

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



CRAVEN COMMUNITY COLLEGE

NEW BERN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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

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

We have completed a financial statement audit of Craven 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.

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 ways 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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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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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Craven Community College
New Bern, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Craven Community College, a component unit of the State of North Carolina, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Craven Community College Foundation, Inc, which represent 5.6 percent, 6.0 percent, and 1.5 percent, respectively, of the assets, net position, and revenues of the College or the Public Radio East and Affiliate, which represent 2.2 percent, 2.1 percent, and 3.3 percent, respectively, of the assets, net position, and revenues of the College. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation and Public Radio East, are based solely on the reports 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 Craven Community College Foundation, Inc., and Public Radio East 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 opinion.

Opinion

In our opinion based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Craven Community College, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

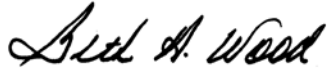
As discussed in Note 14 to the financial statements, during the year ended June 30, 2015, the Craven Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* 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 January 21, 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

January 21, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Craven Community College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the College's financial statements, which follow this narrative.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to Craven Community College's basic financial statements. The College's basic financial statements consist of four components: 1) Management's Discussion and Analysis, 2) the basic financial statements, 3) Notes to the Financial Statements, and 4) Required Supplementary Information.

Basic Financial Statements

The basic financial statements present information for Craven Community College as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately. The difference between total assets plus total outflows of resources and total liabilities plus total inflows of resources is net position and may provide a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the College's cash changed as a result of current year operations. The Statement of Cash Flows includes the reconciliation of operating loss to net cash used during the year.

The financial statements provide both long-term and short-term information about the College's overall financial status.

Notes to the Financial Statements and the Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements and the required supplementary information follow the basic financial statements.

Financial Highlights

As the economy has improved, Craven Community College, like many of the colleges in the State, has experienced declining enrollment during the past few years. The College is funded based on the higher of the prior year's enrollment or the average of the prior two years. This funding model was changed by G.S. 115D-5(v) which allowed Colleges to earn FTE on specifically identified course types during summer sessions. This change increased the

College's state budget allocation in the current year. However, declining FTE will have a negative impact on the funding from the State going forward.

1. Budgeted FTE for 2012-13 was 3,258, 2013-14 was 3,043, 2014-15 was 3,029 and projected 2015-16 of 2,987.
2. The College's total state budget allocation based on enrollment was \$18,929,773. The initial allocation was immediately reduced by \$794,858 through a Management Flexibility Reduction. This reduction brought the College's net state budget down to \$18,134,915, which is a 3.29% increase from the prior year.
3. The College's total county budget allocation used for operations and maintenance of plant increased slightly from \$3,455,130 to \$3,482,948. As a sign of their continuing commitment to assist the College with aging facility issues, the county did increase the capital allocation from \$425,000 to \$500,000 in the current fiscal year.

The College's financial statements are prepared on an accrual basis, which means that revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. Depreciation of capital assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), liabilities (current and noncurrent), and net position (total assets plus total deferred outflows of resources minus total liabilities plus total deferred inflows of resources) of the College. This statement provides a fiscal snapshot of the College's financial position as of June 30, 2015. The data provides readers of this statement information on assets available to continue operations, amounts due to vendors and employees; and the net position available for operations by the College. The financial statements demonstrate that the financial position of the College has remained strong during the fiscal year 2015 with an overall increase in total net position.

	2015	2014 (as restated)	Increase (Decrease)
Assets			
Current Assets	\$ 8,119,131.75	\$ 8,114,088.12	\$ 5,043.63
Capital Assets, Net	31,153,311.00	31,250,176.95	(96,865.95)
Other Noncurrent Assets	3,842,254.67	3,707,375.85	134,878.82
Total Assets	<u>43,114,697.42</u>	<u>43,071,640.92</u>	<u>43,056.50</u>
Deferred Outflows Related to Pensions	974,524.00	908,985.00	65,539.00
Liabilities			
Current Liabilities	1,312,408.65	1,453,850.30	(141,441.65)
Noncurrent Liabilities	1,737,437.88	5,312,187.53	(3,574,749.65)
Total Liabilities	<u>3,049,846.53</u>	<u>6,766,037.83</u>	<u>(3,716,191.30)</u>
Deferred Inflows Related to Pensions	3,182,564.00		3,182,564.00
Net Position			
Invested in Capital Assets	31,153,311.00	31,250,176.95	(96,865.95)
Restricted:			
Nonexpendable	1,939,129.22	1,926,206.34	12,922.88
Expendable	4,088,045.23	3,487,287.00	600,758.23
Unrestricted	676,325.44	550,917.80	125,407.64
Total Net Position	<u>\$ 37,856,810.89</u>	<u>\$ 37,214,588.09</u>	<u>\$ 642,222.80</u>

Current assets include cash and cash equivalents, receivables, inventories, prepaid items, and notes receivable for short-term student loans. Noncurrent assets consist of cash, restricted due from primary government, investments, and capital assets. Capital assets include land, artwork, buildings, infrastructure, and equipment. The College's capital assets are recorded at acquisition cost, or fair market value for donations, less depreciation. A capital asset is recorded when the purchase price for an item is \$5,000 or more and has a useful life of more than one year.

Current liabilities include amounts due to vendors, payroll compensation, unearned revenue for summer term, the current portion of compensated absences for vacation leave due to employees and funds held for others. Noncurrent liabilities include the long-term portion of compensated absences for vacation leave due to employees and the net pension liability.

Net Position is a measure of the value of all the College's assets plus deferred outflows less liabilities and deferred inflows.

Notable changes in the Condensed Statement of Net Position include:

- Other noncurrent assets increased by \$134,878.82 mainly due to an increase in restricted cash of \$494,258.79 and an increase in investment value of \$12,197.58. The college received \$75,000.00 more county capital aid than in the previous year and was allowed to transfer \$602,455.14 from county operating funds to capital funds to cover the costs of expected repairs and renovations such as the Barker Hall Student Center, Brock classroom renovations, the Perdue chiller, and renovations to Orringer and Kelso classrooms and bathrooms the majority of which remained unspent. This increase was partially offset by a reduction of \$371,577.55 in restricted noncurrent receivables that were collected.
- As a result of implementing GASB 68, the College had an increase in deferred outflows of \$65,539.00, a decrease in noncurrent liabilities of \$3,574,749.65, and an increase in deferred inflows of \$3,182,564.00 in the current year.
- Current liabilities decreased by \$141,441.65 mainly due to lower unearned revenues because of decreased enrollment and a reduction in the current portion of compensated absences. The current portion of compensated absences is the portion of accrued vacation and bonus leave that the College expects the employee to use within the next fiscal year.
- Net position increased by \$642,222.80 primarily due to increases in capital projects \$315,734.14, which consists of state and institutional capital improvement projects completed during the year, increases in restricted for specific programs of the College \$86,588.65, which are funds used by specific areas of the College such as the radio station, the cosmetology program, and instructional technology programs, and increases in unrestricted funds \$125,407.64 belonging to the institution. These increases were offset by a decline in capital assets of \$96,865.95 due to depreciation and a decrease in scholarships and fellowships of \$88,372.21 due to declines in general and endowment scholarships received and awarded.

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

The purpose of this statement is to present the revenues received and expenses paid by the College, both operating and nonoperating. The College receives the majority of its funding from appropriations, which are recorded as nonoperating revenue and results in an operating

loss on the statements. Such operating loss is normal for public institutions where depreciation is recognized and presented as an operating expense.

	June 30, 2015	June 30, 2014*	Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees, Net	\$ 3,166,747.41	\$ 4,036,414.03	\$ (869,666.62)
Sales and Services	228,482.58	265,728.68	(37,246.10)
Other Operating Revenues	169,934.73	142,124.05	27,810.68
Total Operating Revenues	<u>3,565,164.72</u>	<u>4,444,266.76</u>	<u>(879,102.04)</u>
Operating Expenses:			
Salaries and Benefits	16,879,002.14	16,802,566.32	76,435.82
Supplies and Materials	2,146,303.54	2,069,918.98	76,384.56
Services	3,966,631.95	3,350,964.26	615,667.69
Scholarships and Fellowships	4,788,600.13	5,707,861.69	(919,261.56)
Utilities	918,616.15	937,045.64	(18,429.49)
Depreciation	1,254,742.75	1,271,410.75	(16,668.00)
Total Operating Expenses	<u>29,953,896.66</u>	<u>30,139,767.64</u>	<u>(185,870.98)</u>
Operating Loss	(26,388,731.94)	(25,695,500.88)	(693,231.06)
Nonoperating Revenues			
State Aid	12,691,263.72	11,994,686.23	696,577.49
County Appropriations	3,482,948.00	3,455,130.00	27,818.00
Noncapital Grants	8,202,744.63	8,724,265.87	(521,521.24)
Other Nonoperating Revenues	757,377.62	1,060,952.34	(303,574.72)
Net Nonoperating Revenues	<u>25,134,333.97</u>	<u>25,235,034.44</u>	<u>(100,700.47)</u>
Loss Before Other Revenues	(1,254,397.97)	(460,466.44)	(793,931.53)
Other Revenues			
State Capital Aid	1,065,890.34	627,000.56	438,889.78
Other Capital Revenues	823,558.53	662,629.98	160,928.55
Additions to Endowments	7,171.90	22,232.80	(15,060.90)
Total Increase in Net Position	642,222.80	851,396.90	(209,174.10)
Net Position - July 1	<u>37,214,588.09</u>	<u>40,062,109.19</u>	<u>(2,847,521.10)</u>
Less: Restatement		(3,698,918.00)	3,698,918.00
Net Position - June 30	<u>\$ 37,856,810.89</u>	<u>\$ 37,214,588.09</u>	<u>\$ 642,222.80</u>
Total Revenues	\$ 30,596,119.46	\$ 30,991,164.54	\$ (395,045.08)
Total Expenses	<u>29,953,896.66</u>	<u>30,139,767.64</u>	<u>(185,870.98)</u>
Total Increase in Net Position	<u>\$ 642,222.80</u>	<u>\$ 851,396.90</u>	<u>\$ (209,174.10)</u>

* 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.

Operating revenues are received for providing goods and services to various customers and constituencies of the College. Operating expenses are used to acquire or produce resources required to provide for the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided such as state and county aid, grants, and gifts.

Notable changes in the Condensed Statement of Revenues, Expenses, and Changes in Net Position include:

1. Student tuition and fees decreased by \$869,666.62 due to a decrease in student enrollment. Likewise, sales and services decreased by \$37,246.10 due to lower bookstore sales. Other Operating revenues increased by \$27,810.68 due to increase revenues generated by the public radio station. Overall, total operating revenues decreased by \$879,102.04.
2. Salaries and benefits increased by \$76,435.82 as the College hired additional positions to support the College's mission.
3. Supplies and materials increased \$76,384.56 and services increased by \$615,667.69 due to renovations and repairs across the College campus. These renovations included renovating the Brock stairway, installing keyless entry on the New Bern and Havelock campuses, expanding the Orringer Art Lab, and replacing the Brock air handlers.
4. Scholarships and fellowships decreased by \$919,261.56 due to lower Pell grant related to the decrease in enrollment and decreases in state-funded scholarships.
5. Utilities decreased by \$18,429.49 as the College became more energy efficient by updating equipment and made efforts to reduce expenditures.
6. State aid increased by \$696,577.49 as a result of a net increase in the base allotment and performance based allocation make up the increase.
7. Noncapital grants decreased by \$521,521.24 as the College completed the majority of the North Carolina Advanced Manufacturing Alliance grant in FY 2014 and received less funding from Pell and state financial aid grants.
8. Other Nonoperating Revenues decreased by \$303,574.72 mainly due to lower noncapital gifts and reductions in investment income on endowments from the Craven Community College Foundation.

Capital Asset Activity

The College's capital assets decreased by \$96,865.55 during fiscal year 2014-2015. The College received an art sculpture for the New Bern campus valued at \$7,500.00. The College also capitalized \$357,442.40 in buildings for additions to the Orringer and Brock buildings and \$853,227.41 in machinery and equipment. These increases to capital assets were offset by depreciation expense for the year totaling \$1,254,742.75.

	Capital Assets (net of depreciation)		Increase (Decrease)
	2015	2014	
Land	\$ 596,500.00	\$ 596,500.00	\$ 0.00
CIP		38,706.00	(38,706.00)
Artwork	183,650.00	176,150.00	7,500.00
Buildings	22,783,830.89	23,162,643.41	(378,812.52)
Machinery and equipment	6,124,454.03	5,752,401.70	372,052.33
Infrastructure	1,464,876.08	1,523,775.44	(58,899.36)
Total	<u>\$ 31,153,311.00</u>	<u>\$ 31,250,176.55</u>	<u>\$ (96,865.55)</u>

Economic Factors and Next Year's Budget

The economy of the State of North Carolina continues to steadily gain strength. For the fiscal year, 2015-2016 the College's projected state budget allocation is \$19,055,931 with another Management Flexibility Reduction of \$805,897 for a net allocation of \$18,250,034. Although the State was anticipating a revenue shortfall earlier on, it ended up with a \$445 million surplus. The General Assembly has reached an agreement to fund a \$750 bonus for each full-time employee as well as setting aside a salary reserve of \$10,000,000 for the community colleges in fiscal year 2015-2016 and an additional \$20,000,000 in fiscal year 2016-2017.

For the College, it appears that enrollment has now flattened. Management continuously reviews options that they hope will help increase enrollment; such as starting new programs (the CDL program) and putting more focus on issues such as student retention.

Craven Community College continues to explore external funding sources to enhance programs and services at the College. The College was approved for its second TRiO SSS award totaling \$1,100,000 (\$220,000 per year). TRiO SSS is a five year grant which focuses on student support services. The College is in year four of a five year grant from NSF Scholars in Engineering and Science (SEAS) which has \$389,678 remaining. Other grants received include C-STEP for \$8,000 and Duke Energy grant of \$250,000 for virtual welding equipment. The College has also submitted for a Title III Connect 2 Success grant through the Department of Education that will total \$1,742,927 over five years if approved.

Craven Community College Foundation is also committed to seeking additional funding to allow more students access to a college education. For the 2015-2016 fiscal year, the Foundation was able to secure a grant from the Harold Bate Foundation in the amount of \$95,200 to fund scholarships for our students. The Foundation continues to work with major donors to establish endowments and scholarships to benefit our students.

Through planning and cost controls the College will maintain its healthy financial position during fiscally challenging times with minimal impact on services, students and staff. Enrollment trends will continue to be monitored to determine the optimal mix of services offered to continue to provide expanded learning opportunities to students.

With emphases on community engagement, partnerships, and economic development, Craven Community College actively collaborates with a variety of other organizations working to achieve broad-based economic development.

Requests for Information

This report is designed to provide an overview of the College's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Cindy A. Patterson, Executive Director of Financial Services and Purchasing, Craven Community College, 800 College Court, New Bern, NC 28562. The College's website is www.cravencc.edu.



FINANCIAL STATEMENTS

Craven Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,084,804.36
Restricted Cash and Cash Equivalents	2,300,252.88
Receivables, Net (Note 4)	450,303.50
Due from Primary Government	81,334.64
Inventories	198,157.31
Prepaid Items	1,365.72
Notes Receivable, Net (Note 4)	2,913.34
	<hr/>
Total Current Assets	8,119,131.75

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,900,448.08
Restricted Due from Primary Government	2,897.51
Restricted Investments	1,938,879.22
Other Investments	29.86
Capital Assets - Nondepreciable (Note 5)	780,150.00
Capital Assets - Depreciable, Net (Note 5)	30,373,161.00
	<hr/>
Total Noncurrent Assets	34,995,565.67
	<hr/>
Total Assets	43,114,697.42

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	974,524.00
	<hr/>
Total Deferred Outflows of Resources	974,524.00

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	654,308.11
Due to State of North Carolina Component Units	4,181.25
Unearned Revenue	298,799.91
Funds Held for Others	220,391.28
Long-Term Liabilities - Current Portion (Note 7)	134,728.10
	<hr/>
Total Current Liabilities	1,312,408.65

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	1,737,437.88
	<hr/>
Total Noncurrent Liabilities	1,737,437.88
	<hr/>
Total Liabilities	3,049,846.53

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	3,182,564.00
	<hr/>
Total Deferred Inflows of Resources	3,182,564.00

Craven Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	31,153,311.00
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,939,129.22
Expendable:	
Scholarships and Fellowships	290,644.78
Loans	43,838.19
Capital Projects	1,887,872.00
Use by Public Radio East	383,198.81
Cosmetology Program	218,326.89
Instructional Technology Programs	749,977.67
Other	514,186.89
Unrestricted	<u>676,325.44</u>
Total Net Position	<u>\$ 37,856,810.89</u>

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

Craven 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)	\$ 3,166,747.41
Sales and Services (Note 8)	228,482.58
Other Operating Revenues	169,934.73
	<hr/>
Total Operating Revenues	3,565,164.72
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	16,879,002.14
Supplies and Materials	2,146,303.54
Services	3,966,631.95
Scholarships and Fellowships	4,788,600.13
Utilities	918,616.15
Depreciation	1,254,742.75
	<hr/>
Total Operating Expenses	29,953,896.66
	<hr/>
Operating Loss	(26,388,731.94)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	12,691,263.72
County Appropriations	3,482,948.00
Noncapital Grants - Student Financial Aid	7,226,201.95
Noncapital Grants	976,542.68
Noncapital Gifts	741,547.30
Investment Income (Net of Investment Expense of \$ 5,938.99)	32,221.96
Other Nonoperating expenses	(16,391.64)
	<hr/>
Net Nonoperating Revenues	25,134,333.97
	<hr/>
Loss Before Other Revenues	(1,254,397.97)
	<hr/>
State Capital Aid	1,065,890.34
County Capital Aid	500,000.00
Capital Grants	291,058.53
Capital Gifts	32,500.00
Additions to Endowments	7,171.90
	<hr/>
Increase in Net Position	642,222.80

NET POSITION

Net Position, July 1, 2014 as Restated (Note 14)	37,214,588.09
	<hr/>
Net Position, June 30, 2015	\$ 37,856,810.89
	<hr/> <hr/>

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

Craven Community College
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	\$ 3,531,270.12
Payments to Employees and Fringe Benefits	(17,351,181.74)
Payments to Vendors and Suppliers	(7,150,835.51)
Payments for Scholarships and Fellowships	(4,788,600.13)
Other Receipts	125,663.54
	<hr/>
Net Cash Used by Operating Activities	(25,633,683.72)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	12,691,263.72
County Appropriations	3,482,948.00
Noncapital Grants - Student Financial Aid	7,225,751.22
Noncapital Grants	933,005.25
Noncapital Gifts and Endowments	711,799.81
	<hr/>
Cash Provided by Noncapital Financing Activities	25,044,768.00

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,437,467.89
County Capital Aid	500,000.00
Capital Grants	291,058.53
Capital Gifts	25,000.00
Proceeds from Sale of Capital Assets	5,194.97
Acquisition and Construction of Capital Assets	(1,206,309.41)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,052,411.98

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	151,497.44
Investment Income	129,781.11
Purchase of Investments and Related Fees	(261,254.17)
	<hr/>
Net Cash Provided by Investing Activities	20,024.38

Net Increase in Cash and Cash Equivalents	483,520.64
Cash and Cash Equivalents, July 1, 2014	8,801,984.68
	<hr/>
Cash and Cash Equivalents, June 30, 2015	\$ 9,285,505.32

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

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (26,388,731.94)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,254,742.75
Provision for Uncollectible Loans	(642.77)
Pension Expense	332,362.00
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	24,037.03
Inventories	27,274.45
Prepaid Items	14,457.06
Accounts Payable and Accrued Liabilities	(127,643.13)
Dut to State of North Carolina Component Units	213.20
Unearned Revenue	(58,244.94)
Funds Held for Others	125,976.85
Deferred Outflows - Contributions After the Measurement Date	(974,524.00)
Compensated Absences	137,039.72
	<u>137,039.72</u>
Net Cash Used by Operating Activities	<u>\$ (25,633,683.72)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 5,084,804.36
Restricted Cash and Cash Equivalents	2,300,252.88
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>1,900,448.08</u>
Total Cash and Cash Equivalents - June 30, 2015	<u>\$ 9,285,505.32</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	\$ 7,500.00
Change in Fair Value of Investments	(91,620.16)
Increase in Receivables Related to Nonoperating Income	36,919.39
Loss on Disposal of Capital Assets	(16,391.34)

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

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

Blended Component Units - Although legally separate, Craven Community College Foundation, Inc. (Foundation) and Public Radio East and Affiliate (Radio) are reported as if they were part of the College. Craven Community College Foundation, Inc. is governed by a 25-member board consisting of 4 ex officio directors and 21 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Public Radio East and Affiliate is governed by a 20-member board consisting of 2 ex officio directors and 18 elected directors. The Radio's purpose is to serve the education and cultural needs of Eastern North Carolina. Because the elected directors of the Foundation and the Radio are appointed by the members of the Craven Community College Board of Trustees and their sole purpose is to benefit Craven Community College, their financial statements have been blended with those of the College.

Separate financial statements for the Foundation and the Radio may be obtained from the College Controller's Office, 800 College Court, New Bern, NC 28562, or by calling (252) 638-7304. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 13.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. 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. 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.
- 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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

- 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 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	40-100 years
Machinery & Equipment	5-25 years
General Infrastructure	15-75 years

The College does not capitalize the Godwin Library collection. This collection adheres to the College’s policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

The Congleton artwork collection is capitalized at fair value at the date of donation. This collection is considered inexhaustible and is 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 whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability 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.

- K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

management system in place at the College. Both restricted and unrestricted net positions include consideration of deferred outflows and inflows of resources.

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

N. 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - 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 \$1,900.00. The carrying amount of the College's deposits not with the State Treasurer was \$522,584.56, and the bank balance was \$805,708.88.

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.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$8,761,020.76, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: 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, 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.

Investments of the College's component units, Craven Community College Foundation, Inc., and Public Radio East and Affiliate 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.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the College's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments	
	Fair Value
Mutual Funds	\$ 1,938,879.22
Other	29.86
Total Investments	\$ 1,938,909.08

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	\$	1,900.00
Carrying Amount of Deposits with Private Financial Institutions		522,584.56
Investments in the Short-Term Investment Fund		8,761,020.76
Other Investments		<u>1,938,909.08</u>
Total Deposits and Investments	\$	<u>11,224,414.40</u>
Deposits		
Current:		
Cash and Cash Equivalents	\$	5,084,804.36
Restricted Cash and Cash Equivalents		2,300,252.88
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>1,900,448.08</u>
Total Deposits		<u>9,285,505.32</u>
Investments		
Noncurrent:		
Restricted Investments		1,938,879.22
Other Investments		<u>29.86</u>
Total Investments		<u>1,938,909.08</u>
Total Deposits and Investments	\$	<u>11,224,414.40</u>

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are separately invested with Branch Banking & Trust Company. 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. The College's endowment donor agreements prohibit spending of nonexpendable balances that are not eligible for expenditure.

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's endowment funds are based on an adopted spending policy which limits spending up to 6% of the endowment principal's market value. Under this policy, the prior year spending percentage is increased by the inflation rate to determine the current year spending percentage. To the extent that the income for the current year exceeds the payout, the excess is added to the principal. If current year earnings do not meet the payout requirements, the

College uses accumulated from restricted, expendable net asset endowment balances to make up the difference. At June 30, 2015, net appreciation of \$12,771.88 was available to be spent, of which \$12,771.88 was classified in net position as restricted: nonexpendable: scholarships and fellowships as it is restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 272,669.24	\$ 95,804.98	\$ 176,864.26
Student Sponsors	128,558.80	2,497.25	126,061.55
Grants	9,934.41		9,934.41
Pledges	136,160.18	6,327.13	129,833.05
Other	7,610.23		7,610.23
Total Current Receivables	<u>\$ 554,932.86</u>	<u>\$ 104,629.36</u>	<u>\$ 450,303.50</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 4,530.37	\$ 1,617.03	\$ 2,913.34

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
Capital Assets, Nondepreciable:				
Land	\$ 596,500.00	\$ 0.00	\$ 0.00	\$ 596,500.00
Art	176,150.00	7,500.00		183,650.00
Construction in Progress	38,706.40		38,706.40	
Total Capital Assets, Nondepreciable	<u>811,356.40</u>	<u>7,500.00</u>	<u>38,706.40</u>	<u>780,150.00</u>
Capital Assets, Depreciable:				
Buildings	34,715,725.87	357,442.40		35,073,168.27
Machinery and Equipment	9,585,911.22	853,227.41	45,863.03	10,393,275.60
General Infrastructure	2,485,125.30			2,485,125.30
Total Capital Assets, Depreciable	<u>46,786,762.39</u>	<u>1,210,669.81</u>	<u>45,863.03</u>	<u>47,951,569.17</u>
Less Accumulated Depreciation for:				
Buildings	11,553,082.46	736,254.92		12,289,337.38
Machinery and Equipment	3,833,509.52	459,588.47	24,276.42	4,268,821.57
General Infrastructure	961,349.86	58,899.36		1,020,249.22
Total Accumulated Depreciation	<u>16,347,941.84</u>	<u>1,254,742.75</u>	<u>24,276.42</u>	<u>17,578,408.17</u>
Total Capital Assets, Depreciable, Net	<u>30,438,820.55</u>	<u>(44,072.94)</u>	<u>21,586.61</u>	<u>30,373,161.00</u>
Capital Assets, Net	<u>\$ 31,250,176.95</u>	<u>\$ (36,572.94)</u>	<u>\$ 60,293.01</u>	<u>\$ 31,153,311.00</u>

NOTES TO THE FINANCIAL STATEMENTS

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	\$ 186,622.13
Accrued Payroll	467,685.98
	<hr/>
Total Current Accounts Payable and Accrued Liabilities	\$ 654,308.11
	<hr/> <hr/>

NOTE 7 - LONG-TERM LIABILITIES

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
Net Pension Liability	\$ 4,607,903.00	\$ 0.00	\$ 3,759,187.00	\$ 848,716.00	\$ 0.00
Compensated Absences	886,410.26	712,512.35	575,472.63	1,023,449.98	134,728.10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Long-Term Liabilities	\$ 5,494,313.26	\$ 712,512.35	\$ 4,334,659.63	\$ 1,872,165.98	\$ 134,728.10
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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	\$ 5,644,791.08	\$ 2,474,170.58	\$ 3,873.09	\$ 3,166,747.41
	<hr/>	<hr/>	<hr/>	<hr/>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 158,034.18	\$ 0.00	\$ 0.00	\$ 158,034.18
Food Service	21,474.03			21,474.03
Rental Fees	6,679.70			6,679.70
Sales and Services of Education and Related Activities	42,294.67			0.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Sales and Services	\$ 228,482.58	\$ 0.00	\$ 0.00	\$ 228,482.58
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Equipment	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 8,556,267.10	\$ 1,286,626.43	\$ 850,276.59	\$ 0.00	\$ 0.00	\$ 0.00	\$ 10,693,170.12
Public Service	547,535.56	67,519.35	377,324.64		51,989.02		1,044,368.57
Academic Support	1,881,712.69	74,040.31	151,657.39				2,107,410.39
Student Services	1,916,621.18	78,307.83	166,248.95				2,161,177.96
Institutional Support	2,725,687.70	437,732.17	1,550,867.59				4,714,287.46
Operations and Maintenance of Plant	918,815.91	143,650.25	824,918.89		866,627.13		2,754,012.18
Student Financial Aid		597.57	35.22	4,788,600.13			4,789,232.92
Auxiliary Enterprises		57,829.63	45,302.68				103,132.31
Depreciation						1,254,742.75	1,254,742.75
Pension Expense	332,362.00						332,362.00
Total Operating Expenses	\$ 16,879,002.14	\$ 2,146,303.54	\$ 3,966,631.95	\$ 4,788,600.13	\$ 918,616.15	\$ 1,254,742.75	\$ 29,953,896.66

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 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 \$974,523.69, and employee contributions were \$639,031.93 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 \$848,716.00 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 0.072390%, which was a decrease of 4.62451% 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:

<u>Net Pension Liability (Asset)</u>		
<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
6,092,669.00	848,716.00	(3,579,039.00)

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 \$332,362.00. 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	\$ 197,831.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,867,500.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		117,233.00
Contributions Subsequent to the Measurement Date	974,524.00	
Total	<u>\$ 974,524.00</u>	<u>\$ 3,182,564.00</u>

\$974,524.00 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	\$ (800,005.00)
2017	(800,005.00)
2018	(800,005.00)
2019	(782,549.00)
Total	<u>\$ (3,182,564.00)</u>

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 \$584,714.21, \$564,847.38, and \$587,105.80, 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 \$43,667.18, \$46,024.60, and \$48,740.86, 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. 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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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. Losses for employees paid from county and institutional funds are covered under a private insurance policy.

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

Professional liability insurance of \$2,000,000.00 per claim and \$5,000,000.00 aggregate is provided to students participating in certain programs. Coverage is under a private insurance policy. Faculty that instruct in those programs are covered under the college's private insurance policy.

NOTE 13 - BLENDED COMPONENT UNITS

Condensed combining information for the College's blended component units for the year ended June 30, 2015, is presented as follows:

*Condensed Statement of Net Position
June 30, 2015*

	College	CCC Foundation	PRE and Affiliate	Eliminations	Total
ASSETS					
Current Assets	\$ 7,161,405.75	\$ 473,575	\$ 545,707	\$ (61,556)	\$ 8,119,131.75
Capital Assets	30,737,498.00		415,813		31,153,311.00
Other Noncurrent Assets	1,840,884.67	1,939,159		62,211	3,842,254.67
Total Assets	39,739,788.42	2,412,734	961,520	655	43,114,697.42
TOTAL DEFERRED OUTFLOWS OF RESOURCES	974,524.00				974,524.00
LIABILITIES					
Current Liabilities	1,276,152.65	2,466	43,825	(10,035)	1,312,408.65
Noncurrent Liabilities	1,670,276.88		62,564	4,508	1,737,348.88
Total Liabilities	2,946,429.53	2,466	106,389	(5,527)	3,049,757.53
TOTAL DEFERRED INFLOWS OF RESOURCES	3,182,564.00				3,182,564.00
NET POSITION					
Net Investment in Capital Assets	30,737,498.00		415,813		31,153,311.00
Restricted - Nonexpendable	550,638.22	1,388,491			1,939,129.22
Restricted - Expendable	3,115,633.23	878,311	94,101		4,088,045.23
Unrestricted	181,550.44	143,466	345,127	6,182	676,325.44
Total Net Position	\$ 34,585,319.89	\$ 2,410,268	\$ 855,041	\$ 6,182	\$ 37,856,810.89

NOTES TO THE FINANCIAL STATEMENTS

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2015

	College	CCC Foundation	PRE and Affiliate	Eliminations	Total
OPERATING REVENUES					
Student Tuition and Fees, Net	\$ 3,081,166.41	\$ 0	\$ 0	\$ 85,581	\$ 3,166,747.41
Sales and Services	228,482.58				228,482.58
Contributions			1,247,238	(1,247,238)	
Lifetime Learning Center		103,048		(103,048)	
Other	23,035.73	89,195	213,924	(156,220)	169,934.73
Total Operating Revenues	3,332,684.72	192,243	1,461,162	(1,420,925)	3,565,164.72
OPERATING EXPENSES					
Operating Expenses	27,185,350.91	493,965	1,475,858	(456,020)	28,699,153.91
Depreciation	1,227,849.75			26,893	1,254,742.75
Total Operating Expenses	28,413,200.66	493,965	1,475,858	(429,127)	29,953,896.66
Operating Income Loss	(25,080,515.94)	(301,722)	(14,696)	(991,798)	(26,388,731.94)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	37,621.96	(7,329)	1,929		32,221.96
State Aid	12,691,263.72				12,691,263.72
County Aid	3,482,948.00				3,482,948.00
Noncapital Grants	7,708,378.63	149,377		344,989	8,202,744.63
Noncapital Gifts	3,150.30	95,200		643,197	741,547.30
Other Nonoperating Expenses	(16,391.64)				(16,391.64)
Net Nonoperating Revenues	23,906,970.97	237,248	1,929	988,186	25,134,333.97
Capital Contributions	1,856,948.77	32,500		0.10	1,889,448.87
Transfers		(9,139)		9,139	
Additions to Endowments		7,172		(0.10)	7,171.90
Increase in Net Position	683,403.80	(33,941)	(12,767)	5,527	642,222.80
NET POSITION					
Net Position, July 1, 2014 (As Restated)	33,901,916.09	2,444,209	867,808	655	37,214,588.09
Net Position, June 30, 2015	\$ 34,585,319.89	\$ 2,410,268	\$ 855,041	\$ 6,182	\$ 37,856,810.89

Condensed Statement of Cash Flows June 30, 2015

	College	CCC Foundation	PRE and Affiliate	Total
Net Cash Used by Operating Activities	\$ (25,303,770.72)	\$ (312,825)	\$ (17,088)	\$ (25,633,683.72)
Net Cash Provided (Used) by Noncapital Financing Activities	24,829,249.00	242,938	(27,419)	25,044,768.00
Net Cash Provided by Capital and Related Financing Activities	1,027,411.98	25,000		1,052,411.98
Net Cash Provided (Used) by Investing Activities	31,024.38	(12,929)	1,929	20,024.38
Net Increase (Decrease) in Cash and Cash Equivalents	583,914.64	(57,816)	(42,578)	483,520.64
Cash and Cash Equivalents, July 1, 2014	7,820,168.68	515,082	466,734	8,801,984.68
Cash and Cash Equivalents, June 30, 2015	\$ 8,404,083.32	\$ 457,266	\$ 424,156	\$ 9,285,505.32

NOTE 14 - 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	\$ 40,913,506.09
Restatements:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	<u>(3,698,918.00)</u>
July 1, 2014 Net Position as Restated	<u><u>\$ 37,214,588.09</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit B-1

	<u>2014</u>	<u>2013</u>
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.072390%	0.07590%
(2) Proportionate Share of TSERS Collective Net Pension Liability	\$ 848,716.00	\$ 4,607,903.00
(3) Covered-Employee Payroll	\$ 10,460,136.59	\$ 11,077,467.99
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	8.11%	41.60%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit B-2

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
(1) Contractually Required Contribution	\$ 974,523.69	\$ 908,985.87	\$ 922,753.09	\$ 810,079.55	\$ 550,319.19
(2) Contributions in Relation to the Contractually Determined Contribution	<u>974,523.69</u>	<u>908,985.87</u>	<u>922,753.09</u>	<u>810,079.55</u>	<u>550,319.19</u>
(3) Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
(4) Covered-Employee Payroll	\$ 10,650,532.10	\$ 10,460,136.59	\$ 11,077,467.99	\$ 10,888,166.01	\$ 11,162,661.12
(5) 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>
(1) Contractually Required Contribution	\$ 365,056.09	\$ 358,927.98	\$ 310,734.57	\$ 262,851.41	\$ 202,826.01
(2) Contributions in Relation to the Contractually Determined Contribution	<u>365,056.09</u>	<u>358,927.98</u>	<u>310,734.57</u>	<u>262,851.41</u>	<u>202,826.01</u>
(3) Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
(4) Covered-Employee Payroll	\$ 10,225,660.73	\$ 10,682,380.25	\$ 10,188,018.53	\$ 9,881,632.02	\$ 8,667,778.31
(5) Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Craven 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:

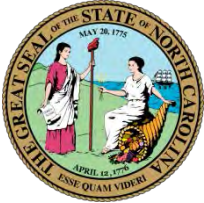
									<u>Cost of Living Increase</u>
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%	

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
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<http://www.ncauditor.net>

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

Board of Trustees
Craven Community College
New Bern, 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 Craven Community College, a component unit of the State of North Carolina, 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 January 21, 2016. The financial statements of Craven Community Foundation, Inc. and Public Radio East and Affiliate, the Colleges blended component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the blended component units.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 21, 2016

ORDERING INFORMATION

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