STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE

FAYETTEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Fayetteville Technical Community College for the year ended June 30, 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.

Beth A. Wood, CPA
State Auditor

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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fayetteville Technical Community College
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Fayetteville Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 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 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.

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 the financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville Technical 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 17 to the financial statements, during the year ended June 30, 2015, Fayetteville Technical 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 February 15, 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

February 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Fayetteville Technical Community College's (FTCC's) financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2015, with comparative data for the fiscal year ended June 30, 2014. This Management's Discussion and Analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's basic financial statements and the Notes to the Financial Statements.

Using This Annual Report

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

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) of the College as of the end of the fiscal year. It is a point-in-time financial statement.

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

The Statement of Cash Flows provides information relative to the College's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balances of noncash accounts on the Statement of Net Position.

For the fiscal year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this standard required a restatement to beginning net position. In previous years' discussions and analyses, the College has presented prior year comparative information "as restated" when a restatement to net position was made. In this year's discussion and analysis, the amounts included in the year ended June 30, 2014, Statement of Revenues, Expenses, and Changes in Net Position are not presented "as restated" because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts. Because the College is unable to restate this fiscal year (FY) 2014 information, it will be noted throughout this discussion and analysis when the implementation of GASB 68 has caused a significant variance between current and prior year data. The Statement of Net Position for fiscal year 2014 is presented "as restated."

Financial Highlights

The College's net position has increased from $87,598,629.77 (as restated) at June 30, 2014, to $94,170,776.39 at June 30, 2015. This increase of $6,572,146.62 is due to changes in a combination of accounts, including an increase in net investment in capital assets and unrestricted net position, and a decrease in restricted net position.

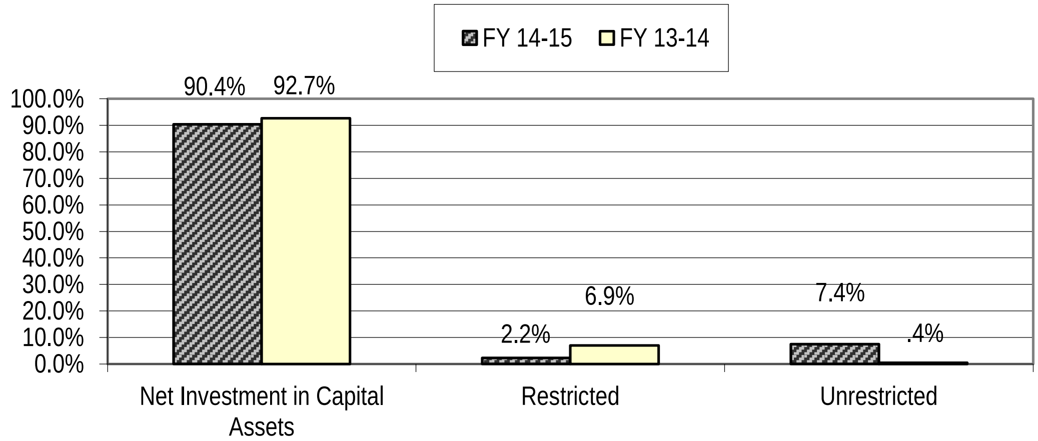
Net investment in capital assets increased $3,930,642.26 or 4.8 percent. In FY 2015, the College recorded additions to capital assets accounts (construction in progress, buildings, and machinery and equipment), while also recording current year depreciation expense of $2,155,607.96, and the disposal of equipment that had a combined remaining book value of $172,520.42. The College made renovations to a building that was purchased in FY 2014 for the Collision Repair and Renovation Technology (CRRT) program, formally known as ICAR. These renovations increased the buildings account balance $499,373.88 in FY 2015. The College's $3,575,185.16 increase to construction in progress is due to construction expenditures incurred for the Tony Rand Student Center renovation. The College purchased equipment totaling $2,420,740.71. This capital asset activity is discussed later in this discussion and analysis.

Restricted net position decreased $3,968,401.50 or 65.9 percent. This decrease occurred mainly in the restricted capital projects net position account. Restricted capital projects net position decreased $3,967,500.03 or 78.4 percent. There were two main reasons for this decrease. The College transferred $2,841,214.90 from the CRRT building renovation project back to the bookstore. This was possible because funding was provided by Cumberland County in FY 2015 for the CRRT renovation, which enabled the College to return funds to the bookstore. In addition, the College incurred over $738,000 in noncapital expense for construction projects that included roof and boiler/chiller repairs.

Unrestricted net position increased $6,609,905.86 or 1,701.7% percent from FY 2014 to FY 2015. This is the result of fluctuations in a combination of unrestricted accounts. An overall increase in unrestricted net position results when unrestricted revenues are greater than expenses paid from unrestricted funds. Unrestricted revenues are generated from student tuition and fees, sales and services, other operating revenues, state aid, county appropriations, investment income, and unrestricted noncapital grants and gifts. Expenses paid from unrestricted funds include the majority of the College's salaries and benefits, supplies and materials, services, and utilities. The majority of the change in this account is due to a $2,841,214.90 transfer of funds from the CRRT building fund back to the bookstore (discussed above). Sales and services revenue increased $589,724.71 and county appropriations increased $95,524. Additional details about these revenue accounts are discussed later in the revenue section of this discussion and analysis. In addition to the increased unrestricted revenues, there was an overall decrease in salaries and benefits expense of $802,193.50, which is discussed later in the expenses section of this discussion and analysis.

Total net position as of June 30, 2015, consists of net investment in capital assets (90.4 percent), restricted net position (2.2 percent), and unrestricted net position (7.4 percent). The following is a graphic illustration of net position.

Analysis of Net Position for
FY 2015 and FY 2014 (as restated)



As of June 30, 2015, the College had recorded $114,092,200.08 in capital assets and $28,732,900.68 in accumulated depreciation, resulting in net capital assets of $85,359,299.40.

Current assets increased $5,247,683.97 or 28.7 percent from FY 2014 to FY 2015. This increase was largely due to a $4,880,724.34 increase in current unrestricted cash and cash equivalents. The increase in current unrestricted cash and cash equivalents is due to the return of $2,841,219.90 from the CRRT capital project (restricted fund) to the bookstore (unrestricted fund). The College received reimbursement of these funds from Cumberland County in FY 2015, which enabled the transfer of cash back to unrestricted funds. The bookstore also experienced an increase in sales revenue of over $430,000. The increase in sales revenue was the result of the College offering technology for sale in the bookstore for the first time in FY 2015. The bookstore sold laptops, tablets, printers, and battery backups. In addition, the bookstore sold printer ink and cases for computers and laptops. The bookstore sold Microsoft Office software. There was also an increase in uniform sales for the new CRRT program. The bookstore decreased expenses related to purchases for resale of over $555,000.

Noncurrent assets – capital increased $4,167,171.37 or 5.1 percent from FY 2014 to FY 2015. The increase in noncurrent assets – capital correlates to the increase in net investment in capital assets net position, which has been explained above.

Noncurrent assets – other decreased $4,175,701.70 or 79 percent from FY 2014 to FY 2015. The change is the result of a decrease in noncurrent restricted cash and cash equivalents of $3,227,259.06 and a decrease in restricted due from primary government of $948,442.64. The main reason for the decrease in restricted cash and cash equivalents has been noted above. When the College received funds from Cumberland County in FY 2015 to pay for the CRRT capital project, $2,841,219.90 was transferred from a restricted capital project fund to the unrestricted bookstore fund, resulting in a shift of cash from noncurrent restricted to current unrestricted. The decrease in restricted due from primary government is the result of the College's progress on certain of its capital projects. When the College incurs expense on a capital project, reimbursement is requested from the State, which reduces this receivable.

The receivable was reduced in FY 2015 due to progress made on the Tony Rand Student Center renovation and two roof replacement projects.

Current liabilities increased $739,961.64 or 27 percent from FY 2014 to FY 2015. The majority of this increase is due to two factors. There was a $376,328.31 increase from FY 2014 to FY 2015 in contracts/retainage payable related to the Tony Rand Student Center renovation project and roof repairs on the Center for Business and Industry and Horace Sisk buildings. There was also a $331,245.86 increase in unearned revenues related to summer term classes. For financial reporting purposes, the College defers a portion of its tuition and fees revenue paid by students for summer classes. This liability is called "unearned revenue" because even though the College received payment for the classes before the fiscal year end of June 30, a portion of the summer term extends beyond June 30. The College records a liability for this portion of the summer term because the College has not yet fulfilled its obligation to teach these classes at June 30. In the summer of FY 2015, the College offered summer courses through August 10. In the summer of FY 2014, the College's summer course offerings ended July 22. Because a greater portion of our summer courses occurred after June 30 in FY 2015, the percentage of revenue considered unearned at June 30, 2015, is greater.

Noncurrent liabilities consist of the long-term portion of compensated absences and the net pension liability. Noncurrent liabilities decreased 12,306,186.05 or 69.5% from FY 2014 to FY 2015. Total compensated absences include the balance of regular earned annual leave plus the balance of bonus leave, including benefits, for all full-time employees. This portion of noncurrent liabilities only accounts for $99,811.95 of the change in noncurrent liabilities. The majority of the change results from the College's implementation of GASB 68, *Accounting and Financial Reporting for Pensions.* As discussed previously, this accounting standard is effective for FY 2015 and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses, all related to pensions. Prior to FY 2015, the College was not required to record a liability related to its participation in the Teachers' and State Employees' Retirement System. The College's actuary determined net pension liability decreased from $15,359,678 at June 30, 2014, to $2,953,680 at June 30, 2015. See Note 11 in the Notes to the Financial Statements for more information on the College's net pension liability.

In addition to other significant account balance changes already discussed related to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, in FY 2015 the College reported deferred outflows of resources for pensions of $3,726,963.57 and deferred inflows of resources for pensions of $10,667,893. Deferred outflows or inflows of resources are recorded for outflows or inflows that take place during the current fiscal year, but relate to future time periods. As with all other transactions recorded in FY 2015 for GASB 68, the College's deferred outflows and inflows of resources for pensions were determined by actuaries and audited by the North Carolina Office of the State Auditor.

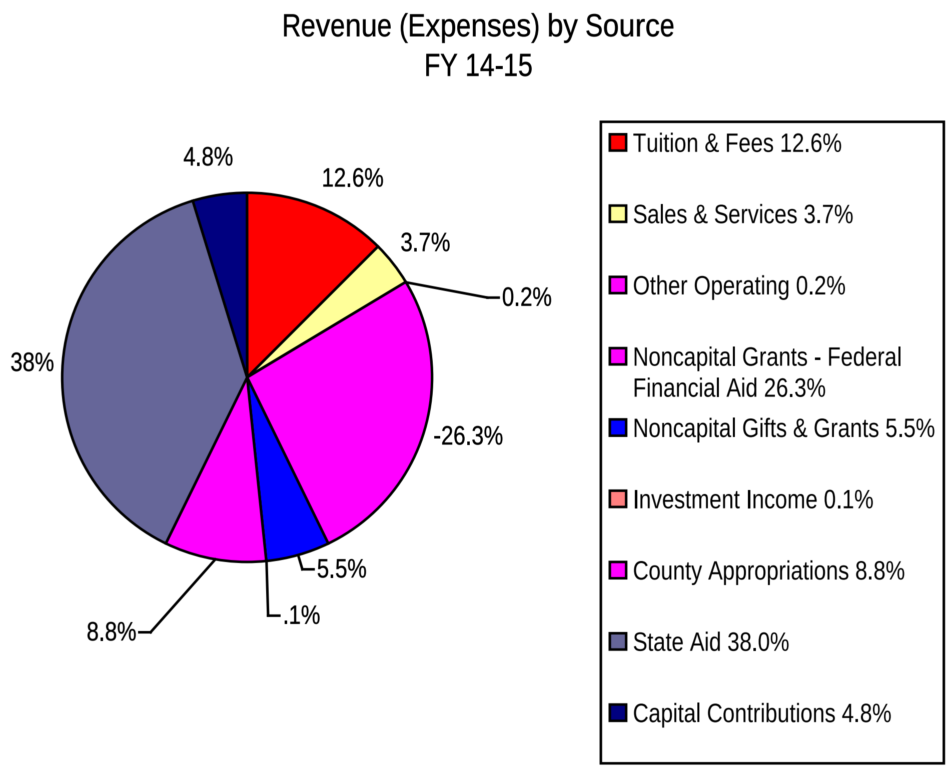
Condensed Statement of Net Position

	2015	2014 (as restated)	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	$ 23,520,444.68	$ 18,272,760.71	$ 5,247,683.97	28.7%
Noncurrent Assets:				
Capital	85,359,299.40	81,192,128.03	4,167,171.37	5.1%
Other	1,110,529.78	5,286,231.48	(4,175,701.70)	-79.0%
Total Assets	109,990,273.86	104,751,120.22	5,239,153.64	5.0%
DEFERRED OUTFLOWS OF RESOURCES FOR PENSIONS	3,726,963.57	3,292,302.00	434,661.57	13.2%
LIABILITIES				
Current Liabilities	3,479,306.66	2,739,345.02	739,961.64	27.0%
Noncurrent Liabilities	5,399,261.38	17,705,447.43	(12,306,186.05)	-69.5%
Total Liabilities	8,878,568.04	20,444,792.45	(11,566,224.41)	-56.6%
DEFERRED INFLOWS OF RESOURCES FOR PENSIONS	10,667,893.00	0.00	10,667,893.00	
NET POSITION				
Net Investment in Capital Assets	85,122,770.29	81,192,128.03	3,930,642.26	4.8%
Restricted	2,049,679.39	6,018,080.89	(3,968,401.50)	-65.9%
Unrestricted	6,998,326.71	388,420.85	6,609,905.86	1701.7%
Total Net Position	$ 94,170,776.39	$ 87,598,629.77	$ 6,572,146.62	7.5%

Total revenues for FY 2015 were $109,789,881.59, an increase of 6.1 percent compared to FY 2014.

Operating revenues increased $381,336.98 or 2.2 percent from FY 2014 to FY 2015. The majority of the change is due to an overall decrease in net tuition and fees revenue of $272,634.10, offset by an increase in sales and services of $589,724.71. Curriculum tuition and fees increased in FY 2015, but the increase was offset by decreases in continuing education and self-supporting tuition and fees. The increase in sales and services revenue is due to bookstore operations.

Nonoperating revenues, including capital contributions, increased $5,948,615.25 or 6.9 percent from FY 2014 to FY 2015, which was the result of two main factors. State aid increased $2,612,180.99 and capital contributions increased $3,000,452.94. Even though there was a slight overall decrease in FTEs that determined the College's state funding for FY 2015, state aid increased for this period because the State increased the funding per FTE and also added a higher funded tier for FTEs generated by programs that cost more to operate. In addition, the College received a higher performance based allocation from the State in FY 2015 compared to FY 2014, and additional state aid funds for an increase in salaries and benefits for employees. Capital contributions increased significantly due to funds received from Cumberland County to pay for the College's CRRT property.



Total expenses at June 30, 2015, were $103,217,734.97; at June 30, 2014, total expenses were $102,299,654.77, resulting in a $918,080.20 or 0.9 percent increase from FY 2014.

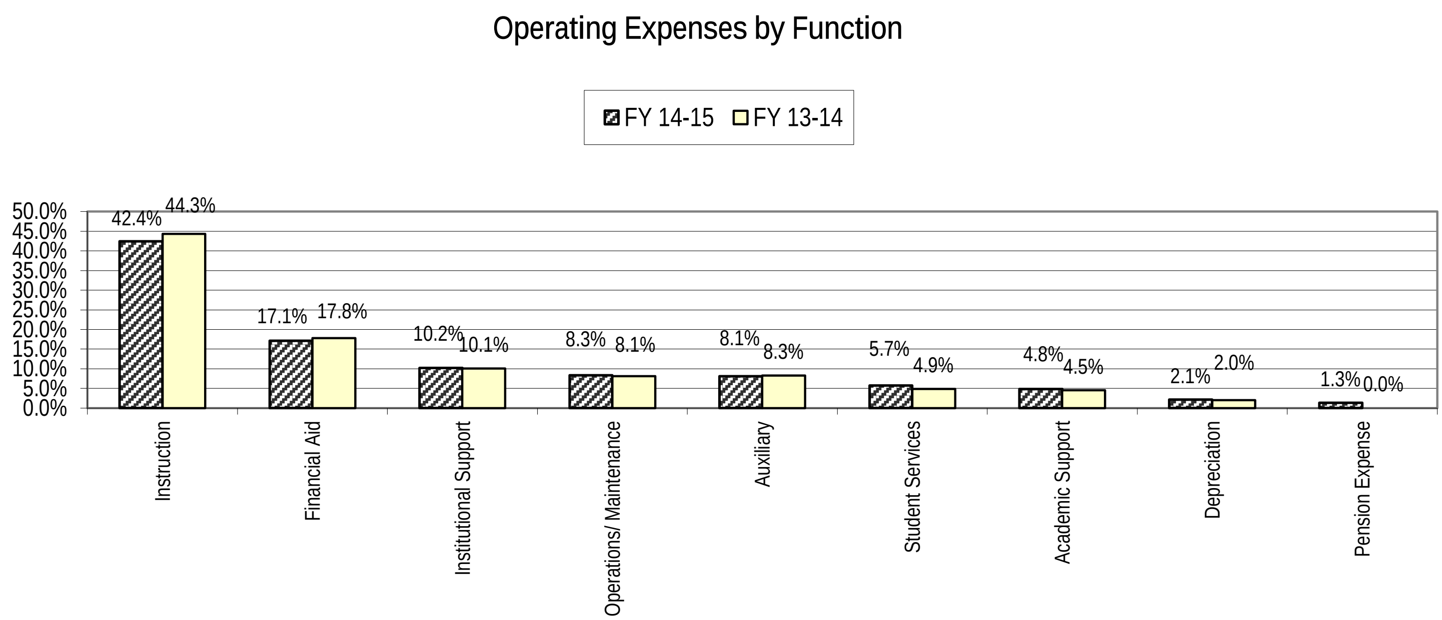
Salaries and benefits expense decreased $802,193.50. The overall decrease resulted due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions,* which has been discussed previously throughout this discussion and analysis. One of the requirements of this new standard was for the College to reclassify a portion of its retirement contributions expense, totaling $3,487,608.57, to deferred outflows of resources. In addition, there was a decrease in salaries and benefits expense due to the loss of several workforce development grant funded employees. Since July 2011, the College has served as the grant administrator for the activities of the local workforce development board. Toward the end of FY 2014, laws governing workforce development boards changed, requiring these services to be bid and contracted to a third party, which meant program employees paid from these grant funds were no longer employed by the College. The College is also experiencing a decrease to salaries and benefits expense due to an increase in the number of employees retiring. These long-term employees are replaced by individuals who are starting at a lower point in the salary range for their positions, due to the experience element. The overall decrease in salaries and benefits expense was partially offset by another element of the GASB 68 implementation, which required the College to record $1,324,842 in pension expense in FY 2015. Other increases to salaries and benefits in FY 2015 include a raise for faculty and staff equal to the greatest of $1,000 or 4.5 percent for faculty and 3.5 percent for staff. The College also increased salaries and benefits expense due to expansions in the areas of veterans support, social media, computer support, new programs such as CRRT, academic support, and instruction.

Supplies and materials expense increased $678,215.82. This majority of this increase happened in the functional expense classifications of student services and operations and maintenance of plant. The increase in student services supplies and materials expense is the result of the renovation of the Tony Rand Student Center. This renovation project was nearing completion as of June 30, 2015, therefore there was increased spending in this fiscal year to make the facility ready for its reopening. The increase in the operation and maintenance of plant supplies and materials expense is due to roof replacements on the Horace Sisk and Center for Business and Industry buildings.

Services expenses increased $1,370,865.06. The majority of this increase is due to increased contracted services expenses incurred by the College related to the workforce development grant. As required by the change in laws governing local workforce development boards, as discussed above, these services were bid and contracted out in FY 2015, causing the increase to contracted services.

Scholarships and fellowships expense decreased $498,034.08. This decrease is due to the outsourcing of the workforce development services and an overall decrease in the number of students eligible for this grant.

The College also shows a negative restatement of $12,067,376.00 in the Condensed Statement of Revenues, Expenses and Changes in Net Position, which results from the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*.

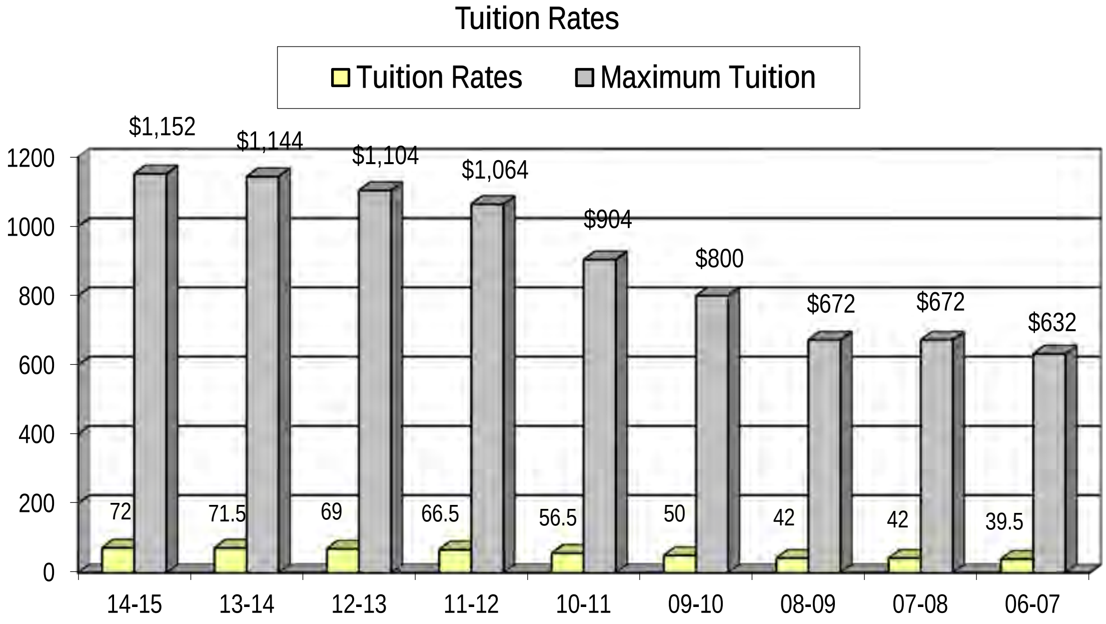


Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014*	Increase (Decrease)	% Change
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 13,859,119.26	$ 14,131,753.36	$ (272,634.10)	-1.9%
Grants and Contracts	65,603.92	23,346.47	42,257.45	181.0%
Sales and Services, Net	4,045,251.49	3,455,526.78	589,724.71	17.1%
Other Operating Revenues	125,640.87	103,651.95	21,988.92	21.2%
Net Operating Revenues	18,095,615.54	17,714,278.56	381,336.98	2.2%
OPERATING EXPENSES				
Salaries and Benefits	57,035,624.47	57,837,817.97	(802,193.50)	-1.4%
Supplies and Materials	12,451,252.81	11,773,036.99	678,215.82	5.8%
Services	12,040,387.46	10,669,522.40	1,370,865.06	12.8%
Scholarships and Fellowships	17,428,321.02	17,926,355.10	(498,034.08)	-2.8%
Utilities	1,979,252.69	1,906,766.79	72,485.90	3.8%
Depreciation	2,155,607.96	2,040,823.60	114,784.36	5.6%
Total Operating Expenses	103,090,446.41	102,154,322.85	936,123.56	0.9%
Operating Loss	(84,994,830.87)	(84,440,044.29)	(554,786.58)	0.7%
NONOPERATING REVENUES (EXPENSES)				
State Aid	41,711,871.45	39,099,690.46	2,612,180.99	6.7%
County Appropriations	9,647,928.00	9,552,404.00	95,524.00	1.0%
Noncapital Grants - Federal Student Financial Aid	28,927,176.58	28,655,345.65	271,830.93	0.9%
Noncapital Grants	5,871,422.52	6,105,213.51	(233,790.99)	-3.8%
Noncapital Gifts	185,000.00		185,000.00	
Investment Income	65,321.68	47,904.30	17,417.38	36.4%
Other Nonoperating Expenses	(127,288.56)	(145,331.92)	(18,043.36)	-12.4%
Net Nonoperating Revenues	86,281,431.67	83,315,226.00	2,966,205.67	3.6%
Gain (Loss) Before Other Revenues	1,286,600.80	(1,124,818.29)	2,411,419.09	-214.4%
Capital Contributions	5,285,545.82	2,285,092.88	3,000,452.94	131.3%
Increase in Net Position	6,572,146.62	1,160,274.59	5,411,872.03	466.4%
NET POSITION				
Beginning of Year	99,666,005.77	98,505,731.18	1,160,274.59	
Restatement	(12,067,376.00)		(12,067,376.00)	
End of Year	$ 94,170,776.39	$ 99,666,005.77	$ (5,495,229.38)	

** 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.*

In FY 2015, the state tuition rates for in-state and out-of-state students increased to $72 and $264 per credit hour, respectively. This is an increase of 0.7 percent for in-state tuition and 0.2 percent for out-of-state tuition. Over the last eight years, in-state tuition has increased 82.3 percent.



As mentioned previously, the College receives funding from county and state sources. Noncapital county appropriations increased $95,524 in FY 2015 compared to FY 2014.

In FY 2015 compared to FY 2014, the FTEs that generate the College's state budget (budget FTEs) decreased in the areas of curriculum and college/career readiness, but increased in the area of occupational extension. The College's funding is based on actual FTE earned during the prior fiscal year or a two year average, whichever is greater. In FY 2015 actual FTEs earned in FY 2014 was used by the North Carolina Community College System Office (NCCCSO) to generate FY 2015 budget in the area of occupational extension, but in the areas of curriculum and college/career readiness, a two year average was used for funding.

	2014-2015	2013-2014	% Increase / (Decrease)
Curriculum	9,073	9,176	(1.1%)
Occupational Extension	1,964	1,934	1.6%
College and Career Readiness	1,089	1,115	(2.3%)
Total FTEs	12,126	12,225	(0.8%)

For FY 2015, the General Assembly again enacted a management flexibility reduction to the state aid budget. A management flexibility reduction is a budget cut that the General Assembly does not specifically prescribe how to implement; management has the flexibility to determine what budget line items to cut within certain parameters. This type of cut is also referred to as a negative reserve. This method of reducing the state budget was originally implemented for FY 2010.

The College's portion of the management flexibility reduction that was reverted prior to preparation of the combined budget (DCC 2-1) was $2,857,757. An additional budget reversion of $627,195 was required in February 2015. The state allocated a $1,000 per person salary increase to full-time faculty and staff, while also giving colleges the flexibility to grant salary increases. The College was able to give a salary increase equal to the greater of $1,000 or 4.5 percent for faculty and 3.5 percent for staff.

In the area of Occupational Extension, eight new career training programs were offered through distance learning, serving over 200 students. These programs include Online Professional Medical Auditor, Online Administrative Office Assistant, Online Customer Service Representative, Online Records Clerk, and Online Medical Coding I and II. In the area of Curriculum, Information Systems Security/Cyber Security, Gunsmithing, and Global Logistics and Distribution Management Technology were approved new programs for the fall 2015 semester.

The state of the economy, reflected by unemployment rates in Cumberland and surrounding counties, had a direct relationship to enrollment. The actual overall FTE earned during FY 2015 decreased by 1.9 percent. This decrease is reflected in the FY 2015 unemployment rates, as rates improved in Cumberland County.

Cumberland County Unemployment Rates

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
January	7.3%	7.9%	11.0%	10.3%	9.7%	9.9%
February	7.0%	7.5%	10.2%	10.1%	9.4%	9.9%
March	6.8%	7.6%	9.7%	9.7%	9.1%	9.2%
April	6.6%	7.0%	9.4%	9.5%	9.1%	8.7%
May	7.5%	7.7%	10.0%	9.9%	9.4%	8.8%
June	7.7%	7.5%	10.6%	10.4%	10.3%	9.1%

Significant Capital Asset Activities

The Tony Rand Student Center renovation project was the only project reported as construction in progress at June 30, 2015. This project was completed in July 2015. The project consists of $3,282,343.38 institutional funds, $700,000 state equipment funds, and $29,910 state bond funds, for a total cost of $4,012,253.38.

The Horace Sisk multiple renovations project has a budget of $450,000 consisting of state funds. No contracts have been awarded. This project is expected to start in the winter of 2015.

The roof replacement project for the Center for Business and Industry and the Horace Sisk building had a budget of $837,400 consisting of state funds. This project was completed in July 2015 at a total cost of $787,620.

The elevator upgrades project for Cumberland Hall and the YMCA building has a budget of $138,000 consisting of state funds. The project is currently in the design phase. It has been determined that the fire alarm system will need to be brought up to code prior to proceeding. Construction is expected to start in 2016.

The CRRT building renovation had a budget of $500,000, consisting of county funds. The project was completed in February 2015 and capitalized to buildings at a total cost of $499,373.88.

Economic Forecast

The College budget for FY 2016 has yet to be determined, as the General Assembly continues to meet and work out the budget details. Preliminary budget projections indicate our funding will be flat for the upcoming year. The College continues to expect a management flexibility reduction off the top of the budget and an additional hold back of 1 to 2 percent for possible future reversions during the year.

FINANCIAL STATEMENTS

Fayetteville Technical Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2015 — *Page 1 of 2*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 18,550,713.46
Restricted Cash and Cash Equivalents	1,350,690.70
Receivables, Net (Note 4)	1,736,124.36
Due from Primary Government	264,110.57
Due from State of North Carolina Component Units	6,172.75
Inventories	685,191.11
Prepaid Items	921,617.83
Notes Receivable, Net (Note 4)	5,823.90
Total Current Assets	23,520,444.68
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	258,163.83
Restricted Due from County	10,334.00
Restricted Due from Primary Government	842,031.95
Capital Assets - Nondepreciable (Note 5)	11,765,872.62
Capital Assets - Depreciable, Net (Note 5)	73,593,426.78
Total Noncurrent Assets	86,469,829.18
Total Assets	109,990,273.86
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	3,726,963.57
Total Deferred Outflows of Resources	3,726,963.57
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	1,602,590.55
Unearned Revenue	1,412,741.90
Funds Held for Others	59,858.56
Long-Term Liabilities - Current Portion (Note 7)	404,115.65
Total Current Liabilities	3,479,306.66
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	5,399,261.38
Total Noncurrent Liabilities	5,399,261.38
Total Liabilities	8,878,568.04
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	10,667,893.00
Total Deferred Inflows of Resources	10,667,893.00

NET POSITION

Net Investment in Capital Assets	85,122,770.29
Restricted for:	
Nonexpendable:	
Endowment	39,050.00
Expendable:	
Scholarships and Fellowships	16,946.85
Loans	236,504.80
Capital Projects	1,093,767.57
Departmental Uses	572,643.91
Other	90,766.26
Unrestricted	6,998,326.71
Total Net Position	$ 94,170,776.39

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

Fayetteville Technical Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015 *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	13,859,119.26
State and Local Grants and Contracts		65,603.92
Sales and Services, Net (Note 9)		4,045,251.49
Other Operating Revenues		125,640.87
Total Operating Revenues		18,095,615.54
EXPENSES		
Operating Expenses:		
Salaries and Benefits		57,035,624.47
Supplies and Materials		12,451,252.81
Services		12,040,387.46
Scholarships and Fellowships		17,428,321.02
Utilities		1,979,252.69
Depreciation		2,155,607.96
Total Operating Expenses		103,090,446.41
Operating Loss		(84,994,830.87)
NONOPERATING REVENUES (EXPENSES)		
State Aid		41,711,871.45
County Appropriations		9,647,928.00
Noncapital Grants - Federal Student Financial Aid		28,927,176.58
Noncapital Grants		5,871,422.52
Noncapital Gifts		185,000.00
Investment Income		65,321.68
Other Nonoperating Expenses		(127,288.56)
Net Nonoperating Revenues		86,281,431.67
Income Before Other Revenues		1,286,600.80
State Capital Aid		2,312,040.29
County Capital Aid		2,973,505.53
Increase in Net Position		6,572,146.62
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 17)		87,598,629.77
Net Position, June 30, 2015	$	94,170,776.39

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

Fayetteville Technical Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 18,403,843.12
Payments to Employees and Fringe Benefits	(58,999,487.34)
Payments to Vendors and Suppliers	(26,548,405.89)
Payments for Scholarships and Fellowships	(17,450,565.24)
Loans Issued to Students	(13,564.93)
Collection of Loans to Students	14,641.43
Other Receipts	5,769.52
Net Cash Used by Operating Activities	(84,587,769.33)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	41,711,871.45
County Appropriations	9,647,928.00
Noncapital Grants - Federal Student Financial Aid	28,920,314.04
Noncapital Grants	5,931,523.36
Noncapital Gifts	185,000.00
William D. Ford Direct Lending Receipts	17,701,543.00
William D. Ford Direct Lending Disbursements	(17,701,543.00)
Net Cash Provided by Noncapital Financing Activities	86,396,636.85
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	3,260,482.93
County Capital Aid	2,973,505.53
Proceeds from Sale of Capital Assets	3,429.37
Acquisition and Construction of Capital Assets	(6,105,440.97)
Net Cash Provided by Capital and Related Financing Activities	131,976.86
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	65,321.68
Cash Provided by Investing Activities	65,321.68
Net Increase in Cash and Cash Equivalents	2,006,166.06
Cash and Cash Equivalents, July 1, 2014	18,153,401.93
Cash and Cash Equivalents, June 30, 2015	$ 20,159,567.99

Fayetteville Technical Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2015 — *Page 2 of 2*

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (84,994,830.87)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,155,607.96
Provision for Uncollectible Loans and Write-Offs	4,287.84
Pension Expense	1,324,842.00
Nonoperating Other Income	41,802.49
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(57,570.03)
Inventories	228,520.75
Prepaid Items	(247,420.42)
Notes Receivable, Net	1,076.50
Accounts Payable and Accrued Liabilities	(22,587.95)
Unearned Revenue	343,553.39
Funds Held for Others	(36,032.97)
Deferred Outflows - Contributions After the Measurement Date	(3,497,608.57)
Compensated Absences	168,590.55
Net Cash Used by Operating Activities	$ (84,587,769.33)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 18,550,713.46
Restricted Cash and Cash Equivalents	1,350,690.70
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	258,163.83
Total Cash and Cash Equivalents - June 30, 2015	$ 20,159,567.99

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$ 236,529.11
Increase in Receivables Related to Nonoperating Income	281,469.57
Loss on Disposal of Capital Assets	(169,091.05)

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

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

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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, certificates of deposit, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method, with the exception of inventories located at the central supply store and print shop, which are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the first-in, first-out method.

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

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for other intangible assets, such as purchased computer software, which are capitalized when the value or cost is $100,000 or greater.

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	40-75 years
Machinery & Equipment	5-45 years
General Infrastructure	40-75 years
Computer Software	10 years

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

I. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities includes 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 11 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

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

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

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

N. Internal Sales Activities – The College bookstore provides goods and services to College departments, as well as to its customers. All internal sales activities to College departments from bookstore operations have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the sales and service unit and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - 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. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $3,420.00, and deposits in private financial institutions with a carrying value of $5,442,432.33 and a bank balance of $7,015,295.07.

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.

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes $14,713,715.66 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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2015, net appreciation of $188.22 was available to be spent, all of which was classified in net position as restricted, expendable for scholarships and fellowships.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,616,188.99	$ 1,078,465.76	$ 537,723.23
Student Sponsors	614,672.55		614,672.55
Accounts	563,361.90		563,361.90
Intergovernmental	15,959.43		15,959.43
Other	4,407.25		4,407.25
Total Current Receivables	$ 2,814,590.12	$ 1,078,465.76	$ 1,736,124.36
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 46,936.75	$ 41,112.85	$ 5,823.90

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	$ 7,776,692.05	$ 0.00	$ 0.00	$ 7,776,692.05
Construction in Progress	413,995.41	3,575,185.16		3,989,180.57
Total Capital Assets, Nondepreciable	8,190,687.46	3,575,185.16	0.00	11,765,872.62
Capital Assets, Depreciable:				
Buildings	80,196,761.97	499,373.88		80,696,135.85
Machinery and Equipment	16,946,696.42	2,420,740.71	564,054.02	18,803,383.11
General Infrastructure	1,619,600.50			1,619,600.50
Computer Software	1,207,208.00			1,207,208.00
Total Capital Assets, Depreciable	99,970,266.89	2,920,114.59	564,054.02	102,326,327.46
Less Accumulated Depreciation for:				
Buildings	20,299,230.99	1,164,536.98		21,463,767.97
Machinery and Equipment	5,381,391.90	849,454.66	391,533.60	5,839,312.96
General Infrastructure	553,818.32	20,895.48		574,713.80
Computer Software	734,385.11	120,720.84		855,105.95
Total Accumulated Depreciation	26,968,826.32	2,155,607.96	391,533.60	28,732,900.68
Total Capital Assets, Depreciable, Net	73,001,440.57	764,506.63	172,520.42	73,593,426.78
Capital Assets, Net	$ 81,192,128.03	$ 4,339,691.79	$ 172,520.42	$ 85,359,299.40

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 733,513.96
Accrued Payroll	471,821.31
Contract Retainage	207,036.17
Other	190,219.11
Total	$ 1,602,590.55

NOTE 7 - 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	$ 15,359,678.00	$ 0.00	$ 12,405,998.00	$ 2,953,680.00	$ 0.00
Compensated Absences	2,681,106.48	1,904,126.88	1,735,536.33	2,849,697.03	404,115.65
Total Long-Term Liabilities	$ 18,040,784.48	$ 1,904,126.88	$ 14,141,534.33	$ 5,803,377.03	$ 404,115.65

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

NOTE 8 - OPERATING LEASES

The College entered into cancellable operating leases. Rental expense for all operating leases during the year was $530,497.30.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 23,440,503.04	$ 0.00	$ 9,599,293.36	$ (17,909.58)	$ 13,859,119.26
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	$ 8,003,054.24	$ 35,230.95	$ 5,188,907.39	$ (60,410.46)	$ 2,839,326.36
Vending/Cafeteria	116,796.33				116,796.33
Early Childhood Ed. Center	1,002,258.74				1,002,258.74
Other	1,798.00				1,798.00
Sales and Services of Education and Related Activities	85,072.06				85,072.06
Total Sales and Services	$ 9,208,979.37	$ 35,230.95	$ 5,188,907.39	$ (60,410.46)	$ 4,045,251.49

** Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.*

NOTE 10 - 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	$ 35,818,264.73	$ 2,853,515.78	$ 5,093,713.38	$ 0.00	$ 0.00	$ 0.00	$ 43,765,493.89
Academic Support	3,649,667.66	438,025.83	869,663.33				4,957,356.82
Student Services	4,444,444.64	996,218.67	450,260.99				5,890,924.30
Institutional Support	6,800,370.01	707,765.95	2,978,668.27				10,486,804.23
Operations and Maintenance of Plant	3,232,447.50	1,074,800.14	2,230,244.46		1,979,252.69		8,516,744.79
Student Financial Aid	202,754.18			17,428,321.02			17,631,075.20
Auxiliary Enterprises	1,562,833.75	6,380,926.44	417,837.03				8,361,597.22
Depreciation						2,155,607.96	2,155,607.96
Pension Expense	1,324,842.00						1,324,842.00
Total Operating Expenses	$ 57,035,624.47	$ 12,451,252.81	$ 12,040,387.46	$ 17,428,321.02	$ 1,979,252.69	$ 2,155,607.96	$ 103,090,446.41

NOTE 11 - 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 $3,497,608.57, and employee contributions were $2,293,513.82 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 $2,953,680 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 .25193%, which was a decrease of .42% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
$ 21,203,565	$ 2,953,680	$ (12,455,689)

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 $1,324,842. 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	$ 688,487.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		9,979,406.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	229,355.00	
Contributions Subsequent to the Measurement Date	3,497,608.57	
Total	$ 3,726,963.57	$ 10,667,893.00

$3,497,608.57 of the amount 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	$ (2,615,996.00)
2017	(2,615,996.00)
2018	(2,615,996.00)
2019	(2,590,550.00)
2020	-
Total	$ (10,438,538.00)

NOTE 12 - 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 $2,098,565.14, $2,045,880.80, and $1,969,440.53, 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 $156,723.44, $166,701.40, and $163,500.72, 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 13 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid directly from county or institutional funds by contract with private insurance companies.

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.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $539,314.95 at June 30, 2015.

B. Pending Litigation and Claims - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

NOTE 15 - OPERATING LEASE REVENUE

Future minimum lease revenue under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 20,957.00
2017	20,957.00
2018	20,957.00
2019	20,957.00
2020	20,957.00
2021-2025	104,785.00
2026-2030	104,785.00
2031-2035	104,785.00
2036	20,957.00
Total Minimum Lease Revenues	$ 440,097.00

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

NOTE 16 - RELATED PARTIES

The Fayetteville Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated $157,308 for the year ended June 30, 2015.

Formed as a corporation on April 23, 2010, the FTCC Innovation Center is a separately incorporated nonprofit corporation associated with the College. This corporation is organized to support Fayetteville Technical Community College and thereby advance education and science. There were no significant transactions between the FTCC Innovation Center and the College for the year ended June 30, 2015.

NOTE 17 - NET POSITION RESTATEMENT

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

		Amount
July 1, 2014 Net Position as Previously Reported	$	99,666,005.77
Restatement:		
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements		(12,067,376.00)
July 1, 2014, Net Position as Restated	$	87,598,629.77

REQUIRED SUPPLEMENTARY INFORMATION

Fayetteville Technical 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***

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.25193%	0.25300%
Proportionate Share of TSERS Collective Net Pension Liability	$ 2,953,680.00	$ 15,359,678.00
Covered-Employee Payroll	$ 37,886,682.00	$ 37,159,255.00
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.80%	41.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit B-2

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 3,497,608.57	$ 3,292,352.62	$ 3,095,365.97	$ 2,645,297.97	$ 1,745,903.59
Contributions in Relation to the Contractually Determined Contribution	3,497,608.57	3,292,352.62	3,095,365.97	2,645,297.97	1,745,903.59
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 38,225,230.28	$ 37,886,681.53	$ 37,159,255.40	$ 35,555,080.22	$ 35,413,865.92
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 1,244,272.02	$ 1,198,596.48	$ 1,069,970.29	$ 883,228.48	$ 714,371.82
Contributions in Relation to the Contractually Determined Contribution	1,244,272.02	1,198,596.48	1,069,970.29	883,228.48	714,371.82
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 34,853,557.88	$ 35,672,514.35	$ 35,080,993.08	$ 33,204,078.07	$ 30,528,710.19
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

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

Changes of Benefit Terms:

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

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Fayetteville Technical Community College
Fayetteville, 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 Fayetteville Technical 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 February 15, 2016.

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 15, 2016

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NC OSA
The Taxpayers' Watchdog

This audit required 350 audit hours at an approximate cost of $34,650.