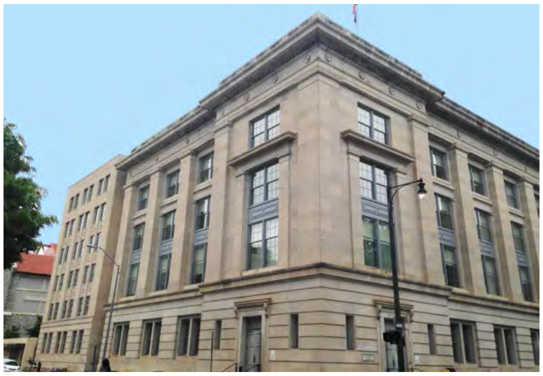
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



SOUTH PIEDMONT COMMUNITY COLLEGE

POLKTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

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

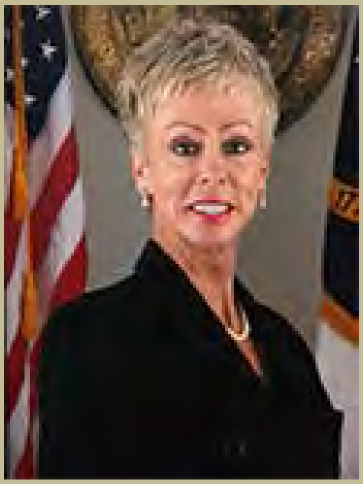
We have completed a financial statement audit of South Piedmont Community College for the year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the Audit Findings, Recommendations, and Responses section of this report. The College's response is included following the finding.

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 ways listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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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

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Piedmont Community College
Polkton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of South Piedmont Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of South Piedmont Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 South Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. 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 South Piedmont Community College, 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 14 to the financial statements, during the year ended June 30, 2015, South Piedmont Community College 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 May 10, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of South Piedmont Community College (College) provides this Management's Discussion and Analysis for readers of the College's financial statements. This narrative overview and analysis of the financial activities of the College is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the additional information that is furnished in the College's financial statements.

Overview of the Financial Statements

The discussion and analysis is intended to provide an introduction to the College's financial statements. The College's basic financial statements consist of three components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

As part of the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27*, the College's proportionate share of net pension liability relating to the Teachers and State Employees Retirement System (TSERS) has been reported on the financial statements. Additionally, GASB issued Statement No. 71 - *Pension Transition for Contribution Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of the implementation of GASB 68 and 71, net pension liability, a deferred outflow for pensions, and a deferred inflow for pensions have been recorded. Prior year amounts in the condensed Statement of Net Position have been restated to reflect this change in accounting standards.

Basic Financial Statements

The Statement of Net Position presents the assets and liabilities of the College as current and noncurrent. The difference between total assets plus total deferred outflows of resources and total liabilities plus total deferred inflows of resources is net position and may provide a useful indicator of the state of the College's financial position.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the revenues and expenses for the fiscal year have affected changes to the net position of the College. The College's net position serves as an indicator of the financial condition of the College.

The Statement of Cash Flows presents information showing how the College's cash changes as a result of current year operations. The Statement of Cash Flows is summarized by different types of activities: operating, capital financing, and noncapital financing.

Notes to the Financial Statements and the Required Supplementary Information provide additional information that is essential to gaining a full understanding of the data provided by the basic financial statements. The Notes to the Financial Statements and the Required Supplementary information follows the basic financial statements.

Comparative Data

A comparative analysis of key elements of the financial statements relative to the previous fiscal year is presented in this analysis.

Financial Highlights

The College's Full-Time Equivalent enrollment (FTE) decreased slightly (2.28%) in 2014-2015 when compared to 2013-2014 (2,825 FTE in 2014-2015 compared to 2,891 FTE in 2013-2014). The College's FTE has decreased (4.20%) over the two year period of 2014-2015 and 2012-2013 having decreased from 2,949 in 2012-2013 to 2,825 in 2014-2015. The College has added several new programs including welding technology, agribusiness, and autobody technology. The College expects FTE to remain stable with little fluctuation.

As compared to the final 2013-2014 state budget, the final 2014-2015 state budget remained virtually unchanged as it showed an increase of 0.83%, or an increase of $130,655.00.

The Anson County budget and the Union County budget both remained stable from 2013-2014 to 2014-2015.

Analysis of Assets and Deferred Outflows of Resources

For the year, ended June 30, 2015, the College's total assets decreased by $604,920.25 or 2.32%.

	2014-2015	2013-2014 (as restated)	Difference	% Change
Assets				
Current Assets	$ 2,662,047.99	$ 3,174,767.59	$ (512,719.60)	-16.15%
Noncurrent Assets	20,179.90	14,492.86	5,687.04	39.24%
Capital Assets	22,836,964.04	22,934,850.83	(97,886.79)	-0.43%
Total Assets	$ 25,519,191.93	$ 26,124,111.28	$ (604,919.35)	-2.32%
Deferred Outflows Related to Pensions	$ 1,308,469.00	$ 894,259.00	$ 414,210.00	46.32%

Current Assets

Current assets decreased by $512,719.60 or 16.15%. Cash and cash equivalents decreased by $894,059.03 due in part to expenses paid on the College's welding lab project in the amount of $189,918.02 that had not been reimbursed by year end by Union County. These funds were received on July 27, 2015. Restricted cash and cash equivalents increased by $259,110.45, mostly due to additional funds received from Anson County of $233,250 for capital outlay expenses. Receivables increased by $162,112.41 due to an outstanding receivable from Union County of $235,922.92 for June 2015 appropriations. Inventory decreased by $39,883.43.

Capital Assets

Capital Assets decreased by $97,886.79 or 0.43%. The College added value to the Center for Technology and Health Education building by adding a welding lab at a cost of $651,602.58. The College purchased $263,866.38 in equipment mostly relating to the welding lab. The College disposed of obsolete assets with an original value of $173,329.23, with a carrying value of $5,751.47 at the time of disposal and recorded depreciation expense of $1,006,628.77.

Deferred Outflows of Resources

Deferred outflows related to pensions appears for the first time this year as a result of the implementation of the GASB 68 pension reporting requirements. For the current fiscal year, the deferred outflow represents the College's contributions for retirement benefits made during the year. The amount of deferred outflow for FY15 is $1,308,469.00.

Analysis of Liabilities and Deferred Inflows of Resources

Compared with the year ended June 30, 2014, the current fiscal year showed a decrease in the amount of $3,079,401.76 or 51.49% in total liabilities.

	2014-2015	2013-2014 (as restated)	Difference	% Change
Current Liabilities	$ 1,144,086.79	$ 932,864.53	$ 211,222.26	22.64%
Long-Term Liabilities	1,756,571.59	5,047,195.61	(3,290,624.02)	-65.20%
Total Liabilities	$ 2,900,658.38	$ 5,980,060.14	$ (3,079,401.76)	-51.49%
Deferred Inflows Related to Pensions	$ 3,184,319.00	$ 0.00	$ 3,184,319.00	100.00%

Current Liabilities

Current liabilities increased by $211,222.26 or 22.64%. Accounts payable increased by $163,671.53 due to several departments submitting invoices for payment after June 30, 2015 of goods or services that were already received. Unearned revenues increased by $31,724.88 due to increased tuition and fees paid during the current year for classes occurring in the 15-16 fiscal year.

Long-Term Liabilities

Long-term liabilities decreased by $3,290,624.02 or 65.20% due to recording the implementation of GASB 68 and GASB 71, including a prior year adjustment to record the College's beginning balance of $4,219,358.00 for net pension liability. The College's ending balance of $881,661.00 for net pension liability offsets the decrease of the prior period adjustment to account for a majority of the variance in long-term liabilities. The net pension liability is the College's portion of the present value of projected benefit payments to be provided through the pension plan. The disclosure and accrual of the net pension liability, including deferred outflows and inflows of resources and the pension expense, is required under GASB 68, which became effective for the 2015 fiscal year.

Deferred Inflows Related to Pensions

Deferred inflows related to pensions is another new section required by the implementation of GASB 68. The deferred inflows of resources totaled $3,184,319.00 during the current year and represents the difference between actual and expected experience for pensions as well as the net difference between projected and actual earnings on pension plan investments.

Analysis of Net Position

Total net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Total net position decreased 1.57% compared with the previous fiscal year. As described previously, the increase to net investment in capital assets is related to the construction of a welding lab in the Center for Technology and Health Education building, and equipment purchases during the year, offset by deprecation expense. Expendable capital projects increased due to the receivable from Union County. Unrestricted net position decreased as a function of the implementation of GASB 68 requirements. Additional information on net position is available in Exhibit A-1 and Notes to the Financial Statement 1-K, 4, and 14.

	2014-2015	2013-2014 (as restated)	Difference	% Change
Net Position				
Net Investment in Capital Assets	$ 22,728,992.19	$ 22,744,468.64	$ (15,476.45)	-0.07%
Restricted for:				
Expendable				
Scholarships & Fellowships	99,988.46	1,811.61	98,176.85	5419.31%
Loans	19,372.18	21,703.86	(2,331.68)	-10.74%
Capital Projects	190,808.02		190,808.02	100.00%
Other	86,851.68	120,488.12	(33,636.44)	-27.92%
Unrestricted	(2,383,328.98)	(1,815,440.34)	(567,888.64)	31.28%
Total Net Position	$ 20,742,683.55	$ 21,073,031.89	$ (330,348.34)	-1.57%

Analysis of Revenues

Compared with the year ended June 30, 2014, the current fiscal year showed a 5.14% increase in total revenues.

	2014-2015	2013-2014	Difference	% Change
Operating Revenues:				
Student Tuition & Fees, Net	$ 2,168,231.51	$ 2,165,636.31	$ 2,595.20	0.12%
State & Local Grants & Contracts	334,468.39	258,205.90	76,262.49	29.54%
Sales & Services, Net	120,815.55	249,289.84	(128,474.29)	-51.54%
Other Revenues	(1,292.76)	5,866.44	(7,159.20)	-122.04%
Total Operating Revenues	$ 2,622,222.69	$ 2,678,998.49	$ (56,775.80)	-2.12%
Nonoperating Revenues:				
State Aid	12,905,836.34	12,666,162.72	239,673.62	1.89%
County Appropriations	2,651,983.63	1,736,661.45	915,322.18	52.71%
Noncapital Grants	4,107,960.78	4,734,428.03	(626,467.25)	-13.23%
Other Nonoperating Revenues	30,516.00	30,516.00	-	0.00%
Total Nonoperating Revenues	$ 19,696,296.75	$ 19,167,768.20	$ 528,528.55	2.76%
Other Revenues:				
State Capital Aid	52,871.57	163,137.94	(110,266.37)	-67.59%
County Capital Appropriations	988,119.44	264,406.55	723,712.89	273.71%
Capital Grants	85,036.37	24,416.00	60,620.37	248.28%
Total Other Revenues	$ 1,126,027.38	$ 451,960.49	$ 674,066.89	149.14%
Total Revenues	$ 23,444,546.82	$ 22,298,727.18	$ 1,145,819.64	5.14%

Operating

Total Operating Revenues decreased 2.12% ($56,775.80) when compared to the year ending June 30, 2014 mostly due to a decrease in other sales and services of $110,423.17 related to decreased rental income. State and local grants and contracts increased by $76,262.49 mostly due to a grant received from the Alliance for Children for Education Stars, which enables child care providers to take early childhood education classes at the College, in the amount of $86,433.00.

Nonoperating

Nonoperating revenues increased by 2.76%, or $528,528.55. Union County provided additional general county appropriations for maintenance and campus revitalization of $965,163.30. Conversely, PELL Grant funds decreased by $677,735.98 due to a decrease in students eligible to receive the grants.

Other

The majority of the increase, $674,066.89 or 149.14%, in other revenues is related to county capital appropriations. Union County funded the construction of the new welding lab in Union County by providing capital aid in the amount of $564,061.42.

Analysis of Expenses

Total operating expenses increased by $592,678.69 or 2.56% when compared to 2013-2014. The most significant new expense was $453,280.00 for the College's proportionate share of the TSERS pension expense, included in salaries and benefits expense, added per GASB 68 for 2014-2015. Scholarships and Fellowships also decreased as a result of the decrease in PELL Grant awards mentioned in the nonoperating revenues section above.

	2014-2015	2013-2014*	Difference	% Change
Operating Expenses				
Salaries & Benefits	$ 16,043,402.62	$ 15,550,729.61	$ 492,673.01	3.17%
Supplies & Materials	1,920,240.33	1,760,080.30	160,160.03	9.10%
Services	2,054,217.08	1,822,678.70	231,538.38	12.70%
Scholarships & Fellowships	2,277,546.12	2,658,679.53	(381,133.41)	-14.34%
Utilities	466,285.78	455,460.36	10,825.42	2.38%
Depreciation	1,006,628.77	928,013.51	78,615.26	8.47%
Total Operating Expenses	$ 23,768,320.70	$ 23,175,642.01	$ 592,678.69	2.56%
Nonoperating Expenses				
Interest and Fees on Debt	$ 6,574.46	$ 0.00	$ 6,574.46	100.00%
Total Expenses	$ 23,774,895.16	$ 23,175,642.01	$ 599,253.15	2.59%

*Note: Expenses for 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.

Capital Asset Activity

The College's net capital assets as of June 30, 2015, totaled $22,836,964.04 which is a 0.43% decrease compared to June 30, 2014. As mentioned before, the College added a welding lab at the Center of Technology and Health Building in Union County for $651,602.58 and purchased equipment worth $263,866.38, which was offset by current year depreciation expense of $1,006,628.77.

	2014-2015 (as restated)	2013-2014	Difference	% Change
Capital Assets:				
Land and Permanent Easements	$ 3,142,960.17	$ 3,142,960.17	$ 0.00	0.00%
Construction in Progress	57,235.49	58,211.00	(975.51)	-1.68%
Buildings	26,438,317.47	25,786,714.89	651,602.58	2.53%
Machinery & Equipment	4,251,224.11	4,160,686.96	90,537.15	2.18%
General Infrastructure	706,153.75	706,153.75		0.00%
Total	34,595,890.99	33,854,726.77	741,164.22	2.19%
Less: Accumulated Depreciation	11,758,926.95	10,919,875.94	839,051.01	7.68%
Net Capital Assets	$ 22,836,964.04	$ 22,934,850.83	$ (97,886.79)	-0.43%

Economic Factors and Next Year's Budget

The economy of the State of North Carolina is expected to remain flat. With the 2015-2016 budget, the College expects another Management Flexibility Reduction and the possibility of a reversion of up to 2%.

County funding will remain stable in both counties of the service area. The population growth is expected to be 2% for Union County and remain static in Anson County over the next four years.

FINANCIAL STATEMENTS

South Piedmont Community College
Statement of Net Position
June 30, 2015 — *Exhibit A-1*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,154,828.29
Restricted Cash and Cash Equivalents	394,772.65
Receivables, Net (Note 3)	1,049,470.41
Inventories	62,976.64
Total Current Assets	2,662,047.99
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	20,179.90
Capital Assets - Nondepreciable (Note 4)	3,200,195.66
Capital Assets - Depreciable, Net (Note 4)	19,636,768.38
Total Noncurrent Assets	22,857,143.94
Total Assets	25,519,191.93
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,308,469.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	816,528.16
Due to Primary Government	2,018.79
Unearned Revenue	149,366.43
Funds Held for Others	16,764.49
Long-Term Liabilities - Current Portion (Note 6)	159,408.92
Total Current Liabilities	1,144,086.79
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	1,756,571.59
Total Liabilities	2,900,658.38
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	3,184,319.00
NET POSITION	
Net Investment in Capital Assets	22,728,992.19
Restricted for:	
Expendable:	
Scholarships and Fellowships	99,988.46
Loans	19,372.18
Capital Projects	190,808.02
Other	86,851.68
Unrestricted	(2,383,328.98)
Total Net Position	$ 20,742,683.55

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

South Piedmont Community College
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 8)	$	2,168,231.51
State and Local Grants and Contracts		334,468.39
Sales and Services, Net (Note 8)		120,815.55
Other Operating Revenues		(1,292.76)
Total Operating Revenues		2,622,222.69
EXPENSES		
Operating Expenses:		
Salaries and Benefits		16,043,402.62
Supplies and Materials		1,920,240.33
Services		2,054,217.08
Scholarships and Fellowships		2,277,546.12
Utilities		466,285.78
Depreciation		1,006,628.77
Total Operating Expenses		23,768,320.70
Operating Loss		(21,146,098.01)
NONOPERATING REVENUES (EXPENSES)		
State Aid		12,905,836.34
County Appropriations		2,651,983.63
Noncapital Grants - Student Financial Aid		3,966,323.72
Noncapital Grants		141,637.06
Interest and Fees on Debt		(6,574.46)
Other Nonoperating Revenues		30,516.00
Net Nonoperating Revenues		19,689,722.29
Loss Before Other Revenues		(1,456,375.72)
State Capital Aid		52,871.57
County Capital Aid		988,119.44
Capital Grants		85,036.37
Decrease in Net Position		(330,348.34)
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 14)		21,073,031.89
Net Position, June 30, 2015	$	20,742,683.55

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

South Piedmont Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	2,719,327.43
Payments to Employees and Fringe Benefits		(16,514,770.95)
Payments to Vendors and Suppliers		(4,223,073.08)
Payments for Scholarships and Fellowships		(2,269,115.47)
Other Receipts		32,798.16
Net Cash Used by Operating Activities		(20,254,833.91)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		12,905,836.34
County Appropriations		2,651,983.63
Noncapital Grants - Student Financial Aid		3,966,323.72
Noncapital Grants		194,220.76
Cash Provided by Noncapital Financing Activities		19,718,364.45
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		52,871.57
County Capital Aid		752,196.52
Capital Grants		85,036.37
Proceeds from Sale of Capital Assets		2,000.00
Acquisition and Construction of Capital Assets		(914,493.45)
Principal Paid on Capital Debt and Leases		(63,828.63)
Interest Paid on Capital Debt and Leases		(6,574.46)
Net Cash Used by Capital and Related Financing Activities		(92,792.08)
Net Decrease in Cash and Cash Equivalents		(629,261.54)
Cash and Cash Equivalents, July 1, 2014		2,199,042.38
Cash and Cash Equivalents, June 30, 2015	$	1,569,780.84

South Piedmont Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(21,146,098.01)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,006,628.77
Provision for Uncollectible Loans and Write-Offs		
Pension Expense		453,280.00
Nonoperating Other Income		34,267.47
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		73,810.51
Inventories		39,833.43
Accounts Payable and Accrued Liabilities		163,671.53
Due to Primary Government		(566.79)
Unearned Revenue		31,724.88
Funds Held for Others		(1,469.31)
Deferred Outflows - Contributions Subsequent to the Measurement Date		(1,020,868.00)
Compensated Absences		110,901.61
Net Cash Used by Operating Activities	$	(20,254,883.91)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,154,828.29
Restricted Cash and Cash Equivalents		394,772.65
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		20,179.90
Total Cash and Cash Equivalents - June 30, 2015	$	1,569,780.84

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	235,922.92
Loss on Disposal of Capital Assets		(3,751.47)

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

South Piedmont Community College Foundation, Inc.
Statement of Financial Position
June 30, 2015 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	727,986
Marketable Securities		660,285
Pledges Receivable (Net)		100,717
Total Current Assets		1,488,988
Other Assets:		
Restricted Endowments		1,535,721
Property and Equipment:		
Land		9,700
Total Assets	$	3,034,409
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Credit Card Payable	$	651
Net Assets:		
Unrestricted		506,085
Temporarily Restricted		982,572
Permanently Restricted		1,545,101
Total Net Assets		3,033,758
Total Liabilities and Net Assets	$	3,034,409

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

South Piedmont Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015 — *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions				
Equipment	$ 0	$ 12,073	$ 0	$ 12,073
New Century - Anson		100		100
New Century - Union		2,000		2,000
Student Access		19,074	52,837	71,911
Other	42,776	23,318	250	66,344
In-Kind	241,908			241,908
Fundraising		153,099		153,099
Investment Earnings	602	41,633	1,354	43,589
Net Assets released from Restriction	106,039	(106,039)		0
Total Revenue, Gains, and Other Support	391,325	145,258	54,441	591,024
EXPENSES				
Program Services	234,198			234,198
Supporting Services				
Management and General	123,322			123,322
Fundraising	48,087			48,087
Total Expenses	405,607			405,607
Change in Net Assets	(14,282)	145,258	54,441	185,417
Net Assets at Beginning of Year	431,038	882,589	1,457,585	2,771,212
Prior Period Adjustment	89,329	(45,275)	33,075	77,129
Net Assets at End of Year	$ 506,085	$ 982,572	$ 1,545,101	$ 3,033,758

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. South Piedmont Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit – South Piedmont Community College Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of their relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 24 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed $240,567.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Ginger McLain, Advancement Operations Coordinator, SPCC Foundation, PO Box 126, Polkton, NC 28135 or through an e-mail request to Ginger McLain at gmclain@spcc.edu.

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

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

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

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

D. **Cash and Cash Equivalents** - This classification includes petty cash and cash on deposit with private bank accounts.

E. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery & Equipment	2-40 years
General Infrastructure	10-15 years

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

I. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities includes a note payable, net pension liability, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College'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 College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 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 June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

K. **Net Position** - The College's net position is classified as follows:

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

Restricted Net Position - **Expendable** - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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

L. **Scholarship Discounts** - Student tuition and fees revenues are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition and fees, the College has recorded a scholarship discount.

M. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

N. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2015 was $1,990.65. The carrying amount of the College's deposits not with the State Treasurer was $1,567,790.19, and the bank balance was $1,704,734.26.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2015, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

Component Unit - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The Foundation has investments stated at fair value, of $1,341,392.00 in equity securities.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 630,821.33	$ 181,835.09	$ 448,986.24
Student Sponsors	78,765.62		78,765.62
Intergovernmental	235,922.92		235,922.92
Other	285,795.63		285,795.63
Total Current Receivables	$ 1,231,305.50	$ 181,835.09	$ 1,049,470.41

NOTE 4 - 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 (as restated)	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 3,142,960.17	$ 0.00	$ 0.00	$ 3,142,960.17
Construction in Progress	58,211.00	650,627.07	651,602.58	57,235.49
Total Capital Assets, Nondepreciable	3,201,171.17	650,627.07	651,602.58	3,200,195.66
Capital Assets, Depreciable:				
Buildings	25,786,714.89	651,602.58		26,438,317.47
Machinery and Equipment	4,160,686.96	263,866.38	173,329.23	4,251,224.11
General Infrastructure	706,153.75			706,153.75
Total Capital Assets, Depreciable	30,653,555.60	915,468.96	173,329.23	31,395,695.33
Less Accumulated Depreciation for:				
Buildings	9,017,791.46	654,185.40		9,671,976.86
Machinery and Equipment	1,596,587.75	313,276.57	167,577.76	1,742,286.56
General Infrastructure	305,496.73	39,166.80		344,663.53
Total Accumulated Depreciation	10,919,875.94	1,006,628.77	167,577.76	11,758,926.95
Total Capital Assets, Depreciable, Net	19,733,679.66	(91,159.81)	5,751.47	19,636,768.38
Capital Assets, Net	$ 22,934,850.83	$ 559,467.26	$ 657,354.05	$ 22,836,964.04

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 431,293.38
Accrued Payroll	384,148.83
Other	1,085.95
Total Accounts Payable and Accrued Liabilities	$ 816,528.16

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Note Payable	$ 73,659.68	$ 0.00	$ 32,737.44	$ 40,922.24	$ 32,737.44
Capital Leases Payable	98,140.80		31,091.19	67,049.61	35,208.00
Net Pension Liability	4,219,358.00		3,337,697.00	881,661.00	
Compensated Absences	815,446.05	838,413.10	727,511.49	926,347.66	91,463.48
Total Long-Term Liabilities	$ 5,206,604.53	$ 838,413.10	$ 4,129,037.12	$ 1,915,980.51	$ 159,408.92

Additional information regarding capital lease obligations is included in Note 7.

Additional information regarding the net pension liability is included in Note 10.

B. Note Payable - The College was indebted for a note payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
Energy Conservation Improvement	BB&T	4.19%	09/15/2016	$ 376,481.00	$ 335,558.76	$ 40,922.24

The annual requirements to pay principal and interest on the note payable at June 30, 2015, is as follows:

	Annual Requirements Note Payable	
Fiscal Year	Principal	Interest
2016	$ 32,737.44	$ 1,085.95
2017	8,184.80	56.72
Total Requirements	$ 40,922.24	$ 1,142.67

NOTE 7 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to educational equipment and copiers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 35,208.00
2017	24,519.76
2018	11,136.01
Total Minimum Lease Payments	70,863.77
Amount Representing Interest (4.9% Rate of Interest)	3,814.16
Present Value of Future Lease Payments	$ 67,049.61

Machinery and equipment acquired under capital lease amounted to $170,012.76 at June 30, 2015.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $61,092.36 at June 30, 2015.

B. Operating Lease Obligations - The College entered into operating leases for copiers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 36,846.72
2017	10,430.88
Total Minimum Lease Payments	$ 47,277.60

Rental expense for all operating leases during the year was $175,665.82.

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	$ 3,677,601.69	$ 1,498,990.54	$ 10,379.64	$ 2,168,231.51
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 104,081.10	$ 0.00	$ (10,298.71)	$ 114,379.81
Other	5,983.80		(451.94)	6,435.74
Total Sales and Services	$ 110,064.90	$ 0.00	$ (10,750.65)	$ 120,815.55

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 8,408,196.30	$ 408,299.96	$ 433,517.18	$ 0.00	$ 2,674.85	$ 0.00	$ 9,252,688.29
Academic Support	1,784,881.84	131,731.57	16,457.80				1,933,071.21
Student Services	1,441,807.51	130,735.58	45,109.32		323.23		1,617,975.64
Institutional Support	3,779,663.45	297,752.20	736,851.03				4,814,266.68
Operations and Maintenance of Plant	383,856.67	850,549.21	760,275.04		463,287.70		2,457,968.62
Student Financial Aid			2,004.50	2,277,546.12			2,279,550.62
Auxiliary Enterprises	244,996.85	101,171.81	60,002.21				406,170.87
Depreciation						1,006,628.77	1,006,628.77
Total Operating Expenses	$ 16,043,402.62	$ 1,920,240.33	$ 2,054,217.08	$ 2,277,546.12	$ 466,285.78	$ 1,006,628.77	$ 23,768,320.70

NOTE 10 - PENSION PLAN

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 College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were $1,020,867.92, and employee contributions were $669,421.58 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 College reported a liability of $881,661.00 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 College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was 0.07520%, which was an increase of 0.00570% 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:

Asset Class	Long-Term Expected Real Rate of Return
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 (7.25%)	1% Increase (8.25%)
$ 6,329,171.15	$ 881,660.00	$ (3,717,968.46)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of $453,280.00. At June 30, 2015, the College 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	$ 205,510.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,978,809.00
Change in Proportion and Differences Between Agency'sCcontributions and Proportionate Share of Contributions	287,601.08	
Contributions Subsequent to the Measurement Date	1,020,867.92	
Total	$ 1,308,469.00	$ 3,184,319.00

The amount of $1,020,867.92 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:	Amount
2016	$ (723,043.00)
2017	(723,043.00)
2018	(723,043.00)
2019	(727,589.00)
Total	$ (2,896,718.00)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). 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 College contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were $612,520.75, $556,759.54, and $518,078.31, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Disability Income - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS. 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 College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were $45,743.81, $45,365.59, and $43,010.27, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

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.

C. Other Risk Management and Insurance Activities

1. Automobile

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

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 North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. In addition, all full-time employees are covered by contracts with private insurance companies with coverage of $98,000 per occurrence and no deductible.

4. Statewide Workers' Compensation Program

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

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.

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Professional liability insurance is provided for instructors and students in the nursing program. This insurance is provided through a private insurance company with coverage of $1,000,000 per occurrence with no deductible.

NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $13,500.00 and on other purchases were $29,255.00 at June 30, 2015.

NOTE 14 - NET POSITION RESTATEMENT

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

	Amount
July 1, 2014 Net Position as Previously Reported	$ 24,430,494.46
Restatements:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements	(3,325,099.00)
Correct Prior Period Capital Assets Error	(103,528.98)
Correct Prior Period Net Position Error	71,165.41
July 1, 2014 Net Position as Restated	$ 21,073,031.89

REQUIRED SUPPLEMENTARY INFORMATION

South Piedmont Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Two Fiscal Years

Exhibit C-1

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.07520%	0.06950%
Proportionate Share of TSERS Collective Net Pension Liability	$ 881,661.00	$ 4,219,358.00
Covered-Employee Payroll	$ 10,310,361.94	$ 9,775,062.38
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.55121%	43.16451%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

South Piedmont Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Exhibit C-2

	2015	2014	2013	2012	2011
Actuarial Required Contribution	$ 1,020,867.92	$ 895,970.45	$ 814,262.70	$ 714,986.36	$ 481,712.45
Contributions in Relation to the Contractually Determined Contribution	1,020,867.92	895,970.45	814,262.70	714,986.36	481,712.45
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 11,157,026.37	$ 10,310,361.94	$ 9,775,062.38	$ 9,610,031.73	$ 9,771,043.63
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Actuarial Required Contribution	$ 328,270.05	$ 309,624.97	$ 263,329.40	$ 217,997.21	$ 166,215.08
Contributions in Relation to the Contractually Determined Contribution	328,270.05	309,624.97	263,329.40	217,997.21	166,215.08
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 9,195,239.41	$ 9,215,029.01	$ 8,633,750.77	$ 8,195,383.90	$ 7,103,208.34
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

South Piedmont Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

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

Board of Trustees
South Piedmont Community College
Polkton, 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 South Piedmont Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 10, 2016. Our report includes a reference to other auditors who audited the financial statements of South Piedmont Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of South Piedmont Community College 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 South Piedmont Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Audit Findings, Recommendations, and Responses section, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Audit Findings, Recommendations, and Responses section to be material weaknesses.

Compliance and Other Matters

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

College's Response to Finding

The College's response to the finding identified in our audit is described in the accompanying Audit Findings, Recommendations, and Responses section. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

May 10, 2016

FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Financial Reporting

The following audit finding was identified during the current audit and describes conditions that represent a deficiency in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters. This finding was also reported in the prior year.

FINANCIAL STATEMENTS CONTAINED SIGNIFICANT MISSTATEMENTS AND OMISSIONS

The financial statements, related notes, and required supplementary information prepared by the College and submitted for audit contained significant misstatements and omissions that were corrected as a result of our audit. The misstatements and omissions noted during our audit include:

a. Required supplementary information for the Teachers' and State Employees' Retirement System was not included as part of the financial statements submitted for audit. As a result, information considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context was not presented.

b. The College did not properly calculate employer retirement contributions for the current fiscal year. As a result, deferred outflows related to pensions were understated by $866,376 and salaries and benefits were understated by the same amount.

c. The College did not record a receivable from Union County for a reimbursement of funds spent during the year and received from the county after year-end. As a result, intergovernmental receivables were understated by $235,923. County capital appropriations and county aid were also understated by $190,808 and $45,115, respectively.

d. The College failed to record a payable for goods received prior to year-end and paid for after year-end. As a result, accounts payable and supplies and materials were understated in the amount of $139,882.

e. The College did not properly reconcile its capital asset subsidiary ledger to the general ledger. As a result, the College did not capitalize several pieces of equipment in the amount of $156,839, nor did it record depreciation expense of $2,871 for those items. As a result, machinery and equipment was misstated by the net amount of these two errors, $153,968. Several other minor errors were noted related to buildings as well as machinery and equipment as a result of the College's failure to reconcile its subsidiary ledger to the general ledger.

f. As a result of our audit, other reclassification entries were necessary, as well as multiple changes to the financial statement note disclosures, the Statement of Cash Flows, and Management's Discussion and Analysis.

These misstatements and omissions indicate that the College's internal control over financial reporting was not effective. Without these error corrections and inclusion of all required statements and disclosures, users of the financial statements could be misinformed about the College's financial condition, including sufficiency and flexibility of resources, asset performance, and operating results.

The omissions and errors in financial reporting occurred and were not detected and corrected by the College, in part because:

- The College did not fully understand the reporting and disclosure requirements related to Governmental Accounting Standards Board Statement No. 68.
- The College did not perform a complete and thorough review of the financial statements prior to submission for audit.

The College's management is responsible for the fair presentation of the financial statements and related notes to the financial statements in conformity with accounting principles generally accepted in the United States of America. Additionally, the Committee of Sponsoring Organizations (COSO) *Internal Control – Integrated Framework*[1] states that organizations develop information systems to source, capture, and process large volumes of data into meaningful and actionable information. Management establishes information management policies with clear responsibility and accountability for the quality of information. COSO further states that maintaining quality of information is necessary to an effective internal control system.

Further, best practices require management to periodically review and analyze financial information. The Government Accountability Office (GAO) recommends that senior management should regularly review actual performance against prior period results. The GAO also recommends that "financial and program managers review and compare financial, budgetary, and operational performance to planned or expected results."[2]

Recommendation: The College should ensure that appropriate and adequate resources are provided to ensure:

- The impact of implementation of financial reporting standards are adequately considered,
- Employees are provided with a sufficient understanding of the new or modified standards and their impact on the financial reporting process, and
- A knowledgeable individual, or group of individuals, performs a complete and thorough review of the financial statements and related information to ensure timely, accurate, and complete year-end reporting.

College's Response: We are in agreement with the finding. We received a lot of advice from the state auditors on how to establish a system to backup and review the various areas that we reconcile and review. We plan to review and study all GASB standards so that we fully understand the scope of their requirements and reporting. We will take advantage of webinars and classes provided by NCCCS that will help increase our knowledge and understanding of financial statement reporting. The Associate Vice President of Finance will develop a program and schedule whereby financial statements have a complete and thorough review prior to the completion of the statements. Major improvements will be made to thoroughly review capital assets.

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[1] Committee of Sponsoring Organizations, Internal Control – Integrated Framework, May 2013
[2] Government Accountability Office, Internal Control Management and Evaluation Tool, 2001

The College responded to each individual aspect of the finding as follows:

a. The Associate Vice President of Finance will work to learn about the information that makes up the Required Supplementary Information and where the information is located.

b. This understatement was the result of not understanding the calculation and using the incorrect amount of Covered Employee Payroll. We will work to understand GASB 68 and how to properly calculate employer retirement contributions.

c. This was an oversight by the Associate of VP of Finance. An email was sent by the Coordinator, Financial and Administrative Services informing that the funds had been required in June 2015, but no receivable was generated. To correct this in the future, we have created a file in Sharepoint to record all manual invoices or requests for refunds made by the Business Office. The Associate VP of Finance will monitor this file prior to year end to verify if any receivables need to be accrued.

d. We looked into this and found that the missed payable was three June 2015 invoices that were paid on an August 2015 check along with two August 2015 invoices. The three June 2015 invoices were overlooked. Our new year-end accounts payable accrual procedures will have the Accounts Payable Technician report accruals to the Director of Financial Services who will review all checks written after June 30. The list of accounts payable accruals will be presented to the Associate VP of Finance for final review.

e. The Associate VP of Finance has established a schedule to reconcile fixed assets each month. He is working with our Purchasing and Inventory Technician and our Coordinator, Purchasing and Contracts. All corrections are made before proceeding to the next month. We are reaching out to the System Office to contact a SME for capital assets to obtain help in establishing our program for recording and reconciling. We are also going to contact other community colleges to discuss how their program is working so that we can make improvements to our fixed assets program.

f. The Associate VP of Finance has reviewed the other reclassification entries that were made and is establishing methods to make sure that these errors will not be repeated. Changes in the formatting and procedures to the notes to the financial statements will be made. Notebooks will be kept to backup all notes to the financials. Regarding the Statement of Cash Flows, the state auditor left us with a template to follow to learn and make it easier to prepare the statement. The Management's Discussion and Analysis will be formatted correctly and more depth will be included in the analysis.

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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

NC OSA
The Taxpayers' Watchdog

This audit required 561.5 audit hours at an approximate cost of $55,588.50.