42,537,414.00	43,290,738.83	(753,324.83)	-1.74%
Scholarships and Fellowships	19,246,195.03	19,428,443.68	(182,248.65)	-0.94%
Utilities	5,446,059.64	5,403,653.67	42,405.97	0.78%
Depreciation	11,325,403.14	11,183,047.42	142,355.72	1.27%
<b>Total Operating Expenses</b>	<b>246,294,140.43</b>	<b>253,752,426.75</b>	<b>(7,458,286.32)</b>	<b>-2.94%</b>
<b>Operating Loss</b>	<b>(134,319,597.65)</b>	<b>(141,300,212.45)</b>	<b>6,980,614.80</b>	<b>-4.94%</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	91,756,351.90	92,665,165.13	(908,813.23)	-0.98%
Noncapital Grants and Gifts	51,435,919.96	50,272,446.36	1,163,473.60	2.31%
Interest and Fees on Debt	(1,151,613.64)	(996,319.54)	(155,294.10)	15.59%
Grant to Union Square Campus, Inc.	(1,000,000.00)		(1,000,000.00)	100.00%
Other Nonoperating Expenses	(4,567,350.88)	(1,279,421.07)	(3,287,929.81)	256.99%
Other Nonoperating Revenues	3,167,107.38	5,137,818.73	(1,970,711.35)	-38.36%
<b>Net Nonoperating Revenues</b>	<b>139,640,414.72</b>	<b>145,799,689.61</b>	<b>(6,159,274.89)</b>	<b>-4.22%</b>
<b>Income Before Other Revenues</b>	<b>5,320,817.07</b>	<b>4,499,477.16</b>	<b>821,339.91</b>	<b>18.25%</b>
<b>Other Revenues</b>				
Capital Appropriations and Grants	74,449.70	2,850,098.05	(2,775,648.35)	-97.39%
Capital Gifts	20,000.00	131,727.92	(111,727.92)	-84.82%
Additions to Endowments	1,825,372.30	3,242,424.64	(1,417,052.34)	-43.70%
<b>Total Other Revenues</b>	<b>1,919,822.00</b>	<b>6,224,250.61</b>	<b>(4,304,428.61)</b>	<b>-69.16%</b>
<b>Total Increase in Net Position</b>	<b>7,240,639.07</b>	<b>10,723,727.77</b>	<b>(3,483,088.70)</b>	<b>-32.48%</b>
<b>Net Position - Beginning of the Year</b>	<b>386,094,080.31</b>	<b>375,370,352.54</b>	<b>10,723,727.77</b>	<b>2.86%</b>
<b>Restatement</b>	<b>(19,982,973.00)</b>		<b>(19,982,973.00)</b>	<b>100.00%</b>
<b>Net Position - End of the Year</b>	<b>\$ 373,351,746.38</b>	<b>\$ 386,094,080.31</b>	<b>\$ (12,742,333.93)</b>	<b>-3.30%</b>

\*Note: The year ended June 30, 2014 column is not presented "As Restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.

The Statement of Revenues, Expenses, and Changes in Net Position consist of total revenues of \$260,253,744.02 and total expenses of \$253,013,104.95, resulting in an overall

increase in net position at year-end of \$7,240,639.07, a decrease of \$3,483,088.70 from the prior year. Highlights of the significant changes are as follows:

- Total operating revenues decreased by \$477,671.52. Tuition and fees increased by \$4,002,160.32 or 7.63%, due to increases in fee rates as well as enrollment increases, particularly in out-of-state students. The increase in tuition and fees was off-set by decreases in grants and contracts revenue and sales and services. Grants and contracts revenue as well as federal appropriations decreased by \$2,314,966.85, the result of an overall decrease in federal funding levels in fiscal year 2015. Sales and services also decreased by \$2,050,829.99. The decrease was due primarily to two factors. The University received a one-time contract renewal payment of \$783,000 in fiscal year 2014 and the bookstore revenues decreased by \$1,240,850.86 as the full impact of outsourcing bookstore operations was realized in fiscal year 2015.
- Total operating expenses decreased by \$7,458,286.32. Salaries and benefits expense decreased by \$5,223,014.75, the result of several factors: contributions totaling \$5,861,044.69 to the State retirement system were reclassified to deferred outflows for pension plans; pension expense of \$2,126,375.00 was recorded, based on actuarial information provided by the State Treasurer; and the University continued cost reduction measures through attrition and hiring restrictions. Supplies and materials decreased by \$1,484,459.78. The decrease in goods purchased for retail made up \$1,327,556.94 of this decrease and was due to the continuing impact of outsourcing bookstore operations. The decrease in services of \$753,324.83 consisted of a decrease in subcontractor expenses of \$590,796.44, with \$533,590.85 of this amount pertaining to the completion of Department of Defense projects that had major subcontract components.
- The University experienced a decrease in net nonoperating revenues of \$6,159,274.89. State appropriations decreased in fiscal year 2015 by \$908,813.23, continuing a three year trend. An overall decrease in noncapital gifts was off-set by an increase in noncapital grants, primarily related to an increase in Pell and state financial aid grants, resulting in a net increase of \$1,163,473.60. Other nonoperating expenses increased by \$3,287,929.81 as a result of an increase in the loss on asset disposals compared to the prior year due to the demolition of the student union to make way for a new facility. The University provided \$1,000,000.00 in state aid, as allocated by state legislation, to Union Square Campus, Inc., which was established to develop a new health care academic facility that will be shared by the University, Guilford Technical Community College, The University of North Carolina at Greensboro, and Cone Health Services. Other nonoperating revenues decreased by \$1,970,711.35 as investment income on endowments decreased from the prior year due to market conditions.
- Other revenues decreased by \$4,304,428.61. The University did not receive state capital appropriations in fiscal year 2015, a decrease of \$2,832,238.71 from the prior year. Endowment gifts also decreased from fiscal year 2014 by \$1,417,052.34.

The University presents expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Personnel services accounted for 62.80% of operating expenses, followed by services at 17.27%, scholarships at 7.81%, supplies and materials at 5.31%, depreciation at 4.60%, and utility costs at 2.21%.

## Capital Assets and Debt Administration

The University demolished the existing student union during the year in preparation for a new state-of-the-art student center that is scheduled for completion in fiscal year 2018. In addition



The Aggie Dome, consisting of an architectural membrane over a aluminum substructure. houses dining options.

to removing the old structure, the University completed necessary infrastructure enhancements as well as site grading for the new facility. Total cost of the student center is expected to be approximately \$90 million. To replace the dining opportunities offered in the student union, the University contracted with Sprung, Inc. to construct a facility consisting of an architectural membrane supported by an aluminum substructure. The "Aggie Dome" houses dining space and several food vendors.

center that was completed in the fall of 2014 at a cost of \$9,515,829.51. Construction in progress at June 30, 2015 was \$21,871,326.96, an increase of \$3,933,549.14 from the prior year. The student center facility made up \$15,001,066.72 of construction in progress while energy conservation projects totaled \$4,550,303.84 with several smaller projects making up the remaining balance.

Additions to buildings of \$10,585,575.75 consisted mainly of a new student health

On November 24, 2015, the University issued \$87,715,000.00 in bonds. The bond proceeds, along with \$10,380,348.16 in University resources, will be used to finance the new student center facility, refund a portion of the 2006 revenue bonds, and refund bond anticipation notes. The debt will be financed through available resources for a period of 30 years. The University borrowed \$5,000,000.00 in bond anticipation notes in June 2015, to help pay for construction costs until the bonds were issued in November.

During the year, the University entered into a financing agreement with the University of North Carolina to implement energy saving measures at a cost of \$2,059,801.00. The long-term note will be repaid over a period of eight years and financed through savings realized from the enhancements.

Total capital debt at June 30, 2015 consisted of \$21,500,000.00 in revenue bonds, \$6,243,785.78 in long-term notes, and \$5,000,000.00 in bond anticipation notes. During the year, the University retired \$990,000.00 in bonds, amortized \$51,016.39 in bond premiums, incurred interest costs and administration fees of \$1,066,241.85, and debt issuance costs of \$225,058.29.

## Future Outlook

Celebrating its 125th anniversary in 2015-16, North Carolina Agricultural & Technical State University ("NCA&T" or the "University") is ranked the No. 1 public historically black university in the nation in the 2016 Best Colleges rankings published by *U.S. News and World Report*. This ranking was in part recognition of the University's sustained graduation and retention rates, peer assessment, faculty resources, and financial resources. In addition, in a special

report released in July 2015, NCA&T was ranked among North Carolina's top 10 best colleges based on value by *MONEY* magazine.

Established as a land-grant college by the second Morrill Act of 1890, NC A&T is now the largest four-year historically black college and university in the nation based on enrollment, and has set a goal of increased student enrollment of 13,500 by the year 2020.

The University is working to create a future that continues to offer programs of relevance and great economic value in order to attract and retain quality students. As Chancellor Harold L. Martin, Sr. notes "A&T is dedicated to creating academically sound and relevant opportunities and partnerships in science, technology, engineering and math (STEM) disciplines as well as enhancements in cultural competencies and social awareness, while standing firm on an uncompromising expectation of excellence among our students, faculty, staff and administrators."

The University's strategic plan, "A&T Preeminence 2020" sets a map for the ten year period that started in 2011 and will continue through 2020. As a part of this plan, the University is aggressively seeking to renew and expand current sources of funding and add new ones in order to increase and diversify its income stream.

State support in fiscal year 2015 was \$91,756,351.90, which was a decrease of \$908,813.23 or approximately 1.00%. Even though the trend over the past three years has been a decrease in state support, University management continues to believe that enrollment growth, increased research activity, and fundraising efforts will help provide the resources necessary to maintain and enhance academic programs and campus life experience.

Through donations and market appreciation, the University endowment fund grew from \$39,501,410.87, to \$42,320,595.11, an increase of \$2,819,184.24. The endowment board closely monitors endowment investments, evaluating the effectiveness of fund managers and asset allocation. The University has placed a high priority on continued donor outreach and investment growth through asset management.

The University will continue to look for financial resources to supplement state appropriations and help maintain the level of services required for academic support functions, financial aid needs, and research activities. The University continues to cultivate support through community and national partnerships as well as alumni relationships.

As University management confronts today's uncertain economic factors, prudent use of resources, cost-containment efforts, and development of other sources of revenue will strengthen the institution and ensure that it is well positioned to take advantage of the next upturn in the business cycle.

As economic trends and labor demands change, so will the University. The University will continue its endeavors to develop, maintain, and increase the opportunities to attract, retain, and produce graduates who can compete and succeed globally.



# FINANCIAL STATEMENTS

**North Carolina Agricultural & Technical State University**  
**Statement of Net Position**  
**June 30, 2015**

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

**ASSETS**

Current Assets:	
Cash and Cash Equivalents	\$ 38,992,403.37
Restricted Cash and Cash Equivalents	14,989,233.27
Restricted Short-Term Investments	1,833,828.45
Receivables, Net (Note 4)	9,778,494.96
Inventories	638,290.67
Notes Receivable	214,787.74
	<hr/>
Total Current Assets	66,447,038.46
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,542,982.37
Restricted Due from Primary Government	222.66
Endowment Investments	41,000,590.29
Restricted Investments	1,991.93
Notes Receivable, Net (Note 4)	630,283.64
Capital Assets - Nondepreciable (Note 5)	34,376,956.12
Capital Assets - Depreciable, Net (Note 5)	298,772,823.26
	<hr/>
Total Noncurrent Assets	376,325,850.27
	<hr/>
Total Assets	442,772,888.73

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Refunding	164,547.55
Deferred Outflows Related to Pensions	6,069,187.96
	<hr/>
Total Deferred Outflows of Resources	6,233,735.51

**LIABILITIES**

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	5,926,803.57
Due to Primary Government	87,956.87
Unearned Revenue	2,367,831.68
Interest Payable	239,051.29
Long-Term Liabilities - Current Portion (Note 7)	2,264,957.69
	<hr/>
Total Current Liabilities	10,886,601.10
Noncurrent Liabilities:	
Funds Held for Others	203,776.95
U. S. Government Grants Refundable	880,404.66
Long-Term Liabilities (Note 7)	46,205,909.15
	<hr/>
Total Noncurrent Liabilities	47,290,090.76
	<hr/>
Total Liabilities	58,176,691.86

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	17,478,186.00
	<hr/>

**North Carolina Agricultural & Technical State University**  
**Statement of Net Position**  
**June 30, 2015**

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

**NET POSITION**

Net Investment in Capital Assets	303,335,850.17
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	19,285,707.34
Endowed Professorships	12,107,941.18
Departmental Uses	808,262.14
Loans	223,819.01
Expendable:	
Scholarships and Fellowships	7,173,015.76
Research	266,004.01
Endowed Professorships	5,685,994.26
Departmental Uses	6,766,722.37
Unrestricted	17,698,430.14
Total Net Position	<u>\$ 373,351,746.38</u>

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

**North Carolina Agricultural & Technical State University**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 56,474,471.05
Federal Appropriations	7,835,525.60
Federal Grants and Contracts	21,026,177.81
State and Local Grants and Contracts	1,374,501.74
Nongovernmental Grants and Contracts	1,293,298.39
Sales and Services, Net (Note 9)	21,788,923.09
Interest Earnings on Loans	4,235.75
Other Operating Revenues	2,177,409.35

Total Operating Revenues 111,974,542.78

**EXPENSES**

Operating Expenses:

Salaries and Benefits	154,667,408.41
Supplies and Materials	13,071,660.21
Services	42,537,414.00
Scholarships and Fellowships	19,246,195.03
Utilities	5,446,059.64
Depreciation	11,325,403.14

Total Operating Expenses 246,294,140.43

Operating Loss (134,319,597.65)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	91,756,351.90
Noncapital Grants - Student Financial Aid	39,036,768.26
Noncapital Grants	11,087,752.99
Noncapital Gifts	1,311,398.71
Investment Income	3,167,107.38
Interest and Fees on Debt	(1,151,613.64)
Grant to Union Square Campus, Inc.	(1,000,000.00)
Other Nonoperating Expenses	(4,567,350.88)

Net Nonoperating Revenues 139,640,414.72

Income Before Other Revenues 5,320,817.07

Capital Grants	74,449.70
Capital Gifts	20,000.00
Additions to Endowments	1,825,372.30

Increase in Net Position 7,240,639.07

**NET POSITION**

Net Position - July 1, 2014, as Restated (Note 16) 366,111,107.31

Net Position - June 30, 2015 \$ 373,351,746.38

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

**North Carolina Agricultural & Technical State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2015**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 116,034,029.65
Payments to Employees and Fringe Benefits	(157,747,022.25)
Payments to Vendors and Suppliers	(61,640,229.62)
Payments for Scholarships and Fellowships	(19,246,691.41)
Loans Issued	(41,200.00)
Collection of Loans	249,644.68
Interest Earned on Loans	28,698.77
Other Receipts	2,177,409.35
	<hr/>
Net Cash Used by Operating Activities	(120,185,360.83)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	91,756,351.90
Noncapital Grants - Student Financial Aid	39,690,565.98
Noncapital Grants	10,663,354.93
Noncapital Gifts	1,635,162.96
Additions to Endowments	1,825,372.30
William D. Ford Direct Lending Receipts	78,351,780.00
William D. Ford Direct Lending Disbursements	(78,351,780.00)
Related Activity Agency Receipts	54,332.34
Related Activity Agency Disbursements	(49,361.72)
Grant to Union Square Campus, Inc.	(1,000,000.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	144,575,778.69

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

Proceeds from Capital Debt	7,059,801.00
Capital Grants	74,227.04
Acquisition and Construction of Capital Assets	(20,481,204.06)
Principal Paid on Capital Debt	(990,000.00)
Interest and Fees Paid on Capital Debt	(1,196,031.60)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(15,533,207.62)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	7,119,866.78
Investment Income	556,241.82
Purchase of Investments and Related Fees	(10,079,564.46)
	<hr/>
Net Cash Used by Investing Activities	(2,403,455.86)
	<hr/>
Net Increase in Cash and Cash Equivalents	6,453,754.38
Cash and Cash Equivalents - July 1, 2014	49,070,864.63
	<hr/>
Cash and Cash Equivalents - June 30, 2015	\$ 55,524,619.01



**The North Carolina A&T University Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2015**

**Exhibit B-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,804,248
Investments	9,767,870
Pledges Receivable, Net	474,217
Prepaid Expenses	56,049
Due from NCA&T University	12,600
Accounts Receivable	356,555
	<hr/>
Total Current Assets	14,471,539

Noncurrent Assets:

Restricted Cash and Cash Equivalents	5,434,120
Investments	4,494,983
Pledges Receivable, Net	421,173
Cash Surrender Value of Life Insurance	12,542
Property and Equipment, Net	30,691,546
Land Held for Resale	187,900
Bond Issuance Costs	2,717,991
	<hr/>
Total Noncurrent Assets	43,960,255

Total Assets	<u><u>\$ 58,431,794</u></u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts Payable	\$ 217,365
Accrued Vacation	73,494
Due to NCA&T University	10,750
Deferred Revenue	173,153
Amounts Held on Behalf of Others	949,471
Bonds Payable - Current Maturities	1,415,000
	<hr/>
Total Current Liabilities	2,839,233

Long-Term Liabilities:

Interest Rate Swap Agreement	913,349
Bonds Payable - Long-Term	36,715,000
	<hr/>
Total Liabilities	40,467,582

**NET ASSETS**

Unrestricted	5,427,290
Temporarily Restricted	8,239,898
Permanently Restricted	4,297,024
	<hr/>
Total Net Assets	17,964,212
	<hr/>
Total Liabilities and Net Assets	<u><u>\$ 58,431,794</u></u>

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

**The North Carolina A&T University Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit B-2**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Contributions and Gifts	\$ 10,239	\$ 2,222,653	\$ 138,903	\$ 2,371,795
Rental Income	7,433,821			7,433,821
Fee Income	266,229			266,229
Interest and Dividends	327,052	211,097	15,226	553,375
Net Realized and Unrealized Losses on Investments	(568,762)	(392,426)		(961,188)
Gain on Interest Rate Swap	207,332			207,332
Other Income	61,974	243,909		305,883
Special Events	293,831			293,831
Net Assets Released From Restrictions	2,208,281	(2,198,302)	(9,979)	
Total Support and Revenue	<u>10,239,997</u>	<u>86,931</u>	<u>144,150</u>	<u>10,471,078</u>
<b>EXPENSES</b>				
Program Services:				
University Support	2,566,199			2,566,199
Student Housing	5,624,570			5,624,570
Total Program Services	<u>8,190,769</u>			<u>8,190,769</u>
Supporting Services:				
Management and General	1,113,618			1,113,618
Fundraising	220,787			220,787
Total Supporting Services	<u>1,334,405</u>			<u>1,334,405</u>
Total Expenses	<u>9,525,174</u>			<u>9,525,174</u>
<b>Changes in Net Assets</b>	714,823	86,931	144,150	945,904
<b>Net Assets as of Beginning of Year</b>	<u>4,712,467</u>	<u>8,152,967</u>	<u>4,152,874</u>	<u>17,018,308</u>
<b>Net Assets as of End of Year</b>	<u>\$ 5,427,290</u>	<u>\$ 8,239,898</u>	<u>\$ 4,297,024</u>	<u>\$ 17,964,212</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

**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. North Carolina Agricultural & Technical State University (University) is a constituent institution of the multi-campus University of North Carolina System, which 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 belonging to the University and its component unit. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component unit is discretely presented in the University's financial statements. See below for further discussion of the University's component unit.

**Discretely Presented Component Unit** – The North Carolina A&T University Foundation, Inc. (Foundation) is a legally separate, tax-exempt, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of 17 elected members. Although the University 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 University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University 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 University's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed \$1,373,306.93 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from 200 North Benbow Road, Greensboro, NC 27411. The mailing address is P.O. Box 20366, Greensboro, NC 27420.

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

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, 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. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. The fair value for investments in the UNC Investment Fund was based on amounts reported to the University by UNC Management Company, Inc. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Money market mutual funds, real estate not held by a governmental external investment pool, and other assets are reported at cost if purchased, or at fair value or appraised value at date of gift, if donated.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

- F. 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.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using average cost of last invoice price, first-in, first-out, or in the case of agricultural supplies inventory, current market value.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University 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 in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-50 years
Machinery & Equipment	10-25 years
General Infrastructure	10-50 years

The Heritage Art Center and Art Gallery collections are capitalized at cost or fair value at the date of donation. These collections are considered inexhaustible and are therefore not depreciated.

- I. 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 legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of revenue bonds payable, net pension liability, notes payable, bond anticipation notes, and compensated absences that will not be paid within the next fiscal year.

Revenue bonds payable are reported net of unamortized premiums. The University amortizes bond premiums over the life of the bonds using the straight-line method. Deferred charges on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are included as Deferred Outflows or Deferred Inflows of Resources on the Statement of Net Position. Issuance costs are expensed.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

- K. Compensated Absences** - The University'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 University 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.

**L. Net Position** - The University's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

**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 University 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, royalties, 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 University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

**M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University 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 University 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 University has recorded a scholarship discount.

**N. Revenue and Expense Recognition** - The University 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 University'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, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. 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 that represent subsidies or gifts to the University, 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.

- O. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as student newspaper advertisements. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University 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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

- A. **Deposits** - Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$54,584,478.77 which represents the University's equity position in the State Treasurer's 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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. 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.

Cash on hand at June 30, 2015 was \$31,235.97. The carrying amount of the University's deposits not with the State Treasurer was \$908,904.27 and the bank balance was \$905,311.95. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$633,619.43 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

## B. Investments

**University** - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

Additionally, the University has also been delegated authority by the President of The University of North Carolina pursuant to G.S. 116-36.1 and Section 600.2.4.1 of the Policy Manual of the University of North Carolina to invest its trust funds in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states;

general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component unit, The North Carolina A&T University Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks.

*Interest Rate Risk:* Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University does not have a formal policy that addresses interest rate risk.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

**Long-Term Investment Pool** - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unitized method. Under this method, each participating fund's investment balance is determined on the basis of the number of units purchased multiplied by the current unit market value. The investment strategy, including the selection of investment managers, is based on the directives of the University's Endowment Board.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the Long-Term Investment Pool.

**Long-Term Investment Pool**

Investment Type	Fair Value	Investment Maturities (in Years)
		Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 39,429.15	\$ 39,429.15
Other Securities		
UNC Investment Fund	24,418,906.06	
Equity Mutual Funds	16,530,565.08	
Investments in Real Estate	11,690.00	
<b>Total Long-Term Investment Pool</b>	<b>\$ 41,000,590.29</b>	

At June 30, 2015, the Money Market Mutual Funds, with a fair value of \$39,429.15, were unrated.

**UNC Investment Fund, LLC** - At June 30, 2015, the University's investments include \$24,418,906.06 which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Asset and ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

**Non-Pooled Investments** - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the University's non-pooled investments.

**Non-Pooled Investments**

Investment Type	Fair Value	Investment Maturities (in Years)
		Less Than 1
Debt Securities		
Money Market Mutual Funds	\$ 1,742,362.45	\$ 1,742,362.45
Other Securities		
Domestic Stocks	1,991.93	
Other - Insurance Policy Surrender Value	91,466.00	
<b>Total Non-Pooled Investments</b>	<b>\$ 1,835,820.38</b>	

At June 30, 2015, the Money Market Mutual Funds, with a fair value of \$1,742,362.45, were rated Aaa by Moody's Investors Service.

**Total Investments** - The following table presents the fair value of the total investments at June 30, 2015:

Investment Type	Fair Value
Debt Securities	
Money Market Mutual Funds	\$ 1,781,791.60
Other Securities	
UNC Investment Fund	24,418,906.06
Equity Mutual Funds	16,530,565.08
Investments in Real Estate	11,690.00
Domestic Stocks	1,991.93
Other - Insurance Policy Surrender Value	91,466.00
<b>Total Investments</b>	<b>\$ 42,836,410.67</b>

**Component Unit** - Investments of the University's discretely presented component unit, The North Carolina A&T University Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Fair Value
Money Market Funds	\$ 77,374
Bond Funds	2,627,167
Equity Funds	9,310,423
Other Assets	2,239,083
Limited Partnership	8,806
<b>Total Investments</b>	<b>\$ 14,262,853</b>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the University as of June 30, 2015, is as follows:

Cash on Hand	\$ 31,235.97
Amount of Deposits with Private Financial Institutions	908,904.27
Deposits in the Short-Term Investment Fund	54,584,478.77
Long-Term Investment Pool	41,000,590.29
Non-Pooled Investments	1,835,820.38
<b>Total Deposits and Investments</b>	<b>\$ 98,361,029.68</b>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 38,992,403.37
Restricted Cash and Cash Equivalents	14,989,233.27
Noncurrent:	
Restricted Cash and Cash Equivalents	1,542,982.37
<b>Total Deposits</b>	<b>55,524,619.01</b>
Investments	
Current:	
Restricted Short-Term Investments	1,833,828.45
Noncurrent:	
Endowment Investments	41,000,590.29
Restricted Investments	1,991.93
<b>Total Investments</b>	<b>42,836,410.67</b>
<b>Total Deposits and Investments</b>	<b>\$ 98,361,029.68</b>

**NOTE 3 - ENDOWMENT INVESTMENTS**

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. 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 investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the University's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to not more than 5% of the endowment's average market value at December 31<sup>st</sup> for the prior twelve quarters. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2015, net appreciation of \$10,118,685.45 was available to be spent, of which \$9,101,143.18 was classified in net position as restricted expendable for scholarships, professorships, and departmental uses as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

During the current year, the University incurred investment losses that exceeded the related endowment's available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2015 the amount of investment losses reported against the nonexpendable endowment balances was \$3,170.80.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 2,407,518.74	\$ 473,244.06	\$ 1,934,274.68
Accounts	83,718.00	62,698.50	21,019.50
Intergovernmental	6,998,259.90		6,998,259.90
Interest on Loans	188,929.82		188,929.82
Other	636,011.06		636,011.06
<b>Total Current Receivables</b>	<b>\$ 10,314,437.52</b>	<b>\$ 535,942.56</b>	<b>\$ 9,778,494.96</b>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 1,343,357.76	\$ 713,074.12	\$ 630,283.64

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 9,932,878.43	\$ 81,953.73	\$ 0.00	\$ 10,014,832.16
Art, Literature, and Artifacts	2,490,797.00			2,490,797.00
Construction in Progress	17,937,777.82	12,672,211.36	8,738,662.22	21,871,326.96
<b>Total Capital Assets, Nondepreciable</b>	<b>30,361,453.25</b>	<b>12,754,165.09</b>	<b>8,738,662.22</b>	<b>34,376,956.12</b>
<b>Capital Assets, Depreciable:</b>				
Buildings	359,073,368.22	10,585,575.75	6,942,037.81	362,716,906.16
Machinery and Equipment	58,842,834.41	5,944,077.07	1,789,201.50	62,997,709.98
General Infrastructure	19,117,027.70		19,772.00	19,097,255.70
<b>Total Capital Assets, Depreciable</b>	<b>437,033,230.33</b>	<b>16,529,652.82</b>	<b>8,751,011.31</b>	<b>444,811,871.84</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	103,357,505.70	7,426,179.17	2,815,535.86	107,968,149.01
Machinery and Equipment	28,894,509.26	3,315,970.57	1,349,934.33	30,860,545.50
General Infrastructure	6,645,290.91	583,253.40	18,190.24	7,210,354.07
<b>Total Accumulated Depreciation</b>	<b>138,897,305.87</b>	<b>11,325,403.14</b>	<b>4,183,660.43</b>	<b>146,039,048.58</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>298,135,924.46</b>	<b>5,204,249.68</b>	<b>4,567,350.88</b>	<b>298,772,823.26</b>
<b>Capital Assets, Net</b>	<b>\$ 328,497,377.71</b>	<b>\$ 17,958,414.77</b>	<b>\$ 13,306,013.10</b>	<b>\$ 333,149,779.38</b>

During the year ended June 30, 2015, the University incurred \$1,031,529.81 in interest costs related to the acquisition and construction of capital assets. Of this total, \$476,450.01 was charged in interest expense, and \$555,079.80 was capitalized.

The University has pledged the energy savings improvements installed in its buildings and other structures financed through the UNC System Guaranteed Energy Savings Installment Financing Agreement dated September 1, 2014. The value of the energy savings improvement assets associated with the agreement is \$2,005,840.77 and is subject to security provisions in the agreement to ensure timely debt service payments. The value of the energy savings improvement assets includes \$1,147,050.63 which has been completed as of June 30, 2015, and \$858,790.14 which is remaining to be completed by the ESCO provider. Additional information regarding the agreement can be found in Note 7.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2015, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 4,660,794.59
Accrued Payroll	909,849.21
Contract Retainage	318,828.21
Intergovernmental Payables	37,331.56
	<hr/>
Total Current Accounts Payable and Accrued Liabilities	\$ 5,926,803.57

**NOTE 7 - LONG-TERM LIABILITIES**

**UNIVERSITY**

**A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2015, is presented as follows:**

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Revenue Bonds Payable	\$ 22,490,000.00	\$ 0.00	\$ 990,000.00	\$ 21,500,000.00	\$ 1,035,000.00
Plus: Unamortized Premium	992,930.45		51,016.39	941,914.06	
	<hr/>		<hr/>	<hr/>	<hr/>
Total Revenue Bonds Payable, Net	23,482,930.45		1,041,016.39	22,441,914.06	1,035,000.00
	<hr/>		<hr/>	<hr/>	<hr/>
Net Pension Liability	25,571,132.00		20,731,847.00	4,839,285.00	
Notes Payable	4,183,984.78	2,059,801.00		6,243,785.78	294,629.69
Bond Anticipation Notes		5,000,000.00		5,000,000.00	
Compensated Absences	9,493,877.00	7,626,565.00	7,174,560.00	9,945,882.00	935,328.00
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Long-Term Liabilities</b>	<b>\$ 62,731,924.23</b>	<b>\$ 14,686,366.00</b>	<b>\$ 28,947,423.39</b>	<b>\$ 48,470,866.84</b>	<b>\$ 2,264,957.69</b>

Additional information regarding the net pension liability is included in Note 11.

**B. Revenue Bonds Payable** - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate/Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
<b>Revenue Bonds Payable</b>						
<b>The University of North Carolina Revenue Bonds</b>						
Student Health Center	2013	2.00%-5.00%	10/01/2037	\$ 10,210,000.00	\$ 410,000.00	\$ 9,800,000.00
<b>The University of North Carolina System Pool Revenue Bonds</b>						
Parking System	(A)	3.75%-5.00%	10/01/2033	5,965,000.00	845,000.00	5,120,000.00
Dining System	(A)	3.75%-5.00%	10/01/2020	7,525,000.00	3,775,000.00	3,750,000.00
Stadium System	(B)	2.00%-4.50%	10/01/2031	3,365,000.00	535,000.00	2,830,000.00
Total The University of North Carolina System Pool Revenue Bonds				16,855,000.00	5,155,000.00	11,700,000.00
Total Revenue Bonds Payable (principal only)				\$ 27,065,000.00	\$ 5,565,000.00	21,500,000.00
Plus: Unamortized Premium						941,914.06
<b>Total Revenue Bonds Payable, Net</b>						<b>\$ 22,441,914.06</b>

(A) The University of North Carolina System Pool Revenue Bonds, Series 2006B

(B) The University of North Carolina System Pool Revenue Bonds, Series 2011C

**C. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2015, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 1,035,000.00	\$ 868,831.28	\$ 294,629.69	\$ 160,105.17
2017	1,075,000.00	831,593.78	419,443.14	178,127.09
2018	1,125,000.00	793,500.03	444,429.56	167,271.60
2019	1,180,000.00	749,462.53	465,176.25	155,738.49
2020	1,255,000.00	699,093.78	486,629.05	143,644.67
2021-2025	4,190,000.00	2,932,312.58	1,988,937.52	530,119.61
2026-2030	4,760,000.00	2,148,159.39	1,418,234.43	275,373.58
2031-2035	4,955,000.00	1,028,750.00	726,306.14	32,824.72
2036-2038	1,925,000.00	147,625.00		
<b>Total Requirements</b>	<b>\$ 21,500,000.00</b>	<b>\$ 10,199,328.37</b>	<b>\$ 6,243,785.78</b>	<b>\$ 1,643,204.93</b>

**D. Notes Payable** - The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
Energy Performance Contract	Capital One Public Funding, LLC	3.68%	09/01/2032	\$ 4,183,984.78	\$ 0.00	\$ 4,183,984.78
UNC System Guaranteed Energy Savings Project	Banc of America Public Capital Corp.	1.84%	02/14/2023	2,059,801.00		2,059,801.00
<b>Total Notes Payable</b>				<u>\$ 6,243,785.78</u>	<u>\$ 0.00</u>	<u>\$ 6,243,785.78</u>

**E. Bond Anticipation Notes** – On June 17, 2015, the University entered into a loan agreement with SunTrust Bank for \$5,000,000 to be repaid with bond proceeds received in November 2015 as disclosed in Subsequent Event Note 17. The note proceeds were used to finance construction costs for a new student center facility.

**COMPONENT UNIT**

At June 30, 2015, the Foundation had \$38,130,000 outstanding bonds payable. These bonds, Series 2004A and Series 2004B, were issued on August 10, 2004, for \$29,250,000 and \$21,000,000 respectively. The 2004A Bonds were issued primarily to refund the Foundation’s outstanding 2001 Bonds. The 2004B Bonds were issued primarily to finance the construction, equipping and installation of student housing, a fitness facility and a conference and special events facility.

The net proceeds of \$48,637,339 (net of payment of interest and principal outstanding of \$373,739 on the 2001 Bonds, and payment of \$3,262,904 in underwriting fees, insurance, and other issuance costs) were used to purchase federal securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 Bonds. As a result, the 2001 Bonds are considered to be defeased and the liability for those bonds has been removed from the Foundation’s long-term debt.

Bond issuance costs and bond discounts of \$3,914,439 associated with the advance refunding of 2001 Bonds are charged to operations using the straight-line method through the year 2035. Accumulated amortization of these bond issuance costs was \$1,692,049 at June 30, 2015.

The Series 2004A and 2004B Bonds consisted of \$50,250,000 of serial bonds issued at interest rates ranging from 3% to 5%, maturing in progressively larger annual amounts ranging from \$600,000 on June 1, 2005 to \$1,170,000 on June 1, 2035. Semi-annual interest payments on the Series 2004A and 2004B Bonds are due December 1 and June 1, and annual principal payments are due June 1.

A summary of the maturities of the bonds payable at June 30, 2015 is detailed as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2016	\$ 1,415,000
2017	1,475,000
2018	1,535,000
2019	1,600,000
2020	1,670,000
Thereafter	<u>30,435,000</u>
	<u>\$ 38,130,000</u>

The scheduled payments of principal and interest are guaranteed under a letter of credit agreement with Wells Fargo Bank for the 2004 bonds.

**NOTE 8 - OPERATING LEASE OBLIGATIONS**

The University entered into operating leases for equipment and property. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 788,610.67
2017	634,566.28
2018	<u>407,044.73</u>
Total Minimum Lease Payments	<u>\$ 1,830,221.68</u>

Rental expense for all operating leases during the year was \$1,482,090.79.

**NOTE 9 - 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
<b>Operating Revenues:</b>					
Student Tuition and Fees, Net	\$ 86,466,786.64	\$ 0.00	\$ 29,587,753.31	\$ 404,562.28	\$ 56,474,471.05
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 10,894,889.43	\$ 0.00	\$ 3,460,144.78	\$ 63,090.48	\$ 7,371,654.17
Dining	13,483,114.65		4,653,486.97	82,793.64	8,746,834.04
Health, Physical Education, and Recreation Services	284,689.14				284,689.14
Bookstore	491,941.95			0.73	491,941.22
Parking	1,545,487.15			16,866.33	1,528,620.82
Athletic	2,581,344.91				2,581,344.91
Other	412,277.11				412,277.11
Sales and Services of Education and Related Activities	2,194,365.88	1,822,804.20			371,561.68
<b>Total Sales and Services, Net</b>	<b>\$ 31,888,110.22</b>	<b>\$ 1,822,804.20</b>	<b>\$ 8,113,631.75</b>	<b>\$ 162,751.18</b>	<b>\$ 21,788,923.09</b>

**NOTE 10 - OPERATING EXPENSES BY FUNCTION**

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 69,461,123.25	\$ 1,662,162.66	\$ 1,755,359.75	\$ 1,321,013.32	\$ 9,589.70	\$ 0.00	\$ 74,209,248.68
Research	17,664,438.86	2,151,248.99	5,912,618.06	1,686,009.45	1,708.85		27,416,024.21
Public Service	5,983,366.60	223,145.64	1,149,862.22	77,596.33			7,433,970.79
Academic Support	16,684,178.80	4,355,900.97	3,821,611.87	861,114.62			25,722,806.26
Student Services	5,747,991.77	120,489.02	1,270,220.31	287,698.08			7,426,399.18
Institutional Support	15,107,188.14	542,120.13	6,205,525.05	330,554.83	3,886.97		22,189,275.12
Operations and Maintenance of Plant	8,809,154.58	658,812.52	3,662,708.57		4,053,284.04		17,183,959.71
Student Financial Aid	258,143.38	234,928.83	130,065.37	10,950,111.20			11,573,248.78
Auxiliary Enterprises	14,951,823.03	3,122,851.45	18,629,442.80	3,732,097.20	1,377,590.08		41,813,804.56
Depreciation						11,325,403.14	11,325,403.14
<b>Total Operating Expenses</b>	<b>\$ 154,667,408.41</b>	<b>\$ 13,071,660.21</b>	<b>\$ 42,537,414.00</b>	<b>\$ 19,246,195.03</b>	<b>\$ 5,446,059.64</b>	<b>\$ 11,325,403.14</b>	<b>\$ 246,294,140.43</b>

**NOTE 11 - PENSION PLANS**

**A. Defined Benefit Plan**

*Plan Administration:* The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general

employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

*Benefits Provided:* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The University's contributions to the pension plan were \$5,861,044.69, and employee contributions were \$3,843,308.00 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *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.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member

contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2015, the University reported a liability of \$4,839,285.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the University's proportion was .41276%, which was a decrease of .00844% from its proportion measured as of June 30, 2013.

*Actuarial Assumptions:* The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2013
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

\* Salary increases include 3.5% inflation and productivity factor.

\*\* Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant

portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from

employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
\$ 34,739,743.00	\$ 4,839,285.00	\$ (20,407,296.00)

*Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions:* For the year ended June 30, 2015, the University recognized pension expense of \$2,126,375.00. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 1,128,011.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		16,350,175.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	208,143.27	
Contributions Subsequent to the Measurement Date	5,861,044.69	
Total	<u>\$ 6,069,187.96</u>	<u>\$ 17,478,186.00</u>

The amount of \$5,861,044.69 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported

as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year ended June 30:	<u>Amount</u>
2016	\$ (4,330,261.00)
2017	(4,330,261.00)
2018	(4,330,261.00)
2019	<u>(4,279,260.00)</u>
Total	<u>\$ (17,270,043.00)</u>

**B. Defined Contribution Plan** - The Optional Retirement Program (Program) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2015, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$124,482,911.47, of which \$37,707,020.72 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$2,579,160.22 and \$2,262,421.24, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures totaling \$189,673.48.

The Federal Retirement System is a multiple-employer system. University extension employees participate in the Civil Service

Retirement System (CSRS), a program for participants employed prior to January 1, 1987. Participants contributed 7% of their salary to CSRS and the University match was 7%. For the year ended June 30, 2015, covered payroll was \$293,780.57, and total employer and employee contributions were \$20,564.64 each.

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS**

- A. Health Benefits** - The University 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 (TSERS) or the Optional Retirement Program (ORP). 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 TSERS 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 University contributed 5.49% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$5,586,742.25, \$5,671,902.69, and \$5,672,455.41, respectively. The University 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 University 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 TSERS and ORP. 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, 2015, the University made a statutory contribution of .41% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, was .44% in both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$417,224.83, \$462,155.03, and \$470,920.83, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

## **NOTE 13 - RISK MANAGEMENT**

The University 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.

### **Employee Benefit Plans**

#### **1. State Health Plan**

University 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 has contracted with third parties to process claims.

## 2. Death Benefit Plan of North Carolina

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.

### A. Other Risk Management and Insurance Activities

#### 1. Automobile, Fire, and Other Property Losses

The University is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium.

Receipts-supported auxiliary units purchased extended or broad form coverage through the Fund. The University purchased extended coverage for both the building and contents for the cafeteria in the amount of \$26,528,379. Broad form coverage on buildings and contents totaled \$161,444,016 for residence halls, \$2,470,524 for the hazardous materials facility, and \$7,715,398 for campus recreation buildings. The University also carried insurance in the amount of \$6,736,582 on the building and contents of Brown Hall (excluding the bookstore contents) which houses the ticket office, mail center, and bookstore. All risk insurance in the amount of \$4,371,988 was purchased for certain equipment located in Paul Robeson Theater, the research center in Kannapolis, the Bryan Fitness and Wellness Center, and the motor sport program. Losses covered for each of these buildings is subject to a \$5,000 deductible per occurrence.

The University was required to maintain all risk replacement cost insurance for equipment that is leased from Kitchens To Go as provided in the lease agreement, in the amount of \$1,554,400.

The University was also required to insure the leased Sprung Instant Structure for occupancy liability hazards in the amount of the full purchase price of \$446,326, for any loss due to physical damage to the structure. Contents of the dome that are owned by the University were insured for \$418,550.

All 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 University pays premiums to the North Carolina Department of Insurance for the coverage.

## 2. Public Officers' and Employees' Liability Insurance

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 University pays the premium, based on a composite rate, directly to the private insurer.

## 3. Employee Dishonesty and Computer Fraud

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are 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.

## 4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

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

### NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$71,155,215.87 and on other purchases were \$8,854,576.64 at June 30, 2015.
- B. Pending Litigation and Claims** - The University is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for

any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

**C. Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to Endowments	\$ 2,871,553.16

**NOTE 15 - RELATED PARTIES**

**Gateway University Research Park, Inc.** – The University and The University of North Carolina at Greensboro have formed a jointly governed nonprofit organization, Gateway University Research Park, Inc., which is also a component unit of the State of North Carolina. The purpose of this organization is to provide a collaborative research environment that fosters academic enrichment, research growth, technology transfer, commercialization, and discovery while encouraging and promoting regional economic development. During the fiscal year, the University paid a \$150,000.00 annual management fee and \$1,505,481.00 in operations and maintenance funds to Gateway University Research Park, Inc.

**Union Square Campus, Inc.** – The University has partnered with The University of North Carolina at Greensboro, Guilford Technical Community College, and Cone Health to form Union Square Campus, Inc., a nonprofit entity. The purpose of the organization is to construct and maintain an educational facility for healthcare professionals. The goal of the partnership is to provide a learning environment while sharing significant cost savings. During the fiscal year, the University paid \$1,000,000.00 in construction costs to Union Square Campus, Inc.

**NOTE 16 - NET POSITION RESTATEMENT**

As of July 1, 2014, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2014 Net Position as Previously Reported	\$ 386,094,080.31
Restatement:	
Record the University's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements.	<u>(19,982,973.00)</u>
July 1, 2014 Net Position as Restated	<u><u>\$ 366,111,107.31</u></u>

**NOTE 17 - SUBSEQUENT EVENT**

On November 24, 2015, the University issued the North Carolina Agricultural & Technical State University General Revenue Bonds, Series 2015A and Taxable General Revenue Bonds, Series 2015B for \$76,980,000.00 and \$10,735,000.00, respectively.

The bonds were issued to fund the construction of a new student center facility, refund \$5,000,000.00 in bond anticipation notes, and refund \$4,865,000.00 of the University of North Carolina System Pool Revenue Bonds, Series 2006B. The net present value of the savings realized by the University on the refunded bonds will be \$530,475.49.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**North Carolina Agricultural & Technical State University**  
**Required Supplementary Information**  
**Schedule of the Proportionate Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Two Fiscal Years**

**Exhibit C-1**

	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.41276%	0.42120%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 4,839,285.00	\$ 25,571,132.00
Covered-Employee Payroll	\$ 64,416,518.84	\$ 66,743,118.20
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.51%	38.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

**North Carolina Agricultural & Technical State University**  
**Required Supplementary Information**  
**Schedule of University Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Ten Fiscal Years**

**Exhibit C-2**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$ 5,861,044.69	\$ 5,597,795.49	\$ 5,559,701.75	\$ 4,988,312.34	\$ 3,566,826.96
Contributions in Relation to the Contractually Determined Contribution	<u>5,861,044.69</u>	<u>5,597,795.49</u>	<u>5,559,701.75</u>	<u>4,988,312.34</u>	<u>3,566,826.96</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>				
Covered-Employee Payroll	\$ 64,055,133.27	\$ 64,416,518.84	\$ 66,743,118.20	\$ 67,047,208.84	\$ 72,349,431.21
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contribution	\$ 2,523,015.42	\$ 2,263,691.30	\$ 1,923,706.79	\$ 1,581,550.26	\$ 1,265,048.44
Contributions in Relation to the Contractually Determined Contribution	<u>2,523,015.42</u>	<u>2,263,691.30</u>	<u>1,923,706.79</u>	<u>1,581,550.26</u>	<u>1,265,048.44</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>				
Covered-Employee Payroll	\$ 70,672,700.79	\$ 67,371,764.86	\$ 63,072,353.92	\$ 59,456,776.53	\$ 54,061,899.04
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

**North Carolina Agricultural & Technical State University**  
**Notes to Required Supplementary Information**  
**Schedule of University Contributions**  
**Teachers' and State Employees' Retirement System**  
**For the Fiscal Year Ended June 30, 2015**

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*Changes of Benefit Terms:*

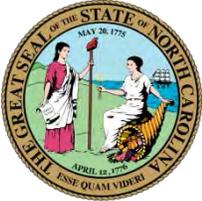
			<u>Cost of Living Increase</u>					
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

*Changes of assumptions.* In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.



# INDEPENDENT AUDITOR'S REPORT

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



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

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

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Board of Trustees  
North Carolina Agricultural & Technical State University  
Greensboro, 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 North Carolina Agricultural & Technical State University, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 14, 2015. Our report includes a reference to other auditors who audited the financial statements of The North Carolina A&T University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of The North Carolina A&T University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 University'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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

December 14, 2015

# ORDERING INFORMATION

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For additional information contact:  
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